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New Assertiveness and New Confidence? How Does China Perceive Its Own Rise? A Critical Discourse Analysis of the *People's Daily* Editorials and Commentaries on the 2008 Beijing Olympics

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Abstract

China's growing confidence and new assertiveness in the first decade of the 21st century have caught the world's attention. A watershed moment in modern Chinese history, the 2008 Beijing Olympics, was widely perceived as a "coming-out party" for China as an emerging power. How did Chinese official discourses interpret the significance and implications of this unique historical event beyond sports, in terms of its rise and position in the world? This study employs a critical discourse analysis, analyzing structures and meanings of the discourses on Chinese official media of the *People's Daily*, seeking a more complex and nuanced understanding of China's rise from the Chinese side and the far-reaching implications it entails. It finds that the Beijing Olympics not only changed the way the whole world looks at China, but also the way a self-conscious China perceives itself in terms of its role and position in a globalizing world.

Keywords: *editorials, critical discourse analysis, Beijing Olympics, China's rise, new confidence*

JEL classification: *F52, F59, N45, Z13*

1. Introduction[1]

The world is witnessing a China with growing confidence and new assertiveness. One of the watershed moments in the first decade of the 21st century, the Beijing 2008 Olympic Games, was hailed as the single most unique event in China's modern history. One hundred years of dream (*bainian mengxiang* 百

年梦想) and seven years of preparation and planning culminated in a 16-day global extravaganza in Beijing, putting China on the global centre stage for the first time since the 1989 Tian'anmen Student Movement. This event was widely described around the world as a great "coming-out party" (Mooney, 2008) for China, a debutante, showcasing her dazzling achievements in economic growth and modernization as an emerging power on the world stage. It has been also seen as a turning point for China, marking the transformation of China from a dormant dragon to an active global player, with newfound confidence and assertiveness.

Even before the light of the Olympic flame illuminating China, China already found itself in the world's spotlights. Against the backdrop of the rise of China, the coming-out party mantra was widely circulated in media discourses around the world. The image of an emerging China loomed large day after day. Bridges (2011) underscores that, "the Beijing Olympics could not but have an external impact and be viewed as part of China's putative 'soft power', whether intended or otherwise" (p. 13).

However, how did China herself see and define the Beijing 2008 Olympic Games at that moment? How did Chinese media and official discourses represent and interpret this event beyond a sports spectacle? What were the images they tried to project? What were the messages they tried to communicate to the world? What were the meanings behind those media texts? What elements of this event were included or accentuated? What were diminished and even left out in this meaning-making process? This study employs a critical discourse analysis, analyzing structures and meanings of the editorials and commentaries on the Beijing 2008 Olympics in Chinese official media of the *People's Daily*, contextualizing this event of the Beijing 2008 Olympics in its historical, social, and cultural contexts of the rise of China, and at the same time, situating it in a broader context involving a variety of issues, such as the Darfur genocide, Tibet riots, human rights in general, pollution and environment degradation, Olympic torch relay and boycotting, Sichuan earthquake and aftermath in the run-up to the Beijing Olympics, seeking a more complex and nuanced understanding of the position and the rise of China from the Chinese side.

2. Editorials and Official Discourses in China

This study focuses on editorials and commentaries on the Beijing 2008 Olympics, published in the *People's Daily*, a prominent official newspaper in China. As Cao (2007) points out, despite a recent decline in readership, the *People's Daily* remains the single most important newspaper in China and a key vehicle through which major government policies and Party ideological guidelines are promulgated.

The *People's Daily* is the official organ of the Chinese Communist Party's Central Committee and one of the principal mouthpieces of the Party and Government in China. Although, some may argue, during the reform era, the role of the Chinese media has changed dramatically from the days when it functioned strictly as "an ideological Party mouthpiece and government cheerleader" (Kalathil, 2002), the role of the *People's Daily* as the Party organ and propaganda apparatus and the symbolic significance and mouthpiece function of the paper remain unchanged to a large extent. Rather, it has continued to be the voice of the Chinese leadership, and widely read among government and Party officials, scholars, and politically inclined intellectuals. The editorials on the *People's Daily*, as argued by Latham (2007), "are still used for conveying important central political messages or statements of position by the Party and the Government".

Nonetheless, the political messages and statements of position on Chinese official media have changed. While the Chinese official media are torn between the party line and the bottom line, Zhao (2008) notices a change in the operation of the official media – their "historical role in the cultivation of class-based subjectivity among the population was completely replaced with an all-out effort to promote a pan-Chinese national identity during the reform era." She further argues that "with this discourse of nationalism, the state's job was to fulfill the grand objective of the 'Chinese nation's great rejuvenation'".

Editorials as a special media genre, or a public, "mass communicated types of opinion discourse par excellence" (van Dijik, 1998), have long been recognized as a site of powerful social discourses, in which opinions are formulated and ideologies are expressed. They contain explicit, implicit and implied opinions that lead the reader to agree with the recommendation formulated by the newspaper in its conclusion. Deng Tuo, former editor-in-chief of the *People's Daily* in the 1950s, describes editorials as the "banner" of a newspaper "expressing its political stance" (Deng, 2002). The editorials and commentaries in the *People's Daily* have been regarded as the "wind vane of the Party and Government line, which speak out to the important policy and important social issue, and undertake the important task of shaping public opinion" (Wu, 2008). They usually reflect the political stance, viewpoints, and positions of that party, and become an important part of public opinion. In Mao's era, a single editorial on the *People's Daily* could shape a whole mass movement (Zhao, 2008), through a process of what Wu (1994) termed as "command communication", in which the party-state controls the media and shapes information. "The *People's Daily* enjoys its 'hegemony' in shaping Chinese public opinion through special circulation channels for its commentaries. Consequently, commentaries in the *People's Daily* play a significant direct role in Chinese politics" (Wu, 1994).

As a former editorial editor at the *People's Daily*, Wu (1994) discloses that, "commentaries in the *People's Daily* do not obtain their authority from their viewpoints, analyses of events, or good writing style, but from their position as a vehicle of command." Latham (2007) further explains that "the *People's Daily* becomes the voice of the party and government, with its editorials being used to announce new policies and new campaigns to the people – a heritage that to this day makes political observers attentive to its content". Therefore, a study of editorials and commentaries in the *People's Daily* provides a unique window on Chinese official discourses and position and a wind vane of direction of Chinese social and political development.

Wu (1994) roughly divides the commentaries in the *People's Daily* into three major categories: editorials (*shelun* 社论), commentator's articles (*pinglunyuan wenzhang* 评论员文章), and signed commentaries (*shuming pinglun* 署名评论). Editorials are the most important type of commentaries in the *People's Daily*. They necessarily represent the opinions of the newspaper and the top leadership, are usually produced directly on command from the top leaders, and often revised and censored by them as well. However, since the beginning of the reform era in the late 1970s, China saw a flourishing of staff commentator's articles (*benbao pinglunyuan wenzhang* 本报评论员文章).

This research focuses on the Chinese official media discourses as reflected in editorials (*shelun*), staff commentator's articles (*benbao pinglunyuan wenzhang*), and signed commentaries (*shuming pinglun*) under the pen name of "Ren Zhongping 任仲平". An extensive search was conducted at the *People's Daily* online commentaries archive. The time frame within which the search was made is from 2001, the year in which China made a bid to host the Olympic Games, to 2008, the year in which China hosted the Olympics. This time frame reflects the entire process of Chinese involvement in the Beijing Olympic Games, from bidding to executing the 2008 Olympics.

Eighteen editorials and commentaries on the Beijing Olympics were identified, including five editorials, five signed commentaries, and eight staff commentator's articles. Most of the editorials and commentaries (n=16) were unsurprisingly published in 2008, either before or after the Olympics. Only one editorial was published in 2001, right after Beijing was awarded the rights to host the Olympics. Another signed commentary was published in 2006. Out of other 16 editorials and commentaries, 4 were published before the Olympic Games, 5 were published during the Olympic Games, and 7 after the Olympics. One additional editorial published on the New Year's Day of 2008 is included into analysis later, because it also touched upon the Beijing Olympics.

The name of "Ren Zhongping" who authored several signed commentaries on the *People's Daily* is not a real individual person. Rather, it's a pen name of a writing group. "Ren Zhongping" is the homonym of an acronym of "the *People's Daily* important commentary," (*renmingribao zhongyao pinglun* 人民日报重要评论), which first appeared on the front page of the *People's Daily* on 22nd December 1993. It has become a "brand name" of the *People's Daily*, ever since (Ma, 2006). According to Ma, who once participated in this writing group, the *People's Daily* usually publishes four to six signed commentaries with this pen name of "Ren Zhongping" a year. Ren Zhongping's signed commentaries differ greatly from the traditional empty, boring, and indoctrinating commentaries in the party newspaper, and usually focus on important issues that the whole society pays attention to, such as the revival of Chinese nation, the SARS outbreak and the cultural reform. It emphasizes a distinctive viewpoint, a thorough analysis, and a refreshing writing style, often using a prosaic or poetic language.

3. Olympic Games, China's Rise, and National Pride

Like many other Olympic Games, the Beijing Olympics was more than just about sports. Brownell (2008) observes that, "the 2008 Beijing Olympic Games are the latest version of a 100-year-old model for promoting a national image to the world". The Olympics have been a huge source of national pride.

Controversies around the Beijing 2008 Olympic Games brewed as early as when Beijing made a bid in 2001 to host the 2008 Olympic Games. People looked beyond sports in their decisions to award Beijing the Olympics or not. Critics attacked China's poor record of human rights and environmental degradation, while others saw the Olympics as a potential catalyst for China to make improvements. As the 8th August 2008 Olympic Games was approaching, different groups took advantages of the Games to capture media's attention, to pressure China and advance their causes.

As early as December 2006, *The Washington Post* published an editorial, "China and Darfur: The Genocide Olympics?" linking the Beijing Olympic Games to the extremely complex Darfur genocide. Later, activists such as actress Mia Farrow and other celebrities launched a large, full scale, organized campaign to highlight China's complicity in the Darfur genocide, and called for boycotting the Beijing Olympic Games. At the same time, pro-Tibet activists around the world started a year-long campaign, and hoped to use the Olympics to highlight their grievances, and wanted to exert pressure on China. Beijing was under intensive international scrutiny before the Olympics, facing mounting criticism and China-bashing.

At the beginning of 2008, the ritualistic New Year's Day editorial on the *People's Daily* declared that, the year of 2008 "is a year that all of 1.3 billion sons and daughters of China expect eagerly, a year that more eyes of the world will turn to China, a year that will surely be inscribed in the history of the People's Republic. The year of 2008 will write a splendid chapter in a history book of achieving the revitalization of Chinese Nation." The editorial explicitly made a reference to the upcoming 2008 Beijing Olympic Games.

However, the year of 2008, which is supposed to be full of important events and happy moments, turned out to be a year mixed with moments of great joy and great sorrow for China. Natural disasters hit China hard one after another, first, a snowstorm in southern China around the Chinese New Year and later, a catastrophic earthquake in Southwest Sichuan province rocking the whole China. However, these are not the only incidents on the list. On 14th March 2008, riots erupted in Tibet's capital, Lhasa. Mounting criticism from the West and the protests that met the Olympic torch relay's "journey of harmony" outside China, especially in Britain, France and the USA widened the chasm between China and the West. The harsh reality further reaffirmed China's suspicion of a conspiracy, or a hidden agenda behind Western countries to sabotage Beijing's glorious moment out of the fear of the rise of China. This reminded the Chinese of the history of one hundred years of humiliation, and thus rallied the Chinese around the flag and "motherland". This misunderstanding, as Zhao (2008) discusses, has the possibility of giving rise to Chinese nationalism, "Investing so much in the successful execution of the Games, the Chinese government and Chinese people have both been looking forward to the Olympics as an opportunity to demonstrate their modernity and a reinforcement of their engagement with the wider world. Hence, when the Western media portrayed China in their Olympic reports as a showcase for violent repression, censorship and political persecution by a regime that has failed to rise above the level of a police state, the Chinese people and government became frustrated at what they believed was a failure on the part of foreigners to understand them, giving forceful rise to the popular xenophobic nationalism."

However, ironically, the tragic Sichuan earthquake diverts media's attention from their initial focus on controversy to redemption, solidarity, and sympathy. In the face of catastrophe, as Price (2008) observes, the same earthquakes that shattered China's Sichuan province in May 2008 facilitated the creation of a unified utopian Chinese Olympics narrative: the "earthquake Olympics". Beijing's quick and assertive response to the earthquake and relative "openness" during the media covering of the Sichuan earthquake unexpectedly changed China's image, and softened if not silenced criticism. International support and sympathy poured in.

4. Media Events, Discourse, and Contesting Meanings

The high-wire public spectacles such as the Olympic Games in front of a global audience, can be seen as "media events" (Dayan & Katz, 1992), the "high holidays for mass communication". Dayan and Katz put media events into three categories: contest, conquest and coronation. All media events are scripted, negotiated, performed, celebrated, shamanized, and reviewed. With this framework, Price (2008) sees the Beijing Olympic Games as media events of international importance whose meaning is increasingly negotiated in the media sphere, with narratives and counter-narratives. He argues that "rather than one strong unified message, the Beijing Olympics had already become polyphonic, multivoiced, many themed" (Price 2008).

DeLisle (2008) examines narratives and counter-narratives around the Beijing Olympics that are in a contest to define the Beijing Olympics under the slogan "One World, One Dream", "On both sides, multiple actors pursuing diverse agendas and seeking to define the story of the 2008 Games can draw upon Olympic ideals in ways that range from invoking to resonating to hijacking". He finds that the main official narrative on China's side portrays the country as "a prosperous, orderly, normal, and globalized China", ranging from presenting "China as a developed, prosperous and therefore powerful country," to portraying "China as politically stable and orderly," to asserting "China's achievement of, or return to, international respectability and normal membership in the global community," and to a "globalized" China. In addition, deLisle notices another strand of nationalist narrative in the form of Chinese culturalism, and argues that "the nationalist strand in the officially preferred story line also must contend with more accommodating and cosmopolitan themes in the regime's principal narrative". On the other hand, the counter-narratives challenged China's official preferred narrative, mostly from media outside of China, with efforts "to expose, publicize, or affect repressive, illiberal, or otherwise international norm–violating PRC policies and practices predate and extend beyond China's pursuit of the Games" (deLisle, 2008).

Price (2008) describes the contesting process whereby "the various actors or authors involved – China, global civil society, corporations, religious organizations, and others – have displayed a variety of techniques for affecting public understanding. Each recognizes the potential of surprise: unanticipated global crises, guerrilla approaches to alter agendas, the locus and efficacy of demonstrations, tactics that will attract press attention".

The research questions I put forward for this study are: How were meanings of the Beijing Olympics contested and negotiated in Chinese official media discourses? How did official Chinese discourses position China itself and its relations to the rest of the world when defining the Beijing Olympics at this specific historical conjunction? What were those meanings and structures of these discourses, in terms of the rise of China and China's position in the world?

5. Discourse Analysis and Analytical Procedure

The study employs a critical discourse analysis to uncover the hidden ideological meanings behind the written media text.

Media are discourse-bearing institutions, while media texts are "sites of struggle in that they show traces of differing discourses and ideologies contending and struggling for dominance" (Wodak, 2001). The differences between text and discourse, as Fairclough (2003) has indicated, lie in the language and its context. "In a broad sense, any actual instance of language in use is a text. The term discourse signals the particular view of language in use as an element of social life which is closely interconnected with other elements." Van Dijk (1985/1989) argues that, discourse analysis distinguishes itself from classical content analysis by its focus on theoretically specified textual units and structures, its special interest in underlying semantic structures and subtle grammatical, stylistic or rhetorical details, and its general emphasis on a qualitative approach over a more superficial quantitative methodology. Further, discourse analysis critically interprets textual units and structures in the socio-political and ideological context.

Discourse analysis links text and context, which offers an important potential for interpretation and understanding of texts, and their wider relation to social contexts. Discourse analysis is "an approach to the analysis of language that looks at patterns of language across texts as well as the social and cultural contexts in which the texts occur" (Paltridge, 2006). The Critical Discourse Analysis (CDA) regards "language as social practice" (Fairclough & Wodak, 1997), and it takes consideration of the context of language use to be crucial. Moreover, CDA takes a particular interest in the relation between language and power, along with the concept of history and ideology. According to Wodak (2001), "every discourse is historically produced and interpreted, and it is situated in time and space." One of the aims of CDA is to "demystify" discourses by deciphering ideologies. "Ideology, for CDA, is seen as an important aspect of establishing and maintaining unequal power relations" (Wodak, 2001: 10).

The Critical Discourse Analysis takes the view that the relationship between language and meaning is never arbitrary in that the choice of a particular genre or rhetorical strategy brings with it particular presuppositions, meanings, ideologies and intentions (Kress, 1991). The study of ideology is a study of "the ways in which meaning is constructed and conveyed by symbolic forms of various kinds, and also social contexts within which symbolic forms are employed and deployed" (Thompson, 1990). Through investigation, "ideologies are then grasped as discourses that give meaning to material objects and social practices; they define and produce the acceptable and intelligible way of understanding the world while excluding other ways of reasoning as unintelligible and unjustifiable. Ideologies are thus about binding and justification rather than being concerned with truth, falsity and objective interests. They are the 'world-views' of any social group that both constitute them as a group and justify their actions" (Barker, 2004: 98).

Van Dijk (2000) acknowledges that CDA does not have a unitary theoretical framework or methodology because it is best viewed as a shared perspective encompassing a range of approaches instead of one school. The purpose of CDA is to reveal a "preferred reading" (Hall, 1973/1981) or "structure of faith" (Menz, 1989), and a "regime of truth" (Foucault, 1980), which when the discourse is effective in practice, is evidenced by its ability to organize and regulate relations of power. CDA helps make clear the connections between the use of language and the exercise of power (Thompson, 2002).

To do a Critical Discourse Analysis, Fairclough (2003) proposes an approach to exam both the "external relations" and "internal relations" of texts. While analysis of the external relations of texts is analysis of the relations of text with other elements of social events and more abstractly, social practices and social structures, analysis of the internal relations of texts includes analysis of semantic relations, grammatical relations, vocabulary (or lexical) relations, and phonological relations. He further describes how we go about identifying different discourses within a text, from identifying the main parts of the world (including areas of social life) which are represented as the main "themes", to identifying the particular perspective or angle or point of view from which they are represented.

This study also looks into the intertextuality of texts, how a text outside of a text is brought into the text, and how texts draw upon, incorporate, recontextualize and dialogue with other texts, by looking at both quotations and assumptions. "The former accentuates the dialogicality of a text, the dialogue between the voice of the author of a text and other voices, the latter diminishes it" (Fairclough, 2003: 40).

Huckin's (1997) "second look approach" suggests that one first approach a text in an uncritical manner, like an ordinary, undiscerning reader, and then come at it again in a critical manner, raising questions about it, imagining how it could have been constructed differently, mentally comparing it to related texts. Also, it is important that one does not start to decipher the text word by word; rather, one should start to look at the text as a whole and place it in its genre, and check out what sort of perspective is being presented – what angle, slant, or point of view, by looking at foregrounding if the text is emphasized and backgrounding if text is there but de-emphasized or minimized, or leaving certain things out completely; using certain words that take certain ideas for granted, as if there is no alternative (presupposition); manipulating the reader by using selective voices to convey the message that certain points of view are more correct, legitimate, reliable, and significant while leaving out other voices. Having noticed the genre of text and how the message is framed, the analyst is ready to move onto the more minute levels of analysis: sentence, phrases, and words, looking at issues such as *topicalization* (choosing what to put in the topic position, the writer creates a perspective or slant that influences the reader's perception), connotations, metaphors, modality, nominalization, and registers.

6. Analysis and Findings

6.1. Defining a Historic Moment of Chinese Revitalization

The Chinese official media discourses situated the Beijing Olympics in a large historical context, or what they called "historical coordinates". Rather than being perceived as a nation coming of age, the successful hosting of the Beijing Olympics was hailed as a "historic monument", which is linked to the revitalization of Chinese nation. However, the histories they made references to vary significantly over time.

Different kinds of histories are invoked in the Chinese official media discourses, with ambiguity. The Beijing Olympics is linked to China's one hundred years of pursuing the Olympic dream, one hundred years of struggle, one hundred years of pursuing the dream of modernization and building of a strong nation, as well as thirty years of reform and opening up, several hundred years of Chinese encounters with the West, and even the entire 5000 years of Chinese civilization. The Beijing Olympics is perceived as a historic moment in the grand journey of revitalization of Chinese nation. However, they didn't explicitly make reference to more than half a century of history of the People's Republic, which is obviously backgrounded, rather, just the later part of history of the People's Republic, the so-called reform era (1978-2008) is foregrounded and celebrated.

As early as Beijing won the bidding to host the Beijing Olympic Games, the *People's Daily* published an editorial on the day after, entitled, *Writing the Most Splendid Chapter in the Olympic History*. In this editorial, it describes the night on which Beijing won the hosting rights as "a sleepless night, a sleepless night for 1.3 billion people, those eyes of Chinese sons and daughters gazed at a historic moment". However, it did not specify it was a historic moment in what sense. It continues, "For this moment, we have been waiting for very long". Obviously, this historic moment is more than a moment in the history of modern Olympics.

In a signed commentary published on 22nd May 2006, *The Sacred Moment Is Drawing Near Day by Day, Are We All Ready?*, it says, "Developing China should seize a hard-earned historic opportunity". Later on, it emphasizes that China is facing a "once-in-a-hundred-year opportunity", that China is at "a new period with important strategic opportunities, the Beijing 2008 Olympics has its historical and current significances". It cites the history of the Tokyo Olympics in 1964 and the Seoul Olympics in 1988, "not only spurred fast economic growth, speeded up the transformation from developing countries to newly industrialized countries, but also lifted civility and civilization of the society and its citizens". Beijing is the third Asian city to host the Olympics, so it's understandable to make comparison with both the Tokyo and Seoul Olympics, however, interestingly enough, what is emphasized here is the historic opportunity of "economic growth, transition to an industrialized nation, and lifting of civility of the people and civilization of the society". It failed to mention the fact that, the Seoul Olympics in many ways assisted in transforming South Korea from a military dictatorship to a democracy. It commands every one of 1.3 billion Chinese to "let the Beijing Olympics become a historical turning point, from now on, lift quality of civility in our society, establish a contemporary image of cultural China, showcase a posture of peaceful developing China".

At the beginning of 2008, the New Year's Day editorial defines the year of 2008 as a year that "will certainly write a splendid chapter in a history book of achieving the revitalization of Chinese nation". The aim of the revitalization of Chinese nation has never been mentioned in previous editorials and commentaries on the Olympics. "We are standing at a new historical starting point", it declares, "the contemporary world is undergoing a profound change, and the contemporary China is undergoing a profound transformation… we are facing unprecedented opportunities as well as unprecedented challenges".

A metaphor of "dream of one hundred years" was often constructed and linked to the Beijing Olympics. In a signed commentary on 8th July 2008, one month count down to the Beijing Olympics, "*Beijing Embraces the World*", after the tragic Sichuan earthquake, it looks back at one hundred years of history, and declares that "the earthquake cannot shake the determination of 1.3 billion Chinese to host an Olympics, and it cannot shake the high hope of Chinese nation to fulfill One-hundred-year-old dream". It further explains that, one hundred years ago, the divine land of China was weak, people were poor, and the country was looked upon as the "sick man of East Asia". One hundred years later, "in its journey of revitalization, Chinese nation is sending out invitations to the whole world". In the same article, it further declares, "a nation that had once fully tasted humiliation and hurt in the modern history is standing up and moving towards the outside world".

