

Toward Delinking

An Alternative Chinese Path Amid the New Cold War

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Heating Up a Renewed Cold War

The sparring between the United States and China in the name of trade war, which has lately extended to telecommunications, social media, finance, and diplomacy, is heralding a renewed Cold War in the twenty-first century. While the Cold War may have formally ended with the collapse of the Soviet Union, post-Second World War hot wars never ceased in some regions of the world, especially in resource-rich areas such as Central Asia and North Africa. Since the 1990s, China's continuous integration into globalization, following the logic of the market and international rules, has also meant, in some sense, the disintegration of the Cold War's two camps. The whole world has come under one system of capitalist globalization.

Cold War demagogy resurfaced after the United States's triumphant wars in Iraq, Libya, and other Middle Eastern and North African countries, as well as following Barack Obama's high-profile "return to the Pacific" and Donald Trump's escalations. Situating himself in the center of the world, Trump has foregrounded the strategic goal of "one world two systems" to isolate China from the West. With China now the primary U.S. rival, the United States has unsurprisingly attempted to contain China by any means necessary, including attacking Chinese telecommunication companies like ZTE and Huawei, exploiting the COVID-19 pandemic to bash China and whip up virulent Sino-phobia, forcing China's consulate in Houston to close, and banning Chinese 5G development projects and social media, such as TikTok and WeChat.

Despite having the world's largest production capacity and claiming to challenge globalization by following a "socialist road with Chinese characteristics," China is nevertheless finding it hard to move forward.

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The year 2013 was a landmark year for U.S. realignment, excluding China and other peripheral countries from a global financial alliance. On October 31, 2013, the U.S. Federal Reserve, the European Central Bank, and the central banks of the United Kingdom, Japan, Canada, and Switzerland came to a long-term currency swap agreement to replace temporary mutual liquidity swap agreements. Given the contraction of U.S. dollar liquidity, the monopoly of the six central banks dominates the polarization of the world monetary, financial, and economic system. Monetary and financial markets that enter that system would have liquidity support as well as a “crisis bottom line premium” assessed by international capital. Economic systems worldwide that do not have the good fortune of joining this alliance would be vulnerable to attacks in currency exchange rates and in the financial markets.¹

Due to the outbreak of COVID-19 and the U.S. stock market crash, the Federal Reserve continued to print money, launching a massive \$700 billion quantitative easing on March 15, 2020, then announcing “an open-ended commitment to keep buying assets under its quantitative easing measures.”² On March 19, 2020, the Federal Reserve announced the establishment of temporary U.S. dollar liquidity arrangements (swap lines) with nine more central banks: “These new facilities will support the provision of U.S. dollar liquidity in amounts up to \$60 billion each for the Reserve Bank of Australia, the Banco Central do Brasil, the Bank of Korea, the Banco de Mexico, the Monetary Authority of Singapore, and the Sveriges Riksbank and \$30 billion each for the Danmarks Nationalbank, the Norges Bank, and the Reserve Bank of New Zealand. These U.S. dollar liquidity arrangements will be in place for at least six months.”³

In this way, the monetary system of the West in the financial globalization era forms a pattern similar to that revealed in Immanuel Wallerstein’s world-systems theory: *core – semiperiphery – periphery*. In other words, the U.S. dollar remains in the central position and, together with the currencies that orbit around it – the euro, British pound, yen, Canadian dollar, and Swiss franc – form the core monetary system. Other economic systems that are of compatible ideologies can make relatively large-scale currency swaps with the six central banks and as such have the nature of a secondary center. The nine newly joined central banks are the semiperipheral members. The economic systems that are excluded from making swaps with the core central banks are relegated to the peripheral position.

The early stage of this institutional arrangement of the financial core that embodies innate exclusivity has been completed and underpins the U.S. camp under the New Cold War. Similar to the Soviet Union in the twentieth century, China has been targeted as the primary U.S. rival in the twenty-first century, the phase of financial monopoly capitalism.

Delinking Amid the Unfolding Crises

During the 1960s, China was effectively excluded from the two major camps: the Soviet camp and the U.S. camp. For about a decade, before China reconciled with the United States and rejoined the United Nations in 1971, China was obliged to seek development within its own borders and thereby achieved some extent of *delinking*, as Samir Amin called it: a refusal to succumb to U.S.-eurocentric globalization and an embrace of a people's agenda of development.⁴ After the normalization of foreign relations in the early 1970s, China once again brought in foreign capital. By the late 1990s, China had by and large been integrated into globalization, importing raw materials, exporting manufactured goods and services, joining financialization, and beginning to extend its industrial and services production capacities through the Belt and Road Initiative. After it became explicitly targeted as the primary rival of the United States, however, China began to be confronted with increasing sanctions, which, coupled with the global crises of the COVID-19 pandemic, have led to the collapse of global industrial chains. Even though the Chinese government may not be prone to seeking delinking (which is for the most part forced on China rather than being a consciously planned out strategy), the situation may warrant moves toward delinking and searching for alternatives, with ups and downs along the way.

