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# In search of national wealth and power: nationalism and economic modernization of China

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GRADUATE SCHOOL OF ARTS AND SCIENCES

Dissertation

**IN SEARCH OF NATIONAL WEALTH AND POWER:  
NATIONALISM AND ECONOMIC MODERNIZATION OF CHINA**

by

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requirements for the degree of

Doctor of Philosophy  
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## **DEDICATION**

I would like to dedicate this work to all my families, friends, mentors and advisors  
in Mainland China, Hong Kong, Japan, and the U.S.

Without them, I could not have reached this far.

多谢！

ありがとうございました。

תודה רבה.

Thank You!

**IN SEARCH OF NATIONAL WEALTH AND POWER:  
NATIONALISM AND ECONOMIC MODERNIZATION OF CHINA**

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**ABSTRACT**

Contributing a new dimension to the existing literature on China's economic development which focuses on the *how* questions – i.e., questions about the process and conditions – this dissertation research addresses a fundamental *why* question. Specifically, it asks: *why*, after more than two millennia of subsistence-oriented economy, did Chinese leaders and/or common people become interested in and reorient toward *sustained* economic growth? It examines and compares three episodes of China's economic modernization in the course of the past century, testing the hypothesis that this reorientation has been motivated by nationalism, specifically the desire to improve the international standing (power and prestige) of China, using as the chief means to this end the country's enormous economic resources. The three chosen episodes for historical comparison are: the Nanjing Decade (1928-1937) under the rule of the Nationalist government, the years of early economic reform led by Deng Xiaoping (1978-1997), and the recent years, broadly identified as Chinese globalization, under Xi Jinping (2013-present).

Drawing upon historical archives, biographies, contemporary official documents, media reports, economic statistics, and survey data, this dissertation empirically examines the major changes of China's political economy in each of the three periods. In particular, it looks into the development and competition of different nationalist aspirations (i.e., nationalism prioritizing the economy versus other spheres such as ideology, culture, or the military) and analyzes the mechanisms through which the type of nationalism that came to be adopted by Chinese leaders and eventually the people made the economy its priority. On the basis of the comparative-historical analysis of the three core periods in Chinese political economy, the dissertation overall argues the following:

First, the identification of the economic sphere as the basis of national greatness in China (in imitation of leading Western nations and, in particular, Japan) made economic success a way to social status and approbation. This led to nationalism, specifically *nationalism prioritizing the economy*, among those with economic opportunities, as people came to connect their success and increased dignity with China's international standing, seeing themselves as directly contributing to it and becoming personally invested in and committed to the nation's prosperity.

Second, the sectors of the population to whom economic opportunities were open during the three periods of Chinese modernization differed. Thus, *nationalism prioritizing the economy* was only shared by a small number of individuals within the intellectual and business elite in Republican China, spreading to a much wider circle in the elite and those who got rich first under Deng's "Reform and Opening-up" policy, and, in the recent decades eventually percolating to the population at large.

Third, competition for international prestige is endless – when it is pursued through the economy, it creates commitment to *sustained* growth. China’s rising international status based on its rapid economic growth since 1978, signaled by its astonishing display at the Beijing Olympics in 2008 and its resilience during the 2008/09 international financial crisis, converted many more Chinese into nationalists, which, in turn, reinforced their economic motivation, creating a snowball effect.

Fourth, similarly to the earlier leaders in the economic competition (e.g., Britain, the US, and Japan), China’s growing economic power changed its attitude to free trade and globalization. Its economic policies have steadily turned away from protectionism that so many experts believe to be inseparable from the political ideology of the authoritarian Chinese state. China’s recent championship of globalization shows that economic globalization is ideologically-independent – i.e., it is simply in the interest of the economically most powerful nations, and thus, today, in China’s national interest.

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## **LIST OF ABBREVIATIONS**

BICA	The Bureau of Industry and Commerce Administration
BRI	The Belt and Road Initiative
BRICS	Brazil, Russia, India, China, and South Africa
CCP	The Chinese Communist Party
DCS	“Dual Circulation Strategy”
FDI	Foreign Direct Investments
HRS	The Household Responsibility System
KMT	The Nationalist Party
MIC 2025	“Made-in-China 2025”
NEC	The National Economic Council
NPPA	The National Products Preservation Association
PLA	The People’s Liberation Army
PRC	The People’s Republic of China
TPP	The Trans-Pacific Partnerships
TVEs	Township and Village Enterprises
WTO	The World Trade Organization

## **NOTES TO THE READERS**

Spellings of Chinese names and places in English are generally in Pinyin rather than Wade-Giles, except in cases where the latter is used in a direct quotation or the usage of the latter has become regular in most writings (e.g., Sun Yat-Sen and Chiang Kai-shek). In the main text, Chinese names are also written in the order of “family name first and first name second.” In the footnotes and bibliography, original spelling of the source is used and in cases where original spelling is not available, Pinyin and Japanese Romanization are used.

## INTRODUCTION

### Research Questions

In the memory of many China observers, not long ago, China was still a poor agrarian country with millions of people suffering from extreme poverty. In the past four decades or so, the world has witnessed the country's spectacular economic growth and its ascendancy to the position of economic superpower. In a very short time, China has become one of the leading participants in the world of modern economies, which, according to Max Weber (2005 [1905]), are oriented toward *sustained* economic growth, or in other words, guided by the spirit of capitalism.

China's rise to the center of the global economy has attracted worldwide attention and led to voluminous academic studies, most of which focus on *how* China accomplished its astonishing economic transformation. Contributing a new dimension to the existing literature, this dissertation research addresses a fundamental *why* question. Specifically, it asks: *why*, after more than two millennia of subsistence-oriented economy, did Chinese leaders and/or common people become interested in and reorient toward *sustained* economic growth? It examines and compares three episodes of China's economic modernization in the course of the past century, testing the hypothesis that this reorientation has been motivated by nationalism, specifically the desire to improve the international standing (power and prestige) of China, using as the chief means to this end the country's enormous economic resources.

The three chosen episodes for historical comparison are: the Nanjing Decade (1928-1937) under the rule of the Nationalist government, the years of early economic reform led by Deng Xiaoping (1978-1997), and the recent years, broadly identified as Chinese globalization, under Xi Jinping (2013- present). These are the three outstanding periods of intentional reorientation of Chinese governments towards economic modernization, characterized by distinctive economic policies (i.e., industrialization, marketization and globalization). Accordingly, this dissertation is composed of three thematically related research papers, each of which is focused on one of the three periods.

During the Nanjing Decade, the Chinese economy, for the first time in history, experienced significant industrial growth and commercial development. The Nanjing Decade, however, was known as a time of chaos and uncertainty, with China afflicted by wars, political division, and foreign invasion. What explains conspicuous economic advancement under such difficult circumstances, while the economy of imperial China, as the famous “Needham Puzzle” asserts, remained stagnant with far more favorable conditions? This is the core question addressed in the first research paper.

After the establishment of the People’s Republic of China in 1949, Mao’s China went through almost three decades of ideological and class struggle including the Cultural Revolution of 1966-1976, overall resulting in tremendous economic setbacks and losses. It was not until Mao’s death in 1976 and Deng Xiaoping’s success in launching the “Reform and Opening-up” policy in 1978 that the country re-embarked on the path of economic modernization. What was behind Deng’s economic reorientation, or his so-called “Reform and Opening-up” policy? How did the change in the economic orientation

lead to the success of China's economic reform? Put differently, what motivated Chinese leadership and people to prioritize economic growth over any other political or diplomatic agenda and invest in economic development despite challenges at home and abroad? These are the major questions addressed in the second research paper.

The third paper deals with the most recent change in China's economy – that is, the government's championship of economic globalization and the active support by broad sectors of the Chinese society. This paper thus asks: what motivates Chinese leaders and the people to opt for economic globalization despite the risks involved? This question becomes ever more salient under the ongoing Covid-19 pandemic when national borders must be partially or fully closed and anti-globalization trends are widely encouraged. As it is imposing restrictions on cross-border exchanges, the Chinese government's commitment to economic globalization comes under question. Is China resorting to protectionism or unilateralism as leading liberal economies are doing? Or, would it persist in its recently launched global initiatives? These questions are answered in the third paper.

### **Theoretical Framework**

Asking questions concerning the motivation behind economic reorientation, this dissertation does not assume Chinese leaders or the people to be naturally interested in *sustained* economic growth. Following Max Weber's famous thesis in *The Protestant Ethic*, it challenges the common assumption that the human desire for constant economic expansion is natural. It also borrows Weber's understanding of modern economy and

capitalism. According to Weber (2005 [1905]:18), in distinction to the economic order of the pre-modern period, the modern capitalistic economy is the order in which “Man is dominated by the making of money, by acquisition as the ultimate purpose of his life” and “Economic acquisition is no longer subordinated to man as the means for the satisfaction of his material needs.” Simply put, unlike the subsistence-oriented economy in the pre-modern days, modern economy is dominated by a new consciousness which reorients individuals’ economic activities and the aggregated economy toward growth rather than the simple satisfaction of the population’s material needs. The restless desire for and the persistent pursuit of *sustained* economic growth, or in Weber’s words, “forever *renewed* profits,” is, indeed, as Weber (2005 [1905]:18) explains, irrational. That’s why it was never common, either in the West or in other civilizations Weber examined, including ancient China under the influence of Confucianism and other Chinese religions (Weber, 1968 [1920]). It is the rationalization of this desire – the desire for and pursuit of “forever *renewed* profits” – that Weber named “capitalism,” regarding it as the core of modern economy, and thus equating capitalism and modern economy.

To explain how capitalism was rationalized, Weber (2005 [1905]:47) proposed his famous thesis in *The Protestant Ethic*, arguing that the rationale for the sustained growth was provided by a variety of Protestantism, Calvinism, which was therefore “the spirit of capitalism.” Weber’s thesis has been proved wrong by, among others, the emergence of modern capitalist economy in many non-Calvinist societies around the world. Nonetheless, his understanding of modern economy, posing ideas as effective forces in history, has been very influential and inspiring for social scientists.

One of these social scientists, Liah Greenfeld, has developed Weber's understanding and offered an alternative explanation on the source of motivation for *sustained* economic growth. Based on her own historical studies, Greenfeld (2001) redefined the spirit of capitalism, empirically proving that it was nationalism, rather than Protestantism, that re-oriented economies (starting with the 16<sup>th</sup> century England, the 18<sup>th</sup> century France, the 19<sup>th</sup> century Germany, Japan and the US) toward *sustained* growth, and so created the modern economy.

Greenfeld's earlier comparative-historical research also found that nationalism, which endows personal identity with dignity by elevating the common people to the status of the elite and hence connects personal dignity with the nation's power and international prestige, is an inherently competitive form of consciousness; it commits the national population to the by-definition-endless competition for the relative standing of their nation (Greenfeld 1992). When the competition for national prestige happens in the economic sphere – i.e., when *nationalism prioritizes the economy*, it motivates national members' commitment to *sustained* economic growth. According to Greenfeld (2001 & 2004), it is this desire and competition for *relative* standing that led to the establishment of the modern, capitalistic, economy oriented to sustained growth and then to the economic success and global expansion of major modern economies she studied. In this dissertation research, I empirically test if nationalism that makes the economy its priority has also led to China's economic modernization (i.e., reorienting its economy to *sustained* economic growth) and success in the past century.

## **Methodology**

This dissertation research is fundamentally a historical-comparative project based on comparison of different periods of Chinese history and between Chinese economic history and those of other modern economies. Its empirical data mainly come from primary sources and secondary analyses of historical archives, biographies, contemporary official documents, media reports, economic statistics, and survey data. Combining qualitative and quantitative methods, it systematically examines open sources available online and historical archives collected in the Yenching Library of Harvard University.

With a focus on ideas and their causal effect on political and economic outcomes, methodologically, this dissertation is also influenced by discursive institutionalism that uses discourses to study the ways ideas are conveyed – i.e., coordinative discourse among policy actors and communicative discourse between political actors and the public (Schmidt, 2008: 305). It acknowledges the persuasive and coercive power of discourses, taking discourses as an effective means through which the causal mechanisms between ideas and political/economic outcomes are activated. This dissertation is thus heavily relied on discourse analyses and consistently examines Chinese official discourses by looking into intellectual debates, Chinese leaders' open statements and published writings, government-released-documents, and private memoirs of political actors. It also studies mobilization campaigns launched by Chinese national leaders, where they expressed and spread their nationalist aspirations to different sectors of the Chinese population.

By revealing that it is the connection between personal dignity and the nation's international prestige under nationalism that individuals come to acquire national identity, prioritize economic development and become committed to the nation's sustained economic growth, hence resulting in the snowball effect of nationalism on China's economic development, moreover, this dissertation reaffirms the fact that ideas matter as a primary cause (though, not "the sole agency") to all economic and political processes. With an emphasis on the causal impacts of ideational factors, in all, this dissertation makes a research case in point for the rising methodological paradigm focusing on the role of ideas and discourse in political economy (see, for example, Katzenstein 1996; Campbell 1998; Hay 2006; Schmidt 2002 & 2008 & 2009).

### **Main Findings**

By examining the changes in economic orientations and the competition between the type of nationalism that prioritizes the economy versus those prioritizing other spheres (e.g., military modernization, ideology and cultural influences, etc.) among Chinese leaders and different sectors of the Chinese society, and comparing China's economic modernization with those of other modern economies, the dissertation, in summary, finds the following:

First, the identification of the economic sphere as the basis of national greatness in China (in imitation of leading Western nations and, in particular, Japan) made economic success a way to social status and approbation. This led to nationalism, specifically *nationalism prioritizing the economy*, among those with economic opportunities, as

people came to connect their success and increased dignity with China's international standing, seeing themselves as directly contributing to it and becoming personally invested in and committed to the nation's prosperity.

Second, the sectors of the population to whom economic opportunities were open during the three periods of Chinese modernization differed. Thus, *nationalism prioritizing the economy* was only shared by a small number of individuals within the intellectual and business elite in Republican China, spreading to a much wider circle in the elite and those who got rich first under Deng's "Reform and Opening-up" policy, and, in the recent decades eventually percolating to the population at large.

Third, competition for international prestige is endless – when it is pursued through the economy, it creates commitment to *sustained* growth. China's rising international status based on its rapid economic growth since 1978, signaled by its astonishing display at the Beijing Olympics in 2008 and its resilience during the 2008/09 international financial crisis, converted many more Chinese into nationalists, which, in turn, reinforced their economic motivation, creating a snowball effect.

Fourth, similarly to the earlier leaders in the economic competition (e.g., Britain, the US, and Japan), China's growing economic power changed its attitude to free trade and globalization. Its economic policies have steadily turned away from protectionism that so many experts believe to be inseparable from the political ideology of the authoritarian Chinese state. China's recent championship of globalization shows that economic globalization is ideologically-independent – i.e., it is simply in the interest of the economically most powerful nations, and thus, today, in China's national interest.

## **Contributions of the Research**

On the basis of the above empirical findings, this historical-comparative research has the following contributions:

First, with a focus on the ideational cause (i.e., motivation) behind China's economic development, as mentioned at the beginning, this dissertation research challenges the common assumption that the human desire for constant economic expansion is natural, which is dominant in the studies of economic history and political economy;

Second, offering clear definitions of economic modernization, capitalism, and nationalism, and treating nationalism – in particular, the nationalism prioritizing the economy, as the causal factor to China's economic modernization, this dissertation enables comparisons between China's modern economic history and the history of other modern economies, further revealing commonalities and differences between China and other economies in terms of development models;

Third, since, historically, nationalism prioritizing the economy, is not a constant in modern China, and the extent to which it was shared within the Chinese population varied across time, this dissertation falsifies the popular argument that China's economic rise is inevitable;

Fourth, empirically proving that it is nationalism, not abstract ideologies such as liberalism, protectionism or globalism, that serves as the primary motivation behind Chinese leaders' economic decision-making resolves the controversies over the seemingly contradictory economic policies across three examined periods of China's economic modernization;

Finally, without denying the importance of existing analyses of China's economic development, this dissertation attempts to contribute one more explanatory variable – nationalism, which is often missed or misunderstood in existing literature – to the long list of “secrets” of China's economic success.

## PAPER I

### Modernization for Becoming Independent:

#### Nationalism and Economic Modernization in Republican China

“For forty years I have devoted myself to the cause of the National Revolution with the sole object of winning for China national liberty and international equality. The accumulated experience of these forty years has fully convinced me that to attain this goal it is necessary to awaken the masses of the people and join hands with those nations of the world who treat us as equals in our struggle for the common cause...”

– Sun Yat-sen, February 24, 1925<sup>1</sup>

### 1.1 Introduction

Although China led the world in the size of its economy and in many dimensions of technology prior to the Industrial Revolution, by the mid-19<sup>th</sup> century, it became an economic laggard, not keeping pace with major global economies (Brandt and Rawski, 2008). Many factors contributed to the decline (in both absolute and relative terms) of China’s economic growth in the period of 1820-1870.<sup>2</sup> Among others, China’s delay in industrialization had been identified as one major contributor to this decline by both Chinese ruling elites at the time and historians today (Sun, 1956 [1924]; Feuerwerker, 1958; Chang, John K., 1969; Needham, 1981; Rawski, 1989; Fang, 1989). Progressive Qing officials accordingly launched the Self-Strengthening Movement to start China’s industrialization by importing Western machinery and technologies since 1861. This first

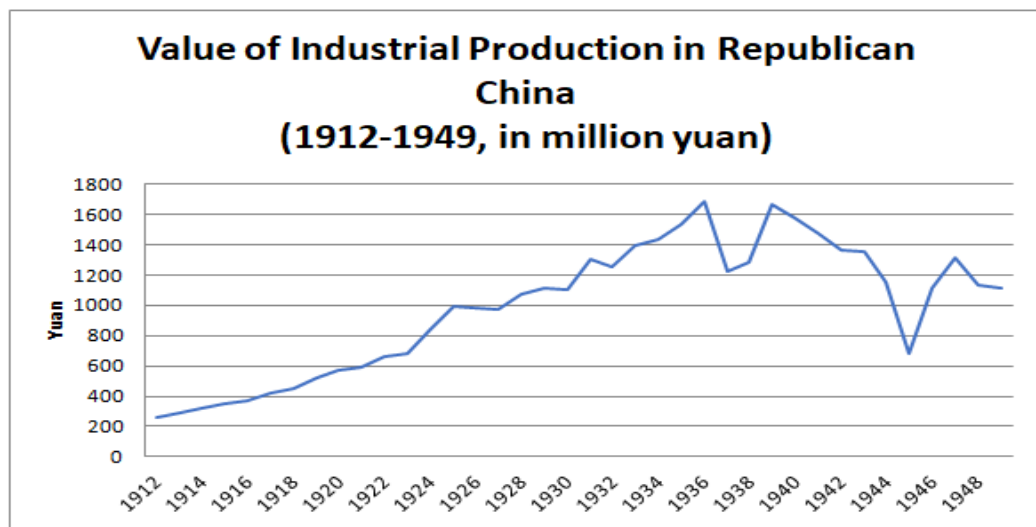
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<sup>1</sup> See *Guofu yizhu (The Will of the National Father)*, available on the Dr. Sun Yat-sen Academic Research Site ([http://sun.yatsen.gov.tw/content.php?cid=S01\\_01\\_01\\_02](http://sun.yatsen.gov.tw/content.php?cid=S01_01_01_02).)

<sup>2</sup> According to Angus Maddison’s long-term estimates, China’s total GDP decreased from 228.6 billions (international dollars as in 1900) in 1820 to 189.7 billions in 1870. Relative to the world (world = 100), China’s GDP value dropped from 32.9 in 1820 to 17.2 in 1870. For details, see Maddison (2001: 241, 261, 264).

wave of industrialization, however, yielded little economic growth and ended completely by the time of China's defeat by Japan in 1895. Industrial growth began only after the 1911 Revolution, contributing significantly to the overall economic development during the Republican period (1912-1948). In particular, before the outbreak of the Second Sino-Japanese war in 1937, as Figure 1.1 shows, China's total value of industrial production in 1936 was around 8 times of that in 1912. Even during the Second Sino-Japanese war, the total value of industrial production did not drop under the beginning level of 1912. After the war, it immediately bounced back and reached the level of 1936 despite the interruption of another civil war between the Nationalists and the Communists, which began in 1945.

**Figure 1.1**



Source: Kubo, Toru. (2012). *Chūgoku keizaishi nyūmon* (An introduction to China's economic history). Tokyo: Tōkyōdaigakushuppankai, p.306.

In Chinese modern history, the Republican period was known as a time of chaos and uncertainty, with China afflicted by wars, political division, and foreign invasion. Why

were industrial growth and significant economic development obtained in Republican China under such difficult conditions, while imperial China, as the famous “Needham Puzzle” suggests, did not experience these developments even though it was equipped with almost all necessary and favorable conditions? In an attempt to address the “Needham Puzzle,” scholars have often offered their perspectives on how industrial growth was obtained in Republican China (Perkins & Zhao, 1975; Lin, 1995; Yeh, 1997; Pomeranz, 2000; Kubo, 2005; Brandt and Rawski, 2008; Wang, 2013). Their studies were mostly focused on structural and organizational factors inside China, ranging from political, financial and legal systems, to the availability of capital, machines, skilled labors and new styles of management, as well as external factors, including the opening of treaty ports and industrial plans carried out by foreign governments.

Focused on China’s capacities for achieving industrial growth (which the literature equates with economic growth in general), existing literature has yet neglected the motivational factor that got Republican China interested in economic growth and industrialization to begin with. As some scholars have pointed out and as is to be revealed in detail below, for more than two millennia, ruling elites in imperial China were not at all interested in sustained economic growth (Mann, 1987; Yeh, 2007). Guided by Confucian values, instead, Chinese elites and commoners traditionally denigrated profit-making and despised profit-driven merchants, ranking them at the bottom of the social hierarchy. During the Republican period, in contrast, enthusiasm for industrialization and interest in business characterized the *Zeitgeist* of major cities across China, even though traditional views against commerce and profit-making remained among the rural

population and continued to exist among urban elites to the extent that they condemned the “treacherous compradors” who served the interests of foreign companies. In Republican China, according to one economic historian (Chow, 2015: 12),

“...modern industries and financial institutions began to emerge. Factories producing consumer goods such as textiles, wool and leather products, toys, tobacco and paper products were operating by 1920, if not before, especially in Shanghai, Tianjin, and other coastal cities. The governments in power did succeed in building infrastructure to some extent, including railroads, highways, and seaports. Telephone lines and a telegraph network were built. Electric power supplies became available in major cities. In addition to the old-fashioned banks, new commercial banks were established and functioned as modern banks in taking deposits and extending loans for business working capital and investment... There was a stock market in Shanghai trading actively in the 1930s. Private life insurance companies were operating... In short, modernization was taking place.”

Most authors, writing about “modernization,” leave the term undefined. The meaning of “economic modernization,” however, can be deduced from Max Weber’s discussion of capitalism in his classic *The Protestant Ethic and the Spirit of Capitalism*. Weber (2005 [1905]), in fact, defines the modern economy as the capitalistic economic system which differs from pre-modern subsistence economies in its orientation to growth. This reorientation required an explanation especially because, as Weber pointed out, the capitalistic pursuit of forever *renewed* profit as a goal in itself was irrational. The explanation, or Weber’s famous thesis, was that it was a psychological response to the Protestant dogma of predestination. Following Weber’s argument, economic modernization was the emergence of the *modern* economy oriented to growth, or the emergence of capitalism.

Based on his comparative analysis of China’s “religions” (i.e., Confucianism and Daoism), Weber (1968[1920]) highlighted the inherited Chinese traditions and

institutions that denigrated profit-making and concluded that the spirit of capitalism, and hence modern economy, could not have emerged in imperial China. Both Weber's analysis of China's "religions" and his "Protestant Ethic" thesis have been put under scrutiny on various empirical grounds. In particular, the "Protestant Ethic" thesis has been proven wrong due to the successive emergence of modern economies in many non-Protestant societies. The fact that modern economy did emerge in Republican China despite the persistent influence of Confucian traditions is arguably another piece of evidence falsifying Weber's "Protestant Ethic" thesis.

Yet, Weber's analysis about the *irrational* peculiarity of modern economy remains unchallenged. So is his emphasis on the motivational force behind the emergence of modern economy. In the case of China, the question then becomes: given the denigration of profit-making and indifference to constant economic development, what converted China's Confucian-minded population into modern capitalists in the Republican period? In other words, why did Chinese, all of sudden, become interested in sustained economic growth in the Republican period, while most of them disregarded it not too long ago?

By studying the economic and intellectual history of early modern China and tracing major political, economic and social transformations of the period, I argue, as Liah Greenfeld (2001) did in her comparative historical research on some of the earliest modern economies (including the UK, France, Germany, Japan and the US), that nationalism was the origin of the spirit of capitalism and the motive behind the emergence of modern economy in China. In Republican China, particularly, Chinese elites' nationalist aspiration in the economic sphere – that is, nationalism prioritizing the

economy — was the specific motivational force behind their collective efforts to modernize China's economy. It was their nationalism that produced a *national economy* (i.e., a unified economy) under a centralized government and inspired the government to make best use of foreign resources while competing with foreign powers economically by first recovering China's economic sovereignty, protecting national industries, and going far to create a “nationalistic consumer culture” in urban China.

In existing historical studies, nationalism is often mentioned as a dominant theme in Republican China, one way or another, connected to different political, economic and social phenomena and institutions of the period (Wright, 1968; Fairbank, 1987; Bergère, 1989; Karl, 2002; Zanasi, 2006). Few studies, however, clearly define what nationalism is and how it affects these spheres – that is, what is the mechanism connecting it with various other social institutions. Understanding that nationalism, in the first place, is *a new form of modern consciousness*, which re-defines individuals' identity in the world and people's connections with the state, allows one to arrive at these missing definitions.

Nationalism, as proven by Greenfeld (1992), emerged in 16<sup>th</sup> century England, gradually spreading to the rest of the world. In Europe, it replaced the consciousness of the rigidly stratified, hierarchical feudal society with the vision at the core of which lies the idea of the natural society as sovereign community of fundamentally equal members, called the *nation*. The principles of popular sovereignty and fundamental egalitarianism grant dignity to common people who had no possibility of social mobility and had no dignity in pre-modern societies. It is people's interest in a dignified identity that makes nationalism appealing to different societies. Simply in order to secure their dignified

identity, people commit to the dignity, or prestige, of the nation so much so that they would sacrifice their personal interest or even life for this. For the same reason, nationalism motivates people to engage in international competition in areas that can contribute to the nation's prestige (very often, presented by the nationalists as the question of the nation's survival itself). When economic power is deemed vital, nationalism would be expressed as *nationalism prioritizing the economy* – that is, the nationalist aspiration to ensure the nation's economic strength excels in international competition.

In the late Qing period, the possibility of upward mobility for the Chinese educated shrank and the dignity of members of the educated elite was simultaneously wounded by China's continuous defeats at the hands of foreign powers. In these conditions, nationalism appealed to them, and through them, spread in China's urban centers. Historically, nationalism came to China through Japan. The defeat in the First Sino-Japanese War in 1895, more than anything else, humiliated Chinese ruling elites and provoked them to seek redress by closely examining Japan's recent success. The key lesson learned by leading Chinese figures such as Liang Qichao and Sun Yat-sen was the lack of nationalism in China. As a result, nationalism was imported, spreading among the educated strata whose members were exposed to it while studying abroad or attending modern schools in cities.

Having witnessed economic depredation by foreign powers for over half a century, as well as devastation wrought by civil wars, by the time a Republican government was established in 1912 after the 1911 Revolution, the elites saw China as economically on

the blink of disaster. In the eyes of Chinese educated, many more of whom had by then either had a chance of studying abroad or were informed of the prosperity of foreign powers through modern education, China was poor, economically weak and backward. Urged by their nationalism, i.e., concerned for the nation's dignity, numerous members of the elite gave up the traditional disdain of profit-making and commercial development and instead aspired for a wealthy and prosperous China. In particular, those with an economic training or a business background were committed to making China rich and came to express their nationalism in the economic sphere. Their nationalism thus made the economy as its priority and became a powerful guiding spirit in Republican China, turning members of the intelligentsia, traditional merchants and bankers, and young industrialists and entrepreneurs into the so-called "national capitalists" who were willing to work together with the Nationalist Party (Kuomintang, or KMT)-led-government to build in China modern industries and national economy. This type of nationalism was also expressed in continuous waves of boycotts against foreign products/business, converting Chinese urban consumers into nationalists, supporting national products/industries and creating a protectionist domestic market favoring national industries in competition with foreign ones. In a word, during the Republican period, nationalism prioritizing the economy transformed the Chinese ruling elite, the business community and the urban consumers into "capitalists" who were interested in the growth of national industries, hence giving rise to China's modern economy.