On 20th August 2008, thirteen days after the opening of the Beijing Olympics, one hundred days after the Sichuan earthquake, a signed commentary, *Travel through Disaster, Welcome the Glory*, links the Sichuan earthquake with the Beijing Olympics, and extols that the courage and spirits in both events "will invigorate 1.3 billion Chinese to overcome obstacles and achieve a hundred-year-old dream of marching towards modernization". One post-Olympics signed commentary, *Beijing, At Another Starting Point on a New Journey*, published on 26th August 2008, says, "the success of the Beijing Olympics is not equivalent to the realization of one-hundred-year dream of (becoming a) strong nation." However, whatever may the "dream of one hundred years" be, be it a dream of "hosting the Olympics in China", a Chinese dream of modernization, or the one-hundred-year dream of a strong nation, there is a strong signal that China has moved past the period of one hundred years of humiliation and struggle, as this same signed commentary states, China has bid a farewell to the title of "sick man of East Asia", and on a new journey now, "unquestionably, as a historic event, bidding, preparing, and hosting the Beijing Olympics will erect a new milestone on the journey of revitalization of Chinese nation and modern China's development".

In the same signed commentary, *Beijing, At Another Starting Point on a New Journey*, the author looks as far back as to 700 years ago, when Marco Polo traveled to Beijing, witnessing the dazzling glories in the capital, and to 100 years ago, when the eight-nation alliances invaded Beijing, a complex history of Chinese nation encountering the outside world, interprets the significance of the Beijing Olympics in the lights of the revitalization of China. More recent history of the thirty-year of reform and opening-up is also "marked". The same signed commentary emphasizes that, "to host the Olympic Games in 2008 when China is celebrating 30th anniversary of economic reform and opening-up, was not a coincidence. The inner logical is the process of China moving from a poor and weak nation, to a wealthy and strong nation. The accumulating economic power in the last thirty years, together with a global vision and the willingness to connect with the world is the important condition for China to host the Olympics successfully." This period of history is celebrated as a successful story.

After the Beijing Olympics, the *People's Daily* published a series of staff commentator's articles, discussing the implication of the success of the Beijing Olympics. In its 27th August 2008 article, *A Great Historical Monument*, it looks beyond the Beijing Olympics as a "coming-out party for economic reform and opening-up", and defines it a new starting point in the new journey towards modernization. The article published on 30th August 2008, *An Important Development Opportunity*, calls for cherishing the opportunity, and states that "the new grand journey of revitalization of Chinese nation will step forward".

6.2. Embracing the World with Confidence

The Chinese official media discourses position the Beijing Olympics on another "spatial coordinate," defining this as a moment for China to "embrace the world" and "integrate into the world," putting aside the differences between China and the outside world.

The editorial, *Writing the Most Splendid Chapter in the Olympic History*, published on 14th July 2001, the day after Beijing won the bid to host the Olympics, already defined a theme of openness, "China today has already discarded closeness and narrowness, and replaced with an opening mind and open arms to share with the world and make progress together". It sees that hosting the Olympic Games "will enhance the cultural exchange between the East and the West, enhance the exchange between Chinese people and people from the outside world".

At the one-month countdown to the opening of the Beijing Olympics, a signed commentary, published on 8th July 2008, "*Beijing Embraces the World*", solemnly declares, "1.3 billion Chinese enthusiastically open their arms – welcome, the whole world". The Olympics is seen as "a window, through which China and the world get to know each other", but in the process, China is taking a much more active role and making active efforts to reach out with great willingness, eagerness, and confidence, either "walking to the world", "facing the world with smiles", "embracing the world" or "integrating into the world". It's not the other way around. "Chinese civilization has an innate Tianxia (under heaven) feelings, and China hopes to make contributions to the world peace and showcase to the world the broadness and depth of Chinese civilization, and instill new elements into the Olympic spirits with a Chinese way".

The major theme is the commonality and togetherness, or oneness between China and the outside world, a celebration of common humanity. The commonality is manifested in the motto of the Beijing Olympics, "One World, One Dream". "It is a shared dream of humanity" (30th April 2008), one editorial declares. "The Beijing Olympics not only belongs to China, but also belongs to the world" (8th July 2008), says another one. "The Olympics is Beijing's holiday, it's also holiday of the world" (18th July 2008). "For people of China, and People of the world, this is a common moment" (8th August 2008). The editorial published on the Olympics opening day says, "on this globe that is becoming smaller and smaller, we all have a common destiny. The world is becoming even more inseparable then before".

Facing mounting pressures and criticisms around the world, the Chinese media discourses emphasize the common ground between China and the world, while minimize the differences. After the torch relay disruption, the editorial published on 30th April 2008, entitled, *We Face the World with Smiles*, down plays the protests around the world, emphasizes that hosting a high standard and unique Olympic Games is "a shared aspiration of all Chinese, as well as expectation of people around the world". It alludes to the protests around the world, by using quantifiers, as "some people with unspoken motives tempted to disrupt and defame the Olympic Games," and put a small number of protesters against the will of 1.3 billion of Chinese and 6 billion people around the world. The Beijing Olympics is a "promise that will be fulfilled together by China and the world". It mentions the Olympic spirits and ideal as "universal values". Although not clearly defined, it acts as a defender for some sorts of "universal values". Since China officially denies the existence of universal values, and was often accused of ignoring or rejecting universal values by the West, by referring to "universal values", it speaks directly to the West, where freedom and democracy are claimed as "universal values", even though they disagree on what constitutes universal values.

However, differences and misunderstandings are acknowledged. "When a nation that fully tasted humiliation and hurt in the modern history stands up and walks to the world, what it is going to face is not all about applauses and smiling faces, there are suspicions, misunderstandings, and rejections. However, these will not dampen the sincere desire of China to communicate with the world" (8th July 2008). Although the editorial did not mention specifically what those suspicions, misunderstandings and rejections are, obviously it alludes to all kind of protests and calls for boycotting before the Olympics, as well as the perceived threats of China's rise.

On the other hand, Chinese media discourses emphasize on reconciliation and exchange, seeking common ground while respecting differences. The 22nd May 2006 signed commentary, *The Sacred Moment is Drawing Nearer, Day by Day, Are We all Ready*, reviews the development of modern Olympics movement, which "reflects a process of different civilizations moving towards mutual understanding, exchange, integration and progress. There is no replacement, only complement. In the contemporary world, no activity can make its participants discard differences and get together on the same running track for a common goal, as the Olympics does". The signed commentary, *Beijing Embraces the World*, sensing the objections to the Beijing Olympics around the world, struck a more reconciliatory tone, "Under the calling of Olympic spirits, the whole world are getting together, what people see is not confrontations and conflicts, but reconciliations and friends; It's not a solo of single culture, but a symphony of one hundred blossom flowers; it's not a closed fence, but an open and integrating platform…People get to know and understand things from other nations, and learn and respect other cultures" (8th July 2008).

Those differences, never clearly defined, are attributed or minimized to cultural differences, rather than political. The Chinese media try to depoliticize the differences, or I would say "culturalization of the differences", in order to legitimize and strengthen its position. So through this process of encounter, the Chinese civilization, which is perceived as China's "soft power," is highly emphasized and elevated. "The development of the Olympics reflects a process of different civilizations moving towards understanding, respect, integration, and progress". "The Beijing 2008 Olympics is a handshaking and dialogue between Chinese civilization and civilizations around the world" (30th April 2008). The Olympic Games "create a stage for different cultures to communicate". The creative forces of cultures from different nations are common heritage of the whole humanity and the Beijing Olympics is a window to showcase the essence of Chinese culture. "The whole world will experience the extraordinary charm of Chinese splendid culture of five thousand years old, through the Beijing Olympics". "The Beijing Olympics gives a opportunity for the world to listen to a story about China". It defends that the Olympic torch of "cloud of promise" carries the Chinese traditional ideas of harmony. This symbolizes the willingness of Chinese culture to communicate with the world. So the Olympic torch replay disruption is not about freedom and human rights, nor Darfur, nor environment, it is about cultural misunderstanding.

Thus, the solution is mutual recognition and respect between China and the world. "The Olympics is a way for China and the world to achieve mutual recognition". China wants to be accepted, understood, and respected by the international community. The editorial, *One World, One Dream*, on the opening day of the Olympics, sees the Olympics as "the confidence the world put in China, and the contribution that China wants to make to the world". It summarizes the inseparability of China and the world, stating that "the development of China cannot be achieved without the world, and the prosperity and stability of the world cannot be achieved without China either". In the editorial published on the closing day of the Olympics, *The Glory Belongs to Great Olympics*, it describes the 16-day Beijing Olympics as a "beautiful encounter of China and the world". It builds "a happy stage for the humanity" and also opens "a door of understanding for China". "In this world that is facing more and more challenges, and on a globe that is becoming smaller and smaller, mutual understanding, mutual openness and inclusiveness, mutual cooperation of humanity has never been in greater need than it is today".

6.3. Examining its Role and Position

While China is positioning the Beijing Olympics in the coordinates of time and space, it also examines its own position in a fast changing world and the role it is going to assume.

China is very conscious about its role and position in the globalizing world. By hosting the Beijing Olympics, "China has never come into the world's sight with such a role" (24th August 2008). China realizes that, "the Beijing Olympics puts China at the centre of the world stage" (26th August

2008). However, a growing confidence was revealed in the lines and between the lines. On the day after bidding to host the Olympics, the editorial assesses China today and celebrates a new China by stating that "the economy is developing, the politics is stable, the ethnic groups are consolidated, and the whole society is making progress, the comprehensive national power is rising, these all laid a solid foundation for a successful 2008 Olympic Games in Beijing". In another editorial, *We Face the World with Smiles* (30th April 2008), it reflects upon China's 30 years of reform and opening-up, "Today, as a big developing country, that is facing modernization, facing the world, facing the future, we will steadfastly absorb all outstanding fruits of civilizations of human beings, with an open, inclusive attitude." It further states, "we will steadfastly take our own path, with more determined cultural confidence and cultural consciousness". A post-Olympic signed commentary cites a story of translating of the name of Olympics into Chinese at the turn of the last century as "*wo neng bi ya* 我能比呀", literally means, "Can I compete?" or "how can I compete?". And now, a nation used to be called "the sick man of East Asia" is having a seat among the nations, and competing now amongst the nations in this world.

A confident China will become more open, a "great nation" with an open and inclusive attitude. "The gain of the Beijing Olympics, for the host, is to show the thousand of millions of Chinese with the Olympic spirits, and nurture them with a demeanor of a great nation, let the world feel an old yet new China" (28th July 2008). After the Olympics, a signed commentary reflects that, "today, China contributed a magnificent Olympics to the world, and embraced the world with a mature, tolerant, open and self-confident attitude" (27th August 2008).

China is also questioning the role it is going to play in the international community. The signed commentary, "*Beijing Embraces the World*," discusses that, "after 30 years of reform and opening-up, China is no longer a late-comer, who is learning how to walk". It continues to question, "in the international affairs in the 21st century, what role is China going to play? How will the international community look at this role? This is the question from others, also a question China asks herself. To successfully host the Beijing Olympics is the active and loud answer to the world".

China is showing the readiness to shoulder its responsibilities in the world. Hosting the Olympics Games is described as a promise China made and China wants to make contributions to the world. "To host a high-standard and unique Olympics is the promise that Chinese government and Chinese people made to the international community" (17th August 2008). As a host nation, how should China be a good host? The commentator's article, *Being a Good Host* (11th August 2008), asks "how should we assume the responsibilities to be a good host?". "In seven years, in order to fulfill the solemn promise to the international community and be a good host, we have made our sincere efforts" (11th August 2008), "to improve itself, to make contributions to the world" (8th July 2008). "The Beijing Olympic Games is the heavy responsibility that China takes" (8th August 2008).

China is willing to participate in international communication and take responsibilities. It echoes the often-talked-of role of China as a responsible stakeholder. For China, hosting the Olympic Games is "not only a honor, but also a responsibility" (28th July 2008). Talking about the successful hosting of the Olympic Games, the signed commentary says, "what China did, besides fulfilling her dream, it also, because this old nation finally walks to the world, hopes to take due responsibilities, and let the world know China today is not only an economic power that has bid a farewell to the humiliation in the past, but also an important participants in the globalization". A post-Olympic staff commentary says, "China needs to go to the world more steadfastly, looking for the opportunities of peace and development, as well as taking responsibilities as a great nation. The post-Olympic China will pursue a peaceful, open, and cooperative development, with a broader vision and a high self-expectation, making effort to construct a long-lasting peace and common prosperity of a harmonious world with people from all the countries around the world" (31st August 2008). Is that a more confident and assertive China?

6.4. Defending a New Chinese Way?

Another theme in the editorials and commentaries is the uniqueness of the Beijing Olympics and its linkage to unique Chinese development model.

The Chinese official media discourses are filled with metaphors, such as "a Beijing version of Olympic dream", "to play the Beijing music score of peace, friendship and progress aloud", "Beijing Opportunities", etc., with excessive labels of either "Beijing" or "China, or Chinese". Those smiles on volunteers are "Chinese expressions"; The determination to keep carrying out opening up policy is a "Chinese will"; During the Beijing Olympics, the world witnesses a real and vital China, and change their "China imaginations"; Beijing Olympics "unprecedentedly let different kinds of cultures to communicate, Chinese offered a Beijing Opportunity for the world of peace and development"; To host the Olympic Games means Chinese civilization will instill new vital force to the Olympics, "Chinese traditional culture emphasizes on modesty and harmony, Chinese traditional sports culture emphasizes on nurturing one's characters and self-cultivation. The Eastern philosophy and wisdom will answer all the questions and challenges the Olympics are facing now". "The Beijing Olympic Game will add new elements in Olympic spirits in a Chinese way" (8th July 2008).

The three key themes of Green Olympics, Scientific Olympics, and Humanity Olympics were linked to a special Chinese development model. Those three key concepts "interpret unique Chinese model," "infiltrate vital force from the East to the Olympics," "become a new beacon for the boat of Olympics, as well as a banner flying in the process of development of civilization which is often battling in different kinds of development models" (26th August 2008). As a new development model, it alludes to the Beijing Consensus, an alternative development model to the Washington Consensus.

Along with the Chinese development model, Chinese traditional values, such as harmony are promoted. "The three concepts epitomized a convergence of Chinese values and the Olympic spirits". "In the three concepts, Humanity Olympics is the soul, Green Olympics and Scientific Olympics are its two wings. These three concepts point to a core, forming an open and inclusive system, pushing the Olympics moving forward on a track of harmonious development, harmony between human being and nature, between human being, society and human world" (29th July 2008).

Through the aforementioned "culturalization of differences", China defends it own choice of development, while rejects a Western road map to modernization. It is determined to follow its own course, an alternative model of development and modernization. "In the coordinates of the 21st century, at the intersection between history and future, Chinese is holding on to its own choice, and walking with the world" (8th July 2008). However, as a post-Olympic Game commentary says, "On the road towards the future, a Chinese factor still plays an important role, our struggle is far from ending" (26th August 2008). What and how will the Chinese factor play an important role? It remains a question.

7. Conclusion

The Beijing Olympics changed China profoundly, in the way China perceives itself and the way the world looks at China. The study of the editorials and commentaries on the Beijing 2008 Olympics in Chinese official media of the *People's Daily* reveals China's official discourses on China's rise and its position in a fast changing world.

As a site of powerful official discourses, editorials and commentaries on the *People's Daily* reflected the Chinese official lines, aiming at both domestic and international audience.

The meanings of the Beijing Olympics were carefully constructed, interpreted, and negotiated in Chinese official media discourses. The hosting of the Beijing Olympics was seen as a historic moment in the long process of the revitalization of Chinese nation. The self-congratulatory accounts of the

Beijing Olympic success, in the light of China's rise and its return to the glory, speak aloud to a domestic audience, function not only to hail the domestic audience into a subject position of proud Chinese to cheer for the party-state, but also to promote national solidarity with this rekindled national pride of the rise of China.

This study also reveals that, at this historic moment, China pledges to bid a final farewell to the history of the past humiliation. However, could China really shed the sense of victimhood, put the past to rest, put behind its historical burden, and move on, remains an unanswered question, since when facing the criticism from abroad, it is so convenient to revoke the history of foreign humiliation to rally people around the flag, even though the rise of China has become a new source of national pride. The questions is, can China break this cycle of "pessoptimism" mixed with senses of pride and humiliation (Callahan, 2008), or it's always the case.

On the international front, the rise of China and its request of its rightful place in the world, have triggered wary, fear, suspicion, even animosity among the established powers. The study finds that, in a changing global power dynamics, this emerging China is becoming much more self-conscious, cautious, and yet confident. It is eager to assure the world that China is ready to embrace and join the community of the nations, integrate itself into the world community, actively participate in international affairs, assume great responsibilities as a great nation, and make its own due contributions, with an open and broader mind.

While defining the globalizing world as multicultural and multipolar, in which China wants to be accepted, recognized, and respected, China seems insecure, remains vulnerable, and is very defensive regarding its development model, on the surface level. What it is really defending is its political system, which is very different from those of the West, and is often one of the sources of conflict and tension between China and the West. So it pledges to steadfastly take its own path, a unique way that it tries very hard to justify continuously by defining it with Chinese culture and civilization, a practice I would term as a strategic "self-orientalism," by emphasizing excessively uniqueness of Chinese culture to reject the possible unilateral imposition of the so-called universal/Western values on China.

At the same time, by resorting to its unique culture assets, China is taking what I would call a "cultural high ground," to captivate the world in awe, or hail the international audience in a subject position. As Dr. Zbigniew Brzezinski (1997: 13-14), national security advisor to former US President Carter, notes that "to be Chinese meant to be cultured, and for that reason, the rest of the world owed China its due deference". However, it remains to be seen, to what extent, and how China will grow more assertive and confident, either from its growing pride or from its remaining vulnerability.

Notes

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Services Trade in China and India

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Abstract

This paper discusses international trade in commercial services in China and India, and is in two parts. The first part discusses in detail the data on services trade in both countries, while the second part considers the wider implications of the expansion of services trade. The future development of both countries depends heavily on services trade, hence a better understanding of the situation in both countries will help ensure that appropriate government policies are implemented.

Keywords: *international trade in commercial services, China and India, economic growth*

JEL classification: *L80, O14, F14*

1. Introduction[1]

The main objective of this paper is to present evidence regarding the trends in international trade in services in China and India, and to comment on some of the key issues surrounding such trade. Whilst it is a commonplace that China exports manufactured merchandise (henceforth, merchandise) and India exports commercial services (henceforth, services), it will be shown that this is a gross oversimplification; that, whilst it is true that overall, China has a revealed comparative advantage in merchandise and India in services, when one looks into the details of the trade patterns in services, it becomes clear that each of these countries has a comparative advantage in various, different, sub-sectors of services trade. A related paper is Wu (2007) who offers a comparison of service sector growth in the two countries, which also highlights the differences between them. The present paper differs from Wu (2007) by focusing on international trade rather than economic growth. Banga (2005a) provides a more general overview of services trade which is not limited to the case of China and India.

China and India are two of the most dynamic economies in the world. According to the World Bank, in 2009 China was the second-largest economy in the world, and India the 11th largest, at official exchange rates (in Purchasing Power Parity (PPP) terms, China was the second largest, after only the US, whilst India was the fourth largest, after Japan). This has been achieved on the basis of rapid economic growth over the past two decades, with China averaging over 10 per cent growth between 1991 and 2009, and India averaging over 6 per cent over the same time period. In the aftermath of the 2008 global financial crisis, analysts at Goldman Sachs predicted that China and India, along with Russia and Brazil (the so-called "BRIC" countries), will contribute twice as much to world economic growth between 2011 and 2020 as the US, Europe and Japan combined (Wilson, Kelston and Ahmed, 2010). Despite this, both countries remain poor in absolute terms, with per capita GDP at official exchange rates of $4,300 in China and $1,100 in India, in 2010. Even these figures disguise large regional inequalities within each country: three of the provincial-level cities in China (Shanghai, Beijing, Tianjin) have per capita GDP in excess of $10,000, whilst Tibet, Gansu, Yunnan and Guizhou provinces have per capita GDP of less than $2,500, in 2010. Similarly, in India in 2010, the richest cities such as Mumbai and Bangalore have per capita GDP of over $2,500, whereas poor states such as Uttar Pradesh and Bihar have per capita GDP of less than $500. Bosworth and Collins (2008) provide a recent overview of the determinants of China and India's growth.

Much of the rapid growth in these two economies may be attributed to market liberalisation policies implemented by the two countries' governments, with China's liberalisation beginning in 1978 and India's in 1991. Part of the liberalisation package in both countries included opening up the economy to international trade, by reducing import restrictions and encouraging exports. As a result of the liberalisation, trade as a percentage of India's GDP increased from 15 per cent in 1990 to over 40 per cent in 2005 (comparable figures for China are 10 per cent in 1977 on the eve of reform, and over 65 per cent in 2005). At the same time, as both economies have developed, they have switched from primarily agriculture-based economies to manufacturing- and services-based economies. Over the past 20 years economic growth in both countries has been primarily driven by the services sector; in India the share of this sector in GDP has increased from 44 per cent in 1989 to 55 per cent in 2009, whilst in China it has increased from 32 per cent to 43 per cent of GDP over the same time period. Table 1 provides a summary of some key economic indicators for both countries over a 20-year period from 1989 to 2009.

In terms of international trade, China became in 2009 the world's largest exporter of merchandise (and second-largest importer), whilst India was the 21st largest exporter and 14th largest importer. Both countries are also

Table 1 Key Economic Indicators, China and India

	1989	1994	1999	2004	2009
China					
GDP (current US$ million)	343,974	559,225	1,083,278	1,931,644	4,985,461
GDP per capita (current US$)	307.49	469.21	864.73	1,490.38	3,744.36
GDP growth (5-year average)	9.86	10.86	9.12	9.18	11.38
Trade share of GDP (%)	29.24	41.22	37.69	65.35	49.07
Agriculture share (%)	25.10	19.86	16.47	13.39	10.35
Manufactures share (%)	42.83	46.57	45.76	46.23	46.30
Services share (%)	32.06	33.57	37.77	40.38	43.36
India					
GDP (current US$ million)	292,917	323,506	450,476	720,909	1,310,171
GDP per capita (current US$)	351.84	353.29	450.92	667.68	1,134.01
GDP growth (5-year average)	5.90	4.70	6.55	5.93	8.23
Trade share of GDP (%)	15.34	20.31	25.28	36.89	45.84
Agriculture share (%)	29.23	28.52	24.99	18.88	17.12
Manufactures share (%)	26.94	26.80	25.31	27.97	28.25
Services share (%)	43.84	44.68	49.69	53.15	54.63

important players in services trade: in 2009 China was the 5th largest exporter and 4th largest importer of services, whilst India was the 12th largest exporter and importer. Hence China trades more in services than does India, although comparing the rankings in merchandise and services shows that China's revealed comparative advantage is in merchandise whilst India's is in services. Figure 1 shows the share of services in total exports and imports of the two countries, compared to the world average, from 1999 to 2009. For the world as a whole, services trade has accounted for about 20 per cent of total trade for the past decade, with little evidence of an increasing (or decreasing) trend. India has a higher share of both services exports and imports than the world average, with the services share of exports increasing over time and the share in imports decreasing. On the other hand, China has a lower share of both services exports and imports than the world average. The share of services in China's trade actually decreased from 1999 to 2005, although it has increased since then.