China's economic growth has been slowing down since 2013, a drop of nearly 50 percent of its peak, a decline unprecedented in twenty years. The old model of globalization has exhausted its momentum and the negative externalities accumulated over three decades are biting deep into Chinese society, economy, and ecology. However, China has adopted the rural revitalization strategy in recent years, which can be understood as an effort to turn away from a developmentalism that follows the Western model of modernization and to move toward an inclusive and sustainable development to eradicate poverty in rural regions.

This great transformation is clearly complicated by the U.S.-Chinese trade war and the two countries' simultaneous economic restructuring. This restructuring is a response to the financial crisis of 2007–09 and the general decline of the globalization regime of the past four decades. Meanwhile, the threat of new crises, both global and domestic, is again looming on the horizon. An extension of the crisis of 2007–09, this prolonged economic downturn has thrown China into deflation. The termination of the U.S. Federal Reserve's quantitative easing policy in 2013 has had a great impact on emerging economies around the world. While China is not an exception, the impact of the policy has been less serious thanks to China's capital controls and solid economic base. In response to the crisis, the Chinese government engaged in supply-side reform and took measures that were

basically procyclical: deindustrialization and profinancialization. This was done by forcibly cutting excessive industrial production capacity, unlike the counter-cyclical measures of 1997 and 2008, when the government invested significantly into national industry and infrastructure. Driven by the enthusiasm for radical financial reform as advocated by the rising financial interest bloc against the backdrop of declining manufacturing industrial profitability, the frenzy of rapid financialization led to the stock market crash of 2015, followed by the foreign exchange reform that resulted in pressure placed on the renminbi's exchange rate.⁵ The government had to put as much as a trillion U.S. dollars of its foreign exchange reserve in the market to stabilize the exchange rate of the renminbi.

Financialization Trap

The most prominent feature of the situation between 2013 and 2018 was the government's failure to reverse the trend of the economy's financialization. China's money supply mechanism in the last twenty years has relied heavily on the inflow of foreign currencies. By regulation all foreign exchange flowing into China must be sold to the central bank and the money base is expanded accordingly. Therefore, enormous trade surplus is put into the rapid expansion of the money base, M0, from ¥3 trillion in 2008 to more than ¥8 trillion in 2018, while M2 went from ¥40 trillion in 2007 to ¥182 trillion in December 2018. Liquidity has increased without a corresponding growth in the real economy. During this period, the expansion rate of M2 was almost twice the gross domestic product growth rate. Furthermore, the defects in the monetary conductive mechanism have made it difficult for small and medium enterprises in the real economy to obtain credit from banks. Faced with the declining profit rates in manufacturing and the real economy, capital went into speculative sectors such as the stock and real estate markets. Consequently, China experienced great fluctuations in stock and real estate markets from 2013 to 2018.⁶ This crisis is essentially the institutional cost of China being incorporated into global financialization under the pressure of excess financial capital.

The drive toward financialization in China is both endogenous and exogenous. The profitability of general manufacturing is declining due to overcapacity and weak global demand. After the financial crisis of 2007–09 and the subsequent crises in the West, global demand crumbled and diminished the profitability of manufacturing. China is undergoing deindustrialization, with its industries yet to be technologically upgraded with higher added value. Meanwhile, China is increasingly partaking in financial globalization. Since 1993, the Chinese banking sector has become commercialized along the lines of the Anglo-Saxon model and the

financial sector has become one of the country's biggest interest blocs, intermingling more and more with global financial capitalism.⁷

Consequently, the financial sector has become increasingly alienated from the real economy. Whereas small and medium enterprises, as well as the manufacturing sector, have found it hard to get credit from banks, the same cannot be said for infrastructure building, state-owned enterprises, real estate, and loans with land or property as collateral. Thus, the handful of China's financial giants have sucked most of the economic returns.⁸ The real economy has, in turn, been crowded out by the imperatives of finance. As the real economy is hollowed out, the financial interest bloc pushes for further radical financial reforms, drawing excess liquidity into speculative sectors, creating asset bubbles, and expanding debts.

China's stock market has failed to fulfill its supposed function, namely, to effectively channel excessive liquidity into the real economy to promote industrial upgrading. After the 2015 crash, hot money seeking profitability left stock markets and rushed into other speculative sectors, the most prominent being real estate. As real estate prices in major cities skyrocket, people are less and less able to afford living there. To compound the problem, local governments have developed a dependence on land and real estate as sources of revenue. According to the National Bureau of Statistics, the total value of real estate in seventy major cities in China amounted to \$65 trillion in 2018, more than that of the United States, European Union, and Japan combined. Meanwhile, the value of Chinese stock markets was merely one tenth of the value of these three geographic entities.

There is an apparent distortion in Chinese citizens' wealth portfolio structure. According to a survey, the net value of housing property constituted 66.35 percent of Chinese household wealth in 2017. Mortgage expenses may suck households dry of consumption power. The growth of citizens' disposable income has lagged behind economic growth and household savings have even started to decline. Real estate has become an unbearable burden on Chinese society and the economy, cornering the Chinese government. The real estate bubble must be restrained from growing further, but a crash in real estate prices would equally be a disaster.