Drawing upon first-hand materials and secondary sources, in the rest of the paper, I will provide a detailed historical account on how the introduction of nationalism into

China led to the above economic reorientation, which began in the late Qing period and came to fruition in the Republican period. In each phase of this development, I shall focus on the ideational changes in the minds of main political, economic and social actors, while taking into consideration changes in institutional structures.

## **1.2 The Unexpected Rise of Merchants in the Late-Qing Period**

Historically, regardless of the ethnicity of the rulers, the central governments of different Chinese dynasties had followed the traditional principle of “prioritizing agriculture and suppressing commerce” (重农抑商) and the Confucian ideal of occupational status hierarchy: “scholars” (仕) first, “peasants” (农) second, “artisans” (工) third, and “merchant” (商) last (Xiong, 1995). Under these principles, local markets in China had been dominated by an order negotiated among local gentry, merchants and the central state, with merchants holding the lowest social status in exchange for the central state’s *laissez faire* policy toward local markets (Mann, 1987; Zelin, 2013). Behind this order also hid a common understanding that although commerce improved standards of living, it could threaten existing social hierarchies (Mann, 1987: 94). Therefore, traditionally, merchants, regardless of their accumulated wealth, had been deprived of formal access to political power and kept a humble social profile (Yu, 1987; Lufranco, 1997). Since the mid-19<sup>th</sup> century, however, various political and economic reforms carried out by both provincial and central governments faced with local rebellions and

foreign encroachments broke this traditional order and changed the relationship between business and politics in China.

In particular, to suppress the Taiping Rebellion of the local peasants across Southern China during 1850-1864, both the central and local governments needed to increase their revenue. To avoid adding more pressure on the rebellious peasants, the Qing court imposed a “Lijin” (厘金) tax on local commerce.<sup>3</sup> Originally designed to be as small as possible to avoid resistance from local merchants or consumers, the introduction of “Lijin,” which was levied on commodities in transit between provinces and on shops, yet resulted in an overall drastic amount of tax on local merchants. This forced local merchants to change their trade routes so as to avoid paying “Lijin,” causing a sharp decline in the volume of trade in certain provinces where commercial activities were originally concentrated and “Lijin” bureaus were densely clustered.<sup>4</sup> Consequently, it triggered discontent not only from local merchants, but also from local magistrates who had to deal with the chores of “Lijin” collection and to pacify increasing protests from both merchants and peasants.<sup>5</sup> The stable order previously attaining among local merchants, gentry and government officials was thereby broken.

Despite local opposition to the introduction of “Lijin,” officials from the Qing court justified the collection of “Lijin” by pointing out the marginal role of commerce in the

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<sup>3</sup> i.e., a surcharge of one percent on the value of commercial goods in transit between provinces and on shops.

<sup>4</sup> Between 1870 and 1909, over half (between 48 and 58 percent) of total “Lijin” tax revenues came from only four provinces: Jiangsu, Zhejiang, Fujian, and Guangdong. See Mann (1987:116).

<sup>5</sup> Although the “Lijin” tax was originally meant to target at commercial activities and merchants, peasants who participated in trading their crops were also subjected to the “Lijin” tax in practice. Thus, the “Lijin” tax also led to discontent from local peasants. See Zheng (2003).

then overall Chinese economy and the profit-driven spirit of merchants, claiming that “it is better to harm the branches (i.e., commerce) than the root (i.e., agriculture) of the tree” and that “where profit is great and has no limit, a tax is not misplaced.”<sup>6</sup> From this official justification, it was clear that the Qing court still followed the tradition of “prioritizing agriculture and suppressing commerce” at the moment when it introduced the “Lijin” tax. The unintended consequence of the policy, however, was that the importance of merchants and commerce increased due to the fact that the Qing court became more and more reliant on the collection of “Lijin” to cover its expanding military budgets and later to pay off large amounts of indemnities to foreign powers. In contrast to the old order based upon the conventional belief that peasants bore the brunt of raising state revenue, the “Lijin” system mainly relied on the increasing amount of trade activities and commercial products at the local markets (Liu, 2020). This inevitably led the Qing Court and local governments to value the growth of commercial activities and elevated the importance of merchants in financially supporting the state (He, 1972). As a result, although it added to the burden of local merchants and was largely opposed by them, the introduction of “Lijin” created an unexpected opportunity for merchants to rise up politically.

Very soon, despite opposition from the conservatives, the Qing court had to acknowledge the importance of commerce and merchants in various ways. The official recognition was first reflected in the slogan of “rich nation and strong military” (富国强

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<sup>6</sup> Written by an aid of Zeng Guofan, dated back in the year of Tongzhi 4-6 (1865-67), cited in Mann (1987:102).

兵) of the Self-Strengthening Movement launched in 1861. In his letter to a local official, the leader of the Self-Strengthening Movement, Zeng Guofan, compared the ancient history of Shang Yang using agriculture to make China's first empire Qin prosperous with his current plan to promote commerce in order to make the Qing Empire rich and strong (Zeng, 1952 [1861]: 14551-52). Zeng's understanding of the importance of commercial development was shared by a few other reform-minded scholars and officials. However, it encountered strong opposition from the conservatives within the Qing court, who were wary about the danger behind the rise of merchants and wished to appease Western powers with economic benefits. Due to the conservatives' opposition and the immediate concern about military defense at the time, throughout the Self-Strengthening Movement (1861-1895), very few policies were put into practice to improve the conditions for commercial development or to protect the interests of merchants. The official slogan of "rich nation and strong military," though unprecedentedly placing economic prosperity prior to military strength, only managed to give voice to the recognition of the importance of economic wealth for regime survival and symbolically elevate the social status of merchants.

Debates about commercial development continued into the 1880s. Among others, Zheng Guanying, a progressive scholar who had become a comprador after unsuccessful attempts to pass the Imperial Civil Service Exam, was most enthusiastic about waging "commercial warfare" (商战) against Western powers for economic dominance. In an article titled "On Commercial Warfare" published in 1893, Zheng Guanying (1982 [1893]: 586-593) pointed out, "Western countries created economic wealth through

commerce and defended their countries with military forces. Without economic wealth, however, military strength was impossible. Western countries basically rely on commerce to win wars.” He thus proposed, “The state should invest in commerce enormously and provide merchants with extra protection. This can not only improve the living standards of people, but can also expand the territory of the country” (Ibid). Zheng’s proposal was warmly welcomed by other reform-minded scholars and leading figures of the Self-Strengthening Movement. However, it appeared too radical to the Manchurian rulers and was largely ignored by the Qing court.

With vested interests in sustaining the traditional hierarchy, the Manchurian rulers could neither awaken to the new realities introduced by Western powers nor to make fundamental changes to state policies. Only after the defeat by Japan in 1895, which profoundly humiliated the Chinese elite, many within it were awakened to the necessity of reforms and the Qing court began implementing various top-down initiatives.<sup>7</sup> Specifically, in regard to merchants, in 1903, the Qing court promulgated an imperial edict declaring, “We must abandon all feelings of superiority when [the merchants] are concerned... and tolerate no separation [between mandarins and merchants].”<sup>8</sup> Between

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<sup>7</sup> Coming to 1901, important Qing officials including Liu Kunyi and Zhang Zhidong submitted memorials to urge the Qing court to undertake a comprehensive process of reform. In these memorials, they wrote “China has always looked down on merchants, much less commercial law. Therefore, those who frequent the marketplace merely seek personal advantage, cheating each other, the clever ones cunningly takes flight, and the stupid ones get into trouble. Therefore they look upon bringing together capital in the form of shares as a terrifying prospect, even though they cannot compete with the foreign merchants” (*Donghua lu*, cited in Zelin (2013: 770)).

<sup>8</sup> The Board of Commerce, established in late 1903, was merged with the Board of Industry in 1906 to form the Board of Agriculture, Industry and Commerce. Chambers of Commerce were established in most large Chinese cities beginning in 1903. The first Commercial Law, comprised of the Shangren

1903 and 1907, the newly established Ministry of Trade introduced a number of awards designed to honor investors, technicians and entrepreneurs who succeeded in building new industries in the Qing Empire (Bergere, 1986: 44). By 1909, a few merchants were also elected into local Consultative Bureaus as representatives (Feng, 2003: 124).

Following the Qing court's political and economic reforms, an increasing number of local gentry and government officials chose business as their or their children's career. Combining scholarships/official positions with business ventures, various former local gentry and government officials became the so-called "gentry-merchants" (绅商) – literally, being both members of gentry and merchants. The emergence of "gentry-merchants" in the late Qing period marked the breakdown of the traditional social hierarchy in which scholars were ranked the highest and merchants were ranked the lowest. By equating merchants with scholars, the "gentry-merchant" title naturally elevated the social status and dignity of merchants. It also implied the opportunities for individuals to get formally involved in politics through economic success (Ma, 2014: 53). Coming to the early 20<sup>th</sup> century, in particular, as Maria-Claire Bergere (1986: 140) put it, "Gone were the days when millionaires would buy themselves titles and responsibilities in order to enter into dialogue with the authorities."

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tongli and China's first company law, was promulgated in 1904. See Bergere (1986: 44). Also, see Zelin (2013: 770).

### **1.3 Persistent Anti-Capitalist Spirit in Early Modern China**

The rise of merchants signaled dramatic social, political and economic changes in the late-Qing period. Scholars often saw in it “the sprouts of capitalism” (资本主义萌芽) (Dirlik, 1982; Faure, 2006; Tang, 2017). However, the rise of merchants could not be equated with the emergence of capitalism or modern economy. According to Weber (2005[1905]: 18), in distinction to the economic order of the pre-modern period, the modern capitalistic economy is the order in which “Man is dominated by the making of money, by acquisition as the ultimate purpose of his life” and “Economic acquisition is no longer subordinated to man as the means for the satisfaction of his material needs.” Simply put, unlike the subsistence economy in the pre-modern days, modern economy is dominated by a new consciousness which reorients individuals’ economic activities and the aggregated economy toward sustained growth rather than the simple satisfaction of the population’s material needs.

Committed to the moral depreciation of profit-making, Confucian values could hardly give birth to a modern economy. For more than two millennia, most Chinese emperors and local officials aimed at providing their population with material sufficiency and military security in order to ensure the legitimacy of their ruling. The economic tradition of prioritizing agricultural production was accordingly established to meet these goals and had rarely been challenged. Repetitive peasant rebellions throughout Chinese history, on the one hand, proved the fact that peasants had historically borne the brunt of financing the state (Wang, 1973); on the other, they provided evidence for the “physiocratic” and subsistence-oriented nature of China’s pre-modern economy.

Meanwhile, ethical disapproval of extravagant ways of living under Daoist and Buddhist teachings allowed most Chinese commoners to bear the frugal and trying life and had thus helped mitigate the tension between Chinese rulers and their subjects. These religious teachings also allowed the Chinese population to survive the cycles of Malthusian traps under traditional economies. Institutionally, moreover, the possibility for commoners to rise in status through education and the low social ranking attached to merchants doubly discouraged capitalistic pursuits at the collective level. Despite the fact that imperial China had been equipped with favorable *conditions* for the emergence of modern economy, which included populated urban centers, established monetary institutions, and developed state bureaucracy, etc., China's "religions," as Weber (1968 [1920]) concluded, were not the source of the spirit of capitalism and could not have given birth to modern economy.

The recent appearance of Chinese terms “资本” (capital) and “资本家” (capitalists) at the end of the 19<sup>th</sup> century was arguably another piece of evidence proving the absence of the spirit of capitalism in imperial China. It was the Japanese who first translated the term “capitalist” into the Chinese characters “资本家” in 1887 (Xu, 2016). This term did not appear in Chinese writings in its modern meaning until the end of the 19<sup>th</sup> century after Chinese intellectuals first learned about it in Japan.<sup>9</sup> It would take another two decades to

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<sup>9</sup> When Yan Fu translated Adam Smith's *The Wealth of Nation* in the end of the 19<sup>th</sup> century, he opted for the Chinese term “母财,” which literally means “principal,” to translate “capital.” See Smith, Adam, translated by Yan, Fu. *Yuan fu (Principal wealth)*. Shanghai: Shanghai Gu Ji Chu Ban She, 1995. Only in Liang Qichao's writing published in 1899 was the terms “资本” and “资本家” first

get it popularized among the Chinese educated. The term “资本家” (capitalists), for instance, did not appear frequently in popular magazines such as *The New Youth* (新青年) until the May 4<sup>th</sup> Movement in 1919 (Jin & Liu, 2009: 388).

When the term “资本家” (capitalist) began to appear frequently in public debates, however, it had carried a negative connotation because of the then recent influence of Marxism. In Marxist writings, capitalists were equated with “bourgeoisie” who exploited the working class and prevented societies from progressing into “human emancipation.” As Marxism gradually gained its ground among Chinese intellectuals, the newly rising merchants in the late Qing period were once again perceived negatively and often condemned as a counter-force against China’s revolution. As Mao famously put it, “the capitalists should be “overthrown” together with the other two “big mountains” (i.e., the imperialists and the feudal-lords) who had long burdened the Chinese people” (cited in Zhang, 1953). In September 1919, when China’s first Marxist, Li Dazhao, urged Chinese intellectuals to go to villages, he commented, “Those intellectuals who eat but do not work ought to be eliminated together with the capitalists” (cited in Meisner, 1967: 87). Under the influence of Marxism, overall, anti-capitalist narrative again shaped public discourse.

At the same time, anti-capitalist attitudes also characterized those who prioritized China’s military development and believed that both domestic stability and security defense first and foremost depended upon China’s military modernization. Ideally, as it

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used in their modern meanings. See Liang, Qichao. “Lun qiangquan” (On hegemonic power), *Qing Yi Bao*, No.31 (1899).

was the case in Meiji Japan, the two goals of “rich nation” (富国) and “strong army” (强兵) were interdependent and mutually reinforcing. In the reality of a divided China, however, there had been much tension between these two goals and between Chinese leaders who prioritized each. Starting from the Self-Strengthening Movement in the late Qing period to the National Reconstruction during the Nanjing Decade (1928-1937), Chinese leaders who prioritized a military agenda often came to undermine the power and interests of those who stood for a priority of economic development. With a military training and having risen to the top through his military leadership, Chiang Kai-shek, for instance, stressed China’s military strength. During the Nanjing Decade, he systematically obstructed the implementation of other Nationalist leaders’ economic plans and readily sacrificed national economic growth for his political and military agenda (Zanasi, 2006). Throughout his political career, Chiang also held, at best, utilitarian attitudes toward Chinese capitalists, “milking” them whenever he needed their money, harassing them with Shanghai gangsters’ influence if they refused to contribute, and oppressing them whenever they were considered unimportant or too strong to be controlled (Coble, 1980: 36, 262; Bergere, 1986: 277).

With different sources of anti-capitalism, as China’s modern history demonstrated, it seemed particularly difficult for Chinese governments to fully accept capitalism, often leaving Chinese capitalists doomed to be condemned, coerced and expropriated. Nevertheless, modern economy did emerge in Republican China while Chinese capitalists managed to survive all these difficulties. What’s more, as historical records revealed, Chinese capitalists contributed significantly to the beginning of China’s

economic modernization. One is led to ask: How could China develop a modern economy despite different strands of anti-capitalism? Why would Chinese capitalists, who were supposed to be only interested in personal gain, be interested in and contribute critically to China's sustained economic growth? In other words, where did China's "spirit of capitalism" that motivated its people to modernize Chinese economy come from?

#### **1.4 The Importation of Nationalism to China through Japan**

Often equated with patriotism, in the Chinese context, however, nationalism cannot be equated with the Chinese term “爱国” (literally, loving the ancestral land) or the ancient Chinese concept reflected in the famous “华-夷” (*hua-yi*, i.e., the Chinese versus the barbarians) distinction that tried to differentiate the Chinese (华) from the barbarians (夷) (Zu & Wei, 2016: 225). As a form of modern consciousness, instead, nationalism implies a new worldview in which people are defined as fundamentally equal bearers of the absolute sovereignty of the community explicitly called “nation” (Greenfeld, 1992). In the worldview of nationalism, people's personal dignity is closely connected with the prestige of the nation. Historically, nationalism was not known to Chinese people until the very end of the 19<sup>th</sup> century.

The absence of nationalism in pre-modern China, however, did not exclude the possibility for exceptional Chinese individuals to acquire this consciousness through their earlier personal acquaintances with the West. Already in the middle of the 19<sup>th</sup> century, a few Chinese intellectuals, who gradually came under the influence of Western culture

through individual and overseas studies, had developed national consciousness. Yan Fu (1854-1921), for instance, when translating the classics of Western liberalism such as works of Adam Smith, J.S. Mill, and T.H. Huxley, stressed that the values of liberalism – that is, each individual’s energetic efforts of self-realization – were connected to nationalism, i.e., the drive to develop and contribute to the wealth of nation (Fairbank, 1987: 150). Yung Wing, as the first Chinaman who received a foreign degree from an American university, recounted his nationalist aspiration before he entered Yale in 1850. He refused to be funded on the promise that he would be sent back to China as a missionary, reasoning, “...a pledge of that character would prevent me from taking advantage of any circumstance or event that might arise in the life of a *nation* like China, to do her a great service” (Yung, 1978[1909]: 36-37). After his graduation from Yale, Yung Wing returned to China in hope of making it prosperous and strong. His personal involvement in the Taiping Rebellion led him to reflect upon the event in such nationalistic terms as the following:

“The only good that resulted from the Taiping Rebellion was that God made use of it as a dynamic power to break up the stagnancy of a great nation and wake up its consciousness for a new national life, as subsequent events in 1894, 1895, 1898, 1900, 1901, and 1904-5 fully demonstrated” (Yung, 1978[1909]: 123).

These few exceptional Chinese intellectuals’ nationalist consciousness, though evident, was obviously not shared by wider Chinese population at the time. More than half a century of Western encroachments along China’s coastal line did not shake the core belief of the Chinese elite in the imperial system that was based on an entirely different type of consciousness, more akin to that of the feudal society in Europe. It was not until

the end of the 19<sup>th</sup> century when China was defeated by Japan that nationalism made significant inroads into the Middle Kingdom. Japan, once a peripheral state known as “dwarf pirates” but now a strong and modern constitutional monarchy, dealt a terribly humiliating blow to the Chinese ruling elite and primed them psychologically to the development of nationalism. Among other things, the Chinese elite now realized that a superficial learning of Western technologies in the Self-Strengthening Movement would not work unless “changes of methods” (变法) occurred.<sup>10</sup> By “changes of methods,” reform-minded members of the elite meant importation of Western political and educational systems into imperial China through the ensuing Constitutional Reform in 1898.

However, in only 102 days after its launch, the Constitutional Reform was abruptly aborted by conservative Qing rulers, forcing its leaders, Kang Youwei and Liang Qichao, into exile in Japan. It was in Japan that Liang Qichao discovered the fundamental difference between Qing China and Meiji Japan lay not just in “methods” but also in “spirit.” Already in his first year in Tokyo, Liang reflected that China’s future prospects were bleak, because there existed only the concept of “国家” (state), but not the concept of “国民” (nationals) in China.<sup>11</sup> In Liang’s view, all the modern achievements of the

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<sup>10</sup> Kang Youwei, a memorial published on June 19, 1898, collected in “*Wuxu bianfa*,” vol. 2, p.216.

<sup>11</sup> Liang, Qichao. “Lun jinshi guomin jingzheng zhi dashi ji zhongguo qiantu” (On the general trend of competitive people of the recent world and China’s prospect), published on October 15, 1899. Available on <http://www.bwsk.net/mj/1/liangqichao/000/013.htm>.

West were attributable to nationalism and Chinese nationalism had not yet been born.<sup>12</sup> He had therefore taken on himself the responsibility to introduce nationalism to China. Through publications, educational projects and political activities, Liang intended to transplant the spirit of nationalism into the minds of his compatriots. In his articles, Liang often praised nationalists as the brightest, the greatest and the most just of all people because of their heroic aspiration to protect their own nation and the desire to compete with other nations.<sup>13</sup> Liang's efforts to import nationalism to Chinese minds were not without success.

From 1896 to 1911, many Chinese students went to study in Japan. According to *The Japan Chronicle* reports, the number had reached 3,000 by 1905, was 9,000 in 1906 and 13,000 two or three years later.<sup>14</sup> During his exile years in Japan, Liang was one of the most prolific writers whose works were widely read by these students.<sup>15</sup> Most of his writings were first published in Japan. Chinese students studying in Japan, therefore, had the first access to them. Liang was so influential that, in 1902, the then Chinese representative in Tokyo, Cai Shun, citing the danger of Liang's influence, recommended

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<sup>12</sup> Liang, Qichao. "Guojia sixiang bianqian yitong lun" (On similarity and difference of the development of thoughts on country), published on October 12 and 22, 1901. Available on <http://www.bwsk.net/mj/l/liangqichao/000/021.htm>

<sup>13</sup> Liang, Qichao. "Shaonian zhongguo shuo" (On young China), published on February 10, 1900. Available on <http://www.bwsk.net/mj/l/liangqichao/000/014.htm>; Liang, Qichao. "Zhongguo jiruo suoyuan lun" (On the origin of Chinese weakness), published on May 28, 1901. Available on <http://www.bwsk.net/mj/l/liangqichao/000/016.htm>.

<sup>14</sup> *The Japan Chronicle*, published on November 23, 1905 and August, 1911, p.685, p.320, cited in Levenson (1959: 81).

<sup>15</sup> Liang Qichao was exiled in Japan twice, respectively in 1898-1899 and 1901-1903.

to the Qing court that no more students were to be sent to Japan.<sup>16</sup> Liang's influence on his contemporaries and the coming generations was well reflected in the writings of many other members of Chinese elite. Hu Shi, the leader of the New Culture Movement and the May 4<sup>th</sup> Nationalist Movement in the 1910s, recalled his excitement at being given a book containing many Liang's papers.<sup>17</sup> In his autobiography, Hu stressed Liang's influence: "He attracted our abundantly curious minds, pointed out an unknown world, and summoned us to make our own explorations..."<sup>18</sup>

Liang's second contribution to the introduction of nationalism into China was not at all intended, yet, fundamental. While his constitutional reform within the Qing court ended as a failure, his proposal to abolish the Civil Service Examination system was accepted by the court and put into practice in 1905, leading to unintended social, political and economic consequences. For centuries, the Civil Service Examination system was an effective crisis prevention mechanism for imperial China. It ensured social mobility by allowing talented individuals to rise from a low social status to political prominence through success in the examinations (Ho, 2013). It functioned as a double-win device for different Chinese empires to recruit talents for the administration, allowing the educated to pursue wealth and prestige. The abolition of the system cut off the most important channel through which both Chinese commoners and the offspring of the Chinese elite without hereditary entitlements could enjoy the opportunity to join the officialdom

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<sup>16</sup> *The Japan Weekly Chronicle*, April 2, 1902, 295, cited in Levenson (1959: 81).

<sup>17</sup> Hu Shi, "Sishi zishu" (Autobiography at the age of forty) (Shanghai, 1935), p.93.

<sup>18</sup> *Ibid.*, pp.100-105.

(Bieler, 2003). When this equilibrium was disrupted, many Chinese educated were consequently left displaced with uncertain prospects.

With the most important path to upward mobility being blocked, the educated had to seek different ways to make a living or to realize personal aspirations. Influenced by the increasingly popular trend of Western learning at the time and encouraged by the Qing court's promise to award official titles to foreign-degree-holders, many chose to go study abroad, with or without government funding.<sup>19</sup> While the majority of them ended up studying in Japan due to geographical and linguistic proximity, many went to Europe and North America. There, Chinese students had not only acquired specific skills and proficiency in foreign languages, but also received direct exposures to foreign cultures and modern ideas. Be it in Japan, or in Europe and North America, the huge contrast between imperial China and modern societies with a developed national consciousness had, first and foremost, added to the sense of humiliation among the Chinese educated, who were taught about the glorious past of China through their former education in Chinese classics. This sense of humiliation, moreover, was deepened by their overseas personal experience of Chinese often being labeled as the "sick men of Asia" (Scott, 2008). In addition, international news about China's continuous losses in various wars and international negotiations was nothing but another source of humiliation. The personally felt and deepening sense of humiliation psychologically tormented Chinese

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<sup>19</sup> To encourage overseas study, the Qing court issued an edict in 1901, which stipulated that all students, whether government-supported or self-funded, should be awarded traditional scholar titles upon return in accordance with the diplomas they got in their overseas studies and could therefore become candidates for government positions. See Wang (1966: 64).

overseas students on a daily basis, provoking them to seek for remedies to cure China's "sickness."<sup>20</sup>

In their daily life abroad, Chinese students were surrounded by modern citizens who were conscious of nationalities and treated Chinese students as foreigners. In theory, such constant exposure to nationalism in foreign countries might not necessarily imply Chinese students' acceptance of the idea of nationalism. In reality, however, when Chinese students were psychologically tormented by their deepening sense of humiliation due to China's "sickness," and nationalism, as Liang Qichao highlighted, was the reason behind the strength of Western powers and Japan, they found in nationalism a rational explanation for China's weakness *vis a vis* the strength of foreign powers. More importantly, nationalism provided a straightforward solution to the problem of China's weakness for these humiliated students. The solution was, logically, to turn China into a modern nation equal with other nations.

Back in China, things were not better under unsuccessful reforms introduced by the Qing court in the last decade of its ruling. In particular, the educated, who were originally promised a position in the officialdom after passing the civil service examinations, now became bitterly disappointed and disillusioned when the Qing government could not fulfill its promise, only to mismatch them with insignificant positions or to simply leave them jobless (Bastid, 1988: 10). The professional displacement and the inconsistency

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<sup>20</sup> As Chinese famous writer, Lu Xun, wrote about his decision to give up his medical study in Japan and to devote himself to writing articles with which he hoped to cure the soul of Chinese people. See (Lu, 1978[1922]).

between expectations and reality had, on the one hand, led many of the Chinese educated to seek for alternative careers; on the other, these inevitably lowered their self-respect and family reputation, and added to their sense of humiliation which had been caused by China's defeat by foreign powers. Similar to overseas students, the educated at home were psychologically prepared to embrace nationalism. Thus, when the idea was formally introduced by Liang Qichao through his popular writings, the displaced intellectuals similarly found rational explanations and remedies in nationalism (Gray, 1969: 8-9). It also justified their revolutionary spirit and their support for the 1911 Revolution, which finally overthrew the Qing court. Most importantly, as an idea emphasizing the fundamental equality among members of the nation, nationalism uplifted the displaced intellectuals' personal dignity by granting them again the equal opportunity to participate in state affairs and to identify with the ruling elite in the process of nation-building.

Nationalism was, therefore, first and for the time being only accepted by the Chinese educated. As a small minority of the total Chinese population, the educated elite were not at all representative of the great majority of the Chinese population who remained in the countryside and lived in a traditional way of life dominated by Confucian values and a subsistence-oriented economic system.<sup>21</sup> In this sense, nationalism was only a limited, strictly urban phenomenon in Republican China. The lack of national consciousness among China's general population was well reflected in Sun Yat-sen's widely cited likening Chinese people to "a heap of sand" (一盘散沙) (Sun, 1956[1924]: 588-602).

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<sup>21</sup> Between 1900-1910, only 17 millions of Chinese lived in 66 cities of China, which took up less than 5% of the total population (400 millions) at the time. See Xu & Wu (1990: 299).