2. Services Trade in China and India

The data for the analysis has been obtained from the World Trade Organisation (WTO). Trade in commercial services is defined as total trade in services, minus government services, not included elsewhere (WTO, 2010). Commercial services are sub-divided into three categories: transportation services, travel, and other commercial services. Transportation services cover

Figure 1 Exports and Imports of Commercial Services as a Percentage of Total Exports and Imports

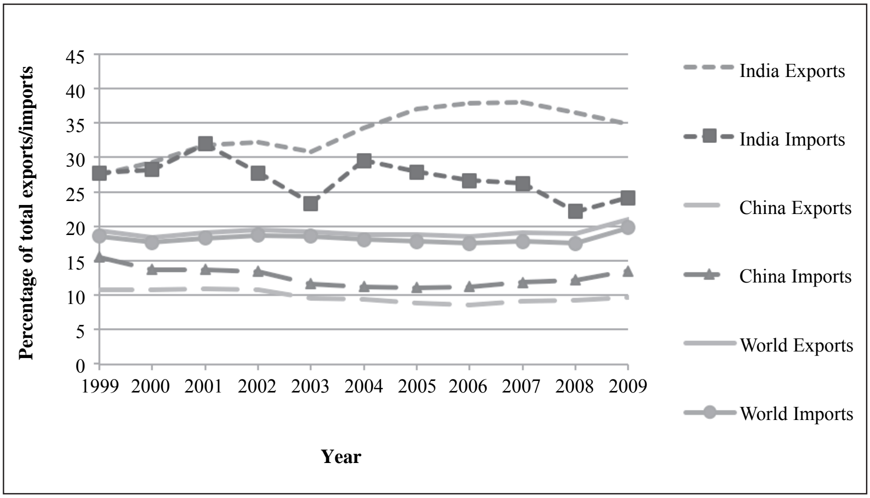
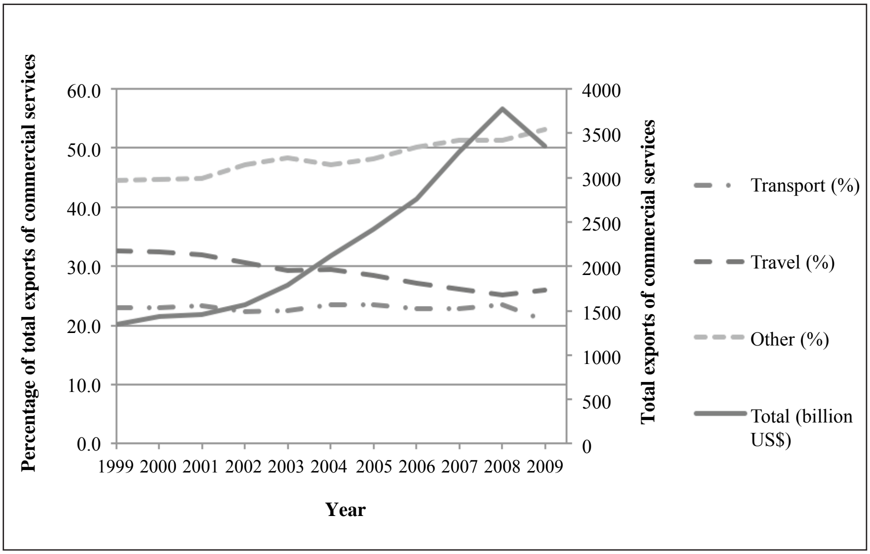


Figure 2 World Exports of Commercial Services



all types of transportation of passengers and freight. Travel includes goods and services acquired by personal travellers including business travellers. This includes lodging, food and beverages, entertainment and internal transport, gifts and souvenirs. Other commercial services are further sub-divided into: (1) communications, including telecommunications, postal and courier services; (2) construction; (3) insurance services; (4) financial services; (5) computer and information services; (6) royalties and licence fees; (7) other business services; and (8) personal, cultural and recreational services.

Figure 2 shows world exports of commercial services from 1999 to 2009, and the percentages of transportation, travel, and other commercial services. Total exports of commercial services increased rapidly over the decade, until the recession of 2009 reduced exports by over 11 per cent. Over this period, trade in transport services as a share of total services trade remained fairly constant, whilst the share of trade in travel services decreased, and the share of trade in other commercial services increased, so that, by 2009, the latter made up over half of total trade in commercial services.

Table 2 shows the relative prominence of China and India in each of the three sub-sectors of commercial services. In this table and Table 3, Rank refers to the country's rank in the world in exports or imports in each sub-sector. India is overall a net exporter of commercial services, whereas China is a net importer. However, looking into the sub-sectors of commercial services, India is a big net importer of transportation services, a small net exporter of travel

Table 2 Trade in Sub-Sectors of Commercial Services, China and India

Total Commercial Services

	India					China				
Year	Exports	Rank	Imports	Rank	Net Exports	Exports	Rank	Imports	Rank	Net Exports
2006	73.8	10	63.7	13	10.1	91.4	8	100.3	6	-8.9
2007	89.7	9	77.2	13	12.5	121.7	7	129.3	5	-7.6
2008	102.6	9	83.6	13	19.0	146.4	5	158.0	5	-11.6
2009	87.4	12	79.8	12	7.6	128.6	5	158.2	4	-29.6

Transport Services

	India					China				
Year	Exports	Rank	Imports	Rank	Net Exports	Exports	Rank	Imports	Rank	Net Exports
2006	7.8	11	25.1	5	-17.3	21.0	6	34.4	4	-13.4
2007	8.8	11	31.1	5	-22.3	31.3	5	43.3	4	-12.0
2008	11.1	11	41.4	5	-30.3	38.4	5	50.3	4	-11.9
2009	10.8	10	34.7	5	-23.9	23.6	7	46.6	3	-23.0

Table 2 (continued)

Travel Services

	India					China				
Year	Exports	Rank	Imports	Rank	Net Exports	Exports	Rank	Imports	Rank	Net Exports
2006	7.7	–	7.2	15	0.5	33.9	3	24.3	4	9.6
2007	11.1	13	8.8	15	2.3	37.2	3	29.8	3	7.4
2008	11.8	14	9.6	15	2.2	40.8	3	36.2	3	4.6
2009	10.6	14	9.2	–	1.4	39.7	3	43.7	3	-4.0

Other Commercial Services

	India					China				
Year	Exports	Rank	Imports	Rank	Net Exports	Exports	Rank	Imports	Rank	Net Exports
2006	58.3	4	31.4	6	26.9	36.5	6	41.6	4	-5.1
2007	69.8	4	37.3	5	32.5	53.1	5	56.2	4	-3.1
2008	79.7	4	32.6	9	47.1	67.2	5	71.5	4	-4.3
2009	66.1	4	35.9	8	30.2	65.3	5	67.9	4	-2.6

Notes: Exports, imports and net exports are in billion US$. Ranking data is available only for the 15 largest exporters and importers in each sub-sector.

services, and a big net exporter of other commercial services. China on the other hand is a net importer in all three sub-sectors, although it is only a small net importer in travel and other services, and, like India, a big net importer of transportation services. However, where China has lost its initial net exports in travel services (in 2006 net exports in this sub-sector was almost US$10 billion), its exports of other commercial services have been growing rapidly. It may be argued that other commercial services are the main driver of export growth in services in both countries; in India its share of total commercial services exports has been between 70 and 80 per cent since 2006, whereas in China it has increased from 40 per cent in 2006 to 50 per cent in 2009.

3. Drilling Deeper: Sub-sectors of "Other Commercial Services"

As noted in Section 2 above, other commercial services is the major driver of the growth of services exports in both China and India, and this sector may be further divided into several sub-sectors. In this section we explore the patterns in the trade of these sub-sectors, to gain further insight into the trade in services of both these countries.

Table 3 presents trade in other commercial services of China and India, divided into the eight sub-sectors delineated as shown. The figures in this table re-emphasise the diversity of experiences between the two countries. In communications services, India has much larger net exports than does China, although the growth in both exports and imports in China has been much faster in this sub-sector. On the other hand, China is the world's third largest exporter of construction services, with exports amounting to over US$10 billion in 2008, whereas India has so far only had a small presence in this sub-sector. Both countries are big net importers in insurance services, although China's imports have been about three times that of India.

India has a big lead over China in both finance and computing and information systems. India is the world's second largest exporter of computing and information systems services, whilst in China, exports in this sub-sector, although growing rapidly, remain less than a fifth of India's exports. China is not even among the 15 largest exporters or importers of financial services, whereas India has been moving up the rankings in this sub-sector. India's lead in these two sectors may be partly explained by the advantage that India has over China in the use of the English language, and the greater openness of the financial sector in India compared to China. On the other hand, China is a much bigger player in royalty payments than India. China is a big net importer of intangible non-financial assets and proprietary rights (which require royalty payments), whereas India is not among the 15 largest payers or payees of royalties. This may reflect the bigger role of China in manufacturing, as imports of proprietary components may incur a royalty charge. However, it may

Table 3 Trade in Other Commercial Services by Sub-Sector, China and India

Communications Services

	India				China			
	Exports	Rank	Imports	Rank	Exports	Rank	Imports	Rank
2005	1,999	4	715	9	485	15	603	13
2006	2,191	5	899	8	738	10	764	10
2007	2,288	4	714	13	1,175	8	1,082	6
2008	2,423	4	1,004	11	1,570	7	1,510	5

Construction

	India				China			
	Exports	Rank	Imports	Rank	Exports	Rank	Imports	Rank
2005	828	7	774	10	2,593	4	1,619	5
2006	403	12	906	10	2,753	5	2,050	5
2007	845	9	691	11	5,377	3	2,910	6
2008	722	12	755	13	10,329	3	4,363	6

Insurance

	India				China			
	Exports	Rank	Imports	Rank	Exports	Rank	Imports	Rank
2005	919	7	2,391	6	549	9	7,200	4
2006	1,116	8	2,664	8	548	9	8,831	4
2007	1,504	7	3,203	7	904	9	10,664	4
2008	1,548	7	4,252	7	1,383	8	12,743	3

Finance

	India				China (see notes to table)			
	Exports	Rank	Imports	Rank	Exports	Rank	Imports	Rank
2005	1,468	10	1,227	8	–	–	–	–
2006	2,071	8	1,316	7	–	–	–	–
2007	3,886	8	3,262	5	–	–	–	–
2008	4,059	7	3,552	5	–	–	–	–

Table 3 (continued)

Computing and Information Systems

	India				China			
	Exports	Rank	Imports	Rank	Exports	Rank	Imports	Rank
2005	16,091	2	1,498	7	1,840	6	1,623	6
2006	21,461	2	2,199	4	2,958	6	1,739	7
2007	27,668	2	3,509	4	4,345	6	2,208	7
2008	36,041	2	3,419	4	6,252	5	3,165	5

Royalties

	India (see notes to table)				China			
	Exports	Rank	Imports	Rank	Exports	Rank	Imports	Rank
2005	–	–	–	–	157	14	5,321	6
2006	–	–	–	–	205	15	6,634	7
2007	–	–	–	–	343	13	8,192	7
2008	–	–	–	–	571	11	10,320	6

Personal, Cultural and Recreational Services

	India (see notes to table)				China (see notes to table)			
	Exports	Rank	Imports	Rank	Exports	Rank	Imports	Rank
2005	146	15	–	–	134	16	–	–
2006	218	13	–	–	137	–	–	–
2007	622	6	169	–	316	10	154	–
2008	707	5	296	12	418	10	255	15

Other Business Services

	India				China			
	Exports	Rank	Imports	Rank	Exports	Rank	Imports	Rank
2005	20,523	6	16,020	5	23,283	5	16,287	4
2006	30,923	3	21,453	4	28,973	5	20,605	5
2007	30,783	5	19,062	6	40,408	3	30,431	4
2008	33,764	6	21,062	6	46,349	3	38,597	4

Notes: Exports and imports are in million US$. Ranking data is available only for the 15 largest exporters and importers in each sub-sector. Missing values (denoted with a –) indicate that the country was not in the top 15 exporters or importers in that sub-sector, in that year.

also suggest that, despite complaints especially in the US about Chinese non-compliance with WTO regulations on proprietary rights (United States Trade Representative, 2010), there have at least been some moves to rectify this.

There are of course some similarities between the two countries. Both countries are becoming major net exporters in personal, cultural and recreational services, ranking within the top ten in the world, but both remain relatively small players; the US exports over ten times as much as China and India combined in this sub-sector.[2] Where they are big players is in other business services; this sub-sector constitutes over half of the total of other commercial services trade in both countries (and over a quarter of total services trade). Both countries are net exporters in this sub-sector.

Table 4 provides more detail on the "other business services" sub-sector. It can be seen that the majority of China's trade in this sub-sector is in merchanting and other trade-related services (although the export share has fallen over time), whereas it only plays a small role in India. On the other hand, the export share in China of legal, accounting, management and public relations has increased over time. This sector is also important in India, but there are also large shares of exports and imports in architecture and engineering services, and in other business services.

4. Liberalisation of Services Trade

The growth of services exports of both China and India can be attributed to the liberalisation of both economies in this sector, with India's liberalisation beginning earlier as part of the liberalisation of the early 1990s, and China's liberalisation forming a part of its WTO accession agreement in 2001. Nevertheless, many debates and controversies remain on the issue of service sector liberalisation; this section will discuss some of these controversies. Banga (2005b) provides more extensive coverage of the issues from the Indian perspective, while Zhang and Evenett (2010) do the same for China.

To begin with the main controversy, is the liberalisation of services trade necessarily beneficial to a country? Standard economic analysis seems to suggest that it should be, although the general public is more sceptical; recall the controversy surrounding the Economic Report of the President of the United States in 2004 (Council of Economic Advisors, 2004) (this was the Report in which, with Greg Mankiw as the Chairman of the Council, noted that outsourcing of professional services was likely to lead to gains from trade). Yet it is not clear that liberalisation of services trade necessarily leads to gains. As John Whalley has argued (Whalley, 2003), there are features of services and service sector liberalisation that distinguish it from goods sector liberalisation. First, in typical analyses, "services" are often inappropriately combined in a single sector, despite the great heterogeneity in the nature of

Table 4 Sub-Sectors of "Other Business Services" in China and India

	Value	Share								
				Miscellaneous Business, Professional and Technical Services						
	Total Other Business Services	Merchanting and Other Trade-related Services	Operational Leasing Services	Total	Legal, Accounting, Management and Public Relations	Advertising, Market Research and Public Opinion Polling	Research and Development	Architecture, Engineering and Other Technical Services	Agriculture, Mining and Other On-site Processing Services	Other
Exports										
India										
2005	20,523	6.2	0.6	93.2	18.7	1.9	2.3	20.7	0.2	49.3
2006	30,923	4.8	0.5	94.7	25.0	2.3	2.8	23.8	0.3	40.6
2007	30,783	9.5	1.7	88.8	19.3	2.6	4.8	11.3	0.8	49.9
2008	33,764	9.5	1.7	88.8	17.4	1.7	4.7	6.0	0.8	58.2
China										
2005	23,283	72.5		27.5	22.9	4.6				
2006	28,973	68.0		32.0	27.0	5.0				
2007	40,408	66.6		33.4	28.7	4.7				
2008	46,349	56.1		43.9	39.1	4.8				

Table 4 (continued)

	Value	Share								
				Miscellaneous Business, Professional and Technical Services						
	Total Other Business Services	Merchanting and Other Trade-related Services	Opera-tional Leasing Services	Total	Legal, Accounting, Management and Public Relations	Advertising, Market Research and Public Opinion Polling	Research and Develop-ment	Architecture, Engineering and Other Technical Services	Agriculture, Mining and Other On-site Processing Services	Other
Imports										
India										
2005	16,020	10.4	2.8	86.8	12.7	3.5	0.8	9.3	0.2	60.3
2006	21,453	10.0	4.2	86.1	19.3	4.4	0.9	12.8	0.3	48.4
2007	19,062	14.4	5.5	80.1	19.7	6.2	1.9	15.2	0.3	36.7
2008	21,062	11.7	5.6	82.7	17.9	5.6	2.4	16.4	0.8	39.6
China										
2005	16,287	57.6		42.4	38.0	4.4				
2006	20,605	55.0		45.3	40.7	4.6				
2007	30,431	59.9		40.1	35.7	4.4				
2008	38,597	59.9		40.1	35.1	5.0				

Note: The value of exports and imports is in million US$.

services, from finance, telecoms, retailing, tourism, to consulting services. Second, it may be inappropriate to model barriers to services trade in the same form as barriers to goods trade (as some form of tariff-equivalent); service sectors may face greater regulatory barriers because of the need to operate within the host market.

Chia and Whalley (1997) develop a model in which the opening up of international trade in financial services may lead to a welfare loss for all countries. In this model, the financial sector consumes resources to provide intermediary services of transferring goods across time periods hence facilitating intertemporal trade, but these financial services do not yield direct utility to consumers. The opening up of trade in financial services results in one country providing all the financial services to both countries, lowering costs of intermediary services to the service-importing country. However, suppose that the lowered cost of intermediation leads to a large expansion of intertemporal trade. Then this may lead to an increase in the real resources used in intermediation, which may be large enough to offset the gains from cheaper intermediation. Chia and Whalley (1997) show numerical simulations in which net losses or net gains are possible outcomes, depending on the parameter values chosen.

A second source of controversy lies in the contribution of services sector growth to the country's total economic growth. Verma (2006) explores this issue in the Indian case; she finds that the Indian transition from a primarily agriculture-based economy to a primarily service-based economy is consistent with a model in which this structural change is mainly driven by total factor productivity growth (especially but not exclusively) in the services sector, as opposed to the liberalisation of trade in services. Similarly, Goldar and Mitra (2008), whilst obtaining similar results regarding high productivity growth in the Indian services sector, argue, due to the inter-sectoral linkages between manufacturing and services, that the manufacturing sector is the lead sector in promoting long run economic growth. On the other hand, Banga and Kumar (2010) show that services has been the main contributor to Indian economic growth since the early 1990s, contributing over half of total economic growth in the past two decades. They also show that productivity growth in the Indian services sector has been very high since 2000.

Focusing more on the Indian case, another related controversy is whether the service-led growth in India is as sustainable in the long run as the manufacturing-led growth in China. This is a cause for some concern if the services sector employs mainly high-skilled workers, and has few linkages with the rest of the local economy, being primarily focused on exports, and has not generated much by way of increased employment. This fear is well-expressed in Konana, Doggett and Balasubramanian (2005). A related concern is that the Indian service sector expansion has been primarily private-sector led, as compared to the primarily state-led manufacturing expansion in China, and that this difference may result in superior Chinese performance in the long run resulting from greater coordination amongst the various agents in the sector.

However, once again the evidence calls time on these generalisations. First, Eichengreen and Gupta (2010) present evidence that the skilled-unskilled mix of workers in manufacturing and services in India are converging over time, suggesting that services employment is not restricted to skilled workers. They also document strong linkages between the services and manufacturing sectors in India; approximately one-third of the value added in services is accounted for by intermediate demand from manufacturing. Eichengreen and Gupta conclude that long run growth in India depends on switching labour out of agriculture into both manufacturing and services, not just one of the two. Ghani and Kharas (2010) suggest that developing countries can gain much from service-led growth, through the process of catch-up and convergence.

Similarly, Kumar and Joseph (2005) discuss the important role of the Indian government in the rise of service exports in India. They note for example that there have been a series of government policies supporting the software sector, including the development of a national IT plan in 1998. This has been matched by other policies including the supply of trained manpower especially engineers, the establishment of software technology parks, reforms in the telecom sector to support the IT infrastructure, R&D capability-building, and regional development to maximise the agglomeration effects of the IT sector. They argue that, whilst it has been the private sector that has taken the lead in the development of the software sector, the combination of these government policies has created ideal conditions for the sector to flourish.

In the case of China, the main issue is the liberalisation of the services sector following its WTO accession in 2001. China made what has been called the "most radical services reform program negotiated in the WTO" (Mattoo, 2003: 299). The agreement was that China would be given a five-year grace period in order to meet its accession commitments. However, to date (2011) service sector liberalisation has only been partial and incomplete. Yanko (2009) documents some of the restrictions imposed on foreign banks in China which prevent them from competing on equal terms with domestic banks; similar concerns have been raised in PricewaterhouseCoopers (2010), and can also be seen in the relative lack of Chinese involvement in trade in financial services in Table 3. The United States Trade Representative (2010) has also raised concerns over increasing government intervention in the Chinese economy, not only in banking, but also in insurance, telecommunications, construction and legal services. This intervention includes industrial policies that rely on government intervention to promote or protect China's domestic industries and state-owned enterprises. The report also suggests that this increased government intervention indicates that the Chinese government has "not yet fully embraced the key WTO principles of market access, non-discrimination and transparency, or the carefully negotiated conditions for China's WTO accession designed to lead to significantly reduced levels of trade-distorting government policies" (United States Trade Representative, 2010: 2).

The grace period given to China on meeting its WTO accession commitments and the delays in implementing these commitments reflect the difficulties of China's unfinished transition from a centrally-planned economy to a free-market economy governed by rule of law. Temporary protection may be necessary to enable incumbent firms (which are often inefficient public monopolies or state-owned enterprises) to adjust to market forces and greater competition from foreign firms. Mattoo (2003) argues that improving the regulatory framework will be an essential, complementary reform to the liberalisation of services trade. Regulation is necessary to eliminate market failure arising from natural monopolies, to remedy inadequate consumer information about the quality of the service they are buying, and to ensure universal service to protect the poor. Such regulatory improvements take time to implement.

Eichengreen (2010) highlights another key issue in the further development of China's services sector. As Wu (2007) has pointed out, the share of services in China's GDP is below the average for a country with its level of per capita GDP. As China grows further, services will become a more important part of the economy. Yet as Eichengreen notes, every high growth, manufacturing-intensive Asian economy that has attempted the transition from manufacturing to services (Korea and Japan) has suffered a big slowdown in productivity growth, because services in these countries tend to be dominated by small, inefficient firms. Services productivity in Korea and Japan have grown only half as quickly as in the US; the Chinese government will have to learn from the Korean and Japanese experiences if China is to avoid the slowdown that has hit Korea and Japan in the transition to a services-led economy.

5. Conclusions

By 2050 analysts at Goldman Sachs (Wilson and Purushothaman (2003)) predict that China and India will be the largest and third largest economies in the world, respectively. By this time both countries' per capita GDP is expected to be over ten times as high as it is in 2010. The services sector is likely to be a major part of this expansion, for India because it is already a big part of the economy, and for China because the service sector will expand as a share of the economy. We have argued in this paper that the governments of both countries have important roles to play in this development, and that in order to do so, they need both good data and a sound theoretical framework in which to operate. This will enable the debate to move forward from broad generalisations and focus on the true drivers of the service economy.

Notes

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2. Personal, cultural and recreational services include audiovisual services (services and fees related to the production of motion pictures, radio and television programmes, and musical recordings), and other personal, cultural and recreational services including those associated with museums, libraries, archives, and other cultural, sporting and recreational activities. See WTO (2010) for definitions of each sub-sector.

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The Impact of ASEAN-China Free Trade Area Agreement on ASEAN's Manufacturing Industry

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Abstract

In November 2002 at the ministerial meeting, ASEAN and China signed an agreement to form a free trade area (FTA) by the year 2010. There was an estimation that both regions would gain from FTA deals. However, the rapid growth of China since the early 1990s does not warrant the estimation and positive expectation of the FTA deal. Prior to November 2002, substantial amount of trade and investment in the region had diverted to China. China's relatively lower cost of production compared to ASEAN members has decreased the export competitiveness of ASEAN. The strong competition between the regions in the international commodity market and productive foreign capital has produced great stress to ASEAN economies. The main reason for the economic stress is largely attributed to the structure of production and exports of ASEAN and China. Both regions engage in similar sectors of commodities production and exports. There is the factor of homogeneity in production and exports in the regions. In a group of countries or regions which have a similar structure of production of commodity and exports, theoretically only countries which have the lowest cost of production will gain in trading. The diversion of trade and investment of ASEAN to China is real. These diversions have explicitly affected the terms-of-trade of ASEAN's economies, and have eventually reduced exports income. This paper believes that the ASEAN-China FTA does not promise a total gain to members of ASEAN. This paper does not deny that there are members of ASEAN which may receive a positive economic impact from the FTA but the question is how much will they gain. This paper will explore the impact of the ASEAN-China FTA on ASEAN's trade and will provide some ideas as to how competitive members of ASEAN are relative to China.