The stock market crash of 2015 did not halt the financial frenzy. Financial products and derivatives have continued to grow exponentially. The value of total assets managed by various financial institutions in 2018 amounted to more than ¥100 trillion. With a weak economy and declining profitability, it is reasonable to be worried about the exponential growth of financial investments and a possible Ponzi scheme scenario. The rapid financialization in the last decade has reshaped the Chinese economy, increasingly giving it traits of a casino economy.

Hot money also found its way into e-finance along with the rapid development of the Internet. Since its birth in 2011, the total transaction volume of e-finance has grown over ¥17.8 trillion. In July 2018, many peer-to-peer platforms shut down, with an estimated total loss of up to ¥1 trillion. At the end of 2017, the total value of the Chinese financial sector's assets amounted to ¥250 trillion, the highest in the world. In addition, debt expansion is always concomitant with financialization, as debt and finance are two faces of the same coin. At the end of 2000, the total balance of credit in China's financial system was ¥9.9 trillion. In July 2014, it grew to ¥78.02 trillion, an increase of 688 percent while the nominal gross domestic product growth was merely 473 percent. The expansion of credit is clearly greater than the growth in the real economy.

According to the Institute of International Finance, as of March 2018, total world debt (including governments, corporations, households, and financial institutions) amounted to \$247 trillion, a growth of 43 percent since 2008, while the gross domestic product growth during the ten years after the crisis was 37 percent. Global debt and gross domestic product expanded from 2.9 to 3.2. The new increase in private corporate debt was \$28 trillion, two-thirds of which was held by Chinese companies. China has functioned as the growth engine of the world, but as the economy slows down, the burden of debt servicing may become untenable.

Admittedly, a large part of debt in China is related to infrastructural construction. If the national economy keeps growing, it is productive debt; what is worrying is nonproductive debt such as mortgage and financial debt seeking profits in speculation.

Faced with a looming global financial crisis, policymakers are pushing through greater financial liberalization to deepen and accelerate financialization. In this sense, financial interest blocs have a firm grip on China's decision-making.

Decoupling

As China transforms, the United States is making major strategic shifts. Whether it is the Trans-Pacific Partnership advocated by the Obama administration or the trade war against China launched in 2018 by the Trump administration, the strategic aims are consistent as ways to put a curb on China's growing independence. An overall and systematic strategic suppression of China has become the consensus of the U.S. top political elites. It is not the outcome of an idiosyncratic leader, nor is it the preference of a single party.

During the first two decades of China's participation in globalization, the two nations have been in a state of symbiotic complementarity in terms of economic structure, despite constant political disputes. China's rapid industrialization is concomitant and complementary with U.S. deindustrialization

and deeper financialization. The key mechanism coupling China to the United States has been the great dollar circuit between the countries. U.S. dollars circulate into China through trade deficits and flow back to the United States by China stocking up on treasury bonds. This great dollar circuit is an international institutional arrangement. The postwar international trade regime has been shaped and dominated by the United States, and China's initial integration into globalization was possible only because the United States granted it the institutional right to take part in the global trade regime. China may be allowed to be part of the accelerating global trade train led by the United States, but it is not a free ride. Indeed, the costs – both ecologically and in terms of labor force contributed – have been substantial, not to mention that U.S. multinational corporations have raked in astronomical profits and deindustrialization has improved the U.S. natural environment. Viewed in this way, the dollar circuit is a form of seigniorage arrangement. The United States is the only nation on the planet that can keep trading whatever it desires with other countries simply by creating numbers on a balance sheet out of nothing. It is no surprise, then, that China has become increasingly dependent on the United States both economically and institutionally.

Forty years after China began accepting the inflows of Western capital and twenty years after its reintegration into the global economy, the United States, which still dominates international institutional power and holds currency hegemony, is threatening to punish China through a trade war. Superficially, the reasons have to do with the huge trade deficit as well as allegations like forced technology transfers and theft of intellectual property and trade secrets. However, no matter how much China is willing to concede and how much it promises to balance trade and open its financial and capital markets, it appears that the U.S. ruling elites cannot be appeased. In fact, imposing heavy tariffs on Chinese products does little to improve trade deficits and motivate manufacturing to return to the United States.⁹

The Obama and Trump administrations are quite consistent in the strategic aims they claim to be attempting to achieve, namely, to redevelop the real economy in the context of the hyperdevelopment of financial capitalism. The practical effect of the trade war is an effort to reshape the global economic structure and to prevent China's attainment of economic independence through its development of technology and its fine-tuning of the international trading structure. Its strategic goal is no different than the Trans-Pacific Partnership advocated by the Obama administration, which aimed to remake global trade rules.¹⁰ In both cases, China is in fact given two options: greater submission, or exclusion from the new global trade system with the United States still at the helm. The so-called structural reform the United States is trying to impose demands China's greater submission and

structural dependency. Meanwhile, no country can impose structural reform on the United States, the structural imbalance of which has become a major source of instability in the global economy. Herein lies the core of U.S. exceptionalism. The United States is not just a superior member of the global community, it is its rule setter. The postwar global trade regime was created by the United States to serve its interests and it is the only country in the world that can remain prosperous after decades of growing trade deficits.

