

CHINA IN THE GLOBAL ECONOMY AND THEIR ROLE IN JAMAICA: IS IT POLITICS, ECONOMICS OR BOTH?

PAUL ANDREW BOURNE^{*}, S. SCOTT^{}, DAVE HIGGINS^{*},
STEVE LAWRENCE^{*}, RUTH OWEN-WRIGHT^{*}**

ABSTRACT

China has long been a country with three of the most malleable attributes required for membership in the “great power club”. By the early 1990s dramatic increases in China’s economy and political power were among the most important changes in international politics. Today, the world’s most populous nation has benefited from radically liberalizing its economy and has moved from being a relatively insignificant corner of the world to a colossus seeking to transform it. The jump in China’s exports has caused massive trade deficits for the United States and other traders. China has undoubtedly created an unstable trading global arena especially for countries like Mexico, overturning agreements like the NAFTA by becoming the second largest trading partner to the US. Chinese leaders recognize that rising powers in the past, such as Germany before World War I and Japan before World War II, became powerful in ways that challenged the prevailing international order. The consequences of these actions were an alignment of other powers against them and their eventual destruction. Rapley in a newspaper article in the *Jamaican Gleaner* (May 18, 2006) states that though China has grown more in the last eight years than Jamaica has since independence (45 years), it has not been so fortunate as to escape the problem of grave social divisions (N/B this is not to imply that Jamaica has been). This article explores the aspect of Chinese trade and its effects on international stability, and their roles in Jamaica. The discourse is an evaluation of economics and politics, with emphasis on the gamesmanship that is played by China in seeking to attain world domination. A number of Political Scientists and International Relations theorists write that China will become an economic superpower; they even go as far as to predict by when and with what GDP, however according to Lardy, they fail to include a number of factors about Asia’s rising star.

KEYWORDS: China, Economics, Jamaica, Political Power, Politics Gamesmanship, Social Realities.

^{*} Northern Caribbean University, Mandeville, Jamaica

^{**} The University of the West Indies, Mona, Jamaica.

Correspondence E-mail Id: editor@eurekajournals.com

INTRODUCTION

China has long been a country with three of the most malleable attributes required for membership in the “great power club”. China enjoys vast territory, rich resources and a very large population. However it has been, for decades, “a sleeping giant” who’s potential was not realized until it embarked on an ambitious program of economic reforms and modernization in the late 1970s (Jones 2000). Since then China has awoken from her slumber and as Napoleon once predicted now “astonishes the world”. Few nations have changed so fast or as dramatically as China has since the 1970s. Lardy [9] asserts that prior to the late 1970s, China was barely a participant in the world capital markets. She was not a borrower either in the international commercial markets or from international financial organizations such as the World Bank, did not receive foreign aid from bilateral development agencies or private foreign direct investment and did not invest abroad.

By the early 1990s, dramatic increases in China’s economy and political power were among the most important changes in international politics. Today, the world’s most populous nation has benefited from radically liberalizing its economy and has moved from being a relatively insignificant corner of the world to a colossus seeking to transform it (Rapley 2007). Equally impressive is Beijing’s move from producing low quality simple goods, exporter of raw materials and importer of foodstuffs to being an exporter of labor intensive consumer products and sophisticated high technology goods and an importer of industrial products. All this she now does whilst nurturing a vibrant private sector and attracting nearly \$500 billion in Foreign Direct Investment surpassing Japan in the region and second only to the United States in the world. In short, China’s GDP has quadrupled from 1978 to 1998 and to the shock or perhaps fear of many, it continues to grow. Other economic indicators

such as levels of trade and foreign reserves have also leapt forward. This article explores the aspect of Chinese trade and its effects on international stability, and their roles in Jamaica. The discourse is an evaluation of economics and politics, with emphasis on the gamesmanship that is played by China in seeking to attain world domination.