Keywords: *economic integration, intra-industry trade, comparative advantage, China, ASEAN*

JEL classification: *F10, F13, F14, F19, O59*

1. ASEAN-CHINA FTA: A Brief Review

The idea to establish a free trade area between ASEAN and China was mooted with the consensus of developing ASEAN+3 at Manila in 1998. Zhu Rongji, the Prime Minister of the People's Republic of China (henceforth China), had raised again the idea of an ASEAN-China Free Trade Area (ACFTA) during the ASEAN+3 meeting in Singapore in November 2000, and at the ASEAN-China Economic Cooperation Meeting in August 2001 (Buszynski, 2001). The proposal was promoted by Singapore although the other ASEAN members were quite reluctant: they favoured a bigger FTA called the East Asian FTA (EAFTA) that would include China, Japan and South Korea. However, at that point, Japan and South Korea were not ready for this (the formation of the EAFTA). ASEAN and China in principle agreed to form a solid economic cooperation in the form of such an agreement. On 4th November 2002, 10 members of ASEAN and China reached an agreement to build the ACFTA (ASEAN-China Free Trade Area) in Phnom Penh, Cambodia. Both regions signed the Framework Agreement on Comprehensive Economic Co-operation. The formal agreement was based on a decision made by ASEAN members and China in 2001 at the Annual ASEAN Summit held in Bandar Seri Bagawan, Brunei. The agreement set the elements and basis for negotiations towards the realization of an ASEAN-China Free Trade Area by 2010 for the 6 main ASEAN members (Indonesia, Malaysia, Thailand, Singapore, the Philippines, and Brunei) and by 2015 for the 4 new ASEAN members (Cambodia, Laos, Myanmar, Vietnam).

Under the Agreement Framework on Comprehensive Economic Co-operation (CEC), tariff reduction or elimination or liberalizing trade in goods falls under Article 3 of Trade in Goods. The reduction or elimination of tariffs on listed products was to be gradually implemented. Tariff reduction under the FTA agreement was based on applied MFN rates as of 1st July 2003. In the case of ASEAN members which were not members of WTO, tariff reduction was based on MFN rates applied by China. Also, the Agreement categorized products for tariff reduction into 2 tracks, namely, normal and sensitive. Products listed in the normal track by a member of ACFTA had to reduce or eliminate tariff rates gradually from 1st January 2005 to 2010. This applies to ASEAN-6 (i.e., ASEAN-5 plus Brunei) and China. In the case of the newer ASEAN member states, namely, Cambodia, Laos PDR, Myanmar and Viet Nam (CLMV), the period of tariff liberalization is from 1 January 2005 to 2015. For these countries, the starting tariff rates are higher and they have a different period for tariff liberalization.

To accelerate the first phase of the FTA, members of the ACFTA agreed to implement the Early Harvest Programme (EHP). This EHP is an integral part of the ASEAN-China FTA (or CEC). Under the EHP, ASEAN and China had to implement tariff reduction or elimination no later than 1st January 2004. The tariff reduction was between 0 to 10 per cent. By 1st January 2006, trade between ASEAN and China should have been under zero tariffs. In other words, goods traded between the regions were free to move across borders.

One issue related to trade is the tariff on imported goods in ASEAN and China before the ASEAN-China FTA was signed. The average tariff rate in China was 2.3 per cent in 2000 which was much lower than ASEAN which was at 9.4 per cent. On the other hand, the non-tariff barriers (NTB) rate in ASEAN was 69.1 per cent which was very much higher as compared to China which was 9.2 per cent. ASEAN's economies were more protective in contrast to China. Plans for tariff liberalization and NTB tariffication under the ASEAN-China FTA Framework will definitely result in significant injuries to domestic-oriented and export-oriented industries in ASEAN. However, to reduce the industry injury, under the ASEAN-China FTA (ACFTA) framework, ASEAN members have been allowed to take a longer time frame in cutting trade barriers. This longer time frame is believed to allow members of ASEAN to take the necessary measures to counter or resolve any deterioration either in production or the export sectors. If there is a possibility of intense competition from China under the ACFTA how will members of ASEAN ensure that their industries remain competitive? This is another big issue to entertain. Recently, the Indonesian government had asked the ACFTA secretariat to renegotiate tariff liberalization. Indonesian business associations realized that they were facing tough competition from Chinese products and this FTA agreement had been detrimental to certain major domestic-oriented industries.

2. Is China's Economy a Threat to ASEAN's Trade Growth?

China's economy has grown rapidly since the 1990s. The country's real GDP growth during the last decade has averaged about 10 per cent, the fastest rate of real GDP growth in the world. The total trade of China in the world economy has increased from 1 per cent in 1980 to 1.70 per cent in 1990 and in 2009 the ratio had been recorded at 4.2 per cent. In the 1990s, both China and ASEAN achieved high growth rates in foreign trade. From 1991 to 2009, China's foreign trade grew at an average annual rate of 18 per cent. China's exports have grown threefold from US$62.1 billion in 1990 to US$969.1 billion in 2009, making China the third largest exporter in the world. On the other hand, foreign trade in ASEAN grew at an average annual rate of 10.2 per cent from 1991 to 2009. In the case of ASEAN-China trade relations, ASEAN-China trade has grown at an average of 15 per cent annually since 1991 to 2009. In the year 2009 total trade was US$233.4 billion in contrast to US$7.9 billion in 1991. China's exports to ASEAN grew from US$4.1 billion in 1991 to US$175 billion in 2009 while its imports from ASEAN grew from US$3.8 billion in 1991 to US$165 billion in 2009. Foreign trade is an important driving force for the economic development of China and ASEAN. But ASEAN countries rely more on the exports sector for economic growth as compared to China and ASEAN seems to be on the losing side. China seems to have more advantage in trading with ASEAN. This paper believes that there will be stiff competition between ASEAN and China, and the competition will be in two aspects: (1) international market penetration, and (2) competition in terms of products.

China's economy is moving up the ladder, expanding at a rapid speed and is in a position to become a major economic house in the world. The rise of China's extreme economic power raises great concern to members of ASEAN. The quotations below that were excerpted from Cui (2006) and Kalish (2005) provide some answers to the threat of China's rapid economic development to ASEAN.

- "Shunde in the Pearl River Delta, microwave-oven capital of the world, with 40% of global production in a single giant factory."
- "Shenzhen makes 70% of the world's photocopiers."
- "Dongguan has 80,000 people working in a single factory making running shoes."
- "Zhongshan is the 'home of the world's electric lighting industry'."
- "In Guangdong, in 2003, solely foreign-invested processing exports accounted for 72.3% of its total processing exports, being 85.4 billion US$; barter terms of trade deteriorated from 1 in 1998 to 0.65 in 2003; value-added in processing exports has been kept at 18%."
- "In Suzhou, in 2004, foreign-invested processing exports accounted for 97% of its total processing exports, being 40.3 billion US$; high-tech industry and machinery and electronic industry accounted for 98% and 96%, respectively; value-added in processing exports has dropped from 63.5 in 1998 to 14% in 2004."
- "China's share of the US electronics market increased from 9.5 per cent in 1992 to 21.8 per cent in 1999. At the same time, Singapore's share dropped from 21.8 per cent to 13.4 per cent."
- "China's output of personal computers went from 4 per cent of world production in 1996 to 21 per cent in 2000. The ASEAN share dropped from 17 per cent to 6 per cent."
- "China's share of hard disk production went from 1 per cent in 1996 to 6 per cent in 2000, while ASEAN's share fell from 83 per cent to 77 per cent."
- "China's share of keyboard production increased from 18 per cent in 1996 to 38 per cent in 2000 while ASEAN's share fell from 57 per cent to 42 per cent."

Both Kalish's (2005) and Cui's (2006) statements certainly indicate that China's economy is developing very fast. Not only does the country concentrate on low-technology products but it is also moving very fast in high-technology industries or products. Since there are similarities between China's and ASEAN's production in the manufacturing sector and exports, the impressive expansion of China's manufacturing sector seems to adversely affect industries in ASEAN.

Therefore, it was right that politicians-cum-policy-makers of ASEAN have voiced their concerns of the impact of China's rapid economic growth on their economies. Former Prime Minister of Singapore and mentor Minister Mr Lee Kuan Yew issued a statement that the overwhelming economic growth of China would somehow determine the future economic growth of ASEAN. Former Prime Minister of Singapore, Mr Goh Chok Tong, stated that "Our biggest challenge is … to secure a niche for ourselves as China swamps the world with her high-quality but cheaper products" (Panitchpakdi and Clifford, 2002: 103). He also warned in a national day speech in August 2001, that the "China economy is potentially 10 times the size of Japan's. Just ask yourselves, how does Singapore compete against 10 post-war Japans all industrializing and exporting at the same time?" (Panitchpakdi and Clifford, 2002: 103).[1] Other countries in Asia shared this sentiment, "What if China is the world's lowest-cost producer of everything" (Panitchpakdi and Clifford, 2002: 103). Even Ross Perot, US Presidential candidate, during his election campaign in 1992, labeled China as a "giant sucking sound" (Lo, 2003: 59).[2]

The accession of China to the WTO will integrate China even further into the world economy. As mentioned earlier, the benefit that China will gain by joining the WTO is extraordinary. As estimated by the World Bank, China's entry into WTO will increase its exports share in the world's total exports by about 10 per cent by 2020, second after US, and above Japan. In terms of GDP expansion, China will contribute 8 per cent of global output by 2020, right after US which will contribute about 19 per cent (Panitchpakdi and Clifford, 2002). China is poised to be the world's second largest economy by 2020. Political and Economic Risk Consultancy (PERC) based in Hong Kong surveyed business communities in Asia, and found that 61 per cent of the respondents in the Philippines stated that China's entry into WTO would hurt their business; in Malaysia, 45 per cent felt the negative effect and 83 per cent of the respondents in Viet Nam recorded that the accession of China into WTO was a bad thing for their country (Panitchpakdi and Clifford, 2002). The accession to the WTO and rising competition will very possibly strengthen China's competitive power and restrain other Asian countries' price competitiveness further (Lo, 2003). In a nutshell, it is no wonder that the rising of China's economic power has caused "a big worry" to ASEAN.

Rapid industrial development, including trade expansion in China, particularly in export-oriented industries (EOIs) (Greenaway, Mahabir and Milner, 2008), will in some way affect their growth and further expansion, particularly in ASEAN. Countries such as Malaysia and Singapore rely heavily on the EOI sector rather than domestic-oriented industries (DOIs) for economic growth and development. Therefore, the impressive development and expansion of EOIs in China have raised a huge concern for ASEAN's future in EOIs or manufacturing sector development and competitiveness. Whatever is produced and exported by ASEAN is also produced and exported by China. In other words, any countries having a structure of manufacturing activities and exports that is similar to China may lose their international market to China and the growth of these particular countries may eventually slow down (Lardy, 2002). Some argue that exports of China and ASEAN are competitive rather than complementary (Wong and Chan, 2003; Ravenhill, 2006). A study by Lall and Albaladejo (2004) examined China's competitive threat to its East Asian neighbours in the 1990s, and found that the market share losses were mainly in low-technology products. However, the threat from China also exists in high-technology product segments that rely on low-end functions.

The majority of the products which are EOI-based are mainly E&E goods. Most of these goods belong to high and semi-technology industries which are capital intensive. E&E industries are no longer regarded as being labour-intensive, even though the number of workers employed in the industries are high compared to other types of industries such as textiles and consumer non-durable goods. For the expansion of EOIs, ASEAN needs and depends on FDI. The electrical and electronics (E&E) goods and transport equipment contributed to a large share of the total exports of China. The share of the industries in total exports increased tremendously from 18.1 per cent in 1994 to 49 per cent in 2008. The E&E products comprised more than 35 per cent of total exports in 2008. This sector is regarded as a high-tech sector and some E&E industries have been selected as key industries by several national programmes to promote technological upgrading (Yao, 2008). The E&E sector is related to processing goods which are largely dominated by foreign firms (Zhao, 2007). The contribution of products under apparel and clothing, footwear and travel goods decreased from 41.3 per cent in 1994 to 24 per cent in 2008.

Other groups of products which seem to have contributed quite significantly to exports is basic manufactures. If we look at the classification of exports based on technological level, as shown in Table 1, exports of China before 2000 were largely related to low technology products. In 1992, the share of the total exports was 43.4 per cent but this declined drastically to 23.5 per cent in 2005. On the other hand, high technology products increased

Table 1 China: Exports by Technological Level

Classification	Exports (US$ million)		Export Share (%)		Growth Rate (%)
	1992	2005	1992	2005	1992-2005
High Tech	5,972	230,889	7.0	30.3	32
Med-high Tech	14,053	178,568	16.5	23.4	22
Med-low Tech	16,455	144,807	19.4	19.0	18
Low Tech	36,902	178,909	43.4	23.5	13
Non-manufacturing	11,558	28,827	13.6	3.8	7
Total	84,940	761,999	100	100	18

Source: Assche, Hong and Slootmaeker (2008).

dramatically from 7.0 per cent in 1992 to 30.3 per cent in 2005, surpassing the contribution of middle high technology and low technology products. The growth of exports of the group soared about 32 per cent from 1992 to 2005, followed by middle high technology (about 22 per cent) and middle low technology (about 18 per cent).

As mentioned earlier, there were similarities in the production of goods and exports in ASEAN and China. For instance, excluding Japan, ASEAN and China are major producers of electrical and electronic (E&E) products in East Asia; a high proportion of exports from both regions are from this sector. For example, the total production of E&E goods in China in 1996 was about US$35 billion; this figure increased to US$50 billion in 1999. Meanwhile, in South Korea, production of these goods in 1996 was about US$44 billion, but the value decreased slightly to US$43 billion in 1999. Singapore's total production of these goods also reflected Korea's statistics for both the years. In Malaysia, the total production of E&E goods was much less, with US$ 30 billion in 1996; this increased marginally in 1999 to US$34 billion (Atsuo, 2002). Finally, in Thailand, the total production of the sector was very much lower with US$14 billion and US$15 billion in 1996 and 1999, respectively (Atsuo, 2002). So, although in the case of Malaysia and Thailand the production of E&E goods had increased, the increment was lower than in the case of China, who is now one of the world's top producers of mobile phones (12.9 per cent of the world total); DVD players (38.8 per cent of the world total), VTRs (23.2 per cent of the world total), colour TVs (24.6 per cent of the world total), air-conditioners (38.7 per cent of the world total) and hard-disk drives (6.9 per cent of the world total) (Atsuo, 2002).

Table 2 East Asia and ASEAN: Direction of Exports (% of total)

	Asia		PR China		Japan		United States		European Union		Other	
	2000	2009	2000	2009	2000	2009	2000	2009	2000	2009	2000	2009
East Asia	**25.9**	**28.1**	**11.7**	**14.3**	**11.4**	**6.9**	**21.8**	**15.0**	**15.2**	**16.1**	**13.9**	**19.6**
PR China	32.9	33.5	–	–	16.3	8.0	20.4	18.0	16.1	19.3	14.3	21.2
H. Kong	10.2	10.6	34.1	51.0	5.5	4.4	23.0	11.5	15.5	12.4	11.8	10.1
Taiwan	38.2	34.9	2.9	26.6	11.2	7.1	23.6	11.6	15.2	10.4	8.8	9.4
S. Korea	23.8	21.7	10.2	22.6	11.3	5.7	20.9	9.9	13.7	12.2	20.2	28.0
ASEAN	**37.4**	**41.9**	**3.7**	**9.9**	**12.6**	**9.4**	**18.2**	**9.9**	**14.4**	**11.2**	**13.7**	**17.7**
Indonesia	33.1	460.6	4.2	9.4	22.1	15.3	13.0	8.9	13.7	11.2	13.7	14.5
Malaysia	40.3	41.6	2.9	11.8	12.3	9.6	19.5	10.7	13.3	10.6	11.7	15.8
Philippines	30.5	31.8	1.6	7.3	13.4	15.5	27.3	16.8	16.5	19.5	10.7	9.0
Singapore	44.1	52.1	3.8	9.6	7.3	4.3	16.7	6.4	13.5	9.4	14.7	18.0
Thailand	30.8	34.1	3.9	10.4	14.2	10.1	20.5	10.8	15.7	11.6	15.0	23.1

Source: Asian Development Bank (2011).

The trade destinations of China's goods have changed into a new pattern. (Trade destination is crucial when discussing the impact of China on ASEAN because the major trade destinations of both regions are similar). The main markets for Chinese goods are the US, EU, Japan and Asia (East Asia and ASEAN) (see Table 2). According to Greenaway, Mahabir and Milner (2008), China's exports to these countries quadrupled after 1990. China's exports to US decreased from 20.4 per cent in 2000 to 18 per cent in 2010 (Table 2). Although the percentage of exports dropped, the US market remains the single most important export destination for China's products. The share of exports to Japan and EU has decreased and has been offset by the increment in exports to East Asia and ASEAN. Hong Kong is the major destination of China's exports followed by Taiwan and Korea. In aggregate terms, ASEAN exports to China has more than doubled from 3.7 per cent of total exports in 2000 to 9.9 per cent in 2010.[3] Table 2 somehow shows that China and ASEAN have a similar trade destination. In other words it means that ASEAN and China are competing in similar markets. According to Kwan (2002), ASEAN countries have to compete more than China (and Japan) for the US market. Also the degree of competition for the US market has increased since the 1990s. ASEAN and other East Asian countries appear to have to put in more effort to compete with China for the international goods market.

3. ASEAN-China Trade Relations

Trade between China and ASEAN has grown at a rapid pace. From 1995 to 2010, trade between the two regions had grown more than 20 per cent on average. ASEAN's total trade to China has increased from 2.2 per cent in 1995 to 12.3 per cent in 2010 (Table 3). China has become one of the major trade partners not only to ASEAN as a group but also to individual members of ASEAN. For instance, China is the fourth largest trade partner for Malaysia and Singapore and the third for Thailand. Based on Table 3, it is anticipated that the ACFTA would make China the biggest market for ASEAN. However in trading ASEAN loses to China as bilateral trade favours China.

Tables 4 and 5 show 10 main commodities of exports and imports under ASEAN-China's trade relationship. The total exports of these commodities amounted to about US$16.7 billion or 78.6 per cent of the total exports of ASEAN-China in 2001 (Table 4). The amount rose to US$113.6 billion or 85.3 per cent of total trade in 2010. The main exports of ASEAN to China for the years 2001 through 2010 were HS85, HS84 and HS27. HS85 consists of electric machinery, equipment and parts; sound equipment and television equipment. The share of this commodity (HS85) was about 19.2 per cent of the total exports of ASEAN-China in 2001. It rose slightly to 32.5 per cent in 2006 before dipping to 25.9 per cent in 2010. HS84 comprises of nuclear

Table 3 ASEAN International Trade in the World and with China (US$ million)

	1995	2000	2005	2006	2007	2008	2009	2010
ASEAN - World								
Export	296.7	410.2	648.2	750.7	862.1	985.1	810.7	1046.9
Import	318.6	349.0	576.8	654.1	754.0	940.6	733.4	957.1
Total Trade	615.3	759.1	1,224.9	1,404.8	1,616.1	1623.7	1544.1	2004.0
ASEAN - China								
Export	6.2	14.2	52.3	65.0	77.9	88.7	82.7	113.6
Import	7.1	18.1	61.1	75.0	93.3	112.9	97.4	132.7
Total Trade	13.3	32.3	113.4	140.0	171.2	201.6	180.1	246.3
Share of China (%)								
Export	2.1	3.5	8.1	8.7	9.0	9.0	10.2	10.8
Import	2.2	5.2	10.6	11.5	12.4	12.0	13.3	13.9
Total Trade	2.2	4.3	9.3	10.0	10.6	12.4	11.7	12.3
Growth (%)								
Export	16.9	47.8	26.4	24.4	19.9	13.9	-6.6	37.4
Import	23.8	47.1	28.1	22.6	24.5	21.0	-13.7	36.2
Total Trade	20.5	47.4	27.3	23.4	22.3	17.8	-10.7	36.8

Source: COMTRADE.

Table 4 ASEAN Exports to China: Top Ten Commodities (%)

HS	2001	2005	2006	2007	2008	2009	2010
85	19.2	29.1	32.5	31.8	29.7	27.4	25.9
84	20.7	18.9	16.0	16.9	17.0	15.6	16.8
27	14.8	14.3	12.0	11.5	14.3	14.6	15.1
40	3.2	5.0	7.1	6.6	7.1	6.8	7.6
15	3.1	3.5	4.0	5.6	6.9	5.9	5.1
39	6.0	5.4	4.9	4.5	4.4	4.8	5.4
29	4.5	5.0	4.8	4.6	3.1	4.2	5.0
44	3.9	2.2	1.8	1.5	1.3	1.4	1.7
90	1.8	1.7	1.6	1.3	1.3	1.5	1.6
38	1.4	0.9	1.0	1.1	1.0	1.2	1.2
Total 10 Exports (%)	78.6	86.2	85.6	85.3	85.9	83.4	85.3
Total Exports to China (US$ million)	16,731	52,737	66,632	79,074	88,863	82,699	113,554

Note: HS90 = Optical, photo, technical, medical, etc apparatus; HS84 = Nuclear reactors, boilers, machinery; HS85 = Electrical, electronic equipment; HS44 = Wood and articles of wood, wood charcoal; HS40 = Rubber and articles thereof; HS39 = Plastics and articles thereof; HS38 = Miscellaneous chemical products; HS29 = Organic chemicals; HS27 = Mineral fuels, oils, distillation products, etc.; HS15 = Animal, vegetable fats and oils, cleavage products, etc.

Source: COMTRADE.

Table 5 ASEAN Imports from China: Top Ten Commodities (%)

HS	2001	2005	2006	2007	2008	2009	2010
85	27.0	31.3	33.0	30.3	28.9	29.7	21.8
84	20.9	22.9	22.0	21.5	22.5	23.8	27.3
27	6.2	6.7	4.6	4.3	3.2	5.8	5.4
73	1.9	2.3	2.5	2.9	3.6	3.4	3.1
72	1.5	5.6	5.7	7.7	7.1	2.5	3.9
29	1.7	1.4	1.4	1.7	1.9	2.0	2.1
39	1.6	1.6	1.8	1.9	2.0	2.0	2.3
90	1.7	1.9	1.9	1.8	1.9	1.9	1.9
87	3.0	1.1	1.1	1.3	1.6	1.6	1.9
28	2.4	1.5	1.4	1.4	1.8	1.4	1.3
Total 10 Imports (%)	67.9	76.5	75.5	74.9	74.7	74.1	71.0
Total Imports from China (US$ million)	19,969	61,393	76,815	96,105	112,949	97,362	132,735

Note: HS90 = Optical, photo, technical, medical, etc. apparatus; HS87 = Vehicles other than railway, tramway; HS84 = Nuclear reactors, boilers, machinery; HS83 = Electrical, electronic equipment; HS72 = Iron and steel; HS73 = Articles of iron or steel; HS39 = Plastics and articles thereof; HS29 = Organic chemicals; HS28 = Inorganic chemicals, precious metal compound; HS27 = Mineral fuels, oils, distillation products, etc.

Source: COMTRADE.

reactors, boilers, machinery and mechanical appliances, and parts thereof. The share of this commodity was about 20.7 per cent of ASEAN-China's total exports in 2001, but it dropped by about 4 per cent to 16.0 per cent in 2006. However in 2010 the exports increased marginally to 16.8 per cent. HS27 consists of mineral fuels, mineral oils & products of their distillation; bitumin substances and mineral wax. The share of this commodity dropped from about 14.8 per cent of ASEAN-China's total exports in 2001 to 11.5 per cent in 2007 before being recorded at 15.1 per cent in 2010. It is obvious that the rapid expansion of the Chinese economy had increased the demand for energy products. Other important products under ASEAN-China exports were HS39 (plastics), HS40 (rubber), HS29 (organic chemicals) and HS15 (vegetables, fruits and nuts).