Multinational capital (especially U.S. capital) and Chinese capitalist elites have benefited the most from China's incorporation into the global economy. All this has occurred through ecological degeneration and the extraction of surplus value from labor. While China appears to demonstrate substantial development, China's industry is nevertheless still highly dependent on the more advanced countries. Multinational corporations take the largest share of the added value created in China. In its financial sector, China still largely retains its sovereignty, which incurs discontent from foreign financial capital hoping to seek higher profitability in the country. However, for the last two years, the Chinese government has seemed to be losing its grip on foreign financial capital flow. The China Securities Regulatory Commission announced that it effected the elimination of a foreign equity cap in security companies starting on April 1, 2020.¹¹ The previous practice for the maximum foreign shareholding percentage was 49, later 51, and now 100 percent.

The dependent status of China in the two decades of its integration into globalization could be partly reflected by its incomplete currency sovereignty. For a long time, China's money base mechanism was exogenous and dependent on its foreign exchange stock, as it accumulated a huge amount of foreign exchange reserves mainly composed of U.S. dollars. Therefore, China's monetary policy is susceptible to the Federal Reserve's policy and U.S. monetary strategy, and is ineffective in regulating the domestic economy.

Great Splitting

China's inferior status in the global trade regime could also be reflected in its lack of rights in the pricing of major commodities. Even though it is the largest importer, China lacks the right to negotiate the price-setting of major commodities as the major settlement currency is the U.S. dollar and the international commodity markets are highly speculative. In recent years, China has been establishing its own commodity markets to gain bigger pricing power. One effort is the making of the petroyuan, which is regarded by the United States as a threat to the petrodollar, which has become the cornerstone of U.S. national interests since the 1970s. In other words, China is endeavoring to set up a preferable international trade regime if more favorable conditions cannot be established within the existing regime.

The great splitting of the present global trade regime is taking shape. To secure its status in the global industrial chain, China has to establish – passively or proactively – an international trade system split from the old regime currently reshaping itself, with the United States still at its core. It may be too early to call the splitting a full-scale New Cold War as not all countries are forced to choose sides. But we would witness the emergence of two cores with overlapping supply chains and markets, complicatedly interwoven.

During this great splitting, what is truly worrying is not so much the so-called Thucydides Trap (hegemonic struggle between a rising and an established power), but the unsustainability of the present debt regime. The old regime with the Federal Reserve mechanism at its heart may become increasingly like a Ponzi scheme. Recently, major central banks have had to revert to various kinds of quasi-quantitative easing because there is not enough private demand to keep the game going. If China refuses to continue to pay tribute to the U.S. core as it has in the last twenty or thirty years or, worse still, if China aspires to take a share of the tribute, will the world find a contributor big enough to sustain the game? If the big game of debt is no longer sustainable as was the case before the First World War, is a new world war imminent?

De-Dollarization

U.S. global interest is sustained by dollar hegemony, a legacy of the Bretton Woods system and post-Bretton Woods regime. The dollar has yet to be challenged as the global reserve currency and the default currency of international trade and settlement. Nowadays, as the value of money is secured almost solely by the creditability of the state behind it, the value of the U.S. dollar is well secured by the unquestioned military dominance and the political stability of the United States. It is still the preferred foreign exchange reserve many countries stock to stabilize their own currencies.

The current international financial system functions only because of the dollar system. Without the Society for Worldwide Interbank Financial Telecommunications and the Clearing House Interbank Payments System, the global financial system may come to a halt. However, it also virtually affords the United States a monopoly over financial sanctions. Apart from direct military intervention, financial sanctions via the international clearing system is one of the most important and effective means of extending U.S. global hegemony. Russia, Europe, and other countries are conceiving new alternative international clearing systems capable of bypassing U.S. control. For example, the Instrument in Support of Trade Exchanges is the channel set up by Germany, France, and the United Kingdom to circumvent the U.S. anti-Iran sanctions.¹²

With the rise of blockchain technology and cryptocurrency, it seems that an alternative global currency and international settlement system has

eventually become conceivable and viable after more than seventy years of U.S. dollar hegemony. Nevertheless, decentralized cryptocurrencies like Bitcoin seem to be speculative fads boosted by the ideological fantasies of the Austrian School rather than practical tools to improve the economic well-being of the people. Blockchain technology has yet to solve the trilemma of decentralization, creditability, and cost. However, we should not underestimate the significance and impact of cryptocurrencies issued by big financial institutions or information technology giants, which may pose a threat to sovereign currencies, especially of small economies. Furthermore, if the United States comes up with a crypto-dollar, then dollar hegemony may rise to a new level. It might mark the end of financial sovereignty of most of the countries in the world other than the United States.