DISCUSSION

Naturally, with the increase in GDP, China has sought to increase her defense budget and modernize her military forces. Beginning in 1989, China’s government announced a succession of large peacetime increases in military spending. Beijing now focuses on countering Washington’s high tech capabilities and precision weapons ranging from information networks to stealth aircraft, cruise missiles and precision guided bombs [8]. Though Beijing claims that part of the increase is to offset the effects of inflation and a decade of relative neglect [6], many analysts put forward that China’s ultimate long term military modernization game plan is to deter, delay or deny US intervention in Asian conflicts and to eventually replace the US as the paramount military power in the Pacific. Despite the conflicting arguments of China’s real intentions as a super or global power, it cannot be denied that China is now a force to reckon with and all things being well, we may be looking towards a “Sino-century”.

Notwithstanding, China is the world’s emerging great power that poses the most difficult questions for the future of international peace and stability. The ways in which China can upset the status quo can and will be looked at on three levels - the domestic or national level, the regional level and the international or systematic level. The aim of this research is to evaluate and analyze the meaning of China’s growth at the three proposed levels while still attempting to

link each evaluation to the larger question of international stability.

On the national level, China is now facing a crucial test in its transition to a market economy. China now experiences increased inflation, real estate bubbles and growing shortages on key resources such as oil, water, electricity and steel [8]. In addition, she faces tremendous disruptions caused by her rapid growth, such as internal migration from rural to urban areas, high levels of unemployment, massive bank debt and the increasing problems posed by an aging population [7]. Rapley in a newspaper article in the *Jamaican Gleaner* (May 18, 2006) states that though China has grown more in the last eight years than Jamaica has since independence (45 years), it has not been so fortunate as to escape the problem of grave social divisions (N/B this is not to imply that Jamaica has been). A number of Political Scientists and International Relations theorists write that China will become an economic superpower, they even go as far as to predict by when and with what GDP, however according to Lardy, they fail to include a number of factors about Asia's rising star. Many fail to report that China's population now exceeds 1.1 billion and will grow another hundred million in the coming decades adding to the country's already present economic strains. They have failed to report that China now exhibits a drastic divide between its richest buyers and poorest beggars (Rapley 2006). They fail to report that China's economy is developing rapidly but is based on labor rather than technology and is handicapped by logistics and pervasive corruption [13]. They also fail to report that the current rising social discontent as well as the financial instability constantly threatens to produce a major crisis that may overturn China in particular and the international arena in general. Suffice to say, many of these writers fail to report that the mighty dragon has its ailments. Political Scientists suggest that if China does not mend her internal problems then she may very well crash.

Such a massive bust, states Hoge, would undoubtedly have dire consequences for China herself. However, the consequences are even direr when one considers that China is now such a large player in the global economy that its health is inextricably linked to that of the system at large. In our now "globalized world", a collapsing China will jeopardize international stability as it will undoubtedly have a domino effect- push one down and the others fall with it.

At the regional level of analysis, many scholars argue that in the 21st century, international instability is more likely in East Asia than in Western Europe. According to Christensen [4] the region is characterized by major shifts in the balance of power, skewed distributions of economic and political power within and between countries, cultural heterogeneity, and growing but still relatively low levels of intra-regional economic independence, weak security institutionalization and widespread territorial disputes that combine natural resources issues with post-colonial nationalism.

What is important to note is that China is not the only Asian power on the rise. Other Asian states now boast growth rates that could outstrip those of major western countries for decades to come. Despite the halting progress of its economic reforms, India has embarked on a sharp upward trajectory, propelled by its thriving software business and business-service industries. On the other side, Japan has been enjoying economic and political prestige for a while now and has for some time been revered as the largest and most diverse economy in the region and the second largest in the world. The Southeast Asian "tigers" have recovered from their financial crisis of 1997 and have resumed their march forward. However, it is important to point out that the three key Asian players: China, Japan and India have never, in all their history, been powerful at the same time. According to Hoge, the power relations in Asia especially that which exist between Japan and China have always exhibited

a somewhat see-saw (up-down) characteristic. The earlier centuries saw China as a strong and powerful force in the Asian region, so much so that she regarded herself as the center of the world while Japan was not only relatively unimportant but devastatingly impoverished. For most of the last 200 years however, Japan has been powerful and China relatively weak. Today, both countries are enjoying relatively high levels of economic growth and are at a point where they can both wield considerable amount of influence in the region.