The total imports of the 10 main commodities in 2001 were about US$20 billion or 67.9 per cent of the total imports of ASEAN-China. In 2005, the amount was US$61.4 billion or 76.5 per cent of the total imports, and in 2010 the amount increased to US$132.7 billion, which was about 71 per cent (Table 5). In terms of percentages, the imports fell from 76.5 per cent in 2005 to 71 per cent in 2010. The main imports of ASEAN from China in the period 2001-2010 were also from the same three categories as in exports, namely HS85, HS84 and HS27. HS72 became an additional category. HS85 comprised about 27 per cent of the total ASEAN-China imports in 2001. This figure rose to 33 per cent in 2006 before dipping to 21.8 per cent in 2010. HS84 made up about 20.9 per cent of the total imports in 2001. This increased slightly to 22.9 per cent in 2005 and fell again to 22.5 per cent in 2008 before it rose to 27.3 per cent in 2010. HS27's share of the commodity was about 6.2 per cent in 2001. This too dropped to 3.2 per cent in 2008 before it increased to 5.4 per cent in 2010. Finally, HS72, which is comprised of iron and steel, contributed to 5.6 per cent of the share of the total imports in 2005. The figure rose slightly to 5.7 per cent in 2006, and much higher to 7.7 per cent in 2007 but the imports fell to 3.9 per cent in 2010.

As shown above, major trade (exports and imports) between ASEAN and China were E&E products and machinery. Exports by ASEAN to China in the manufacturing industry, as depicted in Table 6, show that the exports of E&E accounted for about 22.8 per cent in 2001 but increase to 28.6 per cent in 2010. Exports of machinery, also in term of percentages, showed a decrease from 24.1 per cent in 2001 to 18.7 per cent in 2010. Other major exports were mineral products, plastics, rubbers, chemicals & allied industries and vegetable products. Major imports of ASEAN from China are comprised of E&E products as well as machinery (Table 7). Imports of the former in 2001 were about 31.8 per cent but increased marginally to 32.3 per cent in 2010. Imports of the latter (machinery) comprised 22.8 per cent of total import in 2001 and increased marginally to 24.7 per cent in 2010. Other

Table 6 ASEAN Exports to the World and China (%)

Manufacturing Industry	Exports to World			Exports to China		
	2001	2005	2010	2001	2005	2010
Food	4.45	4.78	7.45	5.47	4.96	7.38
Beverages	0.20	0.22	0.35	0.12	0.20	0.23
Tobacco products	0.37	0.21	0.22	0.16	0.01	0.02
Textiles	1.91	1.47	1.18	2.10	1.18	0.80
Wearing apparel except fur apparel	4.85	3.04	2.15	0.17	0.17	0.22
Footwear, leather, luggage, and related products	0.54	0.26	0.21	0.33	0.15	0.11
Wood, cork, straw and plaiting materials	2.35	1.70	1.35	5.85	2.77	1.90
Paper and paper products	1.03	0.77	0.88	1.96	0.64	0.30
Printing and service activities related to printing	0.25	0.22	0.41	0.04	0.03	0.08
Petroleum products	9.99	13.20	16.26	11.81	11.98	14.88
Basic chemicals and other products	3.36	4.70	4.56	6.73	6.55	6.55
Medical and pharmaceutical products	0.21	0.48	0.69	0.24	0.12	0.03
Rubber products	1.75	2.47	3.75	3.37	4.42	8.08
Plastic products	2.48	3.17	3.29	6.96	6.06	6.10
Glass products and non-metallic mineral products	1.99	2.07	3.20	0.69	0.51	0.34
Basic iron and steel	1.24	1.80	1.90	1.30	1.54	0.74
Non-ferrous metals	1.28	1.67	2.03	1.97	1.71	1.46
Metal products	0.34	0.39	0.44	0.33	0.30	0.41
General purpose machinery	21.54	18.26	14.92	24.11	21.05	18.66
Electrical and electronics	33.38	31.73	26.45	22.84	32.44	28.62
Scientific equipment	2.56	2.40	2.65	2.29	2.04	1.80
Transport equipment	2.11	3.52	4.56	0.97	0.99	1.13
Furniture	1.27	1.04	0.74	0.16	0.11	0.10
Other industries	0.54	0.40	0.37	0.07	0.07	0.06
Total (US$ billion)	341.84	577.58	895.73	14.28	47.20	98.86

Table 7 ASEAN Imports from the World and China (%)

Manufacturing Industry	Imports from World			Imports from China		
	2001	2005	2010	2001	2005	2010
Food	3.04	2.69	3.77	3.44	1.37	1.59
Beverages	0.24	0.27	0.34	0.08	0.04	0.08
Tobacco products	0.43	0.22	0.20	0.88	0.37	0.31
Textiles	2.23	1.23	1.27	4.49	2.37	2.78
Wearing apparel except fur apparel	1.25	0.90	0.85	4.27	2.71	2.68
Footwear, leather, luggage, and related products	0.40	0.28	0.31	0.75	0.47	0.61
Wood, cork, straw and plaiting materials	0.79	0.63	0.58	0.37	0.36	0.43
Paper and paper products	0.98	0.81	0.80	0.59	0.55	0.82
Printing and service activities related to printing	0.20	0.16	0.16	0.06	0.07	0.07
Petroleum products	11.57	17.30	20.47	5.80	5.93	5.21
Basic chemicals and other products	5.33	5.18	5.31	6.14	4.38	5.85
Medical and pharmaceutical products	0.51	0.56	0.69	0.22	0.12	0.18
Rubber products	0.73	0.71	1.03	0.65	0.49	0.67
Plastic products	2.84	2.68	3.04	1.74	1.63	2.49
Glass products and non-metallic mineral products	2.22	2.53	3.46	1.54	1.66	2.06
Basic iron and steel	3.99	5.48	5.25	3.18	7.35	6.53
Non-ferrous metals	2.05	2.19	2.62	3.55	1.89	2.17
Metal products	0.64	0.62	0.67	0.95	0.76	1.08
General purpose machinery	18.27	16.31	14.80	22.84	25.42	24.71
Electrical and electronics	33.04	30.75	24.94	31.88	36.27	32.33
Scientific equipment	3.02	3.02	2.97	2.70	2.47	2.44
Transport equipment	4.61	4.17	4.28	1.60	1.59	2.78
Furniture	1.23	1.00	1.88	0.69	0.68	0.99
Other industries	0.41	0.30	0.31	1.59	1.05	1.18
Total (US$ billion)	303.04	519.09	813.99	16.71	51.89	99.47

important imports were chemical products. However, its import decreased from 6.1 per cent in 2001 to 5.9 per cent in 2010. Other important industries that contribute to ASEAN imports from China are the manufacture of basic iron and steel, manufacture of basic chemicals and other products, and manufacture of petroleum products. The structure of exports and imports shows that E&E products and machinery dominate the intra-trade between ASEAN-China.

Another way of looking at the structure of trade is by looking at exports and imports of products according to industrial products classification, i.e., whether the products are labour intensive or capital intensive as shown in Table 8 and Table 9. By industrial product classification, ASEAN exports are concentrated in labour-intensive intermediate products (LIIP), non-durable consumer products (NDCP), durable consumer products (DCP) and labour intensive products (LIP). The structure of ASEAN's imports from China by this classification shows a similar pattern. As shown in Table 8, the major exports of ASEAN-China under the industrial product classification are NDCP, DCP, LIIP and LIP. Exports of products of non-durable consumer classification in 2001 was 29 per cent of the total exports to China and the ratio increased slightly to 30.6 per cent in 2010. For durable consumer products (DCP), the exports had increased marginally from 21.07 per cent in 2001 to 21.8 per cent in 2005 before it declined to 20.08 per cent in 2010 The labour-intensive intermediate products (LIIP) had also increased marginally from 20.07 per cent to 21.45 per cent in 2001 and 2005, respectively but later dropped to 20.85 per cent in 2010. The structure of imports of ASEAN-China based on the industrial product classification seems to be similar with the exports (Table 9). Imports of products of non-durable consumer in 2001 was 25.6 per cent of the total imports from China and the ratio increased to 26.1 per cent in 2005 but dropped a bit to 26.06 per cent in 2010. For durable consumer products, the exports had increased marginally from 21.5 per cent in 2001 to 22.2 per cent in 2005 however the imports dropped to 21.7 per cent in 2010. The labour-intensive intermediate products had also increased marginally from 20.07 per cent to 21.08 per cent in 2001 and 2005 respectively but in 2010 the imports decreased to 20.32 per cent.

Table 10 shows to what extent ASEAN may face tough competition from China in the international commodity market. The table indicates that ASEAN may face high competition with China in LIIP, NDCP, DCP and LIP industrial product groups. China's exports of NDCP to the world have increased from 20.7 per cent in 2001 to 23.7 per cent in 2010. While in the case of DCP groups, the exports have increased from 17.9 per cent in 2001 to 20.3 per cent in 2010. China's exports of products of LIIP groups in 2001 were about 14.7 per cent and the exports increased to 18 per cent in 2010. The pattern of

Table 8 ASEAN-5: Exports to the World and China (%)

Industrial Product Classification	World			China		
	2001	2005	2010	2001	2005	2010
Labour Intensive Products	17.86	17.31	16.65	13.81	15.17	14.08
Capital/Technology-Intensive Products	3.18	2.92	3.44	3.70	2.22	1.81
Non-durable Consumer Products	25.75	26.79	27.08	29.02	29.24	30.61
Durable Consumer Products	22.41	21.44	20.24	21.07	21.80	21.08
Capital Goods	4.67	4.35	5.09	2.56	1.70	1.29
Labour-intensive Intermediate Products	21.01	20.56	19.13	20.07	21.45	20.85
Capital-intensive Intermediate Products	5.12	6.64	8.37	9.78	8.42	10.28

Table 9 ASEAN-5: Imports from the World and China (%)

Industrial Product Classification	World			China		
	2001	2005	2010	2001	2005	2010
Labour Intensive Products	16.93	16.99	16.43	16.78	17.03	16.51
Capital/Technology-Intensive Products	3.37	3.20	3.94	4.31	3.16	4.00
Non-durable Consumer Products	26.83	26.85	26.83	25.60	26.10	26.06
Durable Consumer Products	20.93	20.50	19.55	21.52	22.18	21.67
Capital Goods	4.64	4.80	5.50	5.26	4.50	4.54
Labour-intensive Intermediate Products	20.38	20.00	18.77	20.07	21.08	20.32
Capital-intensive Intermediate Products	6.92	7.67	8.98	6.45	5.96	6.91

Table 10 China: Exports to and Imports from the World (%)

Industrial Product Classification	Exports			Imports		
	2001	2005	2010	2001	2005	2010
Labour Intensive Product	21.68	19.40	19.15	16.58	15.96	15.71
Capital/Technology-Intensive Products	6.50	5.38	4.84	5.23	3.78	4.01
Non-durable Consumer Products	20.66	22.70	23.66	26.59	27.42	27.43
Durable Consumer Products	17.92	20.00	20.26	18.45	20.16	19.97
Capital Goods	12.63	9.40	8.46	5.86	4.22	3.92
Labour-intensive Intermediate Products	14.72	17.61	18.02	17.77	19.83	20.27
Capital-intensive Intermediate Products	5.89	5.51	5.62	9.52	8.64	8.70

China's imports from the world was almost the same as the country's exports to the world. China's major imports were from NDCP, DCP, LIIP and LIP industrial product groups (Table 10).

Based on the above descriptions there are three arguments regarding ASEAN-China trade matters. Firstly, since the structure of trade for ASEAN and China is similar, China and ASEAN are competing in the same category of goods. Although China's rapid economic growth and expansion is welcomed by most members of ASEAN, the growing Chinese economy (power) has produced a negative impact on ASEAN. China produces most of the manufactured goods that are exported by members of ASEAN, from electronics, furniture, automobiles and motorcycles to fruits and vegetables (Shen, 2003). In Thailand, farmers are despairing as they cannot sell their own produce anymore because of the low-priced Chinese vegetables that invade the markets in rural towns and cities in the country. Malaysian and Indonesian workers are also complaining about jobs being lost to Chinese workers due to closures of enterprises that are losing orders to China. Increased Chinese textile exports since 2005 to Cambodia and Vietnam have started to displace local producers in the two countries. The strong interest by the ASEAN elite (politicians) to deepen economic ties with China is not shared by farmers and small businesses that fear the competitive advantage of China in churning out low-priced goods.

Secondly, China has been trading with ASEAN for more than three decades; however, since 1995 the trade between these regions has grown by leaps and bounds. China's imports from ASEAN have increased significantly and ASEAN has become one of the major sources of imports to China (Table 3). ASEAN has also benefited by expanding exports of agricultural and agro-processing goods to China (Greenaway, Mahabir and Milner, 2008). China has increasingly been a central player in production networks, including electronics and machinery, and has sourced its supply of capital goods and components from these countries. Although China provides benefits to ASEAN, the loss of trade suffered by ASEAN due to diversion is not fully compensated (Greenaway, Mahabir and Milner, 2008).

Finally, we can state that the structure of ASEAN and China's exports and imports are basically similar. Both concentrate in similar groups of products. ASEAN and China have intra-trade in the sector of electrical and electronics products as well as machinery and petroleum products. Based on the industrial product classification it seems that both countries have intra-trade in groups of products under non-durable consumer products, durable consumer products, labour-intensive intermediate products and labour-intensive products. Most of them are electricals and electronics (hereafter E&E) and belong to those groups.

4. ASEAN-China Trade Performance Indices

This section will provide an analysis of the impact of ACFTA on ASEAN's manufacturing industries. However, in order to facilitate a better understanding, this paper purposely simplified the analysis by only taking into account five major members of ASEAN, namely, Indonesia, Malaysia, the Philippines, Singapore and Thailand (hereafter called the ASEAN-5). The method used to analyze the impact of ACFTA on ASEAN is by utilizing two measurements of trade specialization indices which are intra-industry trade (IIT) index and revealed comparative advantage (RCA)3.

4.1. ASEAN-World Intra-Industry Trade (IIT) Index

ASEAN-World IIT index based on manufacturing industries reflect what has been mentioned above (Table 11). The industries that show high values of IIT are the manufacture of beverages; manufacture of tobacco products; manufacture of textiles; manufacture of footwear, leather, luggage, and related products; manufacture of paper and paper products; printing and service activities related to printing; manufacture of petroleum products; manufacture of basic chemicals and other products; manufacture of plastic products; manufacture of glass products and non-metallic mineral products; manufacture of non-ferrous metals; manufacture of general purpose machinery; manufacture of electrical and electronics; and manufacture of scientific equipment. As expected by this study, calculations of IIT are high and close to unity for electrical and electronics (E&E) and scientific equipment. The petroleum and chemical industries have recorded high values of IIT. Contribution of petroleum and chemical are high in Indonesia and Malaysia and this is the main reason as to why the values of IIT are high for those industries. Also as expected, IIT values for textiles and clothing are low. The IIT value for textiles is also decreasing. The ASEAN IIT by industrial product classification is given in Table 12. In general, all calculated IIT index of industrial products are close to unity. However, there are a few groups of industrial products in which the IIT indices have slided very marginally from 2001 to 2010 such as capital/technology intensive products and NDCP. Durable consumer products and labour-intensive intermediate products are the two industrial products which have recorded very high values of IIT. This reflects the fact that most of the goods which ASEAN exports to the world economy consists of durable consumer and intermediate products. In the case of E&E which is included in these categories there is basically intra-firm trade and the main contributors of E&E growth in the region are multinational firms or investments. In general, E&E products contain high components or parts. So it may be true that the trade between ASEAN and the world in the E&E sector are either in the form of components or final products.

Table 11 ASEAN-World Intra-Industry Trade Index by Manufacturing Industry

Manufacturing Industry	2001	2005	2007	2008	2009	2010
Food	0.754	0.672	0.625	0.611	0.625	0.630
Beverages	0.966	0.961	0.973	0.974	0.933	0.936
Tobacco products	0.982	0.977	0.925	0.972	0.924	0.916
Textiles	0.983	0.857	0.846	0.991	0.944	0.989
Wearing apparel except fur apparel	0.372	0.421	0.477	0.517	0.496	0.528
Footwear, leather, luggage, and related products	0.794	0.994	1.000	0.915	0.912	0.845
Wood, cork, straw and plaiting materials	0.457	0.500	0.504	0.557	0.508	0.565
Paper and paper products	0.911	0.969	0.891	0.915	0.882	0.905
Printing and service activities related to printing	0.840	0.799	0.685	0.645	0.588	0.525
Petroleum products	0.987	0.918	0.916	0.900	0.935	0.933
Basic chemicals and other products	0.831	0.995	0.998	0.872	0.985	0.973
Medical and pharmaceutical products	0.639	0.980	0.793	0.962	0.971	0.956
Rubber products	0.541	0.410	0.375	0.397	0.445	0.400
Plastic products	0.993	0.862	0.854	0.900	0.887	0.913
Glass products & non-metallic mineral products	0.993	0.953	0.956	0.961	0.899	0.990
Basic iron and steel	0.519	0.536	0.636	0.562	0.647	0.569
Non-ferrous metals	0.828	0.918	0.983	0.920	0.914	0.922
Metal products	0.757	0.822	0.862	0.882	0.867	0.833
General purpose machinery	0.858	0.890	0.879	0.934	0.936	0.948
Electrical and electronics	0.935	0.931	0.928	0.945	0.919	0.923
Scientific equipment	0.978	0.939	0.961	0.939	0.998	0.991
Transport equipment	0.682	0.968	0.976	0.992	0.978	0.921
Furniture	0.926	0.928	0.991	0.716	0.654	0.604
Other industries	0.800	0.808	0.846	0.880	0.903	0.867
Total trade	0.864	0.876	0.872	0.870	0.878	0.878

Table 12 ASEAN-World IIT Index by Industrial Product Classification

Classification	2001	2005	2007	2008	2009	2010
Labour Intensive	0.929	0.949	0.936	0.984	0.936	0.961
Capital/Technology-Intensive	0.984	0.996	0.969	0.938	0.986	0.965
Non-durable Consumer	0.976	0.960	0.941	0.990	0.959	0.962
Durable Consumer	0.922	0.936	0.924	0.963	0.938	0.950
Capital Goods	0.952	0.993	0.964	0.960	0.956	0.993
Labour-intensive Intermediate	0.941	0.945	0.930	0.966	0.948	0.958
Capital-intensive Intermediate	0.894	0.969	0.984	0.941	0.992	0.998
Total	0.943	0.953	0.940	0.971	0.952	0.964

4.2. China-World Intra-Industry Trade (IIT) Index

The IIT values by manufacturing industries in China show quite interesting results with some contradictions to the above two classifications. Industries that recorded high values, i.e., near to unity are the manufacture of electrical and electronics, scientific equipment, machinery, non-ferrous metal, basic chemical and printing (Table 13). China's IIT in the world economy for the clothing/apparel industry shows a very low value which means that competitiveness of the sector in the international textile and clothing markets has decreased. Table 14 shows China's IIT by industrial product classification. The table shows that on average IIT values for all categories of the product are close to unity. Capital-intensive intermediate products and capital intensity products display very high values of IIT.

In the case of IIT of ASEAN-5, it has recorded high values mostly in the manufacturing sectors and also by industrial product classification. This means that ASEAN depends more on the external market for trade, growth and employment than China. However, in the case of China only a few industries exhibit high values of IIT such as E&E, machinery, chemicals and printing. By industrial product classification most of the cluster offer IIT values close to unity. This goes against our expectation and it is quite difficult to interpret the results.

Table 13 China-World Intra-Industry Trade Index by Manufacturing Industry

Manufacturing Industry	2001	2005	2007	2008	2009	2010
Food	0.849	0.465	0.408	0.312	0.322	0.356
Beverages	0.912	0.384	0.430	0.431	0.400	0.502
Tobacco products	0.266	0.058	0.050	0.124	0.157	0.134
Textiles	0.572	0.624	0.535	0.383	0.454	0.445
Wearing apparel except fur apparel	0.064	0.111	0.121	0.159	0.156	0.153
Footwear, leather, luggage, and related products	0.540	0.446	0.632	0.515	0.377	0.312
Wood, cork, straw and plaiting materials	0.138	0.250	0.371	0.357	0.370	0.369
Paper and paper products	0.521	0.971	0.748	0.689	0.606	0.533
Printing and service activities related to printing	0.716	0.566	0.772	0.862	0.705	0.959
Petroleum products	0.730	0.705	0.585	0.371	0.537	0.521
Basic chemicals and other products	0.967	0.847	0.953	0.752	0.994	0.947
Medical and pharmaceutical products	0.952	0.973	0.664	0.185	0.223	0.259
Rubber products	0.367	0.219	0.178	0.166	0.160	0.153
Plastic products	0.452	0.457	0.600	0.659	0.572	0.581
Glass products & non-metallic mineral products	0.551	0.434	0.389	0.290	0.259	0.283
Basic iron and steel	0.518	0.320	0.175	0.164	0.268	0.203
Non-ferrous metals	0.644	0.903	0.893	0.798	0.804	0.804
Metal products	0.453	0.528	0.525	0.501	0.587	0.546
General purpose machinery	0.949	0.859	0.836	0.804	0.784	0.857
Electrical and electronics	0.760	0.897	0.959	0.933	0.937	0.936
Scientific equipment	0.842	0.858	0.757	0.698	0.817	0.848
Transport equipment	0.685	0.726	0.837	0.689	0.817	0.574
Furniture	0.325	0.251	0.242	0.183	0.166	0.175
Other industries	0.069	0.113	0.110	0.090	0.099	0.098
Total trade	0.731	0.749	0.747	0.677	0.716	0.711

Table 14 China-World IIT Index by Industrial Product Classification

Classification	2001	2005	2007	2008	2009	2010
Labour Intensive	0.823	0.787	0.709	0.669	0.729	0.737
Capital/Technology-Intensive	0.848	0.713	0.695	0.648	0.710	0.741
Non-durable Consumer	0.919	0.976	0.890	0.844	0.904	0.904
Durable Consumer	0.969	0.886	0.825	0.784	0.810	0.824
Capital Goods	0.596	0.522	0.418	0.404	0.483	0.495
Labour-intensive Intermediate	0.951	0.941	0.872	0.833	0.871	0.889
Capital-intensive Intermediate	0.807	0.894	0.976	0.912	0.915	0.952
Total	0.872	0.867	0.806	0.764	0.812	0.825

4.3 ASEAN-China Intra-Industry Trade (IIT) Index

The figures in Table 15 and Table 16 are consistent with the IIT index calculated by manufacturing industries for ASEAN and China against the world as depicted in Tables 11 and 13. The manufacture of general purpose machinery, electrical and electronics, scientific equipment, transport equipment, non-ferrous metal, basic chemicals and manufacture of paper and paper products recorded IIT index close to unity. ASEAN concentrates in these industries as well as China. The ASEAN-China IIT index by industrial product classification, the cluster of industrial products of LIP, LIIP, NDCP and capital-intensive products (CIP) recorded high values of IIT. The E&E industries are labour intensive. Beverages, tobacco, textile and clothing, as well as paper are non-durable consumer products. This study had expected that there would be a high IIT index produced under capital goods. However the values recorded are below 0.500.

4.4. ASEAN-China Revealed Comparative Advantage (RCA) Index

Another index that could describe specialization in international trade is the revealed comparative advantage (RCA) index. Since the IIT index may not show if a country will gain competitive advantage in trading, this study employs or utilizes an alternative index to display competition in trading between ASEAN and China.