It is against this backdrop that China has recently and prominently embraced the potentials of blockchain and cryptographic technology. As a leader in electronic payment, China has been researching its own digital currency electronic payment – more than the simple digitization of money – for nearly six years. Digital currency electronic payment is supposed to replace M0 (material currency or cash) and is pegged to the renminbi as legal tender. It is generated by a centralized model and, being the only legal digital currency in China, is exclusive. Moreover, combined with big data, digital currency electronic payment may improve the effectiveness of the central bank's monetary policies. The ease and low cost of the transfer of the digital currency electronic payment is expected to promote the renminbi as a global currency.

The race for post-dollar hegemony is on, but how the global economic and financial regime is going to be reshaped is still unclear. One thing is certain: a seismic change is taking place. At the domestic level, would the emergence of digital currency improve the efficiency, transparency, and creditability of industrial and financial chains and make finance finally serve the real economy? Or would it unleash a new round of speculative frenzy?

Internal Circulation

The Xi Jinping administration has returned to counter-cyclical measures by creating effective demand. In July 2020, to deal with the breakup of global supply chains and the economic downturn, the central government proposed establishing “a new development pattern centered on ‘internal circulation,’ and speed up a ‘dual circulation’ growth model in which ‘internal circulation’ and ‘international circulation’ promote each other.”¹³ Internal circulation implies the domestic economy, particularly the rural economy. Local governments invested about ¥34 trillion (\$4.9 trillion) into “new infrastructure” projects such as 5G, Internet, industrial Internet, cloud computing, blockchain, data centers, smart computing centers, and smart transportation.¹⁴

Another important policy is that of rural revitalization, which aims to foster an ecofriendly economy as an alternative development strategy. Hence the slogan, “Green Mountain Is Gold Mountain; Clean River Is Silver River.” One of the major strategies of rural revitalization is the valuation of natural resources in villages as well as what is referred to as the “capital-deepening of the eco-economy” to resolve the crisis of excess money supply caused by the trade surplus and inflow of foreign capital.

China’s current economic and monetary moves are part of its proactive efforts to steer away from decades of developmentalism in line with the Western model of modernization. Many “beautiful villages” are understood to constitute a “beautiful China.” The national development strategy is gradually shifting toward inclusive sustainable development that is resource efficient and ecofriendly. The official policies of ecological civilization, rural revitalization, and poverty eradication are essential strategies of transformation.

The urban economy, comprised of concentrated profit-seeking capital, is characterized by risk. In comparison, rural society is based on household and community cooperation – effective means to internalize negative externalities. Whereas the urban economy is driven by economic rationality, often leading to irrational behavior, the rural community is maintained by what can be considered cooperative rationality. For decades, Chinese rural society has served as the buffer absorbing negative externalities generated by the urban economy and as the vehicle for soft landings to crises.¹⁵ However, in recent years, rural society’s capacity to absorb negative externalities has been eroded. This is due to several reasons, including the draining of production factors, such as labor and capital, out of rural communities; the disorganization of peasants, leading to the deterioration of rural governance; and the underdevelopment of the rural household economy compared to the capital-intensive urban economy.

Developing a cooperative economy is key to rebuilding a robust rural society, which serves as an antidote to the risk-based and risk-accumulating urban economy. Based on principles and practices of a cooperative economy, peasants can organize themselves, which in turn can consolidate the foundations of rural governance. The localized capitalization of rural resources based on cooperatives may also help shape strong and healthy domestic demand.

Rural Revitalization

The legacy of the Chinese land revolution of 1949 – small peasantry and village ownership of land resources – still exists. On March 1, 2019, when explaining a policy for integrating small peasants into modernized agriculture, Han Jun, vice minister of agriculture and rural affairs, admitted that “China is still a big country with millions of small peasants.” Now there are 230 million peasant households. Each household has on average 7.8 *mu* of arable

land.¹⁶ Small peasants account for 98 percent of the agency of agricultural activities and 90 percent of agricultural workers. The amount of arable land that small peasants cultivate accounts for 70 percent of all arable land.¹⁷

From 2017 to 2019, the Central Agricultural Commission and Ministry of Agriculture and Rural Affairs organized an assessment and verification process of rural collective properties countrywide. As of the end of 2019, there were 5,695 townships, 602,000 villages, and 2,385,000 production groups, amounting to a total of 2,992,695 units across the country with collective assets. It is reported that the rural collectives, with a total area of 6.55 billion *mu*, have enormous assets. The book value of assets was ¥6.5 trillion. There were eleven thousand wholly owned enterprises of rural collectives, with total assets of ¥1.1 trillion. Moreover, the proportion of fixed assets was close to half of the book value at ¥3.1 trillion, two-thirds of which were fixed assets used for public services such as education, technology, culture, and health. Furthermore, the assets were highly concentrated at the village level, with village-level assets totaling ¥4.9 trillion, or 75.7 percent of total assets.¹⁸

In 2017, the Chinese government proposed the strategy of rural revitalization, claiming it had adjusted its agrarian policies, including:

- A diversion from the policy of accelerating urbanization in recent years and instead beginning to prioritize agriculture and the countryside.
- An assertion that rural revitalization is the most creative aspect of China's development in the twenty-first century.
- An abandonment of the path dependence of quantitative growth and a turn toward ecofriendly growth and development.