Perhaps even more important to East Asia, notes Christensen, are the psychological factors brought about by years of mistrust, animosity and political geography issues. Sino-Japanese relations have been tense dating as far back as 19th century. The seemingly natural aversion or dislike to Japan sprang from its brutal occupation of China in 1895 and Tokyo's refusal to recognize and apologize for its imperial past. Japan's failure to accept responsibility for incorrect text book documentation of World War II (the notorious Text Book Scandal), which wrote Japan as victim rather than aggressor, complicates and intensifies the historical issue between Beijing and Tokyo. Noteworthy is the fact that anti-Japanese sentiments in China have not decreased much as the Second World War becomes but a distant memory. Today, China's basic distrust of Japan has been transferred to the economic and military realm and has seen China making numerous attempts to block Japan's expansion in the international system. Recently, this was exemplified by Chinese efforts to prevent Japan from entering the United Nations as a part of the Security Council (Beasley et al. 2002). Meanwhile, India and China have not resolved their 45-year old border dispute (the countries fought a border war in 1962) and continue to distrust each other. Perhaps not as important but noteworthy is China's unresolved disputes with Vietnam and the Philippines over the ownership of oil rich South China Sea Islands.

Many scholars have proposed that having two or all three key actors powerful in the same era may present an unprecedented international challenge. From a standard Realist perspective, dramatic and unpredictable changes in the distribution of capabilities in East Asia will serve to increase uncertainty and mistrust. Christensen maintains that the historically based animosity among the actors in North-East Asia is so intense that not only is the maintenance of a US presence in Japan critical, but the form the US-Japan alliance takes also has potentially important implications for regional stability. Given China's rooted and visceral distrust of Japan, Beijing would fear either a breakdown of the US-Japan alliance or a significant upgrading of Japan's role in the alliance.

Also the importance of sea lanes and secure energy supplies to all regional actors could encourage competition to develop power projected capabilities on the seas and in the skies. Goldstein [6] maintains that the modernization of China's military affects the balance of power both internationally and regionally. Many have argued that China's assertive territorial claims, bellicose nationalistic rhetoric and accelerating military modernization have created an intense "security dilemma" in East Asia. Christensen [3] continues that if these elements combine to produce an assertive and aggressive China as some have predicted, it can have detrimental effects in the region and can lead to an unstable and conflictual Asia and to a larger extent, the world.

The final level of analysis - the international or systematic level is regarded by many authors as the most important level. Perhaps this is because it involves China's global rise as it relates to the mighty "Uncle Sam". Spiegel notes that Sino-American relations may prove to be the most important political dynamic of this century. Undoubtedly the rise of China presents a number of international challenges. First its role in the world economy far exceeds that ever played by a

Communist country. Even at their zenith, notes Lardy, the Soviet Union and the Communist countries of Eastern and Central Europe were but minor participants in world trade and finance. Not only was their trade with the rest of the world small but also before the collapse of communism none of these states had attracted significant amounts of foreign direct investment as China does now. China is indeed a historical anomaly. It is one of the last surviving communist regimes in an era where democracy is commonly perceived as an ascendant international political force [9]. Unlike Cuba who remains communist but cornered, China is of great importance to the global economy. China increasingly trades with and aids some of the most democratic countries. Additionally, China now monopolizes diplomatic imperialism, putting the Beijing stamp from as far as Africa to the Caribbean.