Table 15 ASEAN-China Intra-Industry Trade by Manufacturing Industry

Manufacturing Industry	2001	2005	2007	2008	2009	2010
Food	0.849	0.465	0.408	0.312	0.322	0.356
Beverages	0.912	0.384	0.430	0.431	0.400	0.502
Tobacco products	0.266	0.058	0.050	0.124	0.157	0.134
Textiles	0.572	0.624	0.535	0.383	0.454	0.445
Wearing apparel except fur apparel	0.064	0.111	0.121	0.159	0.156	0.153
Footwear, leather, luggage, and related products	0.540	0.446	0.632	0.515	0.377	0.312
Wood, cork, straw and plaiting materials	0.138	0.250	0.371	0.357	0.370	0.369
Paper and paper products	0.521	0.971	0.748	0.689	0.606	0.533
Printing and service activities related to printing	0.716	0.566	0.772	0.862	0.705	0.959
Petroleum products	0.730	0.705	0.585	0.371	0.537	0.521
Basic chemicals and other products	0.967	0.847	0.953	0.752	0.994	0.947
Medical and pharmaceutical products	0.952	0.973	0.664	0.185	0.223	0.259
Rubber products	0.367	0.219	0.178	0.166	0.160	0.153
Plastic products	0.452	0.457	0.600	0.659	0.572	0.581
Glass products & non-metallic mineral products	0.551	0.434	0.389	0.290	0.259	0.283
Basic iron and steel	0.518	0.320	0.175	0.164	0.268	0.203
Non-ferrous metals	0.644	0.903	0.893	0.798	0.804	0.804
Metal products	0.453	0.528	0.525	0.501	0.587	0.546
General purpose machinery	0.949	0.859	0.836	0.804	0.784	0.857
Electrical and electronics	0.760	0.897	0.959	0.933	0.937	0.936
Scientific equipment	0.842	0.858	0.757	0.698	0.817	0.848
Transport equipment	0.685	0.726	0.837	0.689	0.817	0.574
Furniture	0.325	0.251	0.242	0.183	0.166	0.175
Other industries	0.069	0.113	0.110	0.090	0.099	0.098
Total trade	0.731	0.749	0.747	0.677	0.716	0.711

Table 16 ASEAN-China IIT by Industrial Product Classification

Classification	2001	2005	2007	2008	2009	2010
Labour Intensive	0.739	0.802	0.813	0.754	0.810	0.779
Capital/Technology-Intensive	0.759	0.692	0.622	0.454	0.554	0.506
Non-durable Consumer	0.894	0.914	0.910	0.852	0.916	0.936
Durable Consumer	0.822	0.850	0.865	0.817	0.826	0.842
Capital Goods	0.515	0.441	0.332	0.307	0.402	0.351
Labour-intensive Intermediate	0.832	0.867	0.887	0.839	0.851	0.869
Capital-intensive Intermediate	0.962	0.970	0.934	0.823	0.947	0.947
Total	0.826	0.854	0.854	0.793	0.843	0.847

Based on the manufacturing classification as exhibited in Table 17, ASEAN has the competitive advantage in the manufacture of food, manufacture of products of wood, cork, straw and plaiting materials, manufacture of rubber products, manufacture of general purpose machinery and manufacture of electrical and electronics. Manufacturing firms of E&E recorded a high value of RCA compared to other industries. It seems that members of ASEAN, especially ASEAN-5, specialize and depend on the E&E industry. By industrial product classification, as depicted in Table 18, ASEAN has a high value of RCA index in durable consumer products which include E&E products. In the world economy, ASEAN gains a competitive advantage in durable consumer products. The value for the cluster ranges from 0.556 to 1.326. Other clusters which recorded RCA index above unity are LIIP and NDCP. For other industrial products group, the IIT values of the groups calculated were below 0.5 on average. This means that those products seem to be less competitive in the world economy.

In the case of China, its competitive advantage position in the world economy is given in Table 19 and Table 20. China's RCA index by manufacturing industries as shown in Table 19 indicates that the country gains a competitive advantage in the manufacture of textiles, wearing apparel except fur apparel; footwear, leather, luggage, and related products; metal products; electrical and electronics as well as manufacture of furniture. Based on industrial product classification, high values of RCA are recorded in the

Table 17 ASEAN RCA Index by Manufacturing Industry

Manufacturing Industry	2001	2005	2007	2008	2009	2010
Food	1.238	1.438	1.679	1.907	1.713	1.771
Beverages	0.300	0.361	0.450	0.495	0.509	0.546
Tobacco products	0.979	0.790	0.798	0.812	0.816	0.852
Textiles	0.756	0.754	0.736	0.731	0.767	0.752
Wearing apparel except fur apparel	0.992	0.729	0.652	0.636	0.578	0.555
Footwear, leather, luggage, and related products	0.581	0.351	0.384	0.389	0.367	0.341
Wood, cork, straw and plaiting materials	1.537	1.238	1.198	1.263	1.241	1.156
Paper and paper products	0.580	0.540	0.647	0.695	0.703	0.697
Printing and service activities related to printing	0.538	0.575	0.830	1.035	1.080	1.312
Petroleum products	0.940	0.902	0.909	0.934	0.981	0.996
Basic chemicals and other products	0.619	0.850	0.829	0.734	0.802	0.789
Medical and pharmaceutical products	0.103	0.186	0.298	0.213	0.209	0.206
Rubber products	1.793	2.344	2.762	3.021	2.643	2.993
Plastic products	0.737	0.894	0.895	0.928	0.888	0.934
Glass products & non-metallic mineral products	0.620	0.656	0.662	0.743	0.870	0.880
Basic iron and steel	0.343	0.378	0.453	0.432	0.501	0.409
Non-ferrous metals	0.619	0.739	0.827	0.862	0.817	0.758
Metal products	0.350	0.418	0.458	0.546	0.531	0.498
General purpose machinery	1.356	1.253	1.233	1.213	1.212	1.131
Electrical and electronics	2.114	2.138	2.030	1.937	1.830	1.909
Scientific equipment	0.666	0.646	0.690	0.695	0.685	0.706
Transport equipment	0.163	0.294	0.338	0.404	0.426	0.406
Furniture	0.922	0.800	0.694	0.677	0.640	0.586
Other industries	0.531	0.474	0.452	0.433	0.403	0.484
Average	0.807	0.823	0.871	0.906	0.884	0.903

Table 18 ASEAN RCA Index by Industrial Product Classification

Classification	2001	2005	2007	2008	2009	2010
Labour Intensive	1.040	0.619	0.458	0.417	0.538	0.457
Capital/Technology-Intensive	0.692	0.393	0.312	0.300	0.411	0.332
Non-durable Consumer	0.997	0.622	0.470	0.427	0.537	0.459
Durable Consumer	1.326	0.789	0.581	0.524	0.651	0.556
Capital Goods	0.487	0.281	0.225	0.226	0.304	0.257
Labour-intensive Intermediate	1.211	0.730	0.542	0.495	0.625	0.525
Capital-intensive Intermediate	0.598	0.425	0.347	0.319	0.409	0.358

cluster of durable consumer products (Table 20). The index ranges from 0.503 to 1.06. Other clusters which have recorded high values of RCA index are labour-intensive products and capital/technology intensive products.

The evaluation of RCA for ASEAN and China in the world economy suggests that ASEAN will face competition from China in the sectors of E&E, food, as well as textiles and clothing. Based on the industrial products cluster, ASEAN may face tough competition from China under durable consumer products. This to some extent confirms studies done by Sanjay Lall, *et al*. (2004) and Greenaway, *et al*. (2008) .

5. Conclusion and Policy Implications

The free trade agreement between ASEAN and China (ACFTA) which was inked in November 2002 has been said to be a bold move in integrating ASEAN's and China's economies. The ACFTA has since then been believed to be a momentum for further integration in the region, being assumed to be the initial stage for the ASEAN+3 FTA, i.e., an FTA between ASEAN and China, Korea and Japan.

Although the ACFTA was hailed by many groups at the international level, including ASEAN and China, the agreement has caused some uneasiness among members of ASEAN. The concern over China's rapid economic development and the strength of its economic muscles even before the FTA agreement has raised great concern among members of ASEAN due to the impact on their future economic growth. Since China's economy

Table 19 China RCA Index by Manufacturing Industry

Manufacturing Industry	2001	2005	2007	2008	2009	2010
Food	0.775	0.543	0.470	0.381	0.344	0.333
Beverages	0.342	0.156	0.109	0.100	0.102	0.100
Tobacco products	0.402	0.276	0.228	0.230	0.248	0.261
Textiles	1.914	1.916	1.886	2.084	2.062	2.075
Wearing apparel except fur apparel	3.981	3.316	3.377	3.386	3.210	3.245
Footwear, leather, luggage, and related products	3.535	2.879	2.135	2.237	2.313	2.465
Wood, cork, straw and plaiting materials	0.745	0.748	0.740	0.739	0.715	0.631
Paper and paper products	0.326	0.370	0.457	0.457	0.480	0.495
Printing and service activities related to printing	0.421	0.409	0.485	0.546	0.543	0.558
Petroleum products	0.310	0.162	0.114	0.118	0.111	0.106
Basic chemicals and other products	0.745	0.628	0.656	0.746	0.660	0.672
Medical and pharmaceutical products	0.139	0.071	0.064	0.076	0.079	0.088
Rubber products	0.652	0.703	0.774	0.777	0.830	0.773
Plastic products	0.780	0.675	0.636	0.655	0.630	0.641
Glass products & non-metallic mineral products	0.804	0.760	0.666	0.652	0.620	0.710
Basic iron and steel	0.895	0.967	1.203	1.296	0.912	0.954
Non-ferrous metals	0.624	0.630	0.550	0.597	0.536	0.515
Metal products	1.805	1.806	1.735	1.714	1.574	1.590
General purpose machinery	0.827	1.385	1.367	1.452	1.513	1.526
Electrical and electronics	1.283	1.575	1.763	1.864	1.802	1.829
Scientific equipment	0.862	1.030	1.004	1.040	0.958	0.980
Transport equipment	0.283	0.320	0.388	0.456	0.473	0.515
Furniture	2.151	2.326	2.371	2.543	2.582	2.605
Other industries	4.143	3.661	3.294	3.437	3.067	3.243
Average	1.198	1.138	1.103	1.149	1.098	1.121

Table 20 China RCA Index by Industrial Product Classification

Classification	2001	2005	2007	2008	2009	2010
Labour Intensive	1.263	0.694	0.531	0.482	0.625	0.525
Capital/Technology-Intensive	1.413	0.726	0.476	0.435	0.547	0.467
Non-durable Consumer	0.800	0.528	0.402	0.371	0.466	0.401
Durable Consumer	1.060	0.736	0.550	0.503	0.651	0.556
Capital Goods	1.316	0.608	0.448	0.400	0.509	0.427
Labour-intensive Intermediate	0.849	0.625	0.480	0.444	0.590	0.494
Capital-intensive Intermediate	0.688	0.352	0.271	0.254	0.268	0.240

has grown at a rapid pace, the country has been labelled as a new economic dragon in the world economy; this is actually scary news for ASEAN.

The huge market, ample low cost labour including other types of cost of productions, a reliable stock of human capital and attractive investment incentives and benefits offered by the Chinese government has attracted a huge pool of investments from foreign firms to major industrial zones across China. The threat is even greater since most of the products produced and exported by China are also produced and exported by ASEAN. This has resulted in a huge competition since the two regions' production and exportable goods, namely E&E products as well as textile and clothing, are substitutes and complementary goods. Therefore, both regions have to compete with each other in the world market in general, and in East Asia specifically. Then the question arises as to what the rationale is for ASEAN signing an FTA agreement with China if the country may cause economic 'damage' to them (ASEAN). Thus the purpose of this paper is to investigate whether ASEAN would stand to suffer losses by being part of ACFTA.

China's economy has grown rapidly since the 1990s. The main reasons for the very impressive economic progress were its open-economic policy which has been implemented since 1978 which implanted the economic liberalization policies, the role of FDI inflow in the development of manufacturing industries in labour-intensive and high-technology industries, and the devaluation of the Yuan against the US dollar. The involvement of foreign enterprises in China's industrialization has developed key economic progress, largely in the E&E industries. Foreign firms have been involved in (re)structuring industrial activities, mainly by focusing on the E&E sector in China. More than 55 per cent of the export growth is related to the activities of foreign firms. One of the major contributions of foreign firms to China's economic development is that the country has been proclaimed as the world's centre for producing various types of E&E appliances and devices.

ASEAN's main manufacturing sectors are E&E as well as the textile and clothing industries. A considerable amount of economic resources in ASEAN have been devoted to the former, particularly in the case of Malaysia and Singapore. Since China has also concentrated in the same manufacturing sectors, there has been an overlap in industrial sectors. It appears that since the 1980s, China has been producing and exporting whatever ASEAN has produced and exported. In a nutshell, the structure of production and exports in the E&E sector seems to be similar between ASEAN and China. This has actually caused stiff competition between the two regions in the international commodity market and in terms of foreign capital.

Some have argued that the rapid economic development of China, particularly in manufacturing activities, has benefitted ASEAN rather than providing tough competition. According to the ADB's Annual Report (2007), trade between ASEAN and China in the E&E sector has been in the form of network production, in which members of ASEAN produce intermediate products and China acts as a base for assembling the final product of the sector. The network of production-trade incidences only exist in a group of countries or in a region where there is a similar structure of production and exports. The main agents of such activities or linkages between production and trade are foreign firms. Relationships between production and trade that are contributed largely by foreign capital are famously known as the "flying geese model". Since China appeared on the world economic radar in the early 1980s, the country has become the main location of foreign or multinational (MNC) firms. ASEAN, because of certain circumstances, such as cost of production and political stability or governance, is no longer a potential location of MNC firms.

Trade between ASEAN and China has increased since 1995; however, the trade has favoured China rather than ASEAN. Based on the exports and imports structures between the two regions, it can be seen that both regions trade mostly in the same categories of products. Based on the HS 2 digit classification, the main items in the ASEAN-China trade are HS85 and HS84. Although there is a network type of trading between the nations, as mentioned earlier, the question now is who gains in that type of trade.

Based on the trade performance indices, namely, the IIT and RCA indices, it can generally be assumed that China may gain or receive the most benefits from the ACFTA deal. The main reason as indicated by all the trade performance indices, is that most of the goods produced and exported by ASEAN are mainly manufactured goods that are similar to China's production and export of manufactured goods. Based on the trend of trade performance indices, there has been trade interdependence between ASEAN and China in certain products, particularly in E&E products. This was demonstrated by the IIT values calculated for ASEAN members against China. The IIT value for the ASEAN-China trade for certain products, namely E&E, has been quite high. This indicates that there has been intra-trade industry or intra-firm trade between ASEAN members and China in the E&E sector.Related to the above points, the main question that arises is whether the current growth model that has contributed and accelerated significant economic performance in ASEAN needs to be considered. The export-led growth (ELG) model based on FDI in the E&E industries and in low-cost labour industries, be it labour-intensive or capital-intensive, should be reviewed thoroughly. In general, all developing countries are pursuing the ELG model for economic growth and development. There will be a huge congestion in terms of production of similar goods, and this could, subsequently, kill the competitiveness of the older or existing industries. The newcomers, such as the African countries and Central Asia, will increase competition further in the world economy by reducing export prices, mainly in terms of US dollars.

If there is an international crisis such as the falling demand for EOI goods, most countries relying on the sector will be affected and subsequently the inflow of future FDI will drop. Foreign firms may reconsider either expanding operations, increasing investments or closing down factories and moving to locations which offer cheaper costs. In terms of production costs, Singapore and Malaysia no longer seem to be in the radar of foreign firms. According to JETRO, which studies Japanese firms in East Asia including China, Malaysia and Singapore are attractive locations but not reliable since the cost of production is (getting) high. Most Japanese firms now favour China for locating factories. However, since late 2009, China has also begun facing escalating production costs, mainly with regard to rentals and wages; this has driven many foreign firms to move from the coastal to central regions which offer a lower cost of production.

ASEAN has to look at a different direction or draft new strategies for the strengthening of the manufacturing industry and to outline future economic development policies for future economic growth. The world economy is getting increasingly complex, and traditional economic measures are incapable of dealing with crises emerging from these new kinds of complexities. Countries, particularly developing economies, should be focused and specific rather than broad-based in promoting or re-structuring the manufacturing industries. Therefore, for Malaysia, the economic development policy should promote industries that can produce a competitive or comparative (trade) gain to the country. Also, the policy should address how to counter or reduce threats of price competitiveness from Chinese goods in the world market. Since China's economic performance and the international production linkages formed by foreign firms' activities in the region have affected economic performance for the region, new development strategies are badly needed. The new strategies, in terms of focusing on niche industries or sectors, are what the country can offer, i.e., to be the best in the international market by looking at other types of industries in which local resources can be utilized efficiently and optimally, improving economic facilities such as transportation, logistics, and communication in order to lower costs of production and enhance human capital skills. For ASEAN, member states need to enhance and be committed to economic cooperation such as quickly establishing the ASEAN Economic Community to counter the China factor in the future and for the benefit of their people.

The establishment of ACFTA is most welcomed by East Asian communities. The FTA sounds very impressive, but its exact cost to the members which are uncompetitive is unknown. Definitely, there are members of the pact who will gain and members who will lose. If the cost is too high for some members, the FTA committee should construct a mechanism which can compensate the losses to the losing member. This is vital to ensure stability and harmonization of the group. The ACFTA could become a large free trade arrangement in the world, but if some members of the pact experience too many losses it will dent the significance and attractiveness of the pact.This study has indicated that there would be competition between ASEAN and China. By signing the ASEAN-China FTA, ASEAN expects to hedge trade losses with China. Maybe this is ASEAN's strategy in dealing with China's economic threat towards them. However, we are not sure whether the plan is workable or not. This is a "big" question to answer. There will be many answers: yes, no and uncertain.

In general, all members of ACFTA are developing countries. Meanwhile an FTA which integrates industrialized and developing countries such as NAFTA and EU are different. The pattern of trade, investment, employment or income distribution of both FTAs will be different. Usually, developing countries compete among themselves in trading and they struggle to get a bigger bite of the international market besides attracting foreign capital. Foreign capital and the international goods market are the major sources of economic growth for a developing country.

APPENDIX

Industrial Product Classification – Based on HS 2 Digit Code

Labour-Intensive Product	25, 41, 42, 43, 44, 45, 48, 49, 51, 52, 53, 54, 55, 56, 57, 58, 59, 60, 61, 62, 63, 64, 65, 68, 69, 70, 71, 73, 74, 76, 81, 82, 83, 85, 87, 92, 93, 94, 96, 97
Labour-Intensive Intermediate Product	25, 41, 42, 43, 44, 45, 50, 51, 52, 53, 54, 55, 56, 57, 58, 59, 60, 63, 68, 69, 70, 71, 73, 74, 76, 81, 82, 83
Capital/Technology Intensive Products	11, 25, 28, 29, 30, 31, 32, 33, 34, 35, 36, 38, 39, 40, 48, 49, 68, 69, 70, 71, 72, 73, 74, 75, 76, 78, 79, 80, 81, 84, 85, 86, 87, 88, 89, 90, 91, 92, 93, 95
Durable Consumer Product	25, 48, 49, 68, 69, 70, 71, 73, 74, 76, 81, 82, 83, 84, 85, 90, 91, 92, 93, 94, 95, 96, 97
Non-Durable Consumer Products	33, 34, 39, 42, 43, 48, 49, 51, 52, 53, 53, 55, 56, 57, 58, 59, 60, 61, 62, 63, 64, 65, 71, 72, 83, 87, 91, 93, 95, 96, 97
Capital Goods	73, 74, 76, 81, 82, 83, 84, 85, 87, 90, 91
Capital-Intensive Intermediate Products	11, 25, 28, 29, 30, 31, 32, 33, 34, 35, 36, 38, 39, 40, 48, 68, 69, 70, 71, 72, 73, 74, 75, 76, 76, 78, 79, 80, 81, 91

Note. (1) In MITI (1986), the code is in SITC 2 digit. Based on the code, this study re-organized the clusters by matching with the HS 2 digit.

Source: Ministry of International Trade and Industry, Government of Japan, *White Paper on International Trade 1986*, pp. 405-406.

Notes

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1. This statement also appeared in Lloyd-Smith (2001).
2. The statement was delivered since he felt nervous over China's economic performance that will decelerate NAFTA's performance.
3. The IIT index was proposed by Grubel and Lloyd in 1975. Their work has been used in numerous studies for calculating trade or industrial competitiveness. The formula of the IIT index for a product category is given by the following equation:

   $$IIT = 1 - \{(X+M) - (|X - M|) / (X+M)\}$$

   Where $(X + M)$ is the value of gross trade and $|X - M|$ is the absolute value of inter-industry trade, while the numerator of the equation measures intra-industry trade as the net value of total trade remaining after net exports, or net imports are subtracted. The net value of total trade is given in the form of a proportion of the value of total trade.

   This paper uses Balassa's version of the RCA formula. The formula reads as follows:

   $$RCA = (X_{ij} / X_i) / (X_{nt} / X_n)$$

   where X is exports, subscript *i* is a country, *j* is a commodity or industry, *t* is a set of commodities (or industries) and *n* is a set of countries. RCA estimates a country's exports of a commodity (or industry) relative to its total exports and to the corresponding exports of a set of countries. The RCA index takes a value between 0 and $+\infty$. A country is said to have a revealed comparative advantage if the value exceeds unity. If RCA is less than unity, the country is said to have a comparative disadvantage in the commodity or product or industry.

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A Socio-Political Approach to Cultural Resurgence in Contemporary China: Case Study of the Approval of Traditional Festivals as Public Holidays

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Abstract

This study explores the revival of traditional culture in contemporary China using a socio-political approach. It challenges the Instrumentalist view that the Chinese government has been the main pusher for the revival of traditional culture. By examining a typical case, the Chinese Government's approval of traditional festivals as public holidays, it has found that the ordinary citizens' increasing identity with traditional culture, which arose out of their disillusion with the official Marxist ideology, has served as the fundamental force for the approval, and that the intellectuals, by instrumentally framing and promoting the public support, have played a leading role in influencing government policies. However, the government was far less enthusiastic and active in the whole process as the Instrumentalist theories presuppose. The reason for the discrepancy, as has been analyzed by the article, is that the Chinese government is not a unified whole with a common interest. Rather, it is a diversified body with contrasting interests. Though the cultural sector of the government endorsed the policy shift to boost cultural revival, the economic sector strongly opposed it. Besides, the local government, out of their self-interest, also stood against the policy change. With this conclusion, this study also contradicts the Instrumentalists' assumption of the overall dominance of the Chinese State over society.

Keywords: *Instrumentalism, Primordialism, traditional festivals, ordinary citizens, intellectuals, Chinese government*

JEL classification: *A13, H10, P37, Z13*

1. Introduction[1]

Since the beginning of this century, Chinese traditional culture has experienced an unprecedented resurgence in contemporary China. Various traditional customs and festivals began to resume their old glory and so did traditional thoughts such as Confucianism. This cultural nostalgia, within less than a decade, has quickly swept all over the country and become one of the most powerful ideological trends among the contemporary Chinese society (Xiao, 2008).

However, for most part of the last century, from the May 4th movement in 1919 to the June 4th movement in 1989, Chinese traditional culture has been generally considered as the roots of China's backwardness and would therefore need to be eradicated. Only about 20 years ago, "regenerating traditional Chinese culture" was just raised by a small group of Chinese intellectuals. But now within only 10 years of the new century, it has ascended as an influential ideological trend in contemporary China.

What has caused the swift change? And what was the role of the Chinese government in the change? In this regard, there has been a heated scholarly debate. The two sides of the debate are Instrumentalists and Primordialists. The Instrumentalist school argued that the Chinese government had played a decisive or at least conducive role in the rise of traditional culture. Barme (2009), for example, argued that the Chinese government guided and aptly manipulated the cultural nationalist artists through a forensic analysis of a typical case, the opening ceremony of the 29th Olympiad in Beijing. He showed how this ceremony, a full representation of the regenerating traditional culture, was "created under Party fiat with the active collaboration of local and international arts figures" (Barme, 2009: 64). Meissner also commented that the government's funding for large-scale research activities and programmes for developing neo-Confucianism in China is the Chinese government's deployment of Confucianism as "an instrument to counter Western influence" (Meissner, 1999: 18). Similarly, Min and Galikowski (2001) also claimed that "the Confucian tradition has been revived by the authorities as an important cultural source from which a new national identity can be constructed" (p. 160).