The policymakers are turning their attention to rural China and once again emphasizing its importance. Can it save China again as it has in past crises? Facing the current conjuncture, we remain cautiously optimistic.

China's current M2/gross domestic product is up to 200 percent, among the highest in the world. However, we should not simply conclude from this that the Chinese economy is shaky due to money oversupply. Compared with other advanced economies, China is characterized by many assets in rural regions that have not yet been valued and priced, or their value remains implicit. Capital in the urban sectors is currently in excess and seeking opportunities for the capitalization of resources. For this reason, the trend of capital flowing into the rural sector seems to be irreversible. Viewed another way, it may be a chance to reverse the decades-long draining of production factors from the rural sector. The problem then becomes how to avoid the malicious and destructive enclosure of rural resources by capital and finance.

The formation of cooperatives becomes a key element in this process. An organized group has more negotiating power, especially when dealing with

outsiders. Supported by the national strategy of ecological civilization and rural revitalization, community cooperatives could become effective agents in the valuation of ecological and cultural assets. Through appropriate institutional innovations, parts of property rights could become exchangeable assets on a well-designed special market while the fundamental ownership of vital resources like land remained with the community cooperative. This may attract capital flowing into the rural sector in a healthy and constructive way. Factors like labor, capital, technology, and land may contribute to localized rural revitalization. The fiscal pressure of ecoinfrastructure and rural reconstruction could be partly relieved through this form of financing while excess liquidity in the urban sector could be channeled into the rural sector, promoting peasant income growth while preventing the formation of financial bubbles in the national economy. Income increment could serve as a foundation for economic reproduction, the provision of public services for rural communities, ecological protections, and the nurturing of rural governance. If institutional arrangements and innovation are appropriate, the valuation of implicit cultural and ecological assets could easily absorb the money stock that would otherwise turn into excessive liquidity, leading to financial bubbles.

In the post-globalization crisis, China is facing double excess, both of industrial capacity and of capital. Chinese political and economic elites feel compelled to expand their presence in the world – but the world has changed. After decades of globalization and neoliberalism, vociferous protests against their progress have emerged worldwide. Ecological degeneration and climate catastrophe demonstrate the limits of the prevalent growth model. Even if Chinese elites emphasize that China is merely seeking equal and bilateral cooperation for development opportunities, the United States, as the unchallenged unipolar power of the last thirty years, naturally regards it as a challenge to its hegemony. Every move by a big country like China will be understood as a transgression against the presence of the dominant geopolitical power. Advancing with an expansionist strategy in the post-globalization age, China is facing vicious competition and the hostilities of a New Cold War.

The alternative options are neither isolationism nor autarky. A more intelligent strategy would be to turn inward and narrow the gap between the urban and the rural, the rich and the poor, and different regions and different sectors. If China persists in its strategy of rural revitalization, determined to pursue the path of ecological civilization, its heretofore capacity to deal with global crises might remain intact.

Possibilities in the Pandemic

The official policy of rural revitalization and *sannong*, ecological civilization, is very important, particularly because the government spends

money on public infrastructure improvements in rural and remote areas, which means that investments are for the physical economy and public assets, not for the speculative and bubble economy. Yet, the core values of globalization and developmentalism, such as survival of the fittest and an orientation toward profit making, are still dominant. The current pandemic, however, gives the Chinese government and people an opportunity to explore alternative ways society can rescue itself from such frameworks.

For example, the Chinese government provided free treatment for COVID-19 patients. In the same spirit, bottom-up involvement cannot be ignored, including grassroots mobilizations, community building, and local governance. Fighting coronavirus has also been a process of reflection and repoliticization: to resist the privatization pressures of hospitals for profit making, to defend the public health care systems, as well as to criticize the myth of modern Western medicine and revisit the subjugated knowledge of Chinese traditional medicine.

Grassroots Mobilization

Since the 1990s, health care has been gradually commodified, and more and more hospitals in China are run by private corporations. In the fight against COVID-19, public hospitals and clinics have been the ones contributing personnel and treatment. The hospitals and clinics that have remained in public hands are the usually nonprofitable ones dealing with preventive medicine and other low-profit sectors. During the pandemic, the Chinese government covered all medical costs so that all infected patients could be treated. According to *Fighting Covid-19: China in Action*, a white paper issued by China's State Council Information Office in June 2020, "As of May 31, a total of RMB162.4 billion had been allocated by governments of all levels to fight the virus.... The medical bills of 58,000 inpatients with confirmed infections had been settled by basic medical insurance, with a total expenditure of RMB1.35 billion, or RMB23,000 per person. The average cost for treating Covid-19 patients in severe condition surpassed RMB150,000, and in some critical cases the individual cost exceeded RMB1 million, all covered by the state."¹⁹