One of the most significant questions that a powerful communist China brings to the forefront of an international analysis is: If the US as a hegemonic power is trying to shape the world in its own democratic ideology, what might China's visions of an ideal world look like?". Some theorists of international relations argue that the rise of a new global power often leads to war or some other equally disturbing events. To support this point, Hoge holds that major shifts in global power among states or even regions occur infrequently and are rarely peaceful. These theorists propose that the conflict occurs either because the rising power (China) chooses to use force to change the international system to suit its interests or because the existing power (the United States) chooses to launch a preventative war to preserve its position while it still has the capabilities to do so [4]. Some analysts suggest that China will, at most, seek greater influence in East Asia, however unlike the Soviet Union it will not seek to engage in a global ideological competition with the US. As Hale & Hale [7] posits, China aims for a peaceful ascendancy on the world stage. She does not aim to create any

conflicts between herself and the United States, because regardless of her intense growth she is still a relatively poor developing country. It will take China many years (if not all) to replace the US as an economic powerhouse. As Bandow [2] puts it "an eventual superpower China might be, but today it can only stalk not match the US global economic and political power".

Other more pessimistic observers argue that China has shown a propensity to use force, believes it has been the victim of repeated acts of aggression and humiliation and will attempt to again become the center of the world and assert its territorial claims to Taiwan, the Spratly Islands in the South China Sea, and the Diaoyu Islands [13]. As such these observers propose that the United States will take up a policy of containment rather than engagement with China. Goldstein holds that though the contents of both approaches are often unclear, containment usually implies treating China as a potential military adversary to limit its economic growth, restricting its access to military significant technologies, punishing China for violating human rights and strengthening US alliance and military capabilities that are at least potentially directed against China. China's challenge to the United States hegemonic position is but one of the ways in which China's rise upsets international stability.

Beijing now competes with the West namely Washington, the World Bank, and the International Monetary Fund (IMF) in its provision of loans and financial aid to states previously left underdeveloped by colonizing powers. Perlez [10] purports that for poor countries like Cambodia, Laos and Myanmar, and somewhat better-off countries like the Philippines, China's loans are often more attractive than the complicated loans from the West. The Chinese money usually comes unencumbered with conditions for environmental standards or community resettlement that can hold up major projects and

China's offers rarely include the extra freight of expensive consultants, provisions that are common to World Bank projects. However, by providing loans equal to or at times more than those provided by traditional Western lenders, China not only upsets the international status quo but at times breaks international laws or customs on the amount of money that can be loaned at any one time and the conditions under which it can be lent. China's unconventional behavior poses a threat to other power brokers and jeopardizes international stability.

Crucial to any examination of the rise of a country or region on a systematic level is the increased demand for important world commodities. Oil is undoubtedly the most valued natural resource today. Spiegel holds that a country's demand for important resources increases as their economy improves. China's economic rise has therefore meant an increase in its demand for oil. The International Energy Agency projects that China's net oil imports will grow from 1.7 million barrels a day in 2001 to 9.8 million by 2030 [7]. One consequence of China's prosperity and hence demands is that Persian Gulf oil producers who used to look westward and regard the U.S. as their best market and commercial partner, are now turning toward the Asian powers and China in particular, for their strategic relationships. Saudi Arabia is the most obvious example of this trend. Somehow, dealing with the Chinese now seems simpler than dealing with the Americans, with less constraining conditions attached. It is clear that China can only exacerbate the building oil crisis in the region in particular and the world in general. Hale & Hale [7] argue that rising needs could prompt China to become one of Russia's major oil customers or force her to become more focused on Middle East oil reserves. Whatever route Chinese officials take, it will no doubt lead to a potential oil rivalry with the US and or other major power holders.

Final to this article is the exploration of the aspect of Chinese trade and its effects on

international stability. Predictably, China's newfound prominence has unsettled many of its trading partners. The jump in China's exports has caused massive trade deficits for the United States and other traders. China has undoubtedly created an unstable trading global arena especially for countries like Mexico, overturning agreements like the NAFTA by becoming the second largest trading partner to the US. In 2003, China's share of US imports rose to 11.4% up from 6.1% in 1995 - whereas Mexico grew only to 11.2% from 8.2% [7]. Hale & Hale states that Mexico is just not competitive enough. Its labor is four times more expensive than China's, and its electricity twice as expensive as China's because of policies preventing investment in the energy sector.