The Primordialist school, however, believed that the Chinese government was largely invisible in the cultural revival and even if the government had a hand in the cultural regeneration, its role was minor at best. They simply ascribed the cultural revival to a cultural consciousness of "identification with the nation, particularly national spirit or national essence" (Guo, 2004: 17). Makeham (2008) also claimed that "the conviction that the unique culture associated with the nation constitutes the basis of national identity" is one of the most important themes in contemporary Chinese Confucian discourse (p. 9). The idea that "*ruxue*, *rujia* thought, and *rujia* culture (Confucianism) constitute a form of cultural expression integral to Chinese identity was pervasive among the discourse about Confucianism in contemporary China" (p. 9).

This debate actually shows two contrasting views concerning the relations between State and society in contemporary China. The Instrumentalists, in fact, view the Chinese State and society as two antagonist dichotomies and the State as zealous in exercising control over society.[2] The State, in their view, manipulated traditional culture so as to retain its ideological control over society because their old Marxist ideology has lost its appeal. The Primordialists, however, rejected the view of the State's dominance over society, though they also agreed to the importance of the State in the cultural resurgence. They tended to believe that it was the initiative of society that has given rise to the revival of traditional culture. In other words, the cultural resurgence was not imposed upon society by the State; rather, it was a mutually negotiated process between the State and society. And the relations between the two were not always as contradictory as the Instrumentalists assume.

This research, by examining different roles of different social groups in an important case, the Chinese government's approval of traditional Chinese festivals as public holidays, arrives at the conclusion that while the intellectuals have played a leading role in the whole process, the ordinary citizens' increasing identification with traditional festivals was the primary base for the policy change; while the Chinese government, contrary to what the Instrumentalists have claimed, was resistant to the change even though they showed interest and enthusiasm at first; and finally, it approved the proposal due to strong pressure from the public. The reason for the discrepancy, as has been analyzed by this article, is that the Chinese government is not a unified whole with a common interest. Rather, it is a diversified body with contrasting interests. With this conclusion, this study also disapproves of the Instrumentalists' assumption about the dominance of the Chinese State over society.

The following parts will, first of all, specify the rationale for choosing this case and introduce its background, and then move on to examine the different roles of the State and social groups in the case, and finally conclude with a brief summary.

2. Case Study of the Chinese Government's Approval of Four Traditional Festivals as Public Holidays

2.1. The Rationale for Choosing the Case

Since February 2004 when Professor Ji Baocheng, the president of People's University of China, raised the proposal for setting the Tomb-Sweeping Day, Dragon-Boat Festival, Mid-Autumn Day and Chinese New Year's Eve as national public holidays, it has taken about four years for the proposal to be finally approved by the Chinese government. Along the four-year journey, the two social groups: the ordinary citizens and the intellectuals made their respective contributions to the final approval of the proposal. Specifically speaking, the growing cultural identity among ordinary citizens served as the fundamental motivation for the policy change while the intellectuals played a leading role in lobbying the government. Nevertheless, the Chinese government's attitude towards the issue was ambivalent as they showed interest and enthusiasm at first but became resistant to change later. The reasons for their shifting attitudes, as the case suggests, were mainly out of economic concern.

The reason for choosing the case is based on the consideration that traditional festivals are living embodiments of Chinese traditional culture, especially Confucianism. For instance, traditional Chinese festivals convey various Confucian norms concerning family and social relations (Gao, 2005). The Tomb-Sweeping Day, for example, is an occasion for Chinese people to pay homage to their past family members; while the Mid-Autumn Day and the New Year are important chances for people to strengthen their family ties (Siew, 2005). Besides, Confucian ethics concerning "proper social interactions" such as *Li* 礼 (appropriate manners) are practiced during the celebration of these festivals (Miller, 2006).

Moreover, the legends and historical stories involved in the festivals are themselves part of traditional culture. For example, legend has it that the Tomb-Sweeping Festival was established by a Chinese emperor in memory of a loyal official who sacrificed himself to save the monarch's life more than 2,500 years ago. The Dragon Boat Festival has been celebrated for thousands of years to commemorate Qu Yuan, a great patriotic poet who lived in the state of *Chu* 楚 during the Warring States period (475 B.C. to 221 B.C.). He drowned himself in the *Miluo* 汨罗 River in today's Hunan Province in 278 B.C., on the fifth day of the fifth month of the Chinese lunar calendar, hoping his death would alert the king to revitalize the kingdom (Yang, 1961). All these stories contain strong Confucian values for social relationships. Further, in these two legends, the Confucian norms concerning the superior (or head) and subordinate are clearly emphasized, that is, the superior should take care of the subordinate and the subordinate should respect the superior.

Thus, legalizing traditional festivals as public holidays is, in fact, a crucial measure to re-establish traditional culture as it offers free time for people to practice various customs and traditions, hence reinforcing traditional culture among the Chinese public. So it is fair to say that this is an institutionalized establishment for reviving traditional culture.

2.2. The Background of the Case

2.2.1. The history of the Chinese traditional festivals

Traditional Chinese festivals have more than 2000 years of history and some of them can be dated back even to the Zhou Dynasty (1027-221 B.C.) (Zhong, 1998). These traditional festivals were set by two traditional Chinese calendars: lunar and solar calendar, and there were over two dozens of them, among which, the Tomb-Sweeping Day, Dragon-Boat Festival, Mid-Autumn Day and Chinese New Year were most influential. In ancient times, all these festivals, especially the important ones, were celebrated through various activities (Siew, 2005). Many of these traditions had been kept intact until China entered its modern stage (Gao, 2009).

After the collapse of the Qing Dynasty in 1911, China was ushered into a new era of nation-state building which covers two consecutive regimes, the "ROC" (the Republic of China) from 1911 to 1949 and the "PRC" (the People's Republic of China) from 1949 until now. During this period of time, particularly from 1911 to 1979, traditional Chinese festivals and their accompanied traditions were heavily devastated by the two regimes in the name of "building a modernized China which could be fully integrated into the world" (Gao, 2005). Both of the two governments had taken drastic measures to bury old traditional festivals and set up new national holidays in accordance with their ideological need. Initially, the ROC government abolished dozens of old festivals and only kept the four major ones: Tomb-Sweeping Day, Dragon-Boat Festival, Mid-Autumn Day and the Chinese New Year as national holidays. Later after 1949 when the PRC was established, the then incumbent government abolished the remaining holidays except the Chinese New Year. During the "Cultural Revolution" period (1966-1976), even the Chinese New Year holiday was officially called off by the State Council as it was convicted as "superstitious", "damaging" and "lavishing" (Gao, 2005).

In 1979, the PRC government resumed the Chinese New Year holiday. From then on, as the ruling Chinese Communist Party (CCP) gradually relinquished its rigid control over ideology, traditional festivals gradually found its way back to the common Chinese people. Part of the traditional activities and practices accompanied with these festivals were also restored. For example, more and more people made use of the Tomb-Sweeping day to express their missing for their past family members. The Dragon–Boat competition was restarted in many places. Mooncake and family reunion in Mid-Autumn has been in vogue among common Chinese people again (Gargan, 2001).

2.2.2. The "Golden Week" institution since 1999

Another important background of the case is the "Golden Week" institution introduced by the Chinese government to boost domestic consumption since 1999. Before that time, the Chinese people had altogether 10 days for public holidays, which are the three-day May Day Holiday, National Day Holiday, Spring Festival breaks, and one-day New Year's Day. In the new "Golden Week Holiday" institution, the weekends on one side of the first three holidays were designated as two working days, and people enjoy two days off on the working days, making the holidays seven consecutive days. Millions of Chinese travelled during the holidays, thus earning them the moniker of "Golden Week".

The new holiday institution was very successful in terms of boosting domestic economy as it was reported that tourism revenue had increased from 14.1 billion yuan (1.76 billion US dollars) during the 1999 National Day holiday to 64.2 billion yuan during the Golden Week in October 2007 (*China Daily*, 2007). Statistics revealed that in 2001 alone, tourist numbers reached 780 million, much higher than the 1999 figure of 240 million (*China Daily*, 2007). However, after several years of experience and complaints about overcrowding, poor service, a scarcity of hotel rooms and damage to scenic spots, especially historic sites, during the holiday, the "Golden Week" have aroused strong debate over the merits of the week-long holiday.

2.2.3. The incursions of the Western festivals

Another related background is the incursion of the Western festivals. Since the 1980s, Western festivals like Christmas and Valentines' Day have become more and more popular among the Chinese public, particularly among the youth. A 2003 survey about the knowledge of Chinese and Western festivals among Chinese youth showed that a majority of the young knew more about Western festivals than Chinese festivals (Gao *et al*., 2010). This has been an important rationale for the intellectuals' appeal for protecting traditional festivals.

It is against this complicated background that some intellectuals put forward a proposal to shorten the National Day and May Day holidays from three days to one day and spare the days to celebrate four traditional festivals: the Dragon Boat Festival, Mid-Autumn Day, Tomb-Sweeping Day and New Year's Eve.

2.3. Different Roles of State and Social Groups in the Legalization Process

From February 2004 when Ji Baocheng, the president of People's University of China, raised his proposal about setting the Tomb-Sweeping Day, Dragon-Boat Festival, Mid-Autumn Day and Chinese New Year's Eve as public holidays in the "Policy Forum for the Social Development of China" (*zhongguo shehui fazhan zhengce gaoceng luntan* 中国社会发展政策高层论坛), it took about four years for the Chinese government to finally approve the proposal in December 2007. During the four-year process, the intellectuals, the ordinary citizens and the Chinese government all have played different roles in the policy change. Specifically speaking, the intellectuals were the primary and pioneering force during the course. They have instrumentally framed and promoted public support in their lobbying. The ordinary citizens served as a basic motivational force by strongly supporting the policy change. The Chinese government, contrary to what the Instrumentalists have claimed, was resistant to the change though they showed interest and enthusiasm at first. Finally, it approved the proposal due to strong pressure from the public.

Before coming to the details of the case, it is necessary to define the three concerned social groups: the Chinese government, the intellectuals, and the ordinary citizens. They are defined as follows:

– "The Chinese government" here mainly includes the top leaders of the Party-State, the cultural and economic sector of the central government and the provincial Chinese government as they also have authority and influence in the policy-making process.
– "The intellectuals" refer to the scholars, whether independent or affiliated with tertiary education institutes or professional research organizations. The journalists and professional commentators for newspapers and magazines are also included in this group.
– "The ordinary citizens" is different from the "masses"; it has two targeted groups: (1) "public opinion" as a whole, which can be identified in the readers' section in the non-party-affiliated newspapers, the polling made by the mass media or professional companies, and even the commercial publications of popular writers. (2) The virtual community members who are Internet users including websites or chat-room hosts, online article posters and browsers. There are quite a few pubs or chat-room specially created for discussing issues concerning traditional festivals.

2.3.1. The intellectuals

The intellectuals played a leading role in lobbying the government for approving the proposal. These intellectuals, many of whom are affiliated with universities and research organizations in Beijing, made their contributions through two major channels: (1) making formal policy proposals in China's Legal and Consultative government bodies like the National People's Congress (hereafter NPC) and Chinese People's Political Consultative Conference (hereafter CPPCC) and (2) lobbying the administrative organizations such as the State Council by submitting related research reports.

Some of the intellectuals like Professor Ji are themselves the representatives of NPC. In 2004, he and other thirty some representatives, most of whom were intellectuals, jointly submitted a formal policy proposal concerning the traditional festivals to the Congress (*CCTV.com*, 2004). From that year on, these intellectuals continued to submit the proposal again and again until it was finally approved by the State Council at the end of 2007. Other leading intellectuals like Professor Cai Jiming from Tsinghua University, He Xingliang from the Chinese Academy of Social Science, who were also members of CPPCC, submitted similar proposals to CPPCC in 2006 and 2007 (*CCTV.com*, 2007). This really gave a strong push for the government in seriously treating the proposals.

In addition, some of the intellectuals also submitted their research reports to the administrative branch of the Chinese government. For example, the China Folklore Society (hereafter CFS), a non-governmental academic organization, has produced two policy reports to the Central Propaganda Department in 2004 and to the Ministry of Culture in 2007 respectively (Liu, 2006). Besides, some influential academicians like Liu Kuili, honorary president of the CFS, expressed his strong wishes to turn traditional festivals into public holidays when the officials from the Central Spiritual Civilization Office (one of the central government's organizations which are in charge of the ideological matters) consulted him on the issue.

Last but not least, those intellectuals also tried to influence public opinion through various mass media. For instance, in February 2005, the China Folklore Society organized an international conference entitled "Calendar of Nation-States – The International Symposium on Traditional Festivals and Legal National Holidays". They invited prominent experts including those from UCLA, Russian Social Science Academy and some Japanese universities. Further, they also invited important and influential media like China Central Television (CCTV) to cover their meetings and some of the lectures. In this way, these intellectuals created conducive media and public opinions for the approval of the policy proposals.

2.3.2. The ordinary citizens

The revival of cultural identity among the ordinary citizens, which was out of their disillusion with the official Marxism ideology, serves as the motivational force for the policy change. As has been mentioned previously, the ordinary citizens had gradually resumed their celebration of the traditional festivals long before 2004 when the policy proposal was made. For example, Gao Binzhong, a professor from Beijing University, has observed that the traditional festivals have gradually recovered its appeal among the general public especially in the past twenty years (2005). For example, before 2004, it was quite common that some of the enterprises and non-governmental organizations had already given their staff early leave during traditional festivals especially on Mid-Autumn Day due to the increasing demand from the public for family reunion on these days. In fact, it is the growing sense of celebrating traditional festivals among the ordinary citizens that gave rise to the intellectuals' request for the policy change.

Throughout the policy-making process, strong public opinions for supporting legal traditional holidays played a crucial role especially in the final stage of government decision. After Professor Ji's proposal was made public, there was an enormous amount of online discussions about it. A search on the *Baidu.com* website (one of the biggest Internet searching websites in China) shows that, there were over 690,000 posts about the topic of "increasing traditional holidays" (*zengjia chuantong jiaqi* 增加传统假期) in the year of 2004 alone and most of them expressed their support for the change. A survey of 100 randomly selected sample posts from the *Baidu.com* website shows over 90 per cent of them claiming strong support for turning traditional festivals to public holidays. Though those Internet posts may not be representative of all common citizens' opinions, since a considerable number of the Internet users are youths with relatively modest education, such as high school students[3], these posts at least reveal the strong voice from a certain section of citizens.

And at the final stage of decision, the governing body, the National Development and Reform Commission (*guojia fazhan yu gaige weiyuanhui* 国家发展与改革委员会, hereafter NDRC) conducted massive online and telephone surveys among the ordinary citizens from December 5th to 8th in 2007 to gather public opinion. Their survey in *Sina.com*[4], one of the most popular portal sites in China, has collected 105,688 effective responses and 63.31 per cent of the respondents agreed that "it is necessary to increase holidays for traditional festivals and shorten the length of the May Golden Week. Only 26.84 per cent of them thought that there was no need to change and 9.85 per cent did not care. Among the five candidate traditional festivals, Tomb-Sweeping Day, Dragon-Boat Festival, Mid-Autumn Day, Double Ninth Festival and Lanterns' Festival, 95.73 per cent of the respondents voted for Mid-Autumn Day as legal holiday, 58.31 per cent for Tomb-Sweeping Day, 45.62 per cent for Lanterns Festival, 43.57 per cent for Dragon-Boat Festival and 12.30 per cent for Double Ninth Festival (*Sina.com*, 2007).

Besides, telephone surveys were also made by the People's University of China among citizens in six different cities, Beijing, Shanghai, Guangzhou, Wuhan, Changchun and Xi'an. There were 2,634 respondents participating in the survey and the results showed that 65.6 per cent of them supported increasing public holidays for traditional festivals and shortening holidays for the “May Day Golden Week” and “National Day Golden Week”. 23.6 per cent of them disagreed with the changes and 10.7 per cent did not care (Xinhua News Agency, 2007).

It is important to note that the citizens, in fact, were choosing from two alternatives: getting more days for celebrating traditional festivals but less “Golden Week” or getting no time for celebrating traditional festivals but enjoying more “Golden Weeks”. They did not choose to get more or less holidays but how to distribute the 10 or 11 legal holidays. This tested their loyalty to and preference for the traditional festivals. As we can see from the survey results, a majority of the respondents chose to distribute more time for celebrating traditional festivals, which was a sign of increasing cultural identity among the common Chinese people. It was this strengthened cultural identity that gave the final push for the government’s decisions.

2.3.3. The Chinese government

The Chinese government’s attitude towards the issue was ambivalent. On the one hand, some of the government units showed their willingness to change by consulting from some leading intellectuals; however, on the other hand, they were also worried about the loss of economic interests created by the Golden Week effect during the previous years. In fact, complaints from some business interest groups handicapped and delayed the government’s decision on that matter. That’s why it has taken almost four years for the government to make the final decision.

In February 2004 when the proposal for the change of holidays was first raised in the “Policy Forum for the Social Development of China”, the National Development and Reform Commission (NDRC) was apparently interested at this proposal as they sent relevant officials to discuss the issue with Professor Ji and other intellectuals. Liu Kuili, the head of the China Folklore Society (hereafter CFS), said that “in spring 2004, he and other five experts had been invited by the Central Spiritual Civilization Office (one of the central government’s organizations in charge of the ideological matters) to discuss the possible policy changes (Liu, 2010).

However, until 2006, the NDRC did not make any meaningful decisions except issuing a report formally proposing cancelling the May Day and National Day Golden Week. In 2006, the NDRC assigned a research panel for the issue who made their conclusions that it was necessary to increase traditional holidays. The NDRC, however, still did not make any substantial decision until December 2007.

Why did the government take such a long time for the policy change? The biggest obstacle came from some interest groups like the tourism companies which had made a big profit from the 7 days Golden Week. Statistics reveal that tourism revenue had increased from 14.1 billion RMB (1.76 billion US dollars) during the 1999 National Day holiday to 64.2 billion RMB during the Golden Week in October 2007 (*China Daily*, 2007). Moreover, during the Golden Week, people were also prone to make big purchases. So, the shopping malls, commercial centres and even the manufacturers also got benefited. Interest groups in these industries were worried that the holiday change would lead to their financial loss as one Golden Week will be abolished due to the increase of traditional holidays.

Even after the policy-change has been implemented in 2008, there were still strong voices demanding recovering the May Golden Week and abolishing the newly set Tomb-Sweeping and Dragon-Boat Public holidays. The Guangdong provincial government has even made public announcement that they planned to recover the May Golden Week in 2009 and their justification was "stimulating the economy" (*Information Daily*, 2009). Many other governments including Chongqing municipal government were about to follow suit. The Guangdong government claimed that the May Golden Week was a strong pusher for the economy especially in lifting consumption and tourism. An influential Internet post calling for recovering May Holiday explained that the increase of traditional holidays was "futile" for national economy as the increased traditional holidays scattered around the whole year and could not offer enough time for the public especially the migrant workers to get back to their hometowns (*Information Daily*, 2009).

Though such proposals were denied by the central government later, we can see that there were apparently different views concerning the issue even within the Chinese government itself. The central and some local governments had almost opposite views on this issue. Even within the central government, different functional agencies such as those responsible for cultural affairs and those in charge of economic affairs, also had contrasting opinions on this issue. Thus, it is difficult to conclude that the Chinese government was the main pusher for the policy change; on the contrary, it was the government that has been pushed to approve the traditional festivals as public holidays.

3. Summary and Conclusions

Through the previous analysis, the case study has yielded the following findings: (1) the struggle for the approval of the four traditional festivals as national legal holidays is an ideological movement aiming at reviving traditional Chinese culture and combating against the foreign cultural "incursion". (2) Throughout the movement, the ordinary citizens served as the fundamental driving force, with the intellectuals leading the way. (3) As for the government, it was entangled in the dilemma for choosing economic gains or ideological support and finally it chose to comply with the public request so as to gain legitimacy for its rule.

These findings confirm the Promordialist view concerning the fundamental role of ordinary citizens and intellectuals in the cultural revival. They also challenge the Instrumentalist position concerning the decisive role of the Chinese government, as the government was far less enthusiastic and active in approving the traditional festivals as public holidays as the Instrumentalist theories presuppose. And the reason, as analyzed previously, was that the Chinese government is not a unified whole with a common interest. Rather, it is a diversified body with contrasting interests. Though the cultural sector of the government endorsed the policy shift to boost cultural revival, the economic sector strongly opposed it. And the local government, out of their self-interest, also stood against the policy change. Hence, it is too simplistic to view the government as one organization with a single voice. In fact, the truth is that the government is never, unanimously or always, supportive of any particular social course such as the revival of traditional culture; some parts may champion the course for certain purposes, but others simply oppose it. Thus, in a word, it is not fully justified to conceive the government as the decisive power in the resurgence of traditional culture in contemporary China and the Instrumentalists' view of the Chinese State's dominance over society should also be questioned.

Notes

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2. Such view has been influential among some important works, for example, Elizabeth Perry and Mark Selden, "Reform, Conflict and Resistance in Contemporary China", *Chinese Society: Change, Conflict and Resistance*, Routledge, 2010; Edward Friedman, Paul Pickowicz and Mark Selden, *Revolution, Resistance, and Reform in Village China*, New Haven, Yale University Press, 2005; Ching Kwan Lee, *Against the Law: Labor Protests in China's Rustbelt and Sunbelt*, Berkeley, University of California Press, 2007; Kevin J. O'Brien (ed.), *Popular Protest in China*, Cambridge, Harvard University Press, 2008.

3. The author would like to thank the suggestions of one anonymous reviewer concerning the Internet posts and Internet voting.
4. For detailed questionnaires in the website, please refer to *http://survey.news.sina.com.cn/survey.php?id=31233&dpc=1*, assessed on 23rd August 2010. The survey was also conducted by telephone with randomly selected Chinese families.

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Special Feature

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Democracy, Globalization and the Future of History: A Chinese Interview with Francis Fukuyama+

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Abstract

Francis Fukuyama (弗朗西斯 • 福山), the famous American philosopher and political scientist, visited the Central Compilation and Translation Bureau (CCTB) in December 2010. He gave a speech on the Forum of CCTB in which he interpreted in detail his ideas about the financial crisis and recent development of Capitalism. After the forum, he was interviewed by the journal of *Marxism and Reality*, and had a thorough talk on the topic of "Democracy, Globalization and the Future of History". Professor Fukuyama answered the questions raised by the scholars in CCTB systematically. The following is the content of the dialogue.

Keywords: *Francis Fukuyama, democracy, globalization, history*

JEL classification: *B14, H11, N35, Z13*

Dr Francis Fukuyama is the Olivier Nomellini Senior Fellow at the Freeman Spogli Institute for International Studies (FSI), resident in FSI's Center on Democracy, Development, and the Rule of Law, Stanford University, United States of America, since July 2010. He was formerly at the Paul H. Nitze School of Advanced International Studies (SAIS) of Johns Hopkins University, where he was the Bernard L. Schwartz Professor of International Political Economy and director of SAIS' International Development programme.

Dr Fukuyama received his B.A. from Cornell University in classics, and his Ph.D. fromHarvard University in Political Science. He was a member of the Political Science Department of the RAND Corporation from 1979-1980, then again from 1983-89, and from 1995-96. In 1981-82 and in 1989 he was a member of the Policy Planning Staff of the US Department of State, the first time as a regular member specializing in Middle East affairs, and then as Deputy Director for European political-military affairs. In 1981-82 he was also a member of the US delegation to the Egyptian-Israeli

1. Communal Culture and Political Trust

Li Yitian: Hello, Professor Fukuyama! Welcome to CCTB and thank you for communicating with us. We know you have been interviewed in this way for many times and people often asked "big questions" to you. Nevertheless, I hope to begin our dialogue from some "small questions". Firstly, as a Japanese descendant born in the United States, why did you choose to be a scholar in humanities? Are there some influences from your family?