Sun had thus put “nationalism” as the first principle of his “Three People’s Principle” and, together with Liang Qichao, called for its spread among wider Chinese population. Yet, the conditions for this spread were not ripe in most parts of the Republican period. Even coming to 1935, when Jiang Tingfu (T.F. Tsiang, as he was known abroad), then the head of the History Department of Tsinghua University and later a cabinet member of the Nationalist government in Nanjing, talked about the situation in China in the Chatham House, as far as the rural Chinese population was concerned, he said the following:

“The Chinese peasant is industrious, law-abiding, and, though illiterate, has an ample stock of worldly wisdom of his own. In peace he is a good producer; in war he can be made a good fighter if properly led. He is as good material for the building of a State as found anywhere in the world. But Chinese masses have not been made actively conscious of the duties of citizenship in a *national* [italic added] State. The peasant is poor, illiterate, attached to family and village. His natural needs are satisfied by means found in his immediate neighbourhood. In any case, lack of good roads prevents him from reaching beyond. For him, family, village, and district are the world. Hitherto, the predominant political philosophy of China has been one of extreme *laissez-faire*. The State has done almost nothing to *nationalize* [italic added] the masses.” (Tiang, 1935: 501)

The limited reach of nationalism among Chinese masses was similarly observed by other historians of the time. After traveling from northern China to the south in 1932, for instance, Fairbank (1982 [1932]: 60) recorded “...Westernization, however, is not proceeding rapidly and is indeed barely scratching the surface...”<sup>22</sup> In his memoir, he later recalled, “Few could foresee the peasant nationalism that would be aroused by the Japanese invasion after 1937” (Fairbank, 1982: 62).

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<sup>22</sup> For similar observations, see Farjenel (1916).

Despite the limited spread of nationalism among the Chinese masses, the small number of Chinese educated elite, driven by the spirit of nationalism, would soon lead China onto the path of modernization, launching waves of reforms and movements for national salvation, and channeling all efforts into one common goal: to build a modern Chinese nation, prosperous and strong.

### **1.5 Nationalism as the Source of the Spirit of Capitalism**

Similarly to Japan, imperial China first encountered nationalism presented by Westerners in the economic form. Through unequal treaties, Western traders, backed up by their governments and military forces, demanded China to give up its economic sovereignty in the form of tariff autonomy and the opening of treaty ports. Still thinking in terms of its traditional mentality, the Qing court easily signed away China's economic rights without predicting the symbolic meaning and consequences of these concessions. Although a few reform-minded officials and intellectuals did realize how consequential these losses were and how important the development of commerce could be in maintaining the country's independence in the late Qing period, their proposals, as mentioned earlier, were neither appreciated nor adopted. Not until the defeat by Japan, was there a critical majority in the ruling elite who understood that the military strength of Western powers was tightly linked to their economic might and that Japan had succeeded in strengthening its military power by first developing its economy as many Western powers did.

Thus, it was not by coincidence that Liang Qichao imported the idea of nationalism together with such terms as “资本” (capital) and “资本家” (capitalist) in their modern meanings to China. The facts that Liang first learned about nationalism through Japan and that Japanese nationalism, according to Greenfeld (2001: 326), “from the outset was focused on the economy,” both account for Liang’s simultaneous introduction of nationalism and modern capitalism to China. Moreover, the defeat by Japan indeed persuasively converted a significant portion of the Chinese elite to a type of nationalism that made the economy its priority. It led them to attribute China’s defeat to its economic backwardness and reoriented them toward economic modernization. One of the earliest economic nationalists was Zhang Jian, who placed first in the imperial examination and accordingly acquired a position in the officialdom, but now decided to venture into the business world and to establish China’s modern industry.

Deeply involved in both the Self-Strengthening Movement and the First Sino-Japanese War, Zhang Jian as a Qing official personally felt the humiliation Japan inflicted upon China and identified China’s industrial backwardness as the cause to China’s military defeat. Impelled to make a change, Zhang opened branches and China’s first modern cotton mill, Dasheng Shachang (大生纱厂), in 1899 and proceeded to build other factories in different places. Supporting the Constitutional Reform launched by Kang Youwei and Liang Qichao on the one hand, on the other, Zhang Jian advocated “saving the nation through industry” (实业救国) (Zhang, 2012[1904]: vol.4, 82). Zhang was equally devoted to modern education, using profits generated from his business to build

hundreds of professional schools. In Zhang's opinion, education had to go hand in hand with industrialization so that the industrial seeds would be sowed in the Chinese soil (Zhang, 2012[1911]: vol.4, 184).

In distinction to traditional Chinese mandarins, Zhang Jian was simultaneously a Confucian scholar, an official, an industrialist, and an educator. In an opening speech he gave at one of the schools he established in 1904, Zhang Jian perfectly connected the Confucian teaching of practicing personal austerity for the improvement of public welfare with the industrial logic of saving cost to generate more growth, advising students to live a frugal life while aspiring to enlighten more Chinese people through education (Zhang, 2012[1907]: vol.4, 122-124). Obviously, Zhang Jian saw no occupational or ethical incompatibility among his different preoccupations. From his point of view, all these different pursuits were compatible because they served the common goal of improving China's national strength. Above all, Zhang Jian was a nationalist. His nationalism was evident in his consistent support for successive governments' projects to modernize China's economy – i.e., to make the Chinese economy similar in structure and spirit to the economies of Western *nations*. Regardless of the political natures of different governments and his ideological disagreements with certain leaders, he continued to advance China's economic modernization until his death.

From Zhang's open speeches and personal diaries, it is clear that, by venturing into the business world, Zhang did not aim at accumulating personal wealth. Neither did he intend to achieve political power or to raise his family status. Both his official position and scholarly title had well served these personal goals. By connecting with merchants and

committing to capitalist investments, as his final bankruptcy in 1921 proved, Zhang Jian had instead risked his personal wealth, political career, and family reputation. It was thus not for personal or family gain that Zhang Jian took up the obligation to build China's modern industry. As his slogan "saving the nation through industry" plainly revealed, it was for national salvation that Zhang became a passionate industrialist. In other words, Zhang Jian's spirit of capitalism derived from his nationalism.

Zhang Jian was not alone in reconciling the traditionally presumed ethical incompatibility between profit-making and scholarship by becoming a Chinese nationalist or by seeing things from the perspective of nationalism. Many newly emerging Chinese capitalists established themselves as patriotic industrialists who aspired to save the Chinese nation by building national industry and contributing to the growth of national wealth. Mu Ouchu, the owner of three large cotton mills and extremely influential in the business circles of Shanghai, declared: "I am not a capitalist, but I have great concern on the weakness of our national industry. I simply want to build and strengthen the national industry."<sup>23</sup> While himself living frugally, Mu gave large donations to support modern education and to preserve Chinese cultural heritage such as Kunqu.<sup>24</sup> Even Chen Duxiu, the future General Secretary of the Chinese Communist

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<sup>23</sup> Mu, Ouchu, "Dafu taolun Housheng Shachang zhaomu Hunan nvgong wenti zhujunshu" (A reply to the discussion on the problem of Housheng Cotton Mill's employment of female workers from Hunan), cited in Chen, Duxiu (1920), "Shanghai hua Housheng Shachang Hunan nvgong wenti" (Shanghai's discussion on the problem of Housheng Cotton Mill's employment of female Workers from Hunan), *Xinqingnian* No 7 (6).

<sup>24</sup> According to historical archives, Mu gave 50,000 taels of silver to Cai Yuanpei to select brilliant students for overseas training. Famous scholars benefited from Mu's donation include Luo Jialun,

Party (the CCP), publicly appreciated Mu's nationalist aspiration, commenting "Mr. Mu was a very knowledgeable person different from those profit-driven merchants" and that "although Mr. Mu is in the position of a capitalist, he is not by essence a capitalist"<sup>25</sup> Similarly, when Mao wished to gain support from the nationalist business leaders, he avoided using the term "capitalist," but described them as "newly emergent merchants with a characteristic of being anti-warlords and pro-democracy."<sup>26</sup>

Clearly, only under the banner of nationalism, did individuals' capitalistic pursuits become legitimate and glorious, because they contributed to the growth of national wealth and the process of nation-building. In existing literature, some scholars equate this sudden and early modern justification with the traditional way of justifying personal gains (私) through public interests (公) under the rationale of Confucian collectivism (Fewsmith, 1983; Wakeman, 1993). Historically, however, while this way of justification worked among scholars and officials, public usages of merchants' personal wealth had never morally justified merchants' capitalistic pursuits in pre-modern China. More often than not, merchants' public donations and contributions were deemed as either briberies or confiscations, only confirming or adding to their immorality (Xiong, 1995). Thus, the way nationalism legitimized capitalism was essentially different from the traditional way

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Wang Jingxi, Fang Xianting, and the 1957 Nobel Prize winner Chen Ning Yang. His support for Kunqu was well documented in Mu (1995).

<sup>25</sup> Chen, Duxiu (1920). "Shanghai hua Housheng Shachang Hunan nvgong wenti" (Shanghai's discussion on the problem of Housheng Cotton Mill's employment of female Workers from Hunan), *Xinqingnian* No 7 (6).

<sup>26</sup> Mao, Zedong. "Guangyu diaocha dizhu zhichang jieji he Guomintang junguan de tongzhi" (An announcement on the survey about landlords, capitalists and Guomintang military officials), in *Mao Zedong Wenji (Mao Zedong's selected writings)*, vol. 1, Beijing: Renmin Chubanshe, 1993, p. 10.

public interests justified personal gains. As a form of modern consciousness, nationalism gave legitimacy to capitalism by connecting *sustained* economic growth with the survival and international prestige of a nation. On an individual level, it connected personal dignity and business interests with the nation's independence and international status.

## **1.6 The Emergence of National Capitalists**

Since the defeat by Japan in 1895, many members of the intelligentsia, like Zhang Jian and Mu Ouchu, came to relinquish the traditional views against business and transformed themselves into economic nationalists who worked for the progress and economic modernization of China. They believed, by improving China's economic strength through modernization, they could protect China from foreign encroachments and make it a strong nation like Japan. After the 1911 Revolution, having suffered through a period of political instability and oppression under the ruling of regional warlords, both intellectual and business elites also wanted to unify China economically and to develop a "national economy." They came to be known as China's "national capitalists" (民族资本家) in contrast to the treacherous "comprador capitalists" (买办资本家) who only served the interests of foreign companies (Zanasi, 2006). Despite their increasing personal wealth, Chinese compradors were often treated as second-class citizens by foreigners in treaty ports and international concessions. This humiliation caused many Chinese compradors to accept nationalism and transform themselves into "national capitalists" as well. In particular, Japan's "Twenty-one Demands" and Western powers' acquiescence in Japan's

plan to take over the Shandong Peninsula from Germany in the Versailles Treaty awakened both Chinese intellectuals and the business community to the reality that their personal dignity and fortune were closely connected with China's independence. On May 7 1915, when Japan delivered an ultimatum claiming its rights over mining and railways in Shandong and Manchuria, 10,000 Shanghai businessmen joined nationwide demonstrations against Japanese imperialism (Bergere, 1986: 244). The return of foreign powers' economic depredation in China after the WWI further raised doubt about the nature of foreign capital and aid offered by the so-called "friendly powers" (Bergere, 1986: 267). Coming to the 1920s, in general, the business circles had more or less reached a consensus that their personal fortune and the Chinese economy would be under constant threats if China could not regain its sovereignty from foreign hands. They also came to identify their business interests with China's national unification and had willingly supported the Northern Expedition against regional warlords by purchasing large numbers of national bonds issued by the Nationalist government.

Among all Chinese national capitalists, modern bankers, in particular, were the most significant contributors to the building of Chinese national economy under the Nationalist government (Young, 1971). In contrast to the dominantly negative interpretation of Chinese capitalists' historical contribution from a Marxist perspective, archival evidence reveals that major modern bankers such as the core members of "Jiangzhe Caifa" (江浙财阀) – i.e., the financial magnates in the Shanghai-Jiangsu-Zhejiang region known for their prominence in the business circle – were not "robber barons" but national capitalists (McElderry, 1985). As Cheng Lisun's historical research indicated, "Although they

["Jiangzhe Caifa"] did have many opportunities to make large fortunes for themselves, numerous examples show that few seemed to have taken advantage of their positions" (Cheng, 2003: 207). Instead, Chinese modern bankers often set "serving the society" and "serving the nation" as the mottos of their banks, putting the interests of the banks, the public and the nation prior to their personal gain (McElderry, 1986). As a result, although the overall capital of China's modern banks grew dramatically during the Republican period, famous modern bankers, such as Zhang Jiaao, Song Hanzhang, Xu Xinliu, Chen Guangfu and Zhou Zuomin, were known to live on rather modest salaries and had little savings and property at the end of their lives.<sup>27</sup>

Driven by nationalism, many Chinese modern bankers enthusiastically supported China's national industry (see Table 1.1). By 1936, before the breakout of the second Sino-Japanese War, modern Chinese banks provided 11.7% of the total capital formation of Chinese modern industry (Cheng, 2003: 84). This, even in comparison with the situation of Japanese industry at the turn of the 20<sup>th</sup> century, was not an insignificant contribution.<sup>28</sup> Some major modern bankers, moreover, became industrialists and entrepreneurs at the same time. For instance, Chen Guangfu (1949: 9), as the general manager of the Shanghai Bank, established China's first travel agency, the Chinese Travel Service, after being humiliated by the unpleasant treatment at a Western travel agency. Yu Xiaqing, who was formerly a comprador for the Russo-Asiatic Bank and the

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<sup>27</sup> For a detailed account of these Chinese bankers' commitments to public service instead of personal wealth, see Cheng (2003: 207-211).

<sup>28</sup> According to statistics, the percentage was 11% in the Japanese case in 1905. See Cheng (2003: 84).

Nederlandsche Handle Maatschappij Bank, founded the Ningbo Bank together with other compradors from Zhejiang in 1915. The Ningbo Bank later provided major financing for China's industrial enterprises and Yu himself became a main merchant shipping entrepreneur in Shanghai.<sup>29</sup>

**Table 1.1 Industrial Loans of Major Modern Banks (in C\$ 1,000)**<sup>30</sup>

	1926		1931		1934	
<b>Name</b>	<b>Amount</b>	<b>Index</b>	<b>Amount</b>	<b>Index</b>	<b>Amount</b>	<b>Index</b>
Shanghai Bank	3,608	100	23,000	637	37,097	1,028
Jincheng Bank	13,335	100	30,840	232	64,499	468
National Commercial Bank	5,023	100	10,300	205	19,188	382
Bank of China	15,854	100	33,675	212	54,574	344
	1930		1933		1936	
<b>Name</b>	<b>Amount</b>	<b>Index</b>	<b>Amount</b>	<b>Index</b>	<b>Amount</b>	<b>Index</b>
Zhejiang Industrial Bank	4,729	100	5,653	120	13,307	281
China& South Sea Bank	5,948	100	9,072	153	15,930	268
Continental Bank	Na	na	3,820	100	4,219	110
Yien Yieh Bank	10,257	100	8,272	81	11,023	107

Sources: Cheng, Linsun (2003). *Banking in Modern China: Entrepreneurs, Professional Managers and the Development of Chinese Banks, 1897-1937*. New York: Cambridge University Press. p.85.

Considering supporting the nation as the special mission, as Chen Guangfu (1949: 234) told his colleagues and staff members, one of the goals of China's modern banks was to "resist foreign economic oppression." To achieve this goal, Chinese modern bankers competed with foreign banks in China. After the Qing court gave away China's tariff autonomy to foreign powers in 1842, foreign banks had basically monopolized China's

<sup>29</sup> Yu was known as Shanghai's most vocal and politically-active businessman and finally headed the General Chamber of Commerce in Shanghai in the mid of the 1920s. See Chen, X.H. (2007).

<sup>30</sup> Before November 1935, Chinese currency was based on silver standard. However, there was no one common currency employed by all Chinese banks back then. The C\$ here is Shanghai dollar. See Cheng (2003).

financial system and established greater creditability than Chinese banks during the late Qing and the warlord periods. To break the monopoly of foreign banks, Chinese bankers rapidly expanded modern banking systems to major cities across the country and cooperated with local financial institutions (such as “qianzhuang” 钱庄) deep in the rural areas. In 1927, there were only nine Chinese modern banks in China. In 1935, the number grew to 98, with headquarters set up in nine big cities including Shanghai, Beijing, Tianjin, Hankou, Guangzhou, Nanjing, Hangzhou, Chongqing and Qingdao. In 1936, 90% of the total 319 Chinese modern banks and bank branches were open for business beyond these nine big cities (Cheng, 2003: 217). In addition, Chinese modern banks tried to attract depositors through higher interest rates and better services. As a result, deposits in Chinese modern banks increased much faster than that of foreign banks. From 1912 to 1936, while deposits of foreign banks in China increased from C\$ 226.5 million to C\$511 million, deposits in Chinese modern banks jumped to C\$ 4.55 billion. Adding the C\$1.95 billion banknotes issued, Chinese modern banks owned 87% of the total capital in Chinese financial market in 1936 (Cheng, 2003: 77-78). Overall, in a very short period of time, Chinese modern bankers succeeded in taking down the monopoly of foreign banks in China. This, as Ma Yinchu pointed out in 1933, “has substantially recovered China’s rights and profits and significantly improved the unequal relationship between foreigners and Chinese” (cited in Cheng 2003: 235).

Enthusiasm about modernization went beyond the banking sector during the Republican period. As is to be detailed below, under the mobilization of the Nationalist government, leaders of the business community became the pioneers of modernization in

various sectors identified as national industries. They would not only receive considerable recognition and support from the Nationalist leaders who shared their aspiration to modernize China's economy, but also found, as Bergere (1986:127) put it, "a useful platform and a sympathetic audience in the chambers of commerce and guilds," which were, in almost all cases, controlled by urban elites who had one way or another been exposed to nationalism. This support allowed the newly emerging national capitalists to implement and experiment with their new economic ideas beyond sectors that they were originally engaged in.<sup>31</sup>

## **1.7 Official Mobilization: Build an Independent and Unified National**

### **Economy**

As the founding father of the Chinese *nation*, Sun Yet-san was not only known for his leading role in the 1911 Revolution which ended China's two-millennia-long imperial history, but also for his political philosophy largely summarized as the "Three People's Principles" (三民主义). Among these three principles, which were respectively "nationalism" (民族主义), "people's rights" (民权主义), and "people's livelihood" (民生主义), the third principle was added during Sun's trip to Europe in 1896-1898. In 1924, however, Sun identified "people's livelihood" as the core of all political and social challenges in China. To improve "people's livelihood," Sun believed that China

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<sup>31</sup> Mu Ouchu, for instance, could never have amassed sufficient capital to set up his first cotton mill in 1917 without the help of a group of merchants who entrusted him with a huge amount of financial support. See Bergere (1986:127).

should develop its national economy instead of launching proletarian revolutions as Karl Marx suggested. Having given credit to Marx's analysis of class struggles in Europe and acknowledged the potentiality for China to develop into an unequal society, Sun yet stressed, "Unlike Europe and the US, China is now suffering from poverty rather than inequality" (Sun, 1981: 802-79). He pointed out that, without modern industries, China had neither an established class of capitalists nor class struggles between the bourgeoisie and the proletariat. To rid China of poverty and to prevent future inequality, Sun proposed to limit the growth of individual capital on the one hand and increase national capital on the other. "Increase national capital," Sun explained, "means to develop national industries" (Ibid.).

Sun's political philosophy and nationalist aspirations had a profound influence on China's nation-building. The "Three People's Principles" were enshrined as the guiding ideology of the Nationalist Party and became the source of legitimacy and reference point for different agenda-setting and policy-making of Chinese politicians across the political spectrum.<sup>32</sup> In particular, following Sun's emphasis on the last principle of "people's livelihood" before his death in 1925, many members of the Chinese elite were convinced that economic reconstruction should be the first priority once China achieved unification through the Northern Expedition. Among them, Song Ziwen, a Harvard and Columbia trained economist, was most influenced by Sun's economic thought and most determined

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<sup>32</sup> Even Chen Lifu, who served as Chiang Kai-shek's personal secretary since 1925, recalled that it was his aspiration to participate in Sun's national reconstruction plan as an engineer that motivated me to first join the KMT when he was studying in the US and returned to China after his engineering study and practices in the US. See Chen (1994).

to implement Sun's idea of building a modern and unified national economy. Song was described by Arthur Holcombe (1930:123-154) as the leading figure of China's new "spirit of capitalism."

Before and after the 1911 Revolution, China's economy was as divided as its politics. Factually ruled by different warlords, the country was fragmented into provincial economies using protectionist policies against one another. What was more, the opening of treaty ports connected local economies of coastal cities with international markets much more than the domestic one, encouraging them to develop export-oriented industries and to depend on foreign markets for both production and consumption (Pomeranz, 1993). Both provincial protectionism and increasing dependence on international markets had added to China's economic difficulties resulting from ongoing civil wars and political instability, causing all sorts of economic discrepancies and barriers in local markets. To raise but one example, the usage of different currencies in different provinces not only increased transaction cost for business exchanges across provinces, but also destabilized the value and credibility of each regional currency and made it extremely difficult for the central government to coordinate local economies or to collect taxes (Cheng, 2003: 70-80). Given his experience in reforming the financial and fiscal systems of the Nationalist government led by Sun in Guangzhou, Song Ziwen had been fully aware of the paramount importance of China's economical unification so as to increase national capital and develop national industries as Sun suggested (Zanasi, 2006). Right after he was appointed as the Minister of Finance of the Nationalist government in Nanjing and the governor of the Central Bank of China in 1928, Song immediately sent a

telegram to provincial governments, announcing “Now that the Northern Expedition has been completed, finances must be unified; all reconstruction work must be planned, and measures actively taken.”<sup>33</sup>

Meanwhile, Song was equally eager to recover China’s economic sovereignty. Among all economic rights signed away by the Qing court, the loss of tariff autonomy proved to be the most detrimental since it not only deprived Chinese government of the right to use tariffs as a source of revenue and a policy tool to protect Chinese industries, but also led to large amount of trade deficits on China’s side and allowed foreign traders, capital, and commodities to flood domestic markets. Since the establishment of Republican China in 1912, therefore, Sun Yat-sen and other leaders of the Nationalist government had persistently demanded the abolition of unequal treaties signed between the Qing court and foreign powers. Diplomatic requests were continuously sent to foreign governments for concluding new tariff treaties. These demands and requests, however, were mostly rejected. Not until 1928 did Song Ziwen manage to persuade the American and British governments to renew their tariff treaties with the Nationalist government (Wu & Guo, 2008: 40). Following the lead of American and British governments, by December 1928, all treaty powers, with the single exception of Japan, concluded new tariff treaties with China based on the principles of equality and reciprocity (Wang, 1930: 277). Under Song’s supervision, simultaneously, the Nationalist government issued China’s first independent tariff schedules, calling for an average of new tariffs on import around 18%

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<sup>33</sup> Quanguo jingji huiyi mishuchu, *Quanguo jingji huiyi zhuankan* (National Economic Conference Journal), p. 8. Cited in Zanasi (2006: 86).

in contrast to the original fixed rate of 5% for both import and export duties (Wang, 1930: 277). On February 1 1929, after Japan reluctantly gave its consent, the new tariff schedules became formally effective, marking the recovery of China's tariff autonomy.

The recovery of tariff autonomy was both symbolically and substantially important for the construction of China's national economy. It not only signaled China's equal status as a sovereign nation in the modern world, hence elevating the dignity of all Chinese nationals, but also provided the Nationalist government with popular support, new sources of revenue and political means to protect Chinese industries. Different from the Qing officials, Song and other nationalist leaders had learned these lessons by studying abroad and personally witnessing China's continuous defeat and humiliation by foreign powers. As nationalists with professional training and practice in the economic sphere, they were aware of the importance of improving China's economic competitiveness so as to protect China's economic rights. They were thus motivated to realize the construction of China's national industries and strengthen the national economy.

Born in one of the richest families in Republican China and being the brother to the eminent "Song Sisters," Song Ziwen was well connected with the business circles, particularly those in the coastal areas. During the Northern Expedition, Song had successfully raised large amounts of funds from them. He had thus seen the possibility and great benefits of mobilizing the business elite to participate in the construction of national industries. For this purpose, Song organized respectively the National Economic Conference and the National Financial Conference in June-July of 1928. He invited prominent merchants, bankers and industrialists across the country to attend these

conferences. To invite them to actively participate in the construction of national economy, Song began his opening address in these conferences as follows,

“Now that the war is over, we shall have to raise enormous funds to rehabilitate the country, to restore peace and order, to disband the surplus troops, to restore the dilapidated railways, to care for famine-stricken areas which have served as the battlefield. We have called together responsible non-political persons, representatives of the taxpayers, to criticize us, to help us, to guide us” (cited in Tamagna, 1942: 51).

To truly involve the business elite in economic reconstruction, Song knew a symbolic invitation was far from sufficient. He intended to present the economic plans proposed by the business community to the Nationalist government and get them passed as government policies in the Budgetary Commission as well as the Congress. Unfortunately, however, all plans made in the two conferences were finally rejected by the Congress due to strong oppositions from Chiang Kai-shek and other military leaders within the Nationalist government. For military leaders, the first priority was to suppress the Chinese Communist Party and to defend China from Japanese military invasion. They therefore insisted that the Nationalist government should be focused on military expansion.

Having encountered obstinate opposition from Chiang and his allies, in 1931, Song established the National Economic Council (NEC) as the highest economic planning agency, trying to bypass Chiang's authority. With the support from Wang Jingwei and Chen Gongbo under a coalition government led by both Chiang and Wang, Song finally managed to appoint business leaders as officials serving in the NEC and to put them on related official missions for economic reconstruction (See Table 1.2). By politically

empowering business leaders who connected their business interests closely with China's economic growth and national strength, Song successfully channeled their capital, skills and social networks into building China's national economy (Zanasi, 2006: 99).

**Table 1.2 Major Bankers' Political Roles during the Nanjing Decade**

<b>Name</b>	<b>Pre-1927 Role</b>	<b>Post -1927 Role</b>
Wu Dingchang	Engineered a reform favoring private shareholders in the Bank of China in 1912; Reorganized private banks and collected all their resources in a common Treasury and Savings Fund	Minister of Industry in 1935; Governor of Guizhou Province in 1937
Zhang Jiaao	Upheld a liberal concept of banking activities in the Bank of China; played an active role in setting up the Shanghai Bankers' Association and in launching the Bankers' Weekly; Forced the Peking government to impose strict financial controls and adopt budgetary reforms in 1921 at the head of the Chinese Consortium.	Director of the Ministry of Railways in 1935; was sent on an official mission to the United States to study problems of economic reconstructions in 1942.
Qian Yongming	Served as the president of the Shanghai Bankers Association 1920-22; defended the Communications Bank against official interference in 1922-25.	The Vice-Minister of Finance in 1927; The Commissioner of Finances for Zhejiang province.
Song Hangzhang	Former director-general of the Bank of China; dissociated the Bank of China from the political activities of Yuan Shikai in 1915-16;	The Chairman of the bank's board of directors, under the control of T.V. Soong.
Chen Guangfu	Founded his private bank, the Shanghai Bank of Trade and Savings in 1915; Managed it until 1937.	Was sent to the US to negotiate the conversion of the stock of Chinese silver with a view to monetary reform in 1937; Directed China's borrowing policies in the US and acted as chairman of the Commission of External Trade for the Ministry of Finance in 1938-41.
Li Ming	Promoter of the Zhejiang Industrial Bank	Chairman of the Commission for the Consolidation of International

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Borrowing since 1927;  
strengthened the government's  
credit; reorganized the banking  
sector after 1935.

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Sources: Boorman, Howard L., Richard C. Howard, and Joseph K. H. Cheng (1967).  
*Biographical Dictionary of Republican China*. New York: New York, Columbia University  
Press. Vols.1&3, pp.26, 192, 379, 452, 817.

During the WWI, while foreign powers were occupied with the warfare in Europe, China was given a golden opportunity to develop its industries, resulting in a second wave of Chinese industrialization between 1914 and 1924 (Bergere, 1986:70). Unlike the first wave of industrialization under the Self-Strengthening Movement, which was mostly state-led and focused on military and heavy industries, the second wave of industrial expansion occurred locally and was concentrated in light industries such as cotton textile, flour and tobacco. These industries were characterized by large civilian demand and the return of immediate profits, naturally attracting investments from prominent national capitalists such as Nie Yuntai, Mu Ouchu and the Rong brothers (Bergere, 1986:71-72). For similar reasons, these industries had been long monopolized by foreign companies. The WWI yet diverted large amounts of foreign capital and products from Chinese markets and allowed Chinese companies to rapidly expand in these particular industries. Due to the potential for Chinese companies to outcompete foreign companies in these areas, during the Nanjing decade, Song Ziwen worked with business leaders to identify these industries as China's national industries and prioritized them as the main targets for financial and policy support. Consequently, these industries yielded the fastest and largest growth (Zhou, 1958).

To further empower national capitalists to develop national industries, Song together with the then Minister of Industry, Chen Gongbo, adopted a flexible scheme that allowed more autonomy and support for national capitalists, while keeping the so-called “treacherous comprador capitalists” under strict control (Zanasi, 2006: 113). In order for national industries to achieve as much profit and progress as possible, Song and Chen also tried to reduce unnecessary bureaucratic hurdles for national capitalists to run their business. Official permissions were conveniently authorized for businessmen to establish business associations for different industries across the country. Finally, as is to be discussed below, by organizing and supporting boycotts against foreign products, the Nationalist government created a “nationalistic consumer culture” among urban consumers, successfully mobilizing urban consumers to support national industries as well. Before the outbreak of the second Sino-Japanese war in 1937, as Yeh Wen-Hsin (2007:7) observed, the Nanjing decade (1928-1937) was characterized by “a restructuring of the state to suit the needs of mercantile enterprises, instead of the adjustment of the merchants to conform to bureaucratic norms.”

By successfully mobilizing the national capitalists, despite the obstinate opposition from Chiang Kai-shek and other military leaders within the Nationalist government and the Japanese aggression, the NEC was able to formulate and implement specific economic policies to develop modern industries in sectors ranging from water conservancy, transportation, public health, and agriculture (Kirby, 2000). With support from the business circles in the coastal cities, the NEC also managed to achieve successful reforms in various traditional industries (Rawski, 1980). For instance, in

cotton industry, according to Zanasi (1997: 11), the Cotton Control Commission under the NEC not only “devised economic strategies for the entire cycle of the cotton industry... It then ensured the realization of its policies through a network of cooperative societies which reached down at the grass-roots level mobilizing local production teams in support of the plan.” The cotton industry, as a result, took up as much as a 20% share of the total industrial production in the Republican period (Kubo, 2005).

### **1.8 Popular Support: Boycotts and the National Product Movements**

Since the defeat in the first Opium War forced the Qing court to open Chinese markets to foreigners in 1842, foreign commodities and capital had flooded treaty ports and gradually monopolized local markets of major cities in China. During the Self-Strengthening Movement, the rapid inflow of foreign products and the increasing trade deficits on China’s side had already alerted progressive intellectuals such as Zheng Guanying to suggest waging commercial rather than military warfare with foreigners. Zheng’s idea of “commercial warfare,” however, did not see its first realization until 1905 when Zhang Jian and other Chinese business leaders called upon collective efforts to boycott American commodities in protest against the continuous violence against Chinese immigrants in the US (Wang, 2001). This boycott, though failing to change any immigration policies in the US or to correct any of China’s trade deficits, was “striking evidence of an awakening spirit of resentment in the great Empire against the injustice and aggression of foreign countries” (Foster, 1906: 118). It marked the start of nationalist boycotts in modern China, and more importantly, made economic boycotts an often

adopted political means for Chinese students, businessmen and officials to express and spread their nationalism (Tsai, 1976).

According to Karl Gerth (2003: 126), boycotts were also “the most visible-and violent-aspects of the attempt to nationalize consumer culture.” Since 1905, significant boycotts against foreign products were triggered by specific incidents in 1908, 1909, 1915, 1919, 1923, 1925, 1928, 1931 and afterwards. While these incidents varied in content, they were commonly interpreted as China’s national humiliation (国耻). Be it killing Chinese nationals or taking away China’s economic rights and sovereign territories, these humiliating events provoked not only boycotts in the streets, but also Chinese nationalism behind these boycotts. In practice, each boycott always came to an end with the changes in circumstances. The provoked nationalism behind each boycott, however, would stay, grow and continue into future boycotts (Tsai, 1976). In this sense, boycotts were not just a protest against a specific incident, but a medium to express and spread nationalism. By witnessing and participating in continuous boycotts against foreign products, Chinese urban consumers, who had been exposed to foreign products and business, became nationalistic in their daily consumption, consciously connecting material commodities with certain nationalities and making their choices based on attitudes towards these nationalities rather than a market rationale.

Along with boycotts, the National Products Movements (国货运动) were going on. Right after the outbreak of the 1911 Revolution, representatives from eight Shanghai native-place associations established the National Products Preservation Association

(NPPA, 中国国货维持会) in order to protect the economic interests of domestic manufacturers and recover China's economic sovereignty (Pan, 1996: 532). Thanks to waves of nationalist boycotts against foreign products and business, the NPPA rapidly expanded its membership. By 1915, the number of its members grew to 688 while the number of investigations the NPPA conducted before allowing a commercial or industrial enterprise to join the organization reached 383 in 1915 in contrast to 11 in 1912 (Gerth, 2003: 143). In these investigations, the NPPA closely examined whether the applying companies used national sources of raw material, capital and employees. The NPPA then published its investigation results in two of its publications, *the Records of National Products Investigations* (国货调查录) and *The National Products Monthly* (国货月报). With an approved list of domestically manufactured products, these publications, according to Gerth (2003: 144), "gave both domestic manufacturers a place to promote their wares and merchants a means of finding replacements for imported products." They meanwhile promoted nationalism among Chinese manufacturers and consumers.

Following the establishment of the NPAA, regional associations were organized across China to support the National Products Movement (Pan, 1996: 533-576). Overseas Chinese also participated in the Movement by cooperating with the NPAA to promote the interests of Chinese industry abroad (Yi, 1996: 376). To expand the influence of the Movement, the NPAA requested the government to involve schools in promoting national products. The NPAA thus designed educational curricular for school teachers and asked teachers to teach students articles and songs that advocated national products and industry (Pan, 1996: 543). With supports from all sectors, the NPAA succeeded in

realizing the agenda of the National Products Movement and in reaching all aspects of urban consumers' daily life.

Under the National Products Movements, many Chinese products, companies and commercial brands were given names which included such words as “patriotic” (爱国) and “national” (民族) (Hong, 2010). On one of the most influential newspapers of the time, *Shenbao*, one could often find nationalistic advertisements advocating national products and defaming foreign products (洋货) (Xiang, 2021). One typical advertisement, for instance, portrait toothpastes produced by Chinese manufacturers in shape of a cannon targeting at foreign ships transporting foreign products to China. At the left corner of the advertisement, an eye-attracting slogan read, “promote national products, recover China’s sovereignty, may we compatriots, endeavor together” (提倡国货, 挽回利权, 愿我国人, 共同努力).<sup>34</sup> Consciously consuming national products on a daily basis while frequently seeing and hearing slogans such as “don't forget the national humiliation” (勿忘国耻) in both the streets and commercial departments, Chinese urban consumers were constantly exposed to nationalist consciousness.

Whether Chinese consumers were truly nationalistic in their daily consumption has been under debate. Scholars have revealed the involuntary and temporary nature of Chinese consumers' boycotts against foreign products in both republican and contemporary China (Li, 2008). However, one could hardly doubt the prevalence of nationalism among the organizers of continuous boycotts, many of them were students

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<sup>34</sup> *Shenbao*, published on June 3, 1935

and business associations. When Chinese governments, under foreign powers' pressures, decided to suppress boycotts, the nationalist organizers would change their ways of participation from street boycotts to fundraising. In 1915, a so-called "National Salvation Fund" (救国基金) was set up by the Awareness of the Humiliation Association (知耻会) in Shanghai to solicit 50 million (Chinese dollars) to "ensure national survival" (Gerth, 2003: 141). In only three weeks, the Fund received 250,000 Chinese dollars donations from all over China and overseas. When the Fund set a goal of raising 10 million Chinese dollars from the public sector, many government officials, civil servants, members of the armed forces and policemen agreed to contribute one month's salary. Eventually, the Fund successfully raised the amount its initiators pledged from the beginning and the money raised was mainly used to develop domestic industries as a way of national salvation (Ibid.).

Popular support for national industry in urban China was witnessed by foreign observers at the time. The American minister to China Paul S. Reinsch (1922: 373) wrote, "It [the National Products Movement] gave great impetus to the development of Chinese industry, and gave both the manufacturers and the Government a clue as to what a definite campaign for the stimulation of the home industries might accomplish." This was followed by a French diplomat's confession, which read, "We are in the presence of the most astounding and important that has ever happened – the organization of national public opinions into positive action in China" (cited in Gerth, 2003: 156).

## 1.9 Conclusion

From a neo-liberal economist's perspective, nationalism is often considered as a hindrance for economic development (Helleine, 2002). Defining capitalism as a free-market-oriented economic system and associating nationalism with state-led intervention, neo-liberal economists also see nationalism as anti-capitalist (Nash, 2008). By demonstrating how, driven by nationalism, Chinese Confucian-minded elites in the Republican period transformed themselves into national capitalists who enthusiastically pursued China's economic modernization, the above historical account proves the neo-liberal perspective wrong. Furthermore, it falsifies the popular thesis that nationalism was a result of print capitalism (Anderson, 1983) or industrialization (Gellner, 1983). It confirms the opposite, i.e., nationalism being "the spirit of capitalism" behind the emergence of modern economy.

During the Republican period, due to, among other things, the lack of established channels for the spread of nationalism amidst the great majority of Chinese population in the rural area, only the educated elite acquired nationalism through overseas studies and modern education in urban centers. Among them, those who aspired to unify and strengthen China economically worked together with the national capitalists and the nationalistic urban consumers to build and support national industries, and to develop a national economy oriented toward sustained growth, resulting in the emergence of modern economy in Republican China. The limited spread of nationalism among the rural masses, as Chinese leaders of the time and historians repeatedly pointed out, had yet put constraints on both the scale and effects of most political movements and social-

economic reforms in that period. Economically, without the participation of the rural population, modernization was confined within certain sectors, in major cities, and among a limited number of urbanites. Clearly, Chinese economy only started to modernize in the Republican period. This very start, despite all unfavorable conditions during wartime, yet continued, laying down a solid foundation for future economic development after the wars were ended, and even for China's economic rise today.

## PAPER II

### Reform for Becoming Rich:

#### Nationalism and China's Economic Reform under Deng Xiaoping

“Where Deng Xiaoping differed from his predecessors was in the strength of his desire to turn China into a wealthy and powerful state and his lack of interest in Maoist ideas of a new kind of society where such things as material incentives would play little or no role.”

– Dwight Perkins (1994:23)

### 2.1 Introduction

When a life-long China observer, Orville Schell, first visited China in 1975, he saw the streets of the country crowded with silent Chinese people “buying the bare necessities of life from dreary state-owned stores...”(Schell, 1984: 4).<sup>1</sup> As he returned in 1984, he witnessed China undergoing a cultural transformation.

“Like a piece of paper in a fire, whose edges slowly burn before the flames finally move inward to incinerate the center, old-style Chinese Communism was beginning to be consumed by change. Western influences were penetrating China's protective isolationism, creating unlikely contrasts. The Chinese people, once so mute, were beginning to express their curiosity about the outside world. Politics slowly receded in importance as China's leadership implemented a new political ‘line’ stressing a pragmatic approach to rebuilding the country's economy rather than class struggle.” (Schell, 1984: 4-5)

As a witness of this cultural transformation, Orville Schell compared the new political line implemented by Deng in post-Mao China with the Christian notion of rebirth. Around the same time, having surveyed the drastic changes in rural China, Deng echoed

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<sup>1</sup> For a detailed account of his living and working experience in Mao's China, see Schell (1978).

Schell, commenting, “The rural reforms that were carried out in the past few years were nothing but revolutionary.”<sup>2</sup> In contrast, Western economists, who focused on China’s institutional structures, considered China’s reform in the 1980s gradualist (Naughton, 2007). No doubt, in comparison, the largely state-controlled Chinese economy of the time was far away from the free-market model prescribed by liberal economics. It is understandable that Western economists would conclude that the initial triggers of China’s growth were discrete in terms of political changes and policy reforms (Hausmann & Lant Pritchett & Rodrik, 2005: 307), or that what the Chinese government did initially amounted to nothing more than some relaxation of existing constraints on the private sector and of state monopoly (Naughton, 1992).

While Chinese government’s initial triggers might have been “humble,” what they triggered, as Schell and Deng observed and economic statistics confirmed, was in fact transformative. What was, then, the real cause of this actually transformative effect? Put differently, among all the early reforms, which should be considered decisive in regard to China’s economic growth? While changes in Chinese institutional structures in the 1980s were relatively limited in comparison to the benchmarks of liberal economics, the ideational shift from Mao’s anti-capitalist/imperialist nationalism to Deng’s nationalism that made the economy its priority, as to be detailed below, was drastic and transformative. It was this fundamental change in the dominant official ideology, i.e., a shift in the ideational structure, that led to the rebirth of the spirit of capitalism in China

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<sup>2</sup> Deng’s quote appears in a report by a State Council research team on the rural economy. See Rural Economy Research Team (1998: 1-16).

and triggered the rapid growth first seen in the countryside in the 1980s and across all of China in the 1990s.

From the historical perspective, Deng's "Reform and Opening-up" policy was not all brand new. Both parts of the policy – economic reform at home and opening up to the outside world – had been attempted to different extents by earlier nationalist elites in the late Qing and Republican periods. Deng himself, together with other communist leaders including Liu Shaoqi and Chen Yun, attempted to introduce reforms into China's economy under Mao in the early 1960s, only to be accused of "counter-revolutionary revisionism" and twice purged due to his "unrepentant capitalist orientation" during the Cultural Revolution (Vogel, 2011). What distinguished Deng from earlier Chinese nationalist elites and separated the Reform era from other periods in the country's modern history were, therefore, not his economic policies. It was, as an eminent Chinese economist close to decision-makers at the time, Steven Cheung (1998: 134), concluded in his obituary of Deng in 1998, Deng's fundamental belief "that a society consists of individuals and that society will not do well unless every individual is encouraged to deliver his best." The experience of political struggle and economic lessons learned through trial and error under Mao made Deng convinced of the importance of economic incentives and the prosperity of the national population. What Deng intended to deliver through his "Reform and Opening-up policy" was, as he himself put it, to "give [the

Chinese people] the power to make money.”<sup>3</sup> Empowering every Chinese individual to get rich, Deng believed, would make China as a whole rich and strong. These convictions and unrepentant pragmatism enabled Deng to lead China onto the path toward wealth and power, as historical records of the post-1978 reform confirmed.

To clarify, the intention of this paper is not to analyze again the structural-institutional reforms in China’s economy since 1978, which has been the focus in existing literature.<sup>4</sup> It intends instead to reveal the ideational shift produced by Deng’s reforms, which inspired the Chinese masses to pursue personal wealth and eventually succeed in China’s unprecedented economic growth. To do so, this paper will start with a detailed account on the ideological changes within China’s ruling elite after Mao’s death in 1976, followed by a brief account on two most important rural reforms (the Household Responsibility System and the Township and Village Enterprises) that spontaneously occurred in the 1980s as the immediate results of the ideational shift at the top. The paper then examines how the Chinese elite launched various campaigns to encourage, support and dignify individual economic pursuits and private entrepreneurships. Lastly, it will present how those who got rich first and rose up socially through their economic activities felt ever more motivated to maximize their productivity and profits, consequently contributing to China’s unprecedented economic growth in both the 1980s and 1990s.

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<sup>3</sup> Deng Xiaoping’s comment to *Time* magazine delegation in October 1985. See, “Sayings of Deng Xiaoping,” published on February 20, 1997, *New York Times*.

<sup>4</sup> For a comprehensive account on the structural-institutional changes under China’s economic reform since 1978, see Naughton (2007); Naughton & Tsai (2015).

## **2.2 From Mao's Anti-Capitalist Nationalism to Deng's Nationalism That Prioritized the Economy**

Communism was not known to Chinese intellectuals until the success of the Russian Revolution in 1917. Its early spread in China was partly due to the intellectuals' disappointment with the failure of China's 1911 Revolution to establish an effective republican government and their search for an alternative for national salvation.<sup>5</sup> The response to the failure of the republican government, then led by Yuan Shikai, to protect China's national interests and sovereignty (thus, China's international status) during the Paris Peace Conference in 1919 was the May Fourth Movement. Intellectuals and students demonstrated in the streets their anger and opposition to the Chinese government and Western powers, both of which allowed Japan to take over the Shangdong Peninsula from Germany. Frustrated by Western liberal democracies, many Chinese intellectuals turned to Bolshevik Russia as the model for how to secure the nation's power and prestige. Communism was thus imported into China as an alternative route to national strength and dignity. Its spread and development in China were, first and foremost, expressions of Chinese nationalism, and necessarily shaped by the political, economic and cultural realities of China since 1919.

Having chosen Communism as the way to secure China's international standing, both Mao and Deng, just like Lenin and Stalin, were nationalists in the guise of Communism. They shared the same goals: to achieve China's independence from foreign powers and

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<sup>5</sup> See, for instance, Chen, Duxiu.(1916).“Wuren zuihou zhi juewu” (Our Final Awakening). *Xinqingnian (New Youth)*,

secure its sovereignty and international status. They fought shoulder to shoulder since 1924 when Chiang Kai-shek decided to break the alliance between the Nationalist Party and the Communist Party (thereafter, the CCP). Together they survived Chiang's attack and the Long March into China's poorest mountainous areas. Eventually, they would become the leaders of the CCP, successfully mobilizing the peasantry against the Japanese as well as Chiang's "treacherous" Nationalist government. The two men, obviously, shared much in common. Both were populist, believing in the power of the masses (hence, subscribing to the so called "mass line," 群众路线), and passionate nationalists.

The two CCP veterans, however, had quite different understandings of Marxism. While Mao rejected the historicism of Marxism, which is the belief in the material forces of production as drivers of the historical process and in capitalism as a universal stage of historical development, Deng accepted it wholeheartedly and often used this to argue for and legitimize his advocacy of free-market oriented reform even before 1978. Believing in the magic power of ideological re-education and class struggle, Mao (1997 [1952]: 65) stubbornly used ideological campaigns for both political and economic mobilization, determined to eliminate all elements of capitalism in socialist China. Deng, ever since he witnessed the disastrous consequences of the Great Leap Forward and the failure of the commune system,<sup>6</sup> had insisted on the importance of economic incentives and believed

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<sup>6</sup> For a detailed account on Deng's role in these movements, see Chung (2013).

the essence of socialism to be the liberation and development of the forces of production (Deng, 1993: 373).

For Mao, the popular support made socialist nations naturally superior. At the Moscow Meeting of Communist and Workers' Parties in 1957, he proclaimed, "Even before the Soviet Union had launched the Sputniks, the socialist nations were already overwhelmingly superior to the imperialist countries in terms of popular support..." (Mao, 1999[1957]: 321-335). "Material might," Mao claimed, "is not the only thing that counts" (Ibid.). When commenting on China's economic backwardness, Mao highlighted, "As a matter of fact, the more backward the economy, the easier, not the more difficult, the transition from capitalism to socialism" (Mao, 1974 [1960]: 333-334). Mao also rather appreciated the fact that the Chinese people were "poor and blank [i.e., unformed]" (一穷二白), declaring the following before the Great Leap Forward movement was launched in 1958,

"Apart from their other characteristics, China's 600 million people have two remarkable peculiarities; they are, first of all, poor, and secondly blank. That may seem like a bad thing, but it is really a good thing. Poor people want change, want to do things, want revolution. A clean sheet of paper has no blotches, and so the newest and most beautiful words can be written on it, the newest and most beautiful pictures can be painted on it." (Quoted in Meisner (1996:43))

In contrast to Mao's revolutionary romanticism, Deng's position was that of economic pragmatism. He believed, "Poverty is not socialism. Stagnating development is not socialism." "Otherwise," he asked, "what is the superiority of socialism?" (Deng, 1993: 255). The experience of nationwide economic malaise after the Great Leap Forward and the political price for disagreeing with Mao during the Cultural Revolution strengthened

Deng's conviction that "Socialism, first and foremost, is to develop forces of production" (Deng, 1994: 312). "The key to all problems in China," he often repeated after 1978, "is economic development" (Deng, 1993: 265).

Under Mao's leadership and right after Mao's death, this sympathy toward economic development was widely condemned as counter-revolutionary revisionism, economic opportunism, and, worst of all, treacherous "comprador capitalism" (买办资本主义).<sup>7</sup> For this, Deng was twice sent down to local factories for re-education. Deng's return to the political center in late 1976 and his rise afterward, to certain extent, were a reflection of a fundamental 180-degree turn on the part of the political elite, concerning the choice between two opposing ideologies, or, more exactly, two competing nationalist strategies.

Whatever ills it brought, the Cultural Revolution had somehow unified China politically and ideologically under Mao's absolute authority. The death of Mao, following that of the much revered Premier Zhou Enlai in early 1976 resulted not only in power struggle among political factions,<sup>8</sup> but also in ideological confusion. After the fall of the Gang of Four in late 1976, Hua Guofeng, as Mao's successor according to Mao's will, was committed to maintaining Mao's authority and legacy. He soon announced his continuing and absolute loyalty to whatever Mao said and decided in the past and accordingly established the co-called "two whatever-isms" (两个凡是) as the guiding

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<sup>7</sup> See, for instance, Gao, Lu and Ge Chang. "Ping Deng Xiaoping de maiban zhichanjieji jingjisixiang" (On Deng Xiaoping's comprador capitalist economic thoughts), *People's Daily*, July 13, 1976.

<sup>8</sup> Which, ultimately, brought down the fall of the "Gang of Four." For a detail account of the fall of the "Gang of Four," see Dittmer (1978).

principle of the Party and the state.<sup>9</sup> With vivid memories of the Cultural Revolution in which those who ever said and acted differently from Mao's dictums were branded "counter-revolutionary revisionists" to be politically persecuted and publically chastised, many followed Hua's lead. The "two whatever-isms" thus became the dominant position in 1977, although, around the same time, Hua had shifted his attention to the economy under the competing pressure from Deng (Meisner, 1996:75).

Hua's "two-whatever-isms" were soon at odds with the central government's increasing emphasis on economic development and Deng's power consolidation with the support from veteran leaders both within the Party Political Bureau and the People's Liberation Army (PLA).<sup>10</sup> An article titled "Practice is the sole criterion to test truth" (实践是检验真理的唯一标准), published in *Guangming Daily*, the official newspaper with a focus on theory on May 11, 1978, first triggered heated debates. Followers of the "two whatever-isms," as could be expected, attacked the article, calling it revisionist (Sun, 1995: 28). Aiming to distinguish Maoism from the ideologies propagated by the Gang of Four in this article, however, the original author Hu Fuming was a true believer in Maoism.<sup>11</sup> The article started with an assertion that Maoism, together with Marxist-Leninism, objective truth tested by practice in the past, were to be continuously attested

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<sup>9</sup> i.e., whatever policy decisions Mao made is to be sternly defended; and, whatever Mao instructed is to be forever followed.

<sup>10</sup> For a detailed account on the political rise of Deng after 1976, see Vogel (2011).

<sup>11</sup> Hu Fuming was then a faculty member at Nanjing University. More for detail about his intention to write the article, see *Xinhua Net*. "Zhuanfang Hu Fuming: zhenli biao zhun dataolun shi Zhongguo renmin jiefang ziji de yundong" (Interviewing Hu Fuming: the debate on criterion of truth was a movement liberating the Chinese people), May 11, 2008.

by the changing reality and practice. “The consistency between theory and practice is one of the most basic principles of Marxism,” the article cited Mao’s words, adding “to insist that practice is the sole criterion of truth is upholding Marxism...”<sup>12</sup>

Having endorsed the publication of the article in *Guangming Daily*, the then Party General Secretary Hu Yaobang circulated it among party leaders and re-printed it in *People’s Daily* as well as other official media, intending to stir up a nationwide debate on Mao’s legacy. Deng’s first reaction was in shock to know that writing about the consistency between theory and practice as a basic idea of Marxism was then considered controversial. Then he seized the opportunity the ongoing debates offered him to openly criticize the dogmatism of the “two whatever-isms.” To “bring order out of chaos” (拨乱反正), Deng encouraged everyone “to start everything from practice” (一切从实际出发), as Maoism truly requested (Deng, 1994 [1978]: 113-125).

Very soon, critical reviews on policies and events under Mao appeared from all sectors. Recently restored economists, such as Sun Yefang, insisted, “Economic theories and policies that have been tested true in improving real productivity should be fully recognized; those proved otherwise should be removed or revised.”<sup>13</sup> In another four months, the *People’s Daily* republished Sun Yefang’s academic article titled “Feel

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<sup>12</sup> *Guangming Daily*. “Shijian shi jianyan zhengli de weiye biaozhun” (Practice is the sole criterion to test truth,” May 11, 1978.

<sup>13</sup> *People’s Daily*. “Jingji kexue yanjiu yaowei shixian xinshiqi zongrenwu fuwu” (Economic scientific research should serve the general task in the new era), May 24, 1978.

justified to gain socialist profits” in which Sun justified profit as part of the material wealth produced by lowering cost and improving productivity.<sup>14</sup>

With these public debates and official publications, many finally found the courage to voice their true opinions. The starkest reality back then was the extreme poverty across China, which contrasted with the rapid economic development of China’s capitalist neighbors including Hong Kong and Japan. The contrast became sharp in late 1978 when Deng for the first time visited Japan. Deng’s visit was not just a diplomatic effort to normalize Sino-Japanese relations, but an attempt to showcase post-war Japan’s economic modernization to the domestic Chinese audience. It was also a reminder to the Chinese people of the century-long national humiliation China experienced vis-a-vis foreign powers. Most importantly, Deng intended to revive the forgotten national aspiration: building the Chinese nation with wealth and power (富国强兵), the idea imported from Japan by the first generation of Chinese nationalists at the beginning of the 20<sup>th</sup> century. During his visit to Panasonic, Japan’s biggest manufacture of electrical appliances at the time, Deng announced China’s determination to focus on economic development and modernization. Behind this declaration was his hope to motivate the Chinese people to once again follow Japan’s example and to persuade Japan to assist China with modern technology and capital.<sup>15</sup>

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<sup>14</sup> Sun, Yefang. “Yao lizhiqizhuang dezhuo shehuizhuyi lirun” (Feel justified to gain socialist profits,” *People’s Daily*, October 23, 1978.

<sup>15</sup> *Global Times*. “Deng Xiaoping yu songxia xingzhizhu de ‘junzi zhiyue’” (The “gentlemen agreement” between Deng Xiaoping and Matsushita Kosuke), No.53 of the 100 story series on the CCP’s diplomatic exchanges with foreign countries in the past 100 years, July 12, 2021; Also, see

Deng's visit to Japan set the tone for the upcoming Third Plenum of the Eleventh Central Committee (hereafter, the Third Plenum) of the CCP in December 1978. At this Plenum, Hua Guofeng, still as the lawful successor of Mao, formally announced "the shift of the national focus to develop socialist modernization...to fundamentally change the backward situation in China and to develop China into a modern and strong socialist nation..."<sup>16</sup> The Third Plenum did not challenge Mao's authority. Instead, it recalled the Party's very same intention to focus on economic and technological development under Mao's leadership back in the early 1950s. It blamed Lin Biao as well as the Gang of Four for their "unforgivable sins" of using political schemes to distract the nation from the path toward modernization.<sup>17</sup> The Plenum, however, did restore Deng's legitimacy, praising his great contribution to the national development in every respect and the satisfactory results of his undertakings. This was also followed by the Plenum's re-evaluation of the Party's mistaken judgments of various other veteran communists including Peng Dehuai and Bo Yibo, both of whom were purged due to their criticisms regarding the Great Leap Forward during the Cultural Revolution. Most importantly, the Plenum reaffirmed the principle of practice being the sole test of a theory's truth and

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*People's Daily*. "Ribei baozhi shengzan dengfuzongli fangri qude juda chenggong" (Japanese newspapers praised vice Premier Deng's successful visit to Japan), October 30, 1978.

<sup>16</sup>*People's Daily*. "Zhongguo gongchangdang dishiyijie zhongyangweiyuanhui disanchi quantihuiyi gongbao" (The Communiqué of the Third Plenum of the Eleventh Central Committee of the Chinese Communist Party), on December 24, 1978.

<sup>17</sup> *Ibid.*

called upon all party members and the people to liberate thinking (解放思想) and seek truth from practice (实事求是).<sup>18</sup>

Often credited as the very start of China's economic reform and the launch of Deng's Reform and Opening-up policy, the Third Plenum proposed no specific economic policies, only clearing the national goal of achieving modernization and the determination to focus on economic development. However committed Chinese leaders were to these objectives, at the very beginning, it was most unlikely that Deng and others had in their mind the ensuing capitalist-oriented economic reforms all across China. Yet, as is to be detailed below, economic gains were soon getting onto the top of almost everyone's agenda.

### **2.3 Poor Peasants Getting Rich in Their Own Ways and Their Own Right**

Existing literature often starts the account of China's economic reform with the story of eighteen peasants in Anhui province, who, prior to the Third Plenum, illegally contracted to divide the land of the commune into family plots, with each household responsible for its own plot, handing over some output to the commune to meet the required production quotas, but keeping the surplus for themselves.<sup>19</sup> This illegal arrangement soon yielded significant increase in the total production of involved peasants and quickly spread to other parts of the country, eventually bringing the family-based

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<sup>18</sup> Ibid.

<sup>19</sup> Even in 1980, the household responsibility system was still considered the reverse of the socialist principle of collective farming and was thus prohibited. See Editorial Board of China Agriculture Yearbook (1980: 58).

agricultural production back to China's countryside. Therefore, these eighteen peasants from the Xiaogang County of Anhui Province have been credited as the harbingers of China's economic reform, or more specifically, of the so-called "household responsibility system" (HRS).

A more thorough historical study of economic policies in Mao's era, however, would find that a similar responsibility system had already been experimented with some parts of the countryside as Deng and other leaders attempted to adjust the central government's economic policies after the Great Famine in the early 1960s.<sup>20</sup> Would there be no interruption of the Cultural Revolution, a similar responsibility system might have been put into practice ten years earlier. In this sense, the eighteen illegal contractors were hardly conscious innovators, but simply desperately poor peasants who were daring enough to revive a formerly disrupted system in early 1978 when the political order of the day was yet to be settled. What made them national heroes today instead of counter-revolutionary "capitalist roaders" as people in Mao's period would have condemned them, in retrospect, were the central government's approval of their personal initiative and the 1982 official legalization of their "illegal" contract.<sup>21</sup>

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<sup>20</sup> In a 1961 fieldwork report, Deng and the then mayor of Beijing Peng Zhen had mentioned that the production teams near the Beijing suburb adopted a responsibility system (责任制) that effectively improved the working incentives and productivity of production team members. Deng had thus suggested wider adoption of similar responsibility system in the same report. See Deng & Peng (1997 [1961]: 324-331).

<sup>21</sup> In January 1982, the CCP Central Committee announced that Household Responsibility System was a part of China's socialist economy and decided to promote the system nationwide. See, The Chinese Communist Party Central Committee (CCPCC). "Quanguo Nongcun Gongzuo Huiyi Jiyao [Summary of the National Conference on Rural Work]." Full text available on the official website of The Database on China's Reform and Opening-up (1978-2018), see <http://www.reformdata.org/records/>.

Before the central government formally recognized the HRS as a legitimate part of China's socialist economy in 1982, the system had already spread to two-thirds of the production teams nationwide due to its immediate effect on improving productivity and the overall production of local peasants. Right after the Third Plenum, the HRS spontaneously evolved into different forms as peasants across the country voluntarily adopted it in ways that best suited their local situations. Only in three years, by 1981, there had been at least six popular ways of putting the HRS into practice in different parts of the country (Teiwes, 2016). The official recognition in 1982 only quickened the adoption of the HRS by the remaining production teams, which, in one year, made individual households the basic unit of agricultural production nationwide.<sup>22</sup>

In contrast to Mao's forcefully imposed collectivization in the 1950s and 1960s, the adoption of the HRS in the early 1980s was a voluntary (at first, secretive) process of decollectivization without much government intervention. As Lin Yifu (1987: 410) observed, "the household responsibility system reform in China was a peasant's institutional choice." And, the reason behind the peasants' choice of the HRS was straightforward. It allowed peasants to keep the surplus, to increase which they naturally needed to optimize their productivity. In other words, to improve their productivity was now in peasant's self-interests. This further resulted in significant increases of the general agricultural production. During 1980-1983, when the HRS rapidly spread across the country, productivity rose about 8 to 12 % per year for rice, maize, and wheat (Jin &

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<sup>22</sup> By the end of 1983, 97.9% of production teams in China had adopted some forms of the household responsibility system. See Editorial Board of China Agriculture Yearbook (1984: 69).

Huang & Hu & Scott, 2002: 918). During 1978–1984, China’s agricultural sector grew at an annual rate of 7.7%, substantially higher than the average 2.9% annual growth rate experienced in the period of 1952–1978 (Sun & Chen, 2020:538). Taking other factors into account, still, economists have, in one way or another, proved that the adoption of the HRS alone accounted for most of China’s agricultural growth in the 1980s (Lin, 1992).

The positive impact of the HRS on the incomes of individual households and the overall agricultural production became more evident when the central government introduced other market-oriented reforms to the rural areas, including, among others, loosening restrictions on private interregional trade of agricultural products, giving up mandatory agricultural production plans, replacing obligatory procurement quotas with purchasing contracts between the state and peasants, encouraging private business in rural economy and allowing free labor in the agricultural sector to mobilize into industrial and commercial sectors (Naughton 2007). These measures not only encouraged peasants to adjust their family-based farming according to profitability and local comparative advantages, but also freed them from occupational and regional restrictions, inspiring new economic initiatives and new ways of rural industrialization around the same time.

One such initiative by local villagers was the rise of private entrepreneurships and the development of Township and Village Enterprises (TVEs) throughout the 1980s and the first half of the 1990s. With increased productivity in the agricultural sector under the HRS, on the one hand, many peasants were freed from agricultural labor; on the other, individual households’ demands for and capability of purchasing consumer goods and

services were on the rise, as their incomes grew significantly. Encouraged by the government's changing attitudes toward economic pursuits, better educated villagers who were also more sensitive to the changing market demands were able to respond with their creativity.<sup>23</sup> Working with local authorities, local peasants together created a unique model of entrepreneurship incorporating both market and government resources. This unique model was known as the Township and Village Enterprises (TVEs). Since 1978, according to official records, the total number of TVEs grew from zero rapidly to 12.2 million by 1985 and reached its peak of 23.4 million in 1996 (The Ministry of Agriculture, 2003).

The successful development of the TVEs, whose nature remains controversial due to its dual ownerships by local governments and individuals, was puzzling to many, triggering debates among economists on the reason behind its success. Even the Nobel laureate in economics, Joseph Stiglitz, was curious enough to pay a visit to the TVEs in the Shunde County of Guangdong Province in 1992. Considering the TVEs to be publically owned, Stiglitz was impressed and surprised by the performance of TVEs in rural China, believing that this was the result of the institutional virtues of local government ownerships in a transitional stage (Qian & Stiglitz, 1996). Contrasting the rise of TVEs in the 1980s with their decline since the late 1990s, however, Huang Yasheng (2008) pointed out that the success of the TVEs was the result of the favorable

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<sup>23</sup> According to a national survey on private entrepreneurs in 1993, 72.15% of private entrepreneurs had a high school diploma and another 16.6% had a college degree, with only 0.83% illiterate. This educational background was substantially higher in comparison with average rural population of the time. For original data of the survey, see "Zhongguo siying qiye diaocha" (Chinese Private Enterprises Survey), 1993.

policy environment provided by Deng's free-market oriented reform, which allowed and trusted individuals to run local business according to their own initiative and market rules.

Indeed, despite the controversy over TVEs' nature and success, the rise of the TVEs was accompanied by the increasing registrations of private enterprises in rural China. According to the Bureau of Industry and Commerce Administration (BICA), as early as in 1981, the number of registered rural self-employment establishments had already reached 961,000. This number quickly grew to 9.2 million in 1986 and to 10.7 million in 1988. Among the 10.7 million rural private businesses registered in 1988, moreover, 50% were doing commerce, followed by 13 % in industry (BICA, 1990). Clearly, only ten years into the reform period, rural China had, for the first time in Chinese history, witnessed an unprecedented rise of profit-oriented activity, which could, with good reasons, be called "capitalist."

#### **2.4 To Be Rich Is Glorious: Official Campaigns to Encourage More People to Pursue Profits**

Having lived through Mao's anti-capitalist campaigns and with a vivid memory of the publically chastised "capitalist roaders" in their mind, at the beginning of the reform era, the newly wealthy peasants were not at all sure if their new fortune would really bring them good fortune. Many remained worried that the Party's political ideology might flip over overnight like it did during the Cultural Revolution. Those who got rich in their own ways thus often kept quiet about their new wealth, fearing that they might be soon called

out as the “people’s public enemy” (人民公敌) and have their property confiscated. In the early 1980s, according to Orville Schell’s account (1984:15), it was not uncommon to hear stories of no one willing to show up in a village meeting where village leaders intended to reward those who had made over five-thousand or ten-thousand yuan yearly. To rid people of such fears and worries, the government launched various campaigns to raise the status of the newly wealthy, making them appear admirable and the subject of respect and dignity. The new rich were honored with such titles as “ten-thousand-yuan households” (万元户) or “model households” (模范家庭). Their names were made known to all local villagers and beyond, and most symbolically, representatives were selected among them as members of the National People’s Congress.<sup>24</sup>

To further demonstrate the Party’s change of attitudes, in 1983, the Central Committee of the CCP passed a resolution to rectify any thinking and ideology that went against the Party’s announced decision to economically reform and open up China, raising it to the level of leading capitalist nations. The resolution, accordingly, called upon all party members around the country to support the realization of China’s “economic modernization.”<sup>25</sup> The Party also went further to bring to Beijing more than three hundred delegates from among successful entrepreneurs around the country and had the Party General Secretary Hu Yaobang address them directly. In a speech titled “How to

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<sup>24</sup> An organizational equivalence of the Lower House in democratic political systems, only without real legislative power. For Chinese people without memberships of the CCP or political positions, entering the National People’s Congress represents the highest political status and honor.

<sup>25</sup> *People’s Daily*. “Jingyibu shixian quandang sixiangshang zhengzhishang de gaodu yizhi” (Further realizing the Party’s high level of ideological and political unification), December 20, 1983.

distinguish being glorious from being not glorious,” Hu declared, “Every job that serves the interests of the country and the people is glorious and heroic.”<sup>26</sup> On behalf of the nation, Hu paid respect to the successful entrepreneurs around the country, praising them as pioneers whose names would be marked and memorized in the glorious history of China’s economic modernization. He emphasized the Party’s and the state’s full support for the development of private business and encouraged private enterprises and entrepreneurs to continue working for *the wealth and power of the nation* as well as the improvement of Chinese people’s living standards.<sup>27</sup>

Hu’s speech was not empty talk. It was followed by his frequent visits to local provinces where he would ask local leaders to liberate their thinking and to help local peasants to get rich, repeatedly stressing “Rectify the Party to develop economy and let economic development to test the Party rectification.”<sup>28</sup> The Party’s determination was also reflected in the central government’s favorable judgment of entrepreneurial peasants when they had conflicts with local authorities. In early 1981, for instance, when several peasants in Anhui province bought trucks and tractors to haul crops to markets, competing with state-enterprises in providing transportation services to local villagers, the local government decided to confiscate the peasants’ vehicles, accusing them of “instigating capitalism.” In response to this local confrontation, the central government, in article in *People’s Daily*, declared the peasants’ economic activity “conducive to

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<sup>26</sup> Hu, Yaobang. “How to distinguish ‘glorious’ from ‘not glorious’?,” speech delivered on August 30, 1983, *People’s Daily*, August 31, 1983.

<sup>27</sup> Ibid.

<sup>28</sup> *People’s Daily*. “Zhengdang cujing jingji, jingji jianyan zhengdang” (Rectifying the Party to develop economy, economic development test party rectification), April 16, 1984.

activating commodity production in the rural areas,” and ruled that “ it should not be limited...” At the same time, the local government’s confiscation of the peasants’ vehicles was criticized as “exploitation in disguised form” and “counterproductive to Party policies and state laws.”<sup>29</sup> With the central government support, this particular local conflict ended with a total victory on the side of the peasants, who soon saw all their vehicles returned by local officials.

Such was the dominant narrative in official media of all kinds and at all levels, so that one hardly passing a day without hearing or reading stories of local peasants and entrepreneurs who found their smart ways to become rich (Schell, 1984:60-61). As early as 1981, for example, one local paper of Anhui province reported the great success of a local merchant, Nian Guangjiu, who managed to sell his “Idiot Sunflower Seeds” nationwide and made as much as a million yuan in a year.<sup>30</sup> Nian Guangjiu would soon be known as “China’s first merchant” in the reform era and his business success would finally reach the ears of central leaders including Deng.<sup>31</sup> In fact, the commercial success of the “Idiot Sunflower Seeds” became so well known that *Guangming Daily* also came to honor it and used it as an example to encourage state-owned enterprises to catch up

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<sup>29</sup> *People’s Daily*. “Shoujiao nongming de yunhuokache shizhengquedema?” (Is it right to confiscate peasants’ trucks and tractors?), March 2, 1983.

<sup>30</sup> *Wanghu Daily*. “Huozen jiashi de ‘shagua guazi’” (“Idiot Sunflower Seeds” of good quality and cheap Price), September 5, 1981.

<sup>31</sup> Deng three times mentioned Nian Guangjiu and his “Idiot Sunflower Seeds” publically to encourage people to get rich and to push economic reform further. See Deng (1993 & 1994 & 2003). Also see *Nanfang Dushi Daily*. “Shazi guazi chuangshiren Nian Guangjiu: Xiaoping fahua jiangwo wuzui shifang” (The founder of “Idiot Sunflower Seeds” Nian Guangjiu: Xiaoping’s public remarks saved me from the prison), March 24, 2008, collected in the Database of China’s Reform and Opening-up, available on <http://rhh.reformdata.org/>.

with the competitive private business.<sup>32</sup> Down in Fujian Province, the local newspaper also used its front page to publish the full text of a petition signed by managers of 55 local factories, who requested the local authority to relax existing constraints on local economic production so as to unleash the incentives of factory owners and workers.<sup>33</sup>

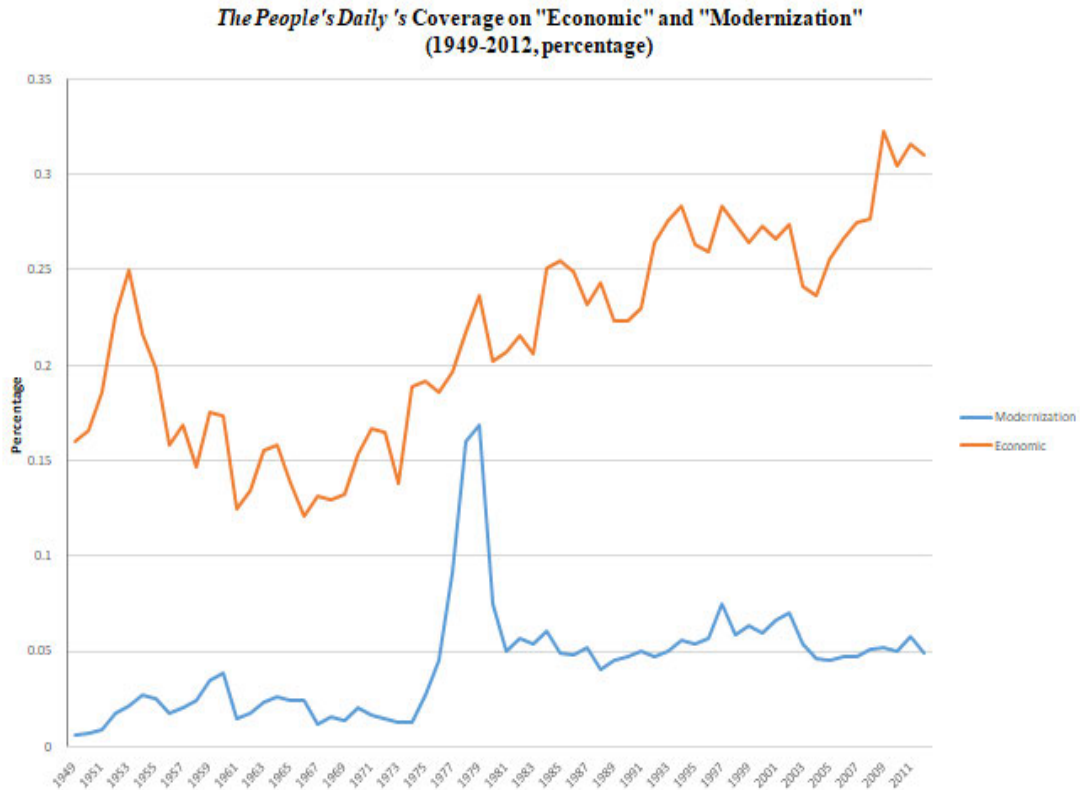
Statistically, a search of key words in the digital database of the *People's Daily* (released between 1949 and 2012) also shows that the percentage of articles which at least once mentioned the term “economic” (经济) rapidly rose after 1973, but declined shortly in 1976 when Deng was suppressed again due to his “unrepentant capitalist orientation.” It would resurge afterward and reach a new high in 1979. Ever since then, the *People's Daily's* coverage of economic issues had been on the rise despite ups and downs in between, making a contrast to Mao's era in which the newspaper's coverage of economic issues drastically declined after 1953 and remained very low throughout (See Figure 2.1).

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<sup>32</sup> *Guangming Daily*. “Geti jingying de ‘shagua guazi’ jialian wumei xinyugao, guoying qiye de ‘yingchun guazi’ mianlin tiaozhan ganshangqu” (Privately owned “Idiot Sunflower Seeds” of cheap price and good quality won high reputation; state-owned “Welcoming Spring Sunflower Seeds” must face up to the challenge and catch up), December 20, 1982.

<sup>33</sup> *Fujian Daily*. “Qinggei women songbang” (Please unleash us), March 23, 1984.

**Figure 2.1**



Source: Data collected from the digital database of *People's Daily* (1949-2012).

## **2.5 Redefining “Four Modernizations” as “Economic Modernization”**

Accompanying the rise of *People's Daily's* coverage of economic issues in the late 1970s was the growing proportion of articles mentioning “modernization” (现代化). As Figure 2.1 indicates, the growth of the coverage of “modernization” also occurred after Deng’s first return to the political center in 1973, but did not undergo the short decline in 1976 when Deng was purged again, only to see its growth rate increase faster after 1976. This suggests that “modernization,” a term also used by Mao to justify the Great Leap

Forward in the late 1950s and the early 1960s,<sup>34</sup> was a less politically sensitive subject to be mentioned in 1976 when the Cultural Revolution was yet to end. Zhou Enlai's re-announcement of the "Four Modernizations" (四个现代化) on the Fourth National People's Congress in 1975 also contributed to the increasing usage of the term "modernization" in this period.<sup>35</sup>

Nonetheless, a search for the term "economic modernization" (经济现代化) in *People's Daily* yielded quite different results. First, the number of articles mentioning "economic modernization" as a specific term was significantly fewer in comparison with that using "economic" and "modernization" separately. Secondly, the direct use of the term by Chinese leaders in China's context did not appear in *People's Daily* until 1979.<sup>36</sup> Excluding the few cases in which the term was mentioned by foreign leaders and in a foreign context, it was basically absent throughout Mao's period (see Figure 2.2). These results confirmed that although "modernization" has been always an expression of Chinese nationalist elites' aspiration to raise China to the position of modern – i.e., advanced – Western nations ever since the late-Qing, during Mao's era, neither Zhou's "Four Modernizations" nor Mao's Great Leap Forward had a pronounced economic

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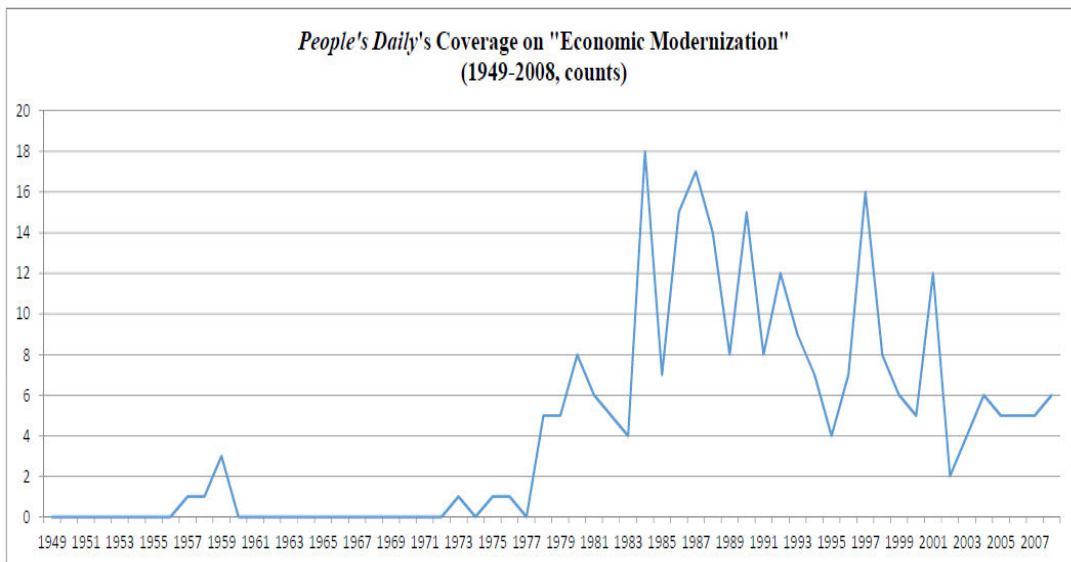
<sup>34</sup> See, for instance, *People's Daily*. "Gengda yuejing de qidian" (the starting point of further Great Leap Forward), September 15, 1958.

<sup>35</sup> "Four Modernizations" are, respectively, industrial modernization, agricultural modernization, technological modernization and national defense modernization. The idea, according to Deng, was originally Mao's idea, but was formally announced by Zhou Enlai on the First National People's Congress in 1954. See Deng (1994: 311).

<sup>36</sup> Several random appearances before 1979 were in the contexts where foreign leaders talked about China's economic modernization when they visited China, or in one case, it was a report on international organizations' analysis on developing countries economic modernization. See *People's Daily* (1957 & 1958 & 1959).

dimension. Indeed, the phase “nation with wealth and power” (民族富强) was also absent in *People’s Daily* after 1949 and did not reappear until 1981, when Hua Guofeng finally decided to resign from politics – a sign of the real end of Mao’s era.

**Figure 2.2**



Source: Data collected from the digital database of *People’s Daily* (1949-2008).

Having been penalized twice during the Cultural Revolution, Deng could not be more cautious about the words he used in public. Even after his final return to the political center in 1976, he strictly adhered to the vocabulary of Maoism and spoke of his economic plans only in terms of Zhou’s “Four Modernizations.” The Third Plenum in 1978, therefore, only mentioned the intention of achieving China’s modernizations respectively in industry, agriculture, technology and national defense, as Zhou originally expressed it in 1954 and 1975. It was not until 1979 when Deng met with the Japanese Prime Minister, Ohira Mashayoshi, that he, for the first time, openly interpreted Zhou’s

“Four Modernizations” in terms of reaching a GDP at the level of 1,000 dollars per capita by the end of the 20<sup>th</sup> century and called it “the standard of moderate prosperity” (小康水平).<sup>37</sup>

Since then, the term “economic modernization” was used to describe China’s economic development in the *People’s Daily* and came to peak in the year of 1984 (see Figure 2.2), when the CCP formally passed a resolution on China’s economic reform at the Third Plenum of its Twelfth National Committee. In this resolution, in particular, *capitalist economy*, for the first time in the CCP’s history, was officially recognized as “a necessary phase” (不可逾越的阶段) of socialist economic development and a necessary condition to realize China’s economic modernization.<sup>38</sup> The resolution praised the spontaneous reform in rural economy since 1978 and stressed that improving the active energy of private enterprises should be the central task of the coming economic reform in cities. It asserted, “the source of the active energy of enterprises comes from the activities, wisdom and creativity of all individual workers,” and in conclusion, stated, “Economic reform must make sure that employees become the real masters of the enterprises, that everyone would take productivity and output of the enterprises serious,

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<sup>37</sup> Tang, Zhouyan. “Quanmian jiancheng xiaokangshehui de lishiyyi” (The historical meaning of comprehensively building a society of moderate prosperity), *People’s Daily*, December 13, 2015.

<sup>38</sup> To avoid the political connotation of the term “capitalist,” the resolution used “commercial economy” (商品经济) instead. See *People’s Daily*. “Zhonggongzhongyang guangyu jingjitizhigaige de jue ding” (The CCP Central Committee’s resolution on economic reform), October 21, 1984.

and that everyone's working output is closely connected with his or her social status and material benefits... ”<sup>39</sup>

In this resolution, notably, egalitarianism was reconsidered as a major barrier to China's common prosperity. The text stated, as Deng repeated elsewhere, “Only by allowing and encouraging some regions, some enterprises and some people to get rich first through working hard, can the majority of the people be attracted and encouraged to follow, hence bringing more and more people to enrich themselves.”<sup>40</sup> With this resolution, the CCP-led government had made it crystal clear that: to enrich oneself was not just fine, but encouraged; and, most important of all, it was respectable and dignified, since it contributed to China's economic modernization, and ultimately, national glory and prosperity.

## **2.6 Setbacks in 1989 and Deng's Southern Tour of 1992**

When students' pro-democracy movement was suppressed in 1989, Deng's leadership and China's economic reform were questioned both at home and abroad. Within China, the conservatives were mounting their opposition against further market-oriented reform and opening-up of the country.<sup>41</sup> Internationally, most countries were intent on sanctioning China economically and accused the Chinese government of violating human rights. As a direct result, the momentum for economic growth quickly slowed down,

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<sup>39</sup> Ibid.

<sup>40</sup> Ibid.

<sup>41</sup> For a detailed account about the debate about economic reform after the Tiananmen Incidence in 1989, see Fewsmith (1994).

resulting in significant drops in China's GDP growth in the three consecutive years from 1989 to 1991.<sup>42</sup> To overcome domestic oppositions, win over the support of the conservatives, and break through international sanctions, Deng decided, again, to "seek truth from practice." At the age of 88, Deng for the second time toured southern cities including Wuhan, Shenzhen, Zhuhai, Guangzhou and Shanghai in 1992, intending to demonstrate to the world the transformation China had achieved under his "Reform and Opening-up policy."

Throughout his tour, Deng repeatedly stated his nationalist aspiration to see China a wealthy and powerful nation, assuring the world of his determination to achieve China's economic modernization. "Development is the hard truth," Deng announced in his influential "Southern Speech" (南方讲话), insisting "Our Party must continue to uphold the basic blueprint laid out in the Third Plenum of the Eleventh Central Committee in 1978 and to focus on economic development for the next one hundred years" (Deng, 2001 [1992]:364). In response to the conservatives' opposition to market-oriented reforms, Deng also stressed, "Both plan and market are economic means" (Ibid.). He further established three pragmatic criteria for evaluations of all policies, which would become known as the "three benefits" (三个有利于) inherited by Deng's successors and are still adhered to today. The "three benefits" are 1) the improvement of socialist production forces, 2) the strengthening of the comprehensive power of socialist China, and 3) the increase of Chinese people's living standards (Deng, 2001 [1992]:370-373).

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<sup>42</sup> See the World Bank. "GDP growth (annual %) – China," available on <https://data.worldbank.org>.

As one of the major events in the history of the CCP, recorded in the official database, *People's Data* (人民数据), Deng's southern tour and speeches were believed to have a profound effect, answering questions that had long been on people's minds and pushing China's economic reform to a new stage.<sup>43</sup> In other words, Deng's southern tour was a booster shot to the ongoing capitalist trend. Indeed, government officials and people nationwide responded to Deng's reassurance with ever higher enthusiasm for money-making, quickly bringing back the two-digit GDP growth rates of the Chinese economy in 1992 and in the years to follow.<sup>44</sup>

## **2.7 Glorified Capitalists Becoming Nationalists Prioritizing the Economy**

If the spirit of capitalism was only shared by the reform-minded Chinese leaders in 1978, when Deng passed away in 1997, it had spread to the majority of the Chinese population, particularly among those who had become rich first under the economic reform. Put differently, by the end of the eventful 20<sup>th</sup> century, Deng's "Reform and Opening-up policy" not only had brought structural changes often mentioned in existing literature, but also gave birth to a new generation of Chinese capitalists, who, unlike their parents and ancestors, rose up socially and politically through their personal economic pursuits. More importantly, it also gave rise to a different generation of Chinese

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<sup>43</sup> See *Renmin shuju* (People's data). "The Documentation of Major Events of The CCP, 1992," available on <http://data.people.com.cn/>

<sup>44</sup> While China's GDP growth met setbacks during 1989 and 1991 due to the Tianmen Incident, the GDP growth rate jumped to 14.22% in 1992, followed by two-digit GDP growth rate in the next three consecutive years. See The World Bank. "GDP growth (annual %) – China," available on <https://data.worldbank.org/>

nationalists who were focused on economic development as the way to create a China with wealth and power.

In a national survey of private enterprises and their owners in 1993, among the total 1,440 private entrepreneurs surveyed, almost 67% were born in small towns and villages. 31% had a father who was a peasant and another 24.3 % had a father working as an ordinary worker. Before they started their private businesses, 15.3 % were peasants and 32.7 % had worked in a factory.<sup>45</sup> In Mao's China, the majority of the population lived in the countryside, with peasants and workers being the two major poor yet honorable occupations for most people. The rural origin of the majority of the private entrepreneurs and their occupational background were, thus, not surprising. The surprises were found in the fundamental changes in and the positive correlations among the new private business owners' perceptions of their incomes, social status and political participation.

Results of a correlation analysis of the survey data (see Table 2.1) demonstrate that the way these private-business owners perceived their incomes in comparison with others was significantly and positively correlated with their perception of their status in the society. So was their perception of incomes positively correlated with the perception of their political participation. These statistical results suggest the fact that, unlike peasants and workers in Mao's China, a large portion of the Chinese population had come to connect social status and political power positively with wealth under Deng's "Reform and Opening up policy." They revealed that, fifteen years into the reform era, the once

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<sup>45</sup> See Chinese Private Enterprise Survey (CPES), 1993, available on <https://cpes.zkey.cc/index.jsp>.

silent Chinese rural population was now vocally proud of their new wealth and sure that their new fortune was really bringing them good fortune (i.e., higher social status). Unlike the despised Chinese merchants in the old days and the chastised “capitalist roaders” under Mao, entrepreneurs nowadays could take pride in their new identity as businessmen or businesswomen. In other words, Chinese capitalists themselves and the Chinese society as a whole truly believed that being rich was glorious!

**Table 2.1 Pearson Correlations among Self-Perceptions**

	Self-Perception of Social Status	Self-Perception of Political Participation
Self-Perception of Personal Incomes	0.557***	0.387***
N	1431	1431

\*\*\* p<0.001

With strong government support and an encouraging social environment, many were openly motivated to pursue personal wealth. By 1997, the number of private enterprises rose to 0.96 million, employing 13.5 million employees.<sup>46</sup> The number of self-employed business owners (个体户) was even larger, reaching above 28.5 million, with some 54.4 million employees.<sup>47</sup> These were just the number of private businesses oriented toward profits for individuals. There were also numerous state capitalists who worked in state-owned enterprises and pursued profits for the state and the collective. In all, the number

<sup>46</sup> See the National Bureau of Statistics. “Siying qiye hushu” (The number of private enterprises) and “Siying qiye jiuye renshu” (The number of employees of private enterprises), 1997, available on <http://www.stats.gov.cn/>.

<sup>47</sup> See the National Bureau of Statistics. “Getihu hushu” (The number of self-employed business) and “Getihu jiuye renshu” (The number of employees of self-employed business), 1997, available on <http://www.stats.gov.cn/>.

of capitalists was rapidly growing under Deng. Together, they had come to form an important stratum in post-reform China, whose national pride and opinions about the economic priority of the country were well reflected in the World Value Surveys.

According to the World Value Surveys conducted respectively in 1990 and 1995, not only above 90% of the Chinese respondents felt proud of being Chinese, but the majority of them also believed that the country should make achieving a high level of economic growth as the first priority in the next ten years.<sup>48</sup> These statistical results were also reflected in people's tributes to Deng when he passed away in 1997. On February 25 1997, when Deng's funeral was held in the capital, people around the country went into the street, shedding tears and expressing emotions they had never expressed on the death of other leaders, not even the much revered Premier Zhou Enlai.

In Beijing, a 72-year-old professor and a young lady who owned a flower shop commented similarly, "Without Deng Xiaoping, how could it be possible for us intellectuals/private business owners to have what we have today?" More than 3,000 scientists and engineers came to express their appreciation of Deng's emphasis on science and technology as the No. 1 production force, declaring "only by gaining China's share in the world's advanced technologies, can we scientists and engineers best pay our tribute to comrade Deng Xiaoping." In the countryside, hundreds of millions of peasants expressed their gratitude to Deng for their current prosperous life that they could never have dreamed of. Local party representatives also vowed to continue Deng's path to make the

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<sup>48</sup> Respectively 65.8% in 1990 and 57.3% in 1995. See World Value Survey (1990 & 1995), available on <https://www.worldvaluessurvey.org/>

local people and the country rich and strong.<sup>49</sup> Private entrepreneurs echoed, stating, “To hold on to Deng’s policy is a guarantee for the rejuvenation of our nation and the building of a country with wealth and power.”<sup>50</sup>

What occurred in China under Deng may be also seen in the successful story of China’s current biggest computer company Lenovo and its founder, Liu Chuanzhi. In 1998, a year after Deng’s death, Liu recalled,

“I remember that it was in 1978. There was an article in *People’s Daily* about raising cows. I got so excited upon reading it. During the Cultural Revolution, every newspaper article was about revolution and class struggle, non-stop, only editorials. At that time, raising chickens or growing vegetables was viewed as capitalist tails to be cut. Now the *People’s Daily* has an article about raising cows. Things have definitely changed.”<sup>51</sup>

Like many poor peasants mentioned earlier, Liu was sensitive to the ideological shift at the top in the late 1970s. Unlike the peasants in rural China, however, Liu was then a researcher at the Science Academy in Beijing. He spent 13 years working on a magnetic tape recorder, only to find it lagging so much behind foreign technologies, when China started to open up to the outside world in the early 1980s. In 1984, when the then Party General Secretary, Zhao Ziyao, did not bother coming to attend the exhibition organized by the Science Academy, Liu understood that the Party leaders had no more interest in political shows, only expecting to see science and technology to be transferred into the

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<sup>49</sup> *People’s Daily*. “Yiwan Renmin Xinzhong De Qizhi” (The Flag in Heart of Thousands of Millions of People), September 15, 1997.

<sup>50</sup> Comments made by Dong Mingzhu, the current CEO of Gree Electric, one of China’s biggest manufacture of electric home appliances. See *People’s Daily*. “Yiwan Renmin Xinzhong De Qizhi” (The Flag in Heart of Thousands of Millions of People), September 15, 1997.

<sup>51</sup> A quoted from Wu (2006); also cited in Huang (2008: 85).

forces of production.<sup>52</sup> He thus decided to leave the Science Academy and set up a company in the Zhongguancun street of Beijing, which, later, became China's first Silicon Valley. In the next 13 years, Liu would create China's Microsoft and gave it the name Lenovo (联想 in Chinese, meaning "imagination").<sup>53</sup>

On May 6 1998, Lenovo marked and celebrated the production of its one millionth computer within the past 4 years. This event was reported in an article titled "The Rising Dragon in the East" in the *People's Daily*. In this article, Lenovo was praised for achieving "the glory of one million" and demonstrating Chinese companies' potential to reach the top of the world's computer manufacture.<sup>54</sup> "Lenovo' is one of the few companies capable of producing the Pentium II computers in the world," the article cited the exciting comments from the CEO of America's *Intel* company, followed by a long list of Lenovo's "secrets" to succeed on the global stage in a very short period of time.<sup>55</sup>

When Lenovo became a national brand, its founder, Liu Chuanzhi, was publicized as a national hero who faced up to challenges and competitions from famous foreign enterprises, survived all difficulties and failures, and finally created miracles that contributed to China's economic modernization.<sup>56</sup> In 1998, Liu was elected as a representative of the Ninth National People's Congress where he proposed strategies for

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<sup>52</sup> See Anonymous, "Liu Chuanzhi de chuangye gushi: zhongnian qiji" (The story of Liu Chuanzhi's entrepreneurship: a midlife miracle), *Qingnian wenxuejia (Youth Literator)*, No. 8 (2011): 8-11.

<sup>53</sup> Ibid.

<sup>54</sup> Ren Min. "Longteng dongfang – xiezai diyibaiwantai lianxiangdiannaodanshengzhiji" (Rising dragon in the East – writing at the moment of the birth of the 1 millionth Lenevo computer), *People's Daily*, June 25, 1998.

<sup>55</sup> Ibid.

<sup>56</sup> Yang Guang. "Kehua shidai de qundiao" (A collective sculpture marking the age), *People's Daily*, September 24, 1998.

China to compete with advanced countries in the new age of “knowledge economy” (知识经济). “From Lenovo’s experience of combining trade, engineering and technology,” concluded Liu, with his understanding of Zhao Ziyang’s absence from the technology exhibition back in 1984 still in mind, “Technological innovation must ultimately land on economic efficacy, not just on the level of technology itself.”<sup>57</sup> Clearly, in Liu’s opinion, the secret to Lenovo’s success was not just technological innovation, but the orientation toward the eventual economic outputs. This was, indeed, another expression of Deng’s economic pragmatism. Like many others who rose up under Deng’s Reform and Opening-up policy, moreover, Liu was extremely grateful to the party-state, stressing “One had to be clear about the fact that the major part of one’s achievements must be attributed to the state.”<sup>58</sup> On other occasions, Liu also concluded, “To create a great enterprise, one needs a group of people who would fight for national wealth and power, and consider their jobs as a mission.”<sup>59</sup> Clearly, Liu was a typical example of the new generation of nationalists bred by Deng, who aspired for China’s sustained economic growth and rising international status.

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<sup>57</sup> Wen, Hongyan & Jianmin Ren. “Zhishijingji – daibiaoweyuan de xinhuati” (Knowledge Economy – the new topic of the representatives of the National People’s Congress), *People’s Daily*, March 5, 1998.

<sup>58</sup> See Anonymous, “Liu Chuanzhi de chuangye gushi: zhongnian qiji” (The story of Liu Chuanzhi’s entrepreneurship: a midlife miracle), *Qingnian wenxuejia (Youth Literator)*, No. 8 (2011): 8-11.

<sup>59</sup> *Ibid.*

## 2.8 Conclusion

In conclusion, let us get back to Orville Schell's visit to China in 1984. In his diary-style documentation of this visit, he noted the words of his Chinese friend, who worked in a state-owned enterprise:

“First, the Party spent thirty years tearing down the capitalists because they were supposedly hindering the Chinese Revolution. Now it is going to spend thirty years bringing them back to help carry out another Chinese Revolution. The message is that you can now love your country by getting rich.” (Schell, 1984: 17-18)

The above interpretation of the CCP's orientations in different periods sounded scornful. Empirically, however, it spelled out the truth. Since 1978, in contrast to Mao's army of the peasantry, the CCP led by Deng had in a way intended to build a de facto “capitalist army” to revolutionize China again, hoping to turn it into a modern nation with wealth and power in no time. By changing the government's leading ideology and allowing the Chinese people to rise up socially through economic pursuits, as this paper demonstrated, Deng's “Reform and Opening-up policy” yielded transformative outcomes. It, first and foremost, rid hundreds of millions of Chinese of poverty by encouraging them to get rich in their own ways and their own right. More importantly, it allowed Chinese people to elevate their social status with their newly gained wealth. It also connected individuals' prosperity to national glory, therefore turning the newly rich Chinese capitalists into a new generation of nationalists who desired China to focus on economic development (rather than building up national defense or becoming the leader in the Communist world) so as to improve China's international standing. Consequently, we have witnessed an economically rising China on a global stage since 1978.

By attributing China's rapid economic growth in the reform era to the ideational shift from Mao's anti-imperialist/capitalist nationalism to Deng's nationalism that prioritized the economy, this paper on the one hand stresses the causal effects of ideational factors on political and economic outcomes and adds an ideational factor to the list of "secrets" to China's economic success. On the other hand, it shows that nationalist aspiration can vary over time and lead a nation onto different paths. Only when state elites and the people aspire to build a wealthy nation and to ensure the nation's international competitiveness through economic means, would economic orientation turn toward *sustained* growth, hence resulting in economic modernization. Otherwise, a nation may well end with economic stagnancy or poverty (e.g., Mao's China and Russia throughout its modern history) despite its institutional structures, geographical endowment, abundance in natural and human resources. In this sense, China's commitment in economic development is not guaranteed and may well change depending on the type of nationalism Chinese leaders and people embrace.

## PAPER III

### Globalization for Becoming Strong:

#### Nationalism and Globalization of China under Xi Jinping

“No matter – what changes occurred in the world, China won’t change its faith and determination to reform and open-up.”

– Xi Jinping, in the Annual Conference of the Boao Forum for Asia  
April 21, 2022.<sup>1</sup>

### 3.1 Introduction

If China’s unprecedented economic growth since 1978 has puzzled many China observers, the country’s recent global economic leadership has shocked the world, triggering heated debates, weary concerns and real geopolitical tensions. What follows, naturally, is a proliferation of policy reports and academic research on China’s global strategies. The Belt and Road Initiative (BRI) alone, for instance, has resulted in voluminous publications and well-funded research projects and centers around the world. Despite its insistence on trying to open economically since 1978, China is still considered as protectionist in its industrial policies and as a strongly interventionist state. China’s claim to lead economic globalization has been, thus, not only surprising, but also disturbing to many. In particular, for Western liberal economies which have been

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<sup>1</sup> For the full text of the speech, see *Xinhua*, “Xi Jinping zai Boao Yazhou Luntan 2022 nian nianhui kaimushishang de zhuzhi yanjiang” (Xi Jinping’s Opening Speech in the Boao Forum for Asia 2022 Annual Conference), April 21, 2022. Available on [www.gov.cn/xinwen/2022-04/21/content\\_5686424.htm](http://www.gov.cn/xinwen/2022-04/21/content_5686424.htm)

advocating a development model based on neo-liberal theory and expecting China to gradually integrate into the world of liberal democracy through globalization, the expansion of China's global initiatives has been both upsetting and threatening. Western economists and policy-makers have expressed deep concerns about the intended and unintended consequences of China's global strategies.<sup>2</sup>

Serious doubts have been cast on the motivation behind China's global initiatives. Why does China opt for globalization, exports wondered, while the Covid-19 pandemic encourages anti-globalization trend and leading liberal economies resort to protectionism and unilateralism? Is China trying to "colonize" the African continent and Latin American countries through its "debt trap diplomacy" or economic statecraft (Norris, 2016; the US Congress, 2019; Singh, 2020; Carmody and Zajontz, 2022)? Does China intend to replace the US to become the world's hegemon by its "Marshall Plan" in the 21st century (Kastner, 2016; Gallagher, 2016; Economy, 2018)? Or, are China's global strategies only reflecting state leaders' attempts to deal with domestic political and economic crises as well as diplomatic challenges (Yu, 2018; He, 2019; Ye, 2015 & 2020)?

So far, existing literature has not reached a consensus on the motivation behind China's global strategies. In this paper, I intend to offer an ideational explanation. Specifically, I argue that nationalism has been the driving force behind China's economic

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<sup>2</sup> See, for instance, the podcasts series on "Exporting Authoritarianism" by the Council on Foreign Relations, published on May 20, 2020. Available on <https://www.cfr.org/podcasts/exporting-authoritarianism>.

opening since the late-Qing period up until now. With a focus on the post-reform period, in particular, this paper traces the continuing effects of the type of nationalism that prioritizes the economy – i.e., the nationalist aspiration intending to secure China’s competitiveness vis-a-vis other nations through economic means – on China’s “opening-up” since 1978. By examining the continuity between China’s current global strategies and previous “opening-up” policies during the reform era, this paper shows that the BRI was originally and is still, by nature, a continuation of Deng Xiaoping’s “Reform and Opening-up” policy. Based on recent changes in China’s policy orientations and official discourses, this paper also suggests that the BRI is developing into China’s grand strategy that serves both China’s core interests and the common good of the international society, as perceived in China. China’s global strategies, regardless of the specific conditions under which they were launched, have been overall driven by Chinese leaders’ nationalist aspiration to make China a nation with wealth and power. These global strategies have thus been paving ways for the realization of the “Chinese dream” of national rejuvenation.

This paper mainly relies upon primary and secondary analyses of China’s economic and foreign policies since 1978, Chinese leaders’ open statements regarding economic opening and globalization, media reports and scholarly publications concerning China’s position in the world, and statistics indicating China’s integration into the world economy. It draws historical comparisons between official discourses, economic policies and nationalist sentiments in different phases of the reform era, and between China and other modern economies in related aspects. The rest of the paper starts with a brief

summary of existing literature on China's globalization, followed by a historical review of China's economic opening prior to 2008. It then focuses on 2008 as a turning point for China's international status and accounts for the debate on the "China Model," which presupposes China's uniquely new role in the international society. The paper next moves on to examine the launch and implementation of the BRI and compare it with Deng's "Reform and Opening-up" policy. It concludes with a comparison between China and other leading economies in the past in terms of their global strategies and nationalist orientations, and asserts that the "China Model" has its peculiarities; yet, it is not an exception to the development logic of modern economy.

### **3.2 Existing Literature**

Regarding why China became a champion of globalization, existing literature, in general, offers three types of answers. The first, which is also the official narrative of the Chinese government, argues that globalization is "irresistible" and that China has to follow the "inevitable trend" and open up its economy to the rest of the world (Solingen, 2014; Naughton, 2018). With different empirical emphases, this argument is based on two assumptions. First, it assumes that globalization is an objective *structural* condition independent from the will and decisions of nation-states. Second, it assumes China is a passive and involuntary participant who had no choice but to be involved as the "world factory" with its labor, natural resources and environment "exploited" by the "Global North" (Stieglitz, 2002; Harney, 2008; Gallagher, 2014).

The second answer maintains that China's participation in globalization is driven by *functional* objectives. Looking into the demands of domestic industries for foreign capital, technology, resources and consumer market, for instance, most economists argue that China's globalization has resulted from the intrinsic needs of domestic economy at different stages (Wang, 2002; Li & Zeng, 2019; Kong, 2019). At the local level, in particular, scholars find that, local governments have made special efforts to attract FDI and multinational corporations in order to access foreign capital and technology (Segal and Thun, 2001; Ye, 2014; Chen, 2017). From a political perspective, political economists agree that China's global strategies are motivated by national leaders' need to address political and economic crises at home as well as diplomatic challenges abroad (McNally, 2012; Kastner, 2016; Ye, 2015 & 2020).

The third answer stresses the fact that, under Deng's Reform and Opening-up policy, Chinese policies intentionally pursued economic openness and marketization. Scholars subscribing to it argue that Chinese leaders believe in economic liberalism despite their political authoritarianism (Fewsmith, 2001 & 2008). This argument is shared by scholars who once believed that China accepted the rules designed by Western liberal democracies and would not threaten the existing international order with its economic rise (Friedman, 2005; Ikenberry, 2008; Steinfeld, 2010; Harpaz, 2016). Having witnessed China's increasingly assertive foreign policies and centralized leadership under Xi Jinping, however, many China experts increasingly give up the belief that Chinese politics would gradually get democratized as its economy gets more integrated into the world economy dominated by liberal democracies. They come to argue that China is a game changer as it

rises to replace the Western system with its own political and economic model. These scholars accordingly interpret the motivation behind China's global strategies as the ambition to export its development model and to replace the US as the world hegemon (Picker et al., 2015; Economy, 2018).

This third answer is contradicted by the consistent vocal rejections of the ideas of economic liberalism by Chinese leaders, who insist upon the socialist government's right and duty to intervene in the nation's economic development. With a focus on *structural* conditions and *functional* objectives of China's globalization, the first two answers, in distinction, do offer informative accounts of China's integration into the world economy, though they fail to provide a satisfactory explanation for it. In other words, these answers do not fundamentally address *why* China, to begin with, is interested in the "benefits" of participation in globalization. Historically, China was not necessarily interested in foreign capital or technology. Neither did Chinese leaders always believe that the country's survival depended on being open to the outside world. On the contrary, at times they believed quite the opposite, leading to China's periodic self-isolation even in more recent history under Mao.

The question is, therefore, *why* China changed its attitude to globalization. It is the question of an ideational change among Chinese leadership, since, given the Chinese political context, only national leaders have the actual power to lead China to compete for economic supremacy on a global stage. This happens only if Chinese leaders aspire to it or get interested in globalization. We thus must first explain this aspiration or interest. Showing that nationalism as a kind of competitive consciousness that orients national

leaders to invest in areas of competition in which one's nation has the potential to win over other nations, Liah Greenfeld (2004 & 2019) argues that nationalism has been the driving force behind globalization projects of leading economic powers that needed the global market to pursue and sustain their economic supremacy and were strong enough to enjoy more gains than losses from free trade. Following this theoretical framework, I hypothesize that, in the case of post-reform China, it is specifically the type of nationalism that prioritizes the economy – that is, the nationalist aspiration that reorients national members to invest in the nation's economic competitiveness vis-a-vis other nations – that accounts for Deng and his successors' (including the current Chinese president Xi Jinping) persistent pursuit of economic opening and globalization despite domestic and foreign challenges. To empirically test this hypothesis, I shall start with a historical review of China's integration in the world economy since the late-Qing period.

### **3.3 Nationalism Prioritizing the Economy and China's "Opening-up"**

While Deng's "Opening-up" policy is widely considered as the beginning of China's integration into the modern world, historically speaking, Deng was not the first leader to open up China for modernization. China's first attempt to modernize in this sense can be dated back to the late-Qing period when the first generation of Chinese nationalist elite decided to imitate the Western model of "national self-strengthening." The results of this first attempt at modernization, however, were mixed, with limited economic progress achieved on the one hand and national humiliation accumulated at the hands of imperialist powers (especially Japan) on the other. This further inspired Mao's anti-

imperialist nationalism and overemphasis on China's self-reliance right after the establishment of the People's Republic of China (PRC) in 1949. Deng's "Opening-up" policy thus *re-opened* China for modernization in 1978. In this sense, he launched China's second wave of opening (Zheng, 2004).

Deng was a pragmatist, however. To ensure domestic stability, the socialist government did not change its policy orientation all at once. Chinese industries at the time were weak and the economy half-planned. Thus, throughout the 1980s, the government largely tried to protect domestic market and industries, and to avoid unforeseeable risks that might have accompanied with a full-scale opening-up (Zheng and Pan, 2012: 88). Similar to Japan in the 1950s and 1960s and other advanced economies in the early stages of their development, the Chinese authority extensively employed conventional protectionist measures ranging from tariffs to non-tariff barriers at first. According to an IMF report, the unweighted average tariff rates of China were as high as 55.6% in 1982 (Rumbaugh and Blancher, 2004:19). Coming to the end of the 1980s, nearly half of Chinese imports were still subjected to government-imposed restrictions (Lardy, 2002). Under the so-called "socialist industrial policy," the Chinese government also restricted the right to engage in foreign trade initially among 12 large state-owned enterprises (SOEs), giving substantial protection to the so-called national industries (民族工业) deemed strategic in guaranteeing national security and people's basic living standards (Lee and Lardy, 2008: 635).

In Deng's words, China's "opening-up" was "not blind imports without plan or selection" (Deng, 1993: 43-44). Rather, it was strategically planned to match the situation

and needs of domestic economic development. Having witnessed China's first wave of opening, which was, in a way, forced upon China and led to China's loss of economic sovereignty from the very beginning, Deng was fully aware of the risks of opening up China without restraint. He thus set up the "four basic principles" for China's "reform and opening-up" early on in 1979.<sup>3</sup> These principles stressed the importance for China to maintain its socialist political system and to keep the visible hand of the socialist government in developing China's market economy. When meeting with foreign leaders, Deng also put forward what he called the "Chinese-style modernization" (中国式的现代化) to highlight the unique development path China would take while integrating into the modern economic world.<sup>4</sup>

Deng's strategically planned "opening," nonetheless, exposed the population to foreign liberal ideas, rapidly changing people's ways of thinking and living. The accumulative effects of these changes in the political sphere would be eventually demonstrated in students' democratic movements in 1989, causing a political upheaval, the suppression of which ultimately triggered Western economic sanctions against China in the early 1990s. Facing foreign sanctions and being aware of potential risks in the future, Deng yet insisted on the necessity of economic opening in order to achieve China's modernization throughout his famous southern tour in 1992. The result of his determination eventually

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<sup>3</sup> i.e., insist upon the socialist path, the democratic ruling of the people, the leaderships of the Chinese Communist Party, and the Marxism – Mao Zedong Thought. See <http://cpc.people.com.cn/GB/134999/135000/8103346.html>

<sup>4</sup> See Deng's speech in his meeting with the Japanese Prime Minister Masayoshi Ohira on December 6, 1979. Available on <http://cpc.people.com.cn/n1/2016/0603/c69113-28410390.html>.

brought China back to the world economy and allowed China to soon become the world's leading recipient of foreign direct investments (FDI) (Deng and Moore, 2004).

In the mid-1990s when domestic market showed sluggish demand, as Deng's successor, the then Chinese president Jiang Zemin launched the "going out strategy" to encourage increasingly competitive Chinese industries and enterprises to take over a greater foreign market share and to gain further access to foreign capital and technology (Wang, 2002: 194). Soon in 1996, the newly arrived term "globalization" (全球化) would for the first time enter Chinese leaders' open speeches.<sup>5</sup> Unlike the neo-liberal perspective from which the West viewed globalization at the time, however, Chinese leaders, having inherited Deng's nationalism that made the economy its priority, simply defined globalization as economic globalization that mainly covered the economic sphere and the realms of science and technology. Because globalization, as a term and a phenomenon, came from abroad, Chinese leaders also took it as an externally given condition under which China must further its economic opening in order to survive the intensifying competition with other nations and to catch up with the rapid technology development in advanced economies. In his political report to the 15<sup>th</sup> National Congress of the Communist Party of China in 1997, Jiang revealed his understanding of globalization as below,

"Opening to the outside world is a long-term basic state policy. Confronted with the globalization trend in *economic, scientific, and technological* [Italic added]

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<sup>5</sup> The term "globalization" was introduced by then-Foreign Minister Qian Qichen during the General Debate of the United Nations General Assembly on September 25, 1996, UN document A/51/PV.8. Also see Deng and Moore (2004: 134)

development, we should take an even more active stance in the world by improving the pattern of opening up in all directions, at all levels and in a wide range, developing an open economy, enhancing our international competitiveness, optimizing our economic structure and improving the quality of our national economy.”<sup>6</sup>

With this economic-centric interpretation of globalization, Jiang implicitly rejected the neo-liberal definition of globalization that included a political agenda of democratization and the minimization of government’s role in economic development. By defining globalization economically, Jiang also gained the leverage to convince the conservatives at home of the necessity for China to further open up its economy due to the given trend of economic globalization, while keeping its political system and the socialist government’s intervention in economic development intact. At the same time, this economic-focused interpretation of globalization, to a large extent, contributed to Chinese leaders’ relatively optimistic attitudes toward globalization from the beginning, although they soon realized in the 1997 financial crisis that economic globalization was a double-edged sword.

Due to China’s relatively limited integration into the world economy by the mid of 1990s, the 1997 financial crisis did not impact the Chinese economy as much as it did to other Asian economies. Chinese leaders were thus not at all deterred by the financial crisis from opening up China. Rather, the focus on economic development and their aspiration to modernize China’s economy motivated them to resume the strenuous

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<sup>6</sup>*Xinhua*, “Jiang, Zemin: Hold High the Great Banner of Deng Xiaoping Theory: Carrying the Cause of Building Socialism with Chinese Characteristics to the Twenty-first Century,” published on September 21, 1997.

process of China's application for the admission into the World Trade Organization (WTO). Despite opposition at home, Jiang Zemin and the then Premier Zhu Rongji insisted on delivering a harsh deal with an unfriendly US that first rejected China's entry into the WTO during Zhu's visit to Washington DC in 1999 and then bombed the Chinese embassy in Belgrade in the same year. Anti-American sentiments and protests were all over China after the bombing. Yet, the firm determination to further open up China made both Jiang and Zhu to persist in their negotiation with the US, while simultaneously demanding a written apology from the Clinton administration for their "mistakes" made in Belgrade.

In 2001, China ultimately became a member of the WTO. The WTO membership, as Jiang announced triumphantly, marked a new level of China's economic opening that aimed at making use of international rules and institutions to protect China's economic interests and to push domestic industries to follow international standards for modernization.<sup>7</sup> Without doubt, the WTO membership also implied the hard-won international recognition of China's domestic market reform. In a sense, by joining the WTO, China formally became a member of the world of market economy, a cornerstone marking China's advancement in the course of modernization.

Intending to join the existing international institutions and to ensure a peaceful external environment for domestic economic development, since China's re-opening in 1978,

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<sup>7</sup> Jiang, Zemin, "Speech in the Opening Ceremony of the '2001 *Fortune* Global Forum' in Hong Kong," May 8, 2001. Full text available on [http://www.gov.cn/gongbao/content/2001/content\\_60833.htm](http://www.gov.cn/gongbao/content/2001/content_60833.htm).

Chinese leaders were rather tolerant of the Western dominance, the US's unilateralism and the injustice within the international system. Keeping China's low diplomatic profile, Chinese leaders did not wish to challenge the US's hegemony. Instead, after China joined the WTO, most of them believed that China would have its "period of strategic opportunity" (战略机遇期) in the first two decades of the 21<sup>st</sup> century and should thus abide by the status quo of the international system and focus on developing domestic economy by participating in globalization to make the best use of resources both at home and abroad.<sup>8</sup>

By entering the WTO and participating in globalization, moreover, Chinese leaders also hoped to increase economic interdependence with major powers so as to restraint their unilateralism to better protect China's overall interests (Deng and Moore, 2004). These strategic calculations were soon realized by the drastic increase of China's foreign trade, which raised the trade-to-GDP ratio of China to reach as high as 64.5% in 2006.<sup>9</sup> In particular, China rewrote the record of its yearly exports so fast that, by 2010, it was already the world's undisputed export champion.<sup>10</sup> Since China joined the WTO, China's exports to the US witnessed the fastest surge.<sup>11</sup> Over the past two decades, the economic interdependence between China and the US has been deepened so much so that it now

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<sup>8</sup> *People's Daily*. "Jiang Zemin: Jinjin bawo zhongyao zhanlv jiyuqi" (Jiang Zemin: Hold Tightly the Important Period of Strategic Opportunities), March 7, 2004.

<sup>9</sup> The Trade-to-GDP ratio measures the contribution of foreign trade in a country's total GDP. For historical data on China's trade-to-GDP ratio, see <https://data.worldbank.org/indicator/NE.TRD.GNFS.ZS?locations=CN>.

<sup>10</sup> Alessandro Nicita and Carlos Razo, UNCTAD, "China: The Rise of a Trade Titan," April 21, 2021. Available on <https://unctad.org/news/china-rise-trade-titan>.

<sup>11</sup> The United States Census Bureau, "Trade in Goods with China." Available on <https://www.census.gov/foreign-trade/balance/c5700.html>.

becomes extremely difficult, if not impossible, for the two countries to decouple or to wage full scale trade wars against each other (Farrell and Newman, 2020). In retrospect, conservative policy-makers in the US have raised doubts if it was, after all, a mistake on the US's side to let China enter the WTO in 2001 (Ikenberry, 2022). Some went even further to argue that China had been intentionally weaponizing globalization and its economy against the US.<sup>12</sup>

Knowing that China had been a beneficiary of economic globalization, Chinese leaders rarely blamed globalization for emerging problems including social/regional disparity at home and abroad. When the world came to debate who were the winners and losers of globalization and whether developing countries should participate in globalization after the neo-liberal development model failed in various Latin American countries in the late 1990s and the early 2000s,<sup>13</sup> Yu Keping, a prominent Chinese political scientist whose ideas had influenced China's economic reform, best summarized China's answer as the following:

“Well based on our own national conditions, developing countries should actively participate in the course of globalization, and always maintain our *own characteristics and autonomy* [Italic added]... Globalization is a double-edged sword to a nation-state's development and whether the pros overwhelm or not highly depends on the strategic choices made by developing countries.... Developing countries are not necessarily the losers in the course of globalization, just as developed countries are not necessarily the winners. Developing countries have our own advantages to address the challenges from globalization and can

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<sup>12</sup> Schrader, Matt. “China is Weaponizing Globalization: the Chinese Communist Party has Turned Global Ties into Its Own Tool.” *Foreign Policy*, June 5, 2020. Available on <https://foreignpolicy.com/2020/06/05/china-globalization-weaponizing-trade-communist-party/>.

<sup>13</sup> See the International Labour Organization (ILO), the Report of World Commission on the Social Dimension of Globalization, February 24, 2004. Available on <https://www.ilo.org/public/english/wcsdg/index1.htm>.

become the winners if the governments behave properly. Vice versa, developed countries have [their] own disadvantages and may turn out as the losers if they take improper measures. The key to success here is to well integrate both the advantages of our own and globalization” (Yu, 2008 [2016]: 125).

The above pragmatist lesson for developing countries was evidently drawn from China’s actual practice of Deng’s “Opening-up” policy since 1978. From the very start, China had been guided by Deng’s nationalist aspiration to seek for the “Chinese-style modernization” through strategic opening. In other words, the key to China’s success was the type of nationalism prioritizing China’s economic competitiveness vis-a-vis other nations, which allowed Chinese leaders to 1) keep in mind the unique conditions of China, 2) be purposely selective about the areas of globalization, 3) make strategic choices based on the situations and needs of domestic economy, and 4) be determined about economic openness despite domestic and international challenges.

### **3.4 The Beijing Olympic in 2008: A Turning Point**

#### *3.4.1 China’s Rising International Status and the Debate on the “China Model”*

When Yu Keping drew China’s pragmatist lesson on globalization, he was defending the debated “China Model” in 2008 – the year marking the 30<sup>th</sup> anniversary of Deng’s launch of the “Reform and Opening-up” policy. Thirty years into the reform era, by making strategic choices and through trials and errors, China was ready to show off its achievements in the Beijing Summer Olympic Games despite a disastrous start of the year with, among others, successive natural disasters at home and the impactful financial tsunami originated from the US. Having many world leaders – including two American

residents, Junior Bush and Senior Bush – to join its “coming out party,” China not only led the number of gold medals and put on impressive opening and ending ceremonies that showed the beauty of Chinese culture and its long history, but also demonstrated the great “economic miracle” it rapidly achieved in the past thirty years. More importantly, China projected an ever more promising prospect of a rising power. Like the 1964 Tokyo Olympic that instilled a strong sense of national pride in the Japanese audiences who were yet to live away from shame and traumas after the WWII, the 2008 Beijing Olympic brought a similarly substantial moment of national glory to all Chinese at home and abroad, spreading among them the century-long nationalist aspiration to be a part of a modern nation with wealth and power as well as a rising international status.<sup>14</sup>

Since then, with increasing confidence in China’s development on the one hand and the US’s continuing struggles with political and economic travails on the other, there have been heated debates about the possibility for China to provide an alternative development model. For many, the 2008 financial crisis was a sign of the US’s decline and the failure of Western liberal democracy (Halper, 2010). China’s success in managing the international financial crisis not only added to Chinese people’s self-confidence, but also gave rise to their aspiration for China’s global influence. The fact that China surpassed Japan to become the world’s second largest economy in 2011

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<sup>14</sup> Various surveys indicated that the national pride of Chinese within and outside of Mainland China peaked in the year of 2008. See, for instance, the Pew Global Attitudes Project, “The 2008 Pew Global Attitudes Survey in China: the Chinese Celebrate Their Roaring Economy, As They Struggle with Its Costs; Near Universal Optimism about Beijing Olympics,” July 22, 2008. Available on <https://www.pewresearch.org/wp-content/uploads/sites/2/2008/07/2008-Pew-Global-Attitudes-Report-2-July-22-2pm.pdf>.

further heated up such aspiration and the debate on the “China Model.” Without a consensus on what the “China Model” was and if such a model had been established, however, scholars hold different views regarding the concept, with some hesitant to endorse a non-conformist authoritarian model led by the Chinese Communist Party (Kennedy, 2010; Breslin, 2011; Ding, 2011), and some enthusiastic about the unique lessons the world could learn from China’s success in places where the West had failed (Bell, 2015; Lai, 2016; Albrow, 2018).

Officially, at the beginning, Chinese top leaders were rather cautious about using the term “China Model” (中国模式), worrying that such narratives would give rise to the claim about “China Threat” (中国威胁). At different occasions, the then Chinese Premier Wen Jiabao openly clarified that China was still learning and exploring ways of reform and development, and that China had never considered its development as a model.<sup>15</sup> While the then Chinese President Hu Jintao did mention China’s unique development model in his proposal of a “harmonious world” (和谐世界), he avoided using the exact term “China Model.” Instead, he highlighted the diversity of development models in different countries and stressed the Chinese respect for different models as well as the principle of “seeking consensus despite differences” (求同存异).<sup>16</sup>

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<sup>15</sup> See, for instance, *Zhongguowang* (*china.com.cn*). “Wen Jiabao: Zhongguo de fazhan shi he zhongguo guoqing, bushi yizhong moshi” (Wen Jiabao: China’s Development Fits China’s National Conditions, not A Form of Model), March 14, 2011. Available on [http://www.china.com.cn/v/zhuanti/2011lh/2011-03/14/content\\_22132736.htm](http://www.china.com.cn/v/zhuanti/2011lh/2011-03/14/content_22132736.htm).

<sup>16</sup> See, for instance, *Xinhua*. “Hu Jintao zai Boao Yanzhou Luntan 2008 nian nianhui kaimushishang de yanjiang” (Hu Jintao’s Opening Speech in the Boao Forum for Asia 2008 Annual Conference), April 13, 2008. Available on [http://www.gov.cn/ldhd/2008-04/13/content\\_943326.htm](http://www.gov.cn/ldhd/2008-04/13/content_943326.htm).

Nonetheless, since the mid of 2000s, Chinese leaders had gradually become more vocal about their dissatisfaction with the existing international system dominated by Western powers. In 2005, during his visit to Russia, Hu Jintao signed a joint statement with Vladimir Putin regarding the common stance China and Russia would take to maintain international equality and justice as well as cultural diversity in a new world order of the 21<sup>st</sup> century.<sup>17</sup> Without openly naming specific countries, the joint statement yet condemned the monopoly, unfairness, double-standards, and unilateralism within the current international order and called for establishing a new type of international relations. Clearly, a major target of the joint statement was the US and its hegemony. The joint statement was thus widely understood as China's joint declaration with Russia against the US.<sup>18</sup>

Following this joint statement, in 2006, China started series of high-level meetings with newly emerging economies including Brazil, Russia and India, establishing a new multilateral arrangement called the "BRIC." In 2009, the "BRIC" had its first annual summit, followed by the entry of South Africa in the next year. The "BRIC" hence became the "BRICS." Together, the "BRICS" formed an international organization covering 26.7% of the world land surface and 41.5% of the world population, yet without involving one single developed country from the West. The development of the "BRICS"

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<sup>17</sup> *Xinhua*. "Zhong'er guanyu 21 shijie guoji zhixu de lianhe shenming (quanwen)" (the Full Text of the Joint Statement on the International Order of the 21<sup>st</sup> Century between China and Russia), July 2, 2005. Available on [http://www.gov.cn/zwjw/2005-07/02/content\\_11701.htm](http://www.gov.cn/zwjw/2005-07/02/content_11701.htm).

<sup>18</sup> *Global Times*. "Gefang jiedu Zhong'er lianhe shenming: liangguo yu lianhe duikang meiguo baquan" (All Parties' Interpretations of the China-Russia Joint Statements: the Two Countries Intend to Unite against the US's Hegemony), July 6, 2005. <https://news.sina.com.cn/c/2005-07-06/12297148263.shtml>.

was thus often taken as a sign of China's revisionist approach to the existing international order and its increasing global influence (Wang, 2017). China's global influence was at the same time shown through its contribution to the institutionalization of the G20 since 2008, turning it into a more impactful platform than the G7, a formerly more influential club of leading advanced economies.

### 3.4.2 *Changing Official Narratives and the Search for China's Grand Strategy*

As China played a more active and important role in shaping the new international order, the Chinese official media also increased their coverage on the debate about the "China Model." A full-text search of the *People's Daily*, for instance, showed that the percentage of yearly total articles including terms related to the "China Model v.s. the West" rose sharply in 2008 and had been increasing ever since (He, 2018: 742). In an article titled "How to understand the 'China Model'?", the *People's Daily* proposed a rational understanding of the "China Model" by citing interview conversations with prominent scholars from the Chinese Academy of Social Sciences who, having acknowledged the increasing international concerns on the rise of China, yet highlighted the empirical and theoretical contributions of "China Model" as both a concept and a reality.<sup>19</sup> Similarly, Li Changchun, the politburo standing committee member in charge of ideological propaganda and communication works between 2002-2012, openly celebrated the rising influence of China in the international society, and asked Propaganda

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<sup>19</sup> *People's Daily*. "Ruhe lijie Zhongguo moshi?" (How to Understand "China Model?"), September 15, 2010.

Departments across the country to propagate widely the socialist development model with Chinese characteristics and to make the great achievements of China's socialist modernization known to the world (Wang, 2013).

At a popular level, the Beijing Olympic Games and China's success in handling the 2008/09 international financial crisis motivated a group of amateur nationalist writers who wrote the 1996 bestseller *China Can Say No* to embark on their second book project and published another bestseller titled *China is Not Happy* in 2009.<sup>20</sup> In an interview later conducted in 2017, one leading author of both books, Song Qiang, recalled, "While we simply wanted China to lead itself in writing *China Can Say No*, in writing *China is Not Happy*, we expected China to lead the world!"<sup>21</sup> "The reason for such a change," Song added, "is the significant growth of China's power in the past 13 years. It is the rise of China as a big power."<sup>22</sup>

While the authors' nationalist aspirations changed as China's power got strengthened in the course of 13 years, their anti-Western/American sentiments remained the same. In both books, among others, the US was taken as China's biggest enemy and the reasons, according to the authors, were straightforward: the US prevented China from leading itself in the 1990s and it prevented China from leading the world after 2008. Their anti-American sentiments, however, were not shared by readers of the two books to the same

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<sup>20</sup> The two books were not written by exactly the same group of authors. However, Song Qiang was one leading author of both books. See Song et al. (1996) and Song et al. (2009).

<sup>21</sup> Zeng, Menglong, "1996 nian, 'Zhongguo keyi shuobu' he gengda de minzuzhuyi langchao" (1996 *China Can Say No* and bigger waves of nationalism), *Haoqi Daily*. Available on <http://www.qdaily.com/articles/40262.html>.

<sup>22</sup> Ibid.

degree due to the intervention of official narratives.<sup>23</sup> In 1996, official narratives were rather critical about the assertive tones against foreign countries in *China Can Say No*. “The priority to get China into the WTO and the need of economic cooperation with the outside world decided that the focus of China’s diplomatic works then was to maintain good relations with developed countries,” Tang Jiaxuan, the former Minister of Foreign Affairs, simply explained.<sup>24</sup> Liberal scholars at the time also criticized the xenophobia saturated in *China Can Say No* as “nationalist craze” (民族主义的狂热).<sup>25</sup> As a result, despite the fact that the authors’ patriotism was widely acknowledged and the Chinese government did diplomatically protest against the US’s unilateral conducts against China throughout the 1990s,<sup>26</sup> *China Can Say No* was finally censored by the Chinese authority to avoid further instigation of anti-Western/American sentiments among the general public.

When *China Is Not Happy* was published in 2009, by contrast, both official narratives and prominent scholars sided with the anti-Western/American sentiments of the book.

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<sup>23</sup> The Beijing Area Study (BAS)’s annual surveys, for instance, indicated that Beijing residents’ amity toward the US had been overall declining since 1998. A more significant drop of amity toward the US, however, was witnessed in 2009 following a slight increase between 2004 and 2007. See Johnston (2017: 26). Nationwide, annual surveys of the Pew research center showed that the Chinese hold mixed views of the US, but a significant drop of favorable views occurred in 2010. See Richard Wike and Bruce Stokes, “Chinese Public Sees More Powerful Role in the World, Names the US as Top Threat,” October 5, 2016. Available on <https://www.pewresearch.org/global/2016/10/05/2-china-and-the-world/>

<sup>24</sup> Tang, Jiaxuan. “xin Zhongguo waijiao de guanghui licheng” (New China’s Grand Trajectory of Diplomacy), the Website of the Ministry of Foreign Affairs, December 1999. Available on [http://switzerlandemb.fmprc.gov.cn/web/ziliao\\_674904/wjs\\_674919/2159\\_674923/200012/t20001220\\_7950084.shtml](http://switzerlandemb.fmprc.gov.cn/web/ziliao_674904/wjs_674919/2159_674923/200012/t20001220_7950084.shtml).

<sup>25</sup> See, for example, Shen (1998).

<sup>26</sup> Including the “Yinhe Incident” in 1993, the “Military Aircrafts Crashes” in the South China Sea in 1994, the Taiwan Strait Crisis in 1995, and the US bombing the Chinese Consulate in Belgrade in 1999.

Both *People's Daily* and *Liberation Army Daily*, for instance, saw sharp rises of articles mentioning “hostile foreign forces” against China around 2009 (Johnston, 2017: 37). Among scholars, in early 2011, Zhang Weiwei published his bestseller, *The China Wave: Rise of a Civilizationalstate*. Formerly an English interpreter of Deng Xiaoping and later a professor at Fudan University, Zhang was and still is one of the most vocal and enthusiastic advocates for the “China Model.” In his 2011 book, Zhang argued that China, as a “civilizationalstate” (文明型国家), combined both characteristics of a civilization-state and a nation-state. This, Zhang believed, necessarily made the rise of China qualitatively different from the rise of other nation-states in the modern history. Zhang also argued that the “China Model” can well compete with the “Western Model” and has something better to offer the West and the world. In a scholarly way, Zhang yet fully shared the assertive stance against the West (particularly the US) with the amateur authors of *China Is Not Happy*. More interestingly, Zhang’s popular book was well received by Xi Jinping, the then China’s vice president. Xi later recommended the book to the former head of the World Bank, Robert B. Zoellick, when he visited China in September 2011.<sup>27</sup> In doing so, Xi perhaps kept in mind that it was Robert B. Zoellick who famously urged China to become a *responsible stakeholder* in the international system back in 2005 when he was the Deputy Secretary of State of the US.<sup>28</sup>

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<sup>27</sup> *China News Service*. “Fudan daxue Zhongguo yanjiuyuan chengli tuidong Zhongguo sixiang, huayu zai shijie jueqi” (the Establishment of the China Institute at Fudan University Promotes the Rise of Chinese Thoughts and Narratives in the World), November 27, 2015.

<sup>28</sup> For the statement, see Zoellick, Robert B. “Wither China: From Membership to Responsibility?” Remarks to National Committee on U.S.-China Relations, September 21, 2005.

Debates about China's new role in the world continued into the 2010s, with Wang Jisi, another influential Chinese scholar based in Beijing, successively publishing two articles in two American journals to offer a third perspective, which, looking back as of 2022, has been best received by the Chinese government in practice. In an article titled "China's Search for a Grand Strategy: A Rising Great Power Finds Its Way" published in *Foreign Affairs* in late 2011, Wang disputed against two popular yet inapplicable ways of thinking about China's grand strategy, believing that they were either too assertive or too humble. Wang acknowledged the complexity for a rising great power such as China to develop a grand strategy that could serve both its own core interests and the common good of the international society. He yet believed that "home is where the heart is" for China and "If an organizing principle must be established to guide China's grand strategy, it should be the improvement of the Chinese people's living standards, welfare, and happiness through social justice" (Wang, 2011: 74). Without specifying what grand strategy China should and would take, Wang further suggested that four recent transformations observed under the Hu-Wen administration might point to China's grand strategy in the future. The four transformations included: 1) the Chinese government's adoption of a comprehensive understanding of security, which incorporated economic and nontraditional concerns with traditional military and political interests; 2) Chinese diplomacy becoming less country-oriented and more multilateral and issue-oriented; 3) the mode of China's economic development shifting from preoccupation with GDP growth to concerns about economic efficiency, product quality, environmental protection, the creation of a social safety net, and technological innovation; 4) the calls for enhancement on "cultural soft power of the

nation” and China’s international image, which required the Chinese to seek common values in the global arena, such as good governance and transparency (Wang, 2011: 75-76).

In another article titled “China in the Middle,” published in *The American Interests* in 2015, Wang again stressed that a nation should first meet its own development needs. From a “geostrategy” perspective, however, he added that a nation’s strategies must also be adjusted to reflect changes in the international environment. Three years into the current Chinese President Xi Jinping’s leadership, based on where China was and how the international environment had changed, Wang (2015: 1) managed to clarify in this article that “China’s growth enables it to be truly, for the first time, a Eurasian power between East Asia and the West,” and that, “A pan-peripheral grand strategy would suit it best.” By “Eurasian” and “pan-peripheral,” Wang meant that China would become the center again; only this time, China would be the center for both the East and the West, hence a pan-periphery.

### **3.5 China’s Search for Grand Strategy under Xi Jinping**

Right after Xi Jinping took up top political positions in 2012, during his visit to the National Museum where the Chinese history since the first Opium War in 1840 was exhibited, Xi vowed to press ahead with the century-long mission of realizing the great

“Chinese Dream” of national rejuvenation.<sup>29</sup> At the same time, Xi also promised to step on the shoulders of his predecessors and march further on the path toward achieving two specific centenary goals originally suggested by Deng Xiaoping in the 1980s and formally proposed by Jiang Zemin in the CCP’s 15<sup>th</sup> Congress in 1997. The two centenary goals are respectively: building a prosperous Chinese society in all respects (全面小康社会) by 2021 (the centenary of the CCP); and, building a socialist modern China with prosperity, power, democracy, civility and harmony (富强民主文明和谐的社会主义现代化国家) by 2049 (the centenary of the PRC).

By vowing to realize the “Chinese Dream” and the two centenary goals, in a way, Xi was committed to the search of China’s grand strategy. Since the launch of the Belt and Road Initiative (BRI) in 2013, like his predecessors, Xi has been exploring China’s unique path to modernization and national rejuvenation. By examining the development process of China’s global strategies in the past decade, it is clear that: 1) in search of China’s grand strategy, Xi has inherited Deng’s nationalism that prioritizes the economy; and 2) much like Deng’s launch of the “Reform and Opening-up” policy that ensued unexpected economic miracles, Xi’s proposal of the BRI has led to results far beyond the original agenda, paving ways for the formation of China’s grand strategy as a global power.

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<sup>29</sup> *Xinhua*. “Xi Jinping: chengqian qihou jiwang kailai jixu chaozhe zhonghua minzu weida fuxing mubiao fenyong qianjing”(Xi Jinping: Inheriting the Past and March forward, Continue to March toward the Grand Goal of National Rejuvenation), November 29, 2012. Available on [http://www.xinhuanet.com/politics/2012-11/29/c\\_113852724.htm](http://www.xinhuanet.com/politics/2012-11/29/c_113852724.htm).

### 3.5.1 Continuity 1: The Initial Launch of the BRI

To realize the first centenary goal of building a prosperous society in all respects, in the early years of his presidency, Xi largely continued with the domestic and foreign policy agendas carried out under the Hu-Wen administration, including those ongoing transformations pointed out by Wang Jisi in his 2011 article. Overall, domestic economic development was still the focus, despite Xi's intensive anti-corruption campaigns at both central and local levels (Poh and Li, 2017). Economic opening-up remained the undisputed direction that guided domestic and foreign policy making. Thus, until 2016, in a conversation with provincial leaders, Xi still stressed the following:

“Whether a nation can become wealthy and powerful, or if a nation can be rejuvenated, depend most importantly on whether it can follow the trend of the era and progress actively toward that historical direction. Economic globalization is the trend of the era we are facing. I expect that we will all continue to explore and practice ways to improve our awareness and capacities to deal with both domestic and international challenges and elevate the level of quality of our openness.”<sup>30</sup>

There was, however, a major change from the outside world observed in the early years of Xi's presidency. The start of Xi's presidency coincided with the Obama administration's launch of its “Pivot to East Asia” regional strategy, which aimed at expanding and intensifying the US's already significant role in the Asia-Pacific. The strategy also named China out as “an ever-more influential regional power” and expressed particular concerns over China's military modernization as well as its leading

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<sup>30</sup> *Xinhua*. “Xi Jinping tan ‘yidai yilu’” (Xi Jinping's Discussions on ‘One Belt One Road’), December 11, 2018. Available on <http://politics.people.com.cn/n1/2018/1211/c1001-30460478.html?form=rect>.

role in the regional economy.<sup>31</sup> Clearly, Obama’s “Pivot to East Asia” was a strategic containment against the rise of China. The US’s increasing military and economic presence in the Asia-Pacific soon resulted in regional cooperation and arrangements (e.g., the Trans-Pacific Partnerships, TPP) that made it difficult for China to maneuver and maintain its leadership in the region (Ye, 2015). At home, the government was also faced with increasing industrial overcapacity and growing disparity across households, social groups, economic sectors, and regions. Furthermore, existing bureaucratic fragmentation within the Chinese state added to the difficulty in resolving these problems all together (Ye, 2020). As a response to this combination of diplomatic, economic and security challenges, in 2013, Xi successively proposed two development initiatives that now become China’s overarching global strategy, the Belt and Road Initiative (Ibid.).

When Xi Jinping announced the idea of building “an economic belt” along China’s ancient Silk Road in Kazakhstan in 2013 to encourage economic cooperation between China’s western region and Europe as well as the Middle-East, however, few people around the world paid attention to it. Nor did Xi’s later announcement about jointly building “the Maritime Silk Road of the 21<sup>st</sup> Century” in Southeast Asia in the same year trigger heated international debates.<sup>32</sup> Scholarly analyses only came gradually after

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<sup>31</sup> Mark E. Manyin, eds. “Pivot to the Pacific? The Obama Administration’s ‘Rebalancing’ Toward Asia,” Congressional Research Service, March 28, 2012. Available on <https://sgp.fas.org/crs/natsec/R42448.pdf>

<sup>32</sup> Around the same time, I was having an internship at the department of transportation of the Economic and Social Commission for Asia and the Pacific of the United Nations in Bangkok, Thailand, helping with a research project on China’s investment in the transportation infrastructure of the Asia-Pacific region. Publically or privately, no attention or discussion was given to Xi’s

2014.<sup>33</sup> The lack of international attention to the BRI at the beginning suggested that the BRI was not originally a groundbreaking grand strategy like it is considered now. The fact that it took another 2 years for the Chinese government to finalize the name of the initiative and for the initiative to be re-introduced as the top-level policy design for China's economic diplomacy in 2015 also suggested that it was not an intentionally well-designed roadmap to world supremacy from the start.<sup>34</sup> Much like Deng's initial proposal of the Reform and Opening-up policy in 1978, the BRI was launched without specific blueprints for implementation.<sup>35</sup> Rather, it was a revelation of Xi's nationalist determination to further develop and open up the Chinese economy, which then sent powerful mobilizing messages to different sectors of the Chinese society and government agencies at both local and central levels.<sup>36</sup>

The first two to three years of Xi's presidency thus witnessed waves of nationalist mobilization to call on nationwide joint supports for the BRI, followed by all different kinds of globalization projects at different levels. With active support and participation from all sectors, the BRI quickly became a platform through which different domestic players could gain access to foreign resources and compete for the global market using

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announcements among the UN staffs. In retrospect, nor did we interns working on related research projects get to break this important news to our supervisors.

<sup>33</sup> For the first Chinese scholarly paper on the BRI, see Xiao (2014). For the one of the earliest scholarly works on the BRI in English, see Ye (2015).

<sup>34</sup> See Xi Jinping's speech on the second meeting of the fifth committee of the CCP's 18<sup>th</sup> Congress, October 29, 2015. Available on [http://www.qstheory.cn/dukan/2020-06/04/c\\_1126073270.htm](http://www.qstheory.cn/dukan/2020-06/04/c_1126073270.htm).

<sup>35</sup> For a similar observation about the BRI's vagueness and being overarching, see Ye (2020).

<sup>36</sup> For detail related to how Chinese central leaders used nationalist narratives to mobilize different sectors to join and support the BRI, see Ye (2020).

their own talents and comparative advantages.<sup>37</sup> This, again, resembled the situation in the early reform period when Chinese peasants and villagers, driven by their desire for prosperity, spontaneously innovated ways to develop their local economy based on local conditions as soon as they got Deng’s message on economic reform. In a similar way, the BRI is another empowering project that enables Chinese entities – be they located in inner China or along the coast, public or private, high-tech or low-tech – to open up to the outside world, allowing a truly nationwide participation in globalization.<sup>38</sup> The BRI, therefore, was originally a continuation of Deng’s “Reform and Opening-up” policy. The difference being: while Deng brought China’s economic reform and opening-up into fruition, Xi is taking it to a higher level and on a truly national scale.

### *3.5.2 Continuity 2: Developmentalism of the BRI*

As a continuation of the “Reform and Opening-up” policy, the BRI naturally inherits Deng’s nationalism that makes the economy its priority. From the outset, as a matter of fact, the BRI was launched as two development projects aiming to connect respectively China’s western borders, inner cities and the southeast coast to neighboring regions and to export domestic industrial overcapacity abroad. Although the BRI was rhetorically set

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<sup>37</sup> For detail related to how different sectors made use of the BRI for their own interests, see Ye (2020).

<sup>38</sup> It is often believed that the major participants in the BRI are large state-owned enterprises. Since 2017, however, the Chinese government has been encouraging cooperation between public and private sectors, forming public-private partnerships (PPP). According to data from the Ministry of Finance, by 2018, a total of 8,654 PPP projects had been registered in a national data bank. See the Belt and Road Portal, “China tightens regulation on PPP projects,” July 2, 2019. <https://eng.yidaiyilu.gov.cn/qwyw/rdxw/95496.htm>

out to be a multilateral arrangement that embraces a win-win approach and aims to ultimately benefit people of all participating countries as Xi repeatedly stressed at different occasions,<sup>39</sup> the BRI is fundamentally a nationalist project with a starting point and a focus on serving China's economic interests. Despite its far-reaching political implications and the great potential for it to evolve into China's long game for global supremacy in all respects,<sup>40</sup> so far, the BRI has been driven by the needs to sustain China's economic growth.

Developmentalism, therefore, has been the dominant theme of the BRI. A systematic content analysis of key official documents and statements released since 2015 showed that "development" as a term appears most frequently in official narratives about the BRI, with adjectives such as "common," "sustainable," "balanced," "inclusive," "green," and "innovative" frequently used to describe the type of development that is envisaged (Alves & Lee, 2022:6). It was also found that similar to the way development has been portrait within China since 1978, international development and economic cooperation have been considered as a panacea for all problems in the international society by Chinese leaders and diplomats (Ibid). To raise an example, in his statement at the opening ceremony of the first Belt and Road Forum in 2017, Xi highlighted, "Development holds the master key to solving all problems." He also stressed, "In pursuing the Belt and Road Initiative,

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<sup>39</sup> *People's Daily*. "Xi Jinping zai Hashakesitan nazhaerbayefu daxue fabiao zhongyao yanjiang" (Xi Jinping's Important Speech at Nazarbayev University of Kazakhstan), September 8, 2013. Available on <http://cpc.people.com.cn/n/2013/0908/c64094-22843681.html>.

<sup>40</sup> For discussions on the geopolitical drivers of the BRI, see, for instance, Beeson (2018); Doshi (2021).

we should focus on the development growth potential of various countries, achieve economic integration and interconnected development, and deliver benefits to all.”<sup>41</sup>

What is more, Deng’s maxim of “development being the hard truth” has been directly transplanted to the BRI. In an effort to explain the government report released on the 13<sup>th</sup> National People’s Congress (NPC) and The Chinese People’s Political Consultative Conference(CPPCC) in 2018, Zhang Yansheng, a researcher from the National Development and Reform Commission (NDRC), put it straightforward, “‘Development being the hard truth’ also works appropriately in the construction of the ‘One Belt, One Road’.”<sup>42</sup> In the latest 2022 Annual Conference of the Boao Forum for Asia, the former governor of the People’s Bank of China, Zhou Xiaochuan, also repeated Deng’s maxim words by words, asserting, “Development is the hard truth. Only through development can things get moving and circulated.”<sup>43</sup> Back in 2014, at the Fourth Summit of the Conference on Interaction and Confidence Building Measures in Asia, Xi made the following remarks to emphasize the importance of development particularly in Asia,

“As a Chinese saying goes, for a tree to grow tall, a strong and solid root is required; for a river to reach far, an unimpeded source is necessary. Development is the foundation of security, and security the precondition for development. The tree of peace does not grow on barren land while the fruit of development is not

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<sup>41</sup> *Xinhua*. “Full Text of President Xi’s Speech at Opening of Belt and Road Forum,” May 14, 2017. <http://2017.beltandroadforum.org/english/n100/2018/0306/c25-1038.html>

<sup>42</sup> *Xinhua*. “Zhang Yansheng: ‘Fazhan shi yingdaoli’ tongyang shiyong ‘yidai yilu’ jianshe” (‘development being the hard truth’ also works appropriately in the construction of ‘One Belt, One Road’), March 6, 2018. [www.xinhuanet.com/politics/2018lh/2018-03/06/c\\_1122491829.htm](http://www.xinhuanet.com/politics/2018lh/2018-03/06/c_1122491829.htm)

<sup>43</sup> *Guangming Daily*. “Hezuo fazhan de xinshijian” (New Practices of Cooperation and Development), April, 22, 2022.

produced amidst flames of war. For most Asian countries, development means the greatest security and the master key to regional security issues.”<sup>44</sup>

In practice, so far, the BRI has economically engaged 146 countries from different parts of the world regardless of their political systems and ideological preferences.<sup>45</sup> By September 2021, in only eight years, China achieved 10.4 trillion US\$ multilateral trade in goods with other BRI participating countries.<sup>46</sup> Under the BRI, China has also signed seven free trade agreements with 13 countries and concluded agreements on mutual Authorized Economic Operator (AEO) status with 20 economies, including the European Union and Singapore.<sup>47</sup> According to an official from the Ministry of Commerce, “Local authorities and relevant government departments across the country have made active efforts to explore new paths to common development, realizing mutual benefit and win-win results with countries participating in the BRI.”<sup>48</sup> Clearly, the BRI is not only a developmental project for China, but also an international development project advocating for free trade and economic cooperation around the world.

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<sup>44</sup> Xi Jinping. “New Asian Security Concept For New Progress in Security Cooperation,” remarks at the Fourth Summit of the Conference on Interaction and Confidence Building Measures in Asia, at Shanghai Expo Center, May 21, 2014.

<sup>45</sup> See profiles on the Belt and Road Portal. Available on [https://eng.yidaiyilu.gov.cn/info/iList.jsp?cat\\_id=10076](https://eng.yidaiyilu.gov.cn/info/iList.jsp?cat_id=10076).

<sup>46</sup> Du, Haitao and Luo, Shanshan. “Cumulative Value of Trade in Goods between China and BRI countries reaches \$10.4 tln,” December 1, 2021. *People’s Daily Online*.

<sup>47</sup> Silk Road Briefing. “China-Belt and Road Initiative Multilateral Trade Has Reached US\$ 9.2 Trillion In Seven Years,” May 17, 2021. Available on <https://www.silkroadbriefing.com/news/2021/05/17/china-belt-and-road-initiative-multilateral-trade-has-reached-us9-2-trillion-in-seven-years/>

<sup>48</sup> Du, Haitao & Luo, Shanshan. “Cumulative Value of Trade in Goods between China and BRI countries reaches \$10.4 tln,” December 1, 2021. *People’s Daily Online*.

### *3.5.3 Continuity 3: Pragmatism of the BRI*

Not only is Deng's developmentalism directly transplanted to the BRI, his pragmatism has also been fully applied in the implementation of specific BRI projects. For instance, by 2014, Chinese foreign investments under the BRI had been mostly resources-driven, following the "Angola Model" that referred to the pragmatic characteristics of Chinese foreign investments mainly targeting countries rich in natural resources, in need for infrastructure, and with whom China could easily reach "resource for infrastructure deals" (Parepa, 2020: 185). More recently, China's strategic investments in massive infrastructure projects in countries and regions of geopolitical importance also triggered international concerns on China's "opportunistic multilateralism" oriented toward strategic calculation to secure its own security and geopolitical interests, leading to rising criticisms condemning China's foreign investments as a part of its economic statecraft, "debt trap diplomacy," or neo-colonialism (Kastner et al., 2020).

In face with the US's tough sanctions against Chinese technologies and increasing barriers on technology transfers, at the same time, China has been highly alarmed by the vulnerability to solely rely on technology transfers and imports from the West. China has thus, on the one hand, strategically turned to other technology and innovation centers like Israel and Singapore and actively engaged them under the BRI. On the other hand, in 2015, the State Council launched a ten-year action plan called "Made-in-China 2025" (the "MIC 2025") to expand China's high-tech sectors and develop its advanced

manufacturing base.<sup>49</sup> The “MIC 2025” is aimed at improving the competitiveness of Chinese manufacturing industries through indigenous innovation and technologies. It identifies cutting-edge technologies and strategic industries for public and private investments. Intending to connect domestic technology industries with innovation centers in different parts of the world and to help Chinese technology companies to compete internationally, the Chinese government also incorporated the “MIC 2025” into the BRI. In December 2015, at the Second World Internet Conference, China proposed to build a “Digital Silk Road” in order to promote cooperation on developing digital economy around the world, vowing to offer the world a “China opportunity” for common prosperity.<sup>50</sup> Since 2016, technology collaborations have been frequently brought under discussions between China and other BRI participating countries.<sup>51</sup> In 2017, Xi officially announced the “Belt and Road Technology and Innovation Action Plan” to boost China’s investments in innovation and technology sectors and to encourage technology transfers and cooperation under the BRI.<sup>52</sup>

As mentioned earlier, prior to 2014, the government-dominant investments were concentrated in natural resources, energy, and traditional industries. Since 2014, there

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<sup>49</sup>The State Council. “Made-in-China 2025.” available on <https://english.www.gov.cn/2016special/madeinchina2025/>

<sup>50</sup>*Keji Daily*. “‘Shuzi silu’ wei quanqiu fazhan dailai ‘Zhongguo jihui’” (“Digital Silk Road,” a “China Opportunity” for the World Development), December 17, 2015. Available on <http://scitech.people.com.cn/n1/2015/1217/c1057-27938416.html>.

<sup>51</sup>The Belt and Road Portal. “Science and technology cooperation boasts potential in advancing B&R initiative,” September 27, 2016. Available on <https://eng.yidaiyilu.gov.cn/qwyw/rdxw/1130.htm>.

<sup>52</sup>*Xinhua*. “Xi Jinping zai ‘yidai yilu’ guojihezuo gaofeng luntan kaimushishang de yanjiang,” (Xi Jinping’s Speech at the Opening Ceremony of the Belt and Road International Cooperation Forum), May 14, 2017. [http://www.xinhuanet.com/politics/2017-05/14/c\\_1120969677.htm](http://www.xinhuanet.com/politics/2017-05/14/c_1120969677.htm).

have been both a significant increase in private investment outflows and a shift of investments toward high technology, research and development.<sup>53</sup> To raise an example, a dataset on Chinese investments in Israel showed that Chinese investments involved in the technology sector increased gradually from 2011 and saw a sharp rise after 2014.<sup>54</sup> Since the announcement of the “MIC 2025” in 2015, there witnessed another significant increase of Chinese investments in Israeli technology in 2016. The total amount of Chinese investment deals in Israeli technology peaked in 2018 after Xi’s announcement on the “Belt and Road Technology and Innovation Action Plan” in 2017. Regarding the technology sectors in which Chinese investors chose to invest in Israel, it was found that they closely overlapped with the strategic industries highlighted in the “MIC 2025.”<sup>55</sup> For instance, except for a noticeable rise in investments in Israeli life science firms, there have been simultaneous increases of investments in software development and information technology as well as chips and semiconductors.<sup>56</sup>

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<sup>53</sup> See information listed on China Global Investment Tracker. Available on <https://www.aei.org/china-global-investment-tracker/?ncid=txtlnkusaolp00000618>.

<sup>54</sup> Ella, Doron. “Chinese Investments in Israel: Developments and a Look to the Future.” Institute for National Security Studies. February 1, 2021. Available on <https://www.inss.org.il/publication/chinese-investments/>

<sup>55</sup> Ibid.

<sup>56</sup> The critical sectors targeted by the Chinese government in MIC 2025 include: next generation information technology, high-end numerical control machinery and robotics, aerospace and aviation equipment, maritime engineering equipment and high-tech maritime vessel manufacturing, sophisticated rail equipment, energy-saving vehicles, electrical equipment, agricultural machinery and equipment, new materials, and biopharmaceuticals and high-performance medical devices.

#### *3.5.4 Continuity 4: Maintaining Autonomy amid Increasing Interdependence*

Since 1978, the rapid growth of Chinese economy has benefited greatly from the global market in two ways: exports and foreign investment inflows. While these two development strategies enabled China to become an indispensable part of the world economy in the past four decades or so, the Chinese economy has also become over-reliant on foreign markets. In the most recent decade, however, due to increasing labor price and environmental regulations within China as well as the availability of cheaper options in Southeast Asia, world factories have gradually moved out of China, contributing to an overall declining share of foreign trade in China's GDP. According to the World Bank data, since 2006, the trade-to-GDP ratio of China has dropped from 64.5% to 33% in 2021.<sup>57</sup> To gain strategic autonomy and to shield China from the vulnerability brought by increasing interdependence with other countries amid deepening economic globalization, the Chinese government launched the so-called "Dual Circulation Strategy" (DCS, 双循环) during the Covid-19 pandemic when global production and international transportation were seriously interrupted.

Aiming at increasing domestic demands and turning domestic market as the main driver of China's economic growth, the DCS is another pragmatic strategy to update China's former export-oriented development model. The launch of the DCS has thus triggered immediate international criticisms that considered it as China's insulating industrial policy (Herrero, 2021), or a protectionist measure contradictory to China's

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<sup>57</sup> See the World Bank, available on <https://data.worldbank.org/indicator/NE.TRD.GNFS.ZS?locations=CN>.

promotion on economic globalization.<sup>58</sup> The goal of the DCS, however, is to increase China's strategic autonomy (战略主动权), not isolated self-reliance. The DCS thus has no intention to close down China or to jeopardize economic globalization.<sup>59</sup> Rather, similar to the “dual-track” economic model adopted in the early stage of China's economic reform, the DCS intends to stimulate both internal and external markets and to better connect them in order for one to reinforce and sustain the other. In response to increasing international criticisms, Xi has clarified that the DCS would not only make new room for China's economic development, but also add driving forces to the recovery and growth of the world economy at the same time.<sup>60</sup>

Despite ongoing controversies over the DCS and increasing doubts on China's championship for economic globalization, China has further relaxed its regulations on foreign investments and enterprises coming into China. From being cautious about foreign investment inflows in the early 1980s, to using preferential policies to attract foreign investments throughout the 1990s, then to applying equal treatments to both domestic and foreign investors after foreign investors received official approvals since China's accession to the WTO, by 2006, China started to be selective about foreign

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<sup>58</sup> China Power Team. “Will the Dual Circulation Strategy Enable China to Compete in a Post-Pandemic World?” *China Power*. December 15, 2021. Available on <https://chinapower.csis.org/china-covid-dual-circulation-economic-strategy/>

<sup>59</sup> Wei, Yiqiao. “Jiangou xinfazhan geju, funeng jingji gaozhiliang fazhan ” (Construct New Economic Pattern, Enable Economic Development of High Quality), *Guangming Daily*, December 21, 2020. Available on [https://theory.gmw.cn/2020-12/21/content\\_34481970.htm](https://theory.gmw.cn/2020-12/21/content_34481970.htm)

<sup>60</sup> The Website of the Ministry of Foreign Affairs. “Xi Jinping zai diqishiwujie lianheguo dahui yibanxing bianlunshang de jianghua” (Xi Jinping's Speech in the General Debates of the 75<sup>th</sup> Congress of the United Nations), September 22, 2020. Available on [https://www.fmprc.gov.cn/web/wjdt\\_674879/gjldrhd\\_674881/t1817094.shtml](https://www.fmprc.gov.cn/web/wjdt_674879/gjldrhd_674881/t1817094.shtml).

investments by releasing an official five-year plan to better utilize foreign capital.<sup>61</sup> With an agenda to transform domestic economic model and further develop the western region of the country, for instance, the Chinese government intended to guide foreign investments and enterprises to “go green” and “go west.”<sup>62</sup> Under Xi’s leadership, China has become more open to foreign investors by treating them equally as domestic investors even before receiving official approvals and by opening up more areas to foreign investments.<sup>63</sup> Nonetheless, the government simultaneously released a long list of recommendations to guide foreign investors to invest in areas and industries prioritized. For now, in order to facilitate the implementation of “Made-in-China 2025,” the prioritized sectors largely covered modern agriculture, advanced manufacturing, and modern service industries.<sup>64</sup> This, again, demonstrates China’s strategic opening that makes domestic economic development its primary objective.

To welcome more foreign investments and enterprises, in 2018, China also, for the first time, held an international exhibition focused on imports. In the opening ceremony of this exhibition, Xi pointed out that this exhibition showed China’s attempt to actively open

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<sup>61</sup> The National Development and Reform Commission (NDRC), “Fazhan gaigewei jiu ‘liyong waizhi shiyiwu guihua’ dajizhewen” (the NDRC’s Response to Journalists Regarding the 11<sup>th</sup> Five-Year Plan on Utilizing Foreign Investments), November 09, 2006. [http://www.gov.cn/zwhd/2006-11/09/content\\_439649.htm](http://www.gov.cn/zwhd/2006-11/09/content_439649.htm)

<sup>62</sup> Ibid.

<sup>63</sup> The list of industries that foreign investments can’t enter has reduced to 31 by 2021. For the list, see <http://www.gov.cn/zhengce/zhengceku/2021-12/28/5664886/files/5b1aecc9c9704b05b7a930eb6fd74e29.pdf>

<sup>64</sup> For a detailed list, see the Ministry of Commerce, “Guli waishang touzhi chanye mulu (2020 nianban)” (The List of Industries in Which Foreign Investors are Encouraged to Invest (2020)), 2021. Available on [http://www.gov.cn/gongbao/content/2021/content\\_5587654.htm](http://www.gov.cn/gongbao/content/2021/content_5587654.htm).

itself up to the world and to elevate the level of its openness to a new height.<sup>65</sup> In the exhibition, Xi further declared,

“Increasing imports is not a temporary strategy for China. It is a natural result of China’s higher level of domestic consumption and increased consumption capacities of Chinese people whose incomes are getting higher and whose needs for products of high values are increasing. In order to meet people’s needs and to make use of the great potential of China’s huge domestic market, it is necessary for China to sincerely open its market and to increase its international imports.”<sup>66</sup>

By increasing autonomy on the one hand and strategically opening up on the other, Xi has presented himself as a firm champion for economic globalization. Xi’s active promotion on economic globalization makes him look like an opponent to conservative leaders in the rest of the world who have been leading the opposite anti-globalization trend and are hence often labeled as “nationalist leaders” by liberal media and scholars. Nonetheless, the truth is that Xi and other reformist Chinese leaders are as nationalist as other leaders around the world. What distinguishes them is not if they are nationalist, but their policies and attitudes regarding globalization, which are, in turn, fundamentally decided by their understanding of where their countries are in the current and future global economic competition. In a way, Xi’s championship for economic globalization reveals his confidence in China’s competitive strength in winning the current and coming global economic competition, or more exactly, his nationalist aspiration to achieve this goal.

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<sup>65</sup> *Xinhua*. “Xi Jinping zai shoujie Zhongguo guoji jinkou bolanhui kaimushishang de zhuzhi yanjiang” (Xi Jinping’s Speech in the Opening Ceremony of the 1<sup>st</sup> China International Imports Exhibition), November 5, 2018. Available on [http://www.xinhuanet.com/politics/leaders/2018-11/05/c\\_1123664692.htm](http://www.xinhuanet.com/politics/leaders/2018-11/05/c_1123664692.htm).

<sup>66</sup> *Ibid.*

### 3.5.5 Transition: From the BRI to China's Grand Strategy

Xi's confidence is not groundless. Like his predecessors, Xi inherited the century-long Chinese nationalism to build China into a modern nation with wealth and power. Unlike his predecessors, however, Xi inherited a much stronger China and has been facing with a rather different international environment which, according to Xi, is witnessing a century unseen great transformation (百年未有之大变局).<sup>67</sup> When Xi first mentioned the world's great transformation in his meeting with representatives of Chinese diplomats in 2017, he also announced that China was entering into a new phase of nation-building. Xi asserted, "in the past century, the Chinese nation has gone through the phases of 'standing up' and 'getting rich' and is now entering the new phase of 'becoming strong'."<sup>68</sup> At the same time, he highlighted that the world is at the middle of a great transform in which newly developing countries have been on the rise and multipolarity under rapid development. Xi thus concluded that the Chinese nation has been given a great opportunity and hopeful prospect for national rejuvenation.<sup>69</sup>

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<sup>67</sup> Xu, Guangchun. "Zhongguo gongchandang bainian huihuang yu bainian weiyou zhi dabianju" (The Grand Past of the Chinese Communist Party and the Century Unseen Great Transformation), *Hongqi Wengao*, March 26, 2021. Available on [http://www.qsttheory.cn/dukan/hqwg/2021-03/26/c\\_1127258624.htm](http://www.qsttheory.cn/dukan/hqwg/2021-03/26/c_1127258624.htm).

<sup>68</sup> Li, Zhen. "Cong zhanqilai, fuqilai dao qiangqilai de lishixing feiyue" (The historical transaction from "standing up" and "getting rich" to "becoming strong"), *People's Daily (Overseas version)*, September 6, 2017. Available on <http://politics.people.com.cn/n1/2017/0906/c1001-29517381.html>.

<sup>69</sup> *Xinhua*. "Xi Jinping: woguo zhengchuyi shixian zhonghua minzu weifa fuxing de guanjian shiqi" (Xi Jinping: Our Country is at the Critical Moment of Realizing the Great Rejuvenation of the Chinese Nation), October 14, 2020. Available on [http://www.gov.cn/xinwen/2020-10/14/content\\_5551198.htm](http://www.gov.cn/xinwen/2020-10/14/content_5551198.htm).

Since 2017, Xi has proved to be prophetic. With the global expansion of the BRI in which China is the nexus, the world has been weighing toward the East where China is geographically located. Before the Covid-19 outbreak, economically, Asian countries together contributed to 63% of the growth rate of the world GDP and China alone contributed to 35% of it.<sup>70</sup> Politically, while Western liberal democracies sought refuge in conservative politics and saw waves of political turmoil at home, the East has largely managed to maintain its political and social order with economic improvements. The Covid-19 pandemic since early 2020 has all the more added to this new divergence between the East and the West, leading to such popularly made contrasts as “Eastern order” v.s. “Western Chaos” (东治西乱) and “Eastern rise” v.s. “Western decline” (东升西降) within China (Wang, 2021; Zhao, 2021).

Under the Covid-19 pandemic, the Chinese also believed that the world, as a whole, has increasingly suffered from what Chinese leaders coined as “four deficits” – deficits respectively in peace, development, governance and trust, and that the West has not only failed to provide solutions, but also contributed to these deficits.<sup>71</sup> Under such circumstances, Chinese leaders suggest that China should and is willing to offer alternative solutions based on the Chinese wisdom, which, in distinction, prioritizes “virtue” over “interest,” and the Chinese logic believing “a nation leading hegemony is

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<sup>70</sup> The World Economic Forum, “In 2020 Asia Will Have the World’s Largest GDP. Here is What That Means.” December 20, 2019. Available on <https://www.weforum.org/agenda/2019/12/asia-economic-growth/>

<sup>71</sup> *People’s Daily*, “Xi Jinping tichu: bojie quanqiuzhili ‘sida chizi’” (Xi Jinping Proposed: Address the “Four Deficits” of Global Governance), March 28, 2019.

necessarily leading toward decline” (国霸必衰) (Yu, 2021). More specifically, Chinese official narratives advocate that by sharing common prosperity through the BRI, by establishing a new type of international relations among major powers, which stresses the self-disciplined behaviors of major powers, and by holding up to truly win-win multilateralism, China attempts to jointly build a so-called “community with a shared future for humankind” (人类命运共同体) in the world.<sup>72</sup>

By building and leading such a world community for humankind, most importantly, it is believed that China would have an external environment with peace and development that, in turn, 1) enables China’s domestic development and modernization in all aspects, 2) ensures Chinese people’s prosperity, security and happiness, and 3) paves ways for the realization of the “Chinese dream” of national rejuvenation.<sup>73</sup> Corresponding to Wang Jisi’s aforementioned articles, in a way, China has found its grand strategy that serves both its core interests and the common good of the international society.

### **3.6 Conclusion: Is the “China Model” Exceptional?**

Known for its authoritarian political system, economic pragmatism, communist ideologies, and Confucian traditions, China has often been considered as an antithesis of liberal democracy in the West. The so-called “China Model” is thus taken as a challenge

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<sup>72</sup> Wang, Yi. “Striding Forward Holding High the Banner of Building a Community with a Shared Future for Mankind,” the Website of the Ministry of Foreign Affairs, January 1, 2022. [https://www.fmprc.gov.cn/mfa\\_eng/wjb\\_663304/wjbz\\_663308/2461\\_663310/202201/t20220101\\_10478338.html](https://www.fmprc.gov.cn/mfa_eng/wjb_663304/wjbz_663308/2461_663310/202201/t20220101_10478338.html).

<sup>73</sup> Ibid.

to existing international order based on liberal democratic rules. The global rise of China is accordingly deemed nothing but game-changing, and what's more, changing for the worse.

Yet, is China's development model really so alien? Are China's global strategies truly novel, without precedents? A survey of economic history of leading modern economies would soon inform us of the fact that developmental states within Asia and beyond have set good examples for China, sharing such common features as strong state invention and protectionist industrial policies, etc (Woo-Cumings, 1999). Regarding economic opening, all leading modern economies, including those now considered as liberal economies, were once true believers of mercantilism and protectionism in the early stage of their development and only came to advocate for free trade and globalization when domestic industries became competitive enough and ready for international competitions.<sup>74</sup>

Even then, however, globalization remained a forever ongoing process, with international trade in certain areas constrained due to security concerns or other political considerations of national economies. In a word, in a world of nation-states, globalization is, in many ways, more of an imagination than the way nationalism is often misconceived. Historically, according to Liah Greenfeld (2001), it was nationalism that led the 16<sup>th</sup> century England, the 18<sup>th</sup> century France, the 19<sup>th</sup> century Germany, Japan and the US to become modern economies. It was also nationalism that motivated these

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<sup>74</sup> Based on a survey of the economic history of both developed and developing countries, for instance, economic historian Ha-Joon Chang (2002) suggests that developed countries are often trying to hide their protectionist past and to “kick away the ladder (of protectionism)” after they have climbed up to the top to lead globalization.

modern economies to launch their global expansion later when they enjoyed enough comparative advantages (Greenfeld, 2004). Simply put, under the guidance of nationalism, the establishment of the British Empire across the globe throughout the 19<sup>th</sup> century, the formation of the American hegemony in the postwar world economy, and the global business networks built by Japanese enterprises shortly within two to three decades after the WWII had in one way or another gone through a similar path toward economic supremacy and global expansion.

As a late comer to the world of modern economy, China has been more or less following the same path to modernity. Despite its peculiarities, the so-called “China Model” is, overall, not exceptional to the development logic of modern economy. Nor is China’s global rise alien to the West given well-known precedents. In all, as a nation-state guided by nationalism prioritizing the economy, the current Chinese government is bound to lead China to reach economic supremacy in its own way. Although it remains controversial if China would claim worldwide hegemony politically or militarily, given the current economic orientation of Chinese leaders and people, we could perhaps be sure of the higher chance to see China’s continuing efforts to promote peace and development in the world than that of otherwise.

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**CURRICULUM VITAE**