In conclusion, the further rise of China will obviously be felt globally, however it can only affect international stability if the rest of the world aims to stifle the process. No doubt, China will increasingly regard itself as a great power and expect more deference from other countries. This is as China does not appear to be changing its political ideology any time soon. If it is indeed true that capitalism cannot forego such a large market, then we could probably be seeing an undemocratic superpower. It is expected that spectacular growth from anyone would spark unease in Washington; however, there is no compelling reason to assume that China will become an enemy of the United States. The fact is that China continues to signal its desire to integrate into the global economy by pursuing liberalization at home and encouraging trade, as well as by joining international institutions that promote economic competition and integration not nationalistic rivalry over territory and colonies [7]. Chinese leaders recognize that rising powers in the past, such as Germany before World War I and Japan before World War II, became powerful in ways that challenged the prevailing international order. The consequences of these actions were an alignment of other

powers against them and their eventual destruction. It is the conclusion of this article that China will not risk war with the United States not only because it fears loss and ultimate humiliation but because China needs the US as much as the US needs China. In sum, a war (cold or hot) would not be profitable for them as well as the rest of the world. As Hale & Hale [7] posits, if China can solve some of its internal problems and sustain the momentum that has driven its economic boom in recent years, there is little doubt that a mutual search for economic opportunities will be the defining feature of China's relationship with the US, and by a larger extent the rest of the world (Asian neighbors in particular), for years to come.

REFERENCES

- [1]. Beasley RK, Kaarb J, Lantis JS et al. Foreign Policy in Comparative Perspective: Domestic and International Influences on State Behavior. Washington: *CQ Press*; 2001.
- [2]. Bandow D. China Rising: The Next Global Superpower. *The News Week*; Jan 26, 2007. Available from: <http://www.newsweek.com>. Accessed on: Mar 5, 2007.
- [3]. Christensen T. China, the US-Japan Alliance and the Security Dilemma in East Asia. In: Brown ME, Cote OR, Lynn-Jones SM et al. *The Rise of China*. Massachusetts: *MIT Press*; 2000.
- [4]. Brown ME, Cote OR, Lynn-Jones SM et al. *The Rise of China*. Massachusetts: *MIT Press*; 2000.
- [5]. Christensen T. Chinese Realpolitik. *Foreign Affairs Journal* 1996; 75(5).
- [6]. Goldstein A. Great Expectations: Interpreting China's Arrival. In: Brown ME, Cote OR, Lynn-Jones SM et al. *The Rise of China*. Massachusetts: *MIT Press*; 2000.
- [7]. Hale D, Hale LH. China Takes off. *Foreign Affairs Journal* Nov/Dec 2003.
- [8]. Hoge J. China: A Global Power Shift in the Making. *Foreign Affairs Journal* Jul 2004.
- [9]. Lardy N. *China in the world economy*. Washington D.C.: Institute for International Economies; 1994.
- [10]. Perlez J. China Competes with the West in Aid to its Neighbours. *The News Week*; Sep 18, 2006. Available from: <http://www.newsweek.com>. Accessed on: Mar 5, 2007.
- [11]. Rapley J. The Chinese colossus. *The Jamaica Gleaner*; Jan 18, 2007. Available from: <http://www.jamaica-gleaner.com>. Accessed on: Mar 5, 2007.
- [12]. Rapley J. The world economy in 2006. *The Jamaica Gleaner*; Jan 5, 2007. Available from: <http://www.jamaica-gleaner.com>. Accessed on: Mar 5, 2007.
- [13]. Spiegel S. *World Politics in a New Era*. California: *Wadsworth/ Thompson Learning*; 2004.