Fukuyama: Well, first of all, there are a lot of academics in my family. My grandfather on my mother's side was actually a very palmary economist in Japan. He in his generation went to study in Germany before the First World War. He helped found the economic department in Kyoto University and he was the President of Osaka Municipal University. Throughout his life he had written something like 50 books. It is interesting to visit your library for works on Marxism. My grandfather actually requested books from the library of the German sociologist Werner Sombart and brought the books back to Japan with him. I inherited from him the first edition of Karl Marx's *Das Kapital*. Also, my father was an academic. He was a sociologist. He worked at Pennsylvania State University. So it is natural for me to be a scholar.

Li Yitian: In your academic career, who are the most important persons to you? If you like, please name one historical figure and a contemporary thinker.

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talks on Palestinian autonomy. From 1996-2000 he was Omer L. and Nancy Hirst Professor of Public Policy at the School of Public Policy at George Mason University. He served as a member of the President's Council on Bioethics from 2001-2004. Dr Fukuyama also holds honorary doctorates from Connecticut College, Doane College, Doshisha University (Japan) and Kansai University (Japan). He is a member of the Board of Trustees of the Rand Corporation, the Board of Governors of the Pardee Rand Graduate School, the advisory boards for the *Journal of Democracy*, the Inter-American Dialogue, and The New America Foundation. He is also a member of the American Political Science Association and the Council on Foreign Relations.

Dr Fukuyama has written widely on issues relating to questions concerning democratization and international political economy. His book, *The End of History and the Last Man*, was published by Free Press in 1992 and has appeared in over twenty foreign editions. His most recent books are *The Origins of Political Order: From Prehuman Times to the French Revolution*, *America at the Crossroads: Democracy, Power, and the Neoconservative Legacy*, and *Falling Behind: Explaining the Development Gap between Latin America and the United States*. He is also the chairman of the editorial board of the magazine *The American Interest*, which he helped to found in 2005.

Fukuyama: Well, there were three people who were probably the most important. Unfortunately all of them have passed away. My earliest teacher was Allan Bloom, who was my teacher when I was in Cornell. From him, I developed the appreciation of western philosophy and learned Greek so I could read Plato and Aristotle and was introduced to all of the big philosophic questions. The next person who was important was Samuel Huntington, who was my teacher in graduate school, who was a social scientist, who also I think posed some very big important questions that are still being debated. So in a lot of introductory of international relation classes, "the end of history" is contrasted with his classic theory. My third important person was Seymour Martin Lipset who was a great political scientist and sociologist, who was my colleague when I first started teaching, from whom I learned a great deal about American politics and comparative methods.

Li Yitian: If I don't misremember, Allan Bloom wrote a famous book, *The Closing of The American Mind*, in which he showed his anxiety about the social problems and the future of the United States. You have pointed out that the most serious challenge in contemporary American society is still how to maintain the balance between individuals and communities. As for this issue, how do you consider the changes and stability in the US?

Fukuyama: I think that American society in a certain way hasn't been stabilized since the end of the 1990s. There were a lot of social dislocations during the 1970s and 1980s, which was reflected in family breakdown, high rate of crime and general lack of social trust among people. But I think that in some ways it peaked in the 1990s. Since then, society became much more orderly. I argue that this is a kind of natural adjustment that people make because they are basically social animals and they want order in their lives. So this is what happened. But I think today we have a different social problem which is "political distrust". Between the left and the right now there is a great deal of very passionate opposition that has made it very difficult to come to agreement on solving some basic political problems. That is different from the "social distrust" problem in the 1990s.

Li Yitian: If one community with high trust must consist of liberal individuals, do you think the communitarianism can be a better version of liberalism? Amitai Etzioni, the famous professor in University of Washington D.C. and the important advocator of communitarianism said: "A good society is of strong bonds which are balanced by similarly powerful protections of autonomy." Good society, which is called a real community by him, requires not only liberties but also orders. So it has to take a balance between a pair of basic forces: centripetal force and centrifugal force. The former creates communal service, mobilization and solidarity, while the latter brings differentiation and individual characters. In this sense, can your politics of "liberal democracy" be regarded as a communitarian pattern?

Fukuyama: Well, I think in a successful liberal democracy, you have a strong cultural sense of community. That is needed to allow people to cohere in society. In the United States, historically, a lot of this sense of community has come out of religion. Americans, you know, are very religious compared to other advanced countries. It is hard to say that everybody shares the same religion, but everybody believes that religion is a generally important part of life.

Li Yitian: In the book of *Trust*, you emphasized especially the importance of sharing common ethical beliefs and rules, common enterprises and goals, and such a communal culture in which people trust each other. However, you also noticed that this kind of integration and collective consciousness have been weakened by individualism and its ideology about "rights". As for this point, you clearly expressed your worry about the future of the US. Does it mean you also dislike some basic principles of individualism? Many political philosophers have found that "liberty" and "democracy" are of some internal conflicts. What are your ideas about the conflicts? Will they disrupt your ideal of "liberal democracy"?

Fukuyama: Well I think that is a major problem faced by the liberal democracy. Liberal democracy reflects certain cultural values, but it also encourages a system of multiculturalism. And in some ways in liberal society you may face the ideas that undermine the very basis of liberal society in the first place. For a great amount you see this especially when you get to the radical Muslims who live in the European liberal society. They don't want to permit their children to have a liberty of choice including marriage. They don't want criticism about this. It is a big internal debate whether in a liberal society you have to tolerate people who are not themselves liberal. I think that Allan Bloom in the book you referred to was most concerned about the problem of relativism, meaning that people who believe that there is no real basis for any deep beliefs or any particular system of values so anyone can make up whatever system they want. This was a real problem in the American society. I don't think this is a problem that has been solved.

2. Politics of Democracy and End of History

Li Yitian: Let's come back to the topic of democracy. It must be recognized that there are a lot of definitions about this concept, and people tend to use different ways to define it. If we leave aside the comprehensive conditions for a full democratic system, but only consider the necessary ones without which a political institution cannot be regarded as "democracy", in your opinion, what should be included in the list?

Fukuyama: I think first of all we are not talking just about democracy, but talking about liberal democracy. In a liberal democracy you have to have two types of institutions. One type has to do with the rule of law that protects individuals from the State. The State has limits on what they can do to its citizens, even when the majority of the citizens want to persecute the minority. The other type of institution has to do with democracy, so there is a mechanism for holding the government accountable to the people, which in most democracies is some kind of competitive elections. So you can have a liberal non-democracy, that would be like Singapore, let's say. You can also have a non-liberal democracy, that would be like Iran, where they have an election, but they don't respect individual rights. To have a real liberal democracy, you really have to have both of them simultaneously.

Li Yitian: It is not necessary for democracy to elect the best political leaders (e.g., Hitler), make correct political decisions (e.g., the death of Socrates), or bring out the most efficient and effective political actions (e.g., social development in contemporary Greece). However, democracy has strong capability of supervision and self-correction. In a democratic system, even if people elect an idiot or a rascal into office, people can elect him/her out of the office; even if the government decision is bad, people's voice can be heard and the bad policy can be corrected; even if the political process lacks efficiency, it can avoid rush, arbitrary, and randomness. As for the following two statements, which one do you prefer? "Democracy is the best political institution" or "Democracy is not the worst political institution."

Fukuyama: Well I probably believe the latter. You know in an authoritarian system, you have a much greater possibility of the best or the worst performance acted by the government. So if you have a really good leader like Lee Kuan Yew in Singapore – you know, who makes good decisions, is not corrupt, has a positive vision for the future of your society – the authoritarian system is much more efficient than the democratic one. On the other hand, the authoritarian system, since there is no check on the power of the leaders, if you have a bad leader, is much worse than the democracy, because there is no accountability with which you can get rid of them. In the Chinese history, this was I believe known as the problem of a bad emperor. You know, if you got a good emperor, it was great. But if you got a bad emperor, you are stuck with him for 30 years. It could be a real disaster. So I think in democracy, in a lot of times, you don't get the best, but you also don't get the worst.

Li Yitian: So you think that liberal democracy is the best model of democracy, right?

Fukuyama: Well, if you ask me: is the liberal democracy better than the non-liberal democracy? My answer will of course be "Yes".

Li Yitian: Your argument of liberal democracy is based on the theoretical structure of "end of history". As we know, the term "end" in a descriptive sense means "final" or "the last phase." However, the origin of the word "end" comes from the Greek word "telos," which means not only "the last," but also "the best" and "perfect." Then, as far as your idea of "end of history" is concerned, which do you mean? Is democracy the final stage of political system (no other further political structure will evolve)? Or is it not only the final stage, but also the best one?

Fukuyama: You know, we have a belief in progress, human progress, that there is an evolution on human societies, from hunting and gathering society to furrow society, and to industrial society so far. This is very familiar to every one in Marxist tradition. So people think that we are evolving and the latter systems have solved the problems in the earlier systems. The most advanced countries in the world seem to have market economies and liberal democracy as a political system. This may not be the best. But the real question is what alternatives are there, which offer higher production and happier and better society? So if you look around the world today, it is not clear that there is a better alternative. Certainly most people I don't think want to live in slavery, or some sort. I think China represents probably the most successful alternative model because it is an authoritarian but successfully modernizing country. I think it is really one of the big issues now whether the Chinese model can provides some competition.

Chen Jiagang: In the way of developing its democracy, China faces huge pressures from inside and outside. In regard to external pressures, some of our neighbour countries, such as Indonesia, Thailand and Pakistan, have been practicing competitive democratic elections. So we were asked by European scholars why China had not practiced liberal democracy, though our economy was better than theirs. They can do it, why can't you?

Fukuyama: Well, I think the key for this question is whether democracy is a universal value or it is culturally peculiar for western countries. I believe that it is a kind of universal value, because people always want the government to be accountable to them. It not only includes the developed western countries, but include those that you have mentioned. There are many ways to show that the eastern society is suitable for democray. Indonesia is an amazing example.

It is not only an old country but very poor and ethnically diverse. A lot of people say that it has no conditions for democracy, but in fact democracy in it is successful.

Chen Jiagang: The concept of deliberative democracy that has emerged in the 1980s represents an exciting develoment in political theory. To some extent it refers to the idea that legitimate lawmaking come from the public deliberation of citizens in political community. Some scholars even opine that it evokes the ideals of rational legislation, participatory politics and civic self-governance. Professor Anthony Giddens, Jügen Harbermas, Seyla Benhabb, Jon Alster, James Bomann, John Dryzek, and Archon Fund have made great progress in this field. Professor James Fishkin even applied his deliberative polling in the process of budget reform in China local township governance. So we want to know how do you comment about this late development in political field? What is its significance to China's future?

Fukuyama: Deliberative democracy seeks to return to the conditions of early democracy, in which citizens could participate and interact with each other in a direct way. The problem in modern representative democracy is one of scale: in order to extract opinions from societies with tens or hundreds of millions of people, representation becomes very abstract and viewpoints are expressed primarily by well-organized groups. Oftentimes these groups represent minority interests with strong stakes in an issue, but do not represent the whole of society. So, efforts to build deliberative democracy seek to reinsert an older form of social interaction into the framework of modern representative institutions. While this is a worthy goal, its success thus far has been limited. It works best in a highly decentralized political structure that facilitates small-scale interaction, but is very hard to apply in larger settings.

It is hard to say how deliberative democracy would work in China given that there is no formal democracy to begin with. That is, deliberation makes sense only if the people deliberating have authority to make actual decisions. So while deliberation occurs within the Chinese communist party, this should not be confused with deliberative democracy. It is always better to have more rather than less deliberation, but also better to have more rather than less democratic accountability.

Li Yitian: Suppose Liberal Democracy is the ultimate political forms of mankind, and it will eventually spread to all of the world, then if you want to achieve this goal, which way of spreading is acceptable? When George W. Bush launched the war against Iraq, you know, one of his key reasons was to export freedom and democracy to Iraq and help the Iraqi people build a liberal democratic country. What do you think of that?

Fukuyama: My last book was really about what our mistake in the Iraq War was because I think that democracy spreads because people want it in each society and it is not the result of the American military power. I think it was a tremendous mistake for Bush's administration to think that they could use the military power for those ends. Actually I think that Bush's administration undermined its own efforts to promote democracy by launching the war. Today in Middle East if we use the word "democracy", they think it means American military invasion. You know, they took it as a bad thing.

3. Social Psychology and Philosophy of History

Li Yitian: To a great extent, the reason you consider "Liberal Democracy" as the ultimate political system is because the liberal democracy, in your eyes, can meet the human's deep needs of recognition. Moreover, you regard politics as "the effort to solve the problem of recognition", the history of politics as the one of "struggle for recognition" and the dynamics of politics as "to gain the other's recognition". Are you worried that the left-wings (especially Marxists) will criticize you that you have overemphasized the effect of social psychological factors so that you appear to be a historical idealist?

Fukuyama: Well I think Marxists, just like the modern economists, over emphasized the material factors in human development. I think both of them are important. People have material needs and wants, but they also have ideas and they want recognition of their dignity, they want recognition of the moral ideas that motivate them. I think any historical account that is just materialistic misses a great deal of reality. I mean, you take something like religion. The Marxists say that religion just comes out, it is just a fairy tale that is invented by the capitalists to make the proletarian compliant. I don't think it could explain the suicide bombing in Middle East today.

Li Yitian: Although "recognition" represents a social relationship, it originates from the deep desire in the mind of human beings. That's to say, the real "recognition" must be from the heart of one political agent and reach the heart of another political agent who can feel it really. Therefore, the notion of "recognition" is one category of political psychology or social psychology. Similarly, in your book, *Trust*, you emphasized another kind of political psychology or social psychology. Does it mean you prefer the psychological methods to observe, analyze and discuss the political or social problems?

Fukuyama: Well, you could call it social psychology; you could also say it has to do with ideas and moral values. Human being is more complex than just being materialistic creatures.

Li Yitian: Well, can we understand your ideas in the following way: on the driving force of history you have taken some subjectivist explanations, but on the trend of history your philosophy shows a belief in objectivity (namely, a belief that historical development is bound to achieve some a highest level). The former would certainly be criticized by Marxists, while the latter is of similarities with Marxism. Please say something about Marxism (particularly about its philosophy of history). When you engage in discussions with Marxists, what do you think the greatest challenge is for you?

Fukuyama: It is funny because I don't think it is Marxists that are making this critique most effectively right now. However, one of the big problems in liberal democracy is in fact the question of inequality. You know, all societies have their tolerance to a certain degree of inequality. They tried to minimize it through social policies and redistribution of various resources. However, in the end they did not make it go away. I don't think Marxism has made it go away either. It may be one of those unsolved problems. But at least the Marxists classically pointed out the problem that we need equality, and made it kind of a central concern. So I think it was probably the most important issue they raise.

Li Yitian: Since you think there is "the final form of human ideology" or "the final form of political domination", does it mean that you are a determinist or teleologist in historical philosophy? It seems that you agree with Hegel and Marx on the following idea: that is, the history of human beings will develop to a perfect social form which can satisfy them fully, and it will stop developing when it gets to the stage. With this historical perspective, how do you evaluate and respond to the critique of historical determinism by Karl Popper?

Fukuyama: I have no consciousness of historical determinism in the sense of Marxism. My recent book on the origin of political institutions is a much more detailed historical account of how human societies evolve in different ways, which is not determinist at all. As a matter of fact there are a lot of accidents and unexpected affects. I don't think it is determinist at all.

In my new book, I argue that political evolution is comparable to biological evolution in the sense that you have different political systems, they compete with each other, and some or more are better adapt to their conditions and may survive. Then if the conditions change, the same institutions can actually become dysfunctional and get political decline. Just like biological evolution doesn't have a certainly predetermined path, I don't think political evolution does either.

4. Observation of Reality and Chinese Problems

Xue Xiaoyuan: This morning, the topic of your lecture in our Bureau is "Global Financial Crisis and the Future of Capitalism". So my question is what is your opinion about the progress of globalization?

Fukuyama: Well, first of all, I think it is important for us to understand that globalization is not a new phenomena. Marx's *Communist Manifesto* which was published in 1848 had already pointed out that the global market unified much of the world and there are many people in a single competitive market place. So what we have seen in the last generation is just the acceleration of what's going on in the last 200 years. I think one of the obvious benefits of globalization has been the possibility of the rapid economic development that is impossible when the society were isolated from one another.

I remember a few Christmas ago I wanted to buy an Apple computer for my son, and it was only about a week before Christmas. So I made an order on the Internet but I really worried about whether it could be sent in time because it was delivered from Shenzhen, China. However, the Federal Express took it to the Washington D.C. where I lived before Christmas. Obviously that kind of economic efficiency couldn't be achieved without globalization.

However, I think the other side of it is that globalization makes us more vulnerable because we are more interdependent with one another. So the recent economic crisis began from the Wall Street in the American real estate market and then affected the farmers of Africa, and the consumers in China and many other places of the world. I think the problem is that we don't have a political structure internationally to respond to the economic structure that we have now developed.

Xue Xiaoyuan: German Sociologist Ulrich Beck brought out his theory of Risk Society in 1986. In 2004, he provided another conception, "Global Risk Society", which means that globalization will broadcast the risks and crises everywhere in the world so that nobody could escape from them. How do you appraise such a theory? What's your opinion about the relationship between risks and crises?

Fukuyama: I'm not familiar with that risk theory. It does seem to me that it's true that we face a lot of risks through globalization, but we also have the possibility of a lot of gains. So people benefit while they are vulnerable. The benefits are quite tremendous. Chinese developments and Indian developments are almost unprecedented. I think the critical point is to have a political framework which can deal with the risks and a way in controlling the risks and holding accountable the people who make policies and bring out the bad results.

Xue Xiaoyuan: Currently, Europe is in the trouble of financial crisis. Portugal was predicted as the next "victim". What do you think about the prediction?

Fukuyama: I think the problem in Europe was created by the Euro. It didn't have a mechanism for disciplining the individual countries, and didn't have a mechanism for countries leaving the Euro. You could go in but you couldn't go out. That creates the big problems. The reason is that the Euro works if every country exercises the same degree of discipline and practices fixed policy. Spain, Greece and Ireland got into big trouble. They have no way in the current system to fix it except through political assistance by rich countries which are facing some barriers. However, I think that the price of the collapse of Euro will be so high that no country can afford it. So the rich countries, like Germany, will finally have to accept the fact and assist the poorer ones.

Li Yitian: Please let me ask some questions about China. You once stated that two opposing economies and cultures will emerge in East Asia: China and Japan. You also said that due to a lack of social trust, although China could quickly take advantage of family relationships to establish private enterprises, China would face more problems than enterprises in US and Japan when it transformed family enterprises into modern enterprises. So China must find its special organizational form in modernization. Today, how do you evaluate these judgments? What is the most appropriate organizational form for China's modernization?

Fukuyama: Well first of all, I don't think that the fact that in China you classically have family businesses and in Japan they developed very large corporations earlier necessarily means that one is going to be economically more successful than the other. In fact over the last 15-20 years, China's economic performance has been better than that of Japan. But I do think that it is probably the case that in order to organize very large-scale economic organizations or companies in China, it is easier to do this in the state sector than it is in the private sector. Further, if you think about the phenomenon of "guanxi 关系", which is all based on the personal relationship about who you know and who you trust, it at least restricts the set of business contact more than you have in a society that has broader trust.

Li Yitian: For the past thirty years, China has carried out its strategy of reform and opening up. What are the primary means and channels for you to observe and understand China? According to the observations, what are your basic judgments about China's current situation? Based on the judgments, what would you like to say to the Chinese people?

Fukuyama: You know, obviously I don't speak Chinese. So I follow China as a lot of Americans do through newspapers, books and articles. I have a lot of Chinese students. So a lot of what I know about China are from talking to my students and Chinese friends. I think if I could talk to Chinese people right now, what I would like to say is that they ought to relax a little bit, and not to be so insecure about China's power in the world or status in the world. China is rising and it will continue to do that, and further more it is going to change things all that much. So I think China could probably afford to be a little bit more relax about criticism and open up the system more. I mean it was impressive how much China has opened over the last 25 years, but it could be a lot more open than it is now.

Xue Xiaoyuan: The last question. Just now you have mentioned your new book for several times. I am very interested in its concrete content. Besides, in your many works, which is/are your favourite(s)? And why?

Fukuyama: Well the book I am working on right now is a two-volume book. I have just finished the first volume, and it will be published in the United States in April, and its title is *The Origins of Political Orders: From Pre-human Times to the French Revolution*. The second volume will continue the story about the political development up to the present. I have not really started the second volume and it will take some of the years.

Probably the book I like best is *Trust*, the second book I wrote. I had always wanted to look at the impact of culture on economic life and it gave me the opportunity to do that. In a way, although everybody knows about *The End of History and the Last Man*, I actually have given lectures more on trust, because people find that this is a very important topic to them.

Notes

+ We are appreciative of Dr Lai Hanrong's excellent translation.

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Book Review

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Book Review

Guoguang Wu and Helen Lansdowne, *Socialist China, Capitalist China: Social Tension and Political Adaptation under Economic Globalization*, London and New York: Routledge, 2009, 215 pp. + xii.

Since the end of 1970s, China's marketization reforms have greatly diversified China's social landscape. While the wealthy urban Chinese enjoy a luxurious lifestyle, the poor rural folks continue to struggle for basic public amenities such as education and health care. At the same time, there are also widespread social discontents in China today. Conflicts exist not only between the state and society, but also within the state and society respectively. Significant inequalities exist in the society, which raise the questions of "who gets what and why" in the process of market transition. Together with market reforms, China has deeply integrated with the global economy. Thus, an examination of China's changing social landscape cannot be isolated from economic globalization, hence the necessity to ask "who gets what through China's globalizing" (p. 5)? The analysis of China's social development needs to be approached from a variety of angles. How to explain and define the root causes of these conflicts in China, including its economic, social, religious and political dimensions? This edited volume tries to answer these questions.

Socialist China, Capitalist China draws from the papers presented at the "Socialist China, Capitalist China: Social-Political Conflicts under Globalization" conference held in October 2006, at the Centre for Asia Pacific Initiatives, University of Victoria. The organizing theme of the volume addresses the social tensions generated by China's socialist legacy and its embracement of global capitalism, manifested in the phenomenon of rising mass protests, inadequate healthcare, the growing numbers of *xinfang* (petition), the rise of religious communities, and many other issues. All these issues are well addressed in this volume, but the chapters vary in quality. Although all chapters are in general good, some chapters are definitely better and contribute more to scholarship than others.

The opening chapter by Helen Landsdowne and Guoguang Wu introduces the major theme. It contends that "a new form of authoritarianism is emerging" (p. 4), and this form, rather than being "market socialism", should be more appropriately termed "Leninist capitalism". Accordingly, the "state makes use of the façade of freer society that globalization appears to bring to various aspects of Chinese life, while in reality it employs underlying authoritarian mechanisms that ensure state control" (p. 6). However, authoritarianism under globalization contributes greatly to the rise of many social issues, in which political authoritarianism itself is unable to solve other than mere repression and coercion. Chih Jou Jay Chen provides an overview of the protest movements in today's China. He relies on a dataset he complies from press reports to illuminate the main causes and actors of more than 700 cases of rural and urban mass protests, and shows that much of these incidents were related to violation of people's rights (such as rural land seizures and urban forced relocation) and privatization (especially SOE workers). Xiaogang Wu looks at the socialist institution of *hukou* (household registration) and how it had meant to be an institution to keep rural villagers disadvantaged for the benefits of the urban working class during Mao's socialist era, and how it has become in today an essential tool to keep a vast army of cheap labour that makes Chinese production competitive in the world in post-Mao capitalist era. Feng Xu argues that in the field of unemployment policy, China has adopted the neoliberal international norms while maintaining its communist orientation. The result is that the authoritarian state is able to define "freedom" as being relived from dependency on the state. "Freedom", ironically, and in a truly Foucaultian sense, "is being framed and mobilized to steer people to government's desired policy goals" (p. 70). China's synchronization with the "international best practices" in unemployment policy helps to achieve the policy goals of the regime rather than fosters liberal democratization.

Yangzhong