It is important that the government spend public money for public health care to save people's lives and contain the spread of the virus. Equally vital is how people are organizing themselves, social networking, and community building. In the press conference of the World Health Organization-China Joint Mission on COVID-19, held on February 25, 2020, in Beijing, Bruce Aylward, head of a World Health Organization team that visited Wuhan, confirmed that the number of new cases of COVID-19 had been falling. Aylward remarked that China's medical achievements were mainly due to its "truly all-of-Government and all-of-society approach."²⁰

From January 24, Chinese New Year's Eve, to March 8, 2020, the government rallied 346 national medical teams, consisting of 42,600 medical workers and more than 900 public health professionals to Hubei province and Wuhan city. It also mobilized 40,000 construction workers and several thousand sets of machinery and equipment to build two hospitals. The construction of the 1,000-bed Huoshenshan Hospital was completed in ten days, and that of the 1,600-bed Leishenshan Hospital in twelve days. Trade unions, Communist Youth League organizations, women's federations, and other mass organizations mobilized among the general public to get involved in coronavirus prevention.²¹

Aylward's comment illustrates that the official policy of lockdown, isolation, and quarantine worked effectively, not only because the authorities deployed military and police forces, but also because millions of people, having a tradition of rural and urban neighborhood networks, organized themselves to practice containment measures such as home isolation, social distancing, and distribution of food and livelihood items. Both top-down and bottom-up forces were integrated in the process of fighting COVID-19.

One local example of how grassroots mobilization coupled with broader structural reforms helped rural China through the coronavirus pandemic can be found in Yongxin village, Baishui township, Jiangxi province, whose Luxia-Wanli Women's Mutual Aid Credit Union we have worked with since 1994. The village has a population of about 2,500. Wang Hualian, 54, is both chairperson of the credit union and the head of Women Affairs of the Yongxin Village Committee. In an interview through WeChat, she said that her village was locked down for two months. The village cadres and volunteers worked together, taking shifts at checkpoints, making daily home visits, and recording everyone's temperature. They did not have food problems because they grew rice and vegetables on their land. Since the land revolution of 1949, the village enjoys a certain degree of self-sufficiency because peasants have access to land resources and grain production. Furthermore, peasants have access to telecommunications like cell phones and Wi-Fi thanks to the new socialist countryside policies of 2005–08. The policy of rural revitalization has helped defend peasants' rights to collective ownership, socialized management, and self-governance.²² As an old Chinese saying remarks, "to avoid a small disturbance, stay in a city; to avoid a big upheaval, stay in a village."

Revival of Traditional Chinese Medicine

Another possibility of demystifying modernization happened when effective modern Western medicines were absent in dealing with COVID-19. This allowed the Chinese government and people to revisit and to recognize the importance of traditional medicine, based on passed-down wis-

dom, popular reception, and inexpensive local herbs. In China, traditional medicine has been dismissed and often subjugated to Western medicine because of the dominant ideology of modernization and Westernization. Previously, traditional medicine proved effective during the SARS outbreak of 2003, with many cases of recovery. However, overall, it has been suppressed, subject to the regulations applied to Western medicine.

In the February 2020 press conference of the World Health Organization-China Joint Mission on COVID-19, officials pointed out that “effective measures, such as the use of traditional Chinese medicine and comprehensive therapy, should be taken to prevent the large number of mild cases from progressing into severe cases.”²³ According to the National Health Commission, “of the over 8,400 discharged patients cured of the novel coronavirus and studied by health experts, 85 percent underwent antiviral treatment, and nearly 40 percent received a combination of Western medicine and traditional Chinese medicine.”²⁴

On March 25, 2020, the State Council Information Office held a press conference in Wuhan, Hubei province, to introduce the important role of traditional Chinese medicine and a list of effective drugs in COVID-19 epidemic prevention and control. It was reported that a total of 74,187 COVID-19 patients, or 91.5 percent of the total confirmed cases nationwide, have been treated with traditional medicine. Among them, 61,449 were from Hubei, accounting for 90.6 percent of confirmed cases in the epicenter province. Clinical observation showed that the overall effective rate of traditional medicinal treatment reached over 90 percent.²⁵ Not only is traditional Chinese medicine recognized as scientific, effective, and low cost, but so are ancient and popular health exercises like Tai chi, Eight Silken Movements, 3-1-2 Meridian Exercise, acupuncture, massage, and pressure point application. This is just one example of opportunities for subjugated knowledges and practices to resurface as both a critique of and an alternative to dominant Western discourses, practices, and institutions.

Concluding Remarks

The escalation of the New Cold War offers an opportunity to rethink China's dependence on an export-orientated economy and speedy financialization. The Chinese government and people may still have a long way to go before carrying out a clear strategy of delinking and turning to the socialist transformation of society and the economy for self-reliance and socioeconomic and ecological justice. However, the current articulations of the official policies of ecological civilization, internal circulation, and rural revitalization have come with their own flow of funds and resources to the physical economy and rural society. In order to be effective, this top-down attempt to reverse

neoliberal globalization must be integrated with bottom-up popular participation. In this conjuncture, COVID-19 provides an opportunity for grassroots efforts to engage in building an alternative social fabric to recover people's rights to health care and medical knowledge production. In the life-and-death struggle, more and more people are becoming politicized by confronting the problems of expensive Western medicine and commodified health care. It is also an opportunity for more people to revisit traditional Chinese medicine and to seek alternatives that value life over profit. As people experience processes of self-organization, they will also become more involved in political debates and mobilize for social change, paving the way for the regeneration of communities, both urban and rural. As top-down and bottom-up movements are integrated into a path of delinking and begin to chart alternatives for the reorganization of society, new possibilities will always emerge.

Notes

1. Xu Yisheng, "From 'Jamaican System' Entering into 'New Atlantic System,'" *China Business News*, December 3, 2013.
2. Steve Liesman, "Federal Reserve Cuts Rates to Zero and Launches Massive \$700 Billion Quantitative Easing Program," *CNBC*, March 16, 2020; Jeff Cox, "The Federal Reserve Just Pledged Asset Purchases with No Limit to Support Markets," *CNBC*, March 23, 2020.
3. "Federal Reserve Announces the Establishment of Temporary U.S. Dollar Liquidity Arrangements with Other Central Banks," Board of Governors of the Federal Reserve System, March 19, 2020.
4. Samir Amin, *The Implosion of Contemporary Capitalism* (New York: Monthly Review Press, 2013), 144.
5. It is estimated that the government spent somewhere between ¥2 trillion and ¥3 trillion to save the markets from further crumbling.
6. At its peak in June 2015, the total value of Chinese stock markets amounted to \$10 trillion, second only to U.S. stock markets.
7. At its height, the U.S. financial sector was about 7.6 percent of the U.S. gross domestic product. However, China's counterpart recorded 8.4 percent of gross domestic product in 2016. The total assets value of Chinese financial institutions ranks number one in the world.
8. Eight of the top ten listed companies are banks. The top four are all state-owned banks. In 2017, the banking sector took half of the total returns of listed companies in Chinese stock markets. The total profits of banks, real estate, and security and insurance companies (what Michael Hudson dubbed the *FIRE sectors*, about three hundred in number) amounted to 70.3 percent of the stock markets while the other 3,200 companies listed shared the remaining 30 percent.
9. See Pablo Fajgelbaum, Pinelopi Goldberg, Patrick Kennedy, and Amit Khan-delwal, "The Return to Protectionism," *VoxEU*, November 7, 2019; *Estimated Impacts of Tariffs on the U.S. Economy and Workers* (Washington DC: Trade Partnership Worldwide LLC, 2019); Mary Amiti, Stephen J. Redding, and David E. Weinstein, "The Impact of the 2018 Tariffs on Prices and Welfare," *Journal of Economic Perspectives* 33, no. 4 (2019): 187–210.
10. Sit Tsui, Erebus Wong, Lau Kin Chi, and Wen Tiejun, "One Belt, One Road," *Monthly Review* 68, no. 8 (2017): 36–45.
11. "CSRC Announcement on Elimination of Foreign Equity Cap in Securities Companies," China Securities Regulatory Commission, March 16, 2020.
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13. "China to Form New Development Pattern Centered on 'Internal Circulation,'" *China Daily*, August 7, 2020.
14. "Getting to Know China's New Infrastructure Projects," *CGTN*, May 6, 2020.
15. Wen Tiejun, *Ten Crises: The Political Economy of China's Development* (forthcoming). See also his lecture series, "Ten Cyclical Economic Crises in China (1949–2016)," Global University.
16. Fifteen *mu* is equivalent to one hectare.
17. "国新办就《关于促进小农户和现代农业发展有机衔接的意见》情况举行发布会," *Xinhuanet*, March 1, 2019.
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19. *Fighting Covid-19: China in Action* (Beijing: State Council Information Office of the People's Republic of China, 2020).
20. *Report of the WHO-China Joint Mission on Coronavirus Disease 2019 (COVID-19)* (Geneva: World Health Organization, 2020).
21. *Fighting Covid-19: China in Action*.
22. Sit Tsui, Qiu Jiansheng, Yan Xiaohui, Erebus Wong, and Wen Tiejun, "Rural Communities and Economic Crises in Modern China," *Monthly Review* 70, no. 4 (September 2018): 35–51.
23. "Press Conference of WHO-China Joint Mission on COVID-19 Date: February 24th, 2020 (evening) Venue: The Presidential Beijing," Facebook video, posted by Quantum Earth TV - QETV, February 26, 2020.
24. Wang Xiaoyu and Li Hongyang, "Majority of Cured Patients Received Antiviral Treatment," *China Daily*, February 28, 2020.
25. "SCIO Briefing on TCM's Important Role and a List of Effective Drugs in COVID-19 Prevention and Control," State Council Information Office of the People's Republic of China, March 25, 2020.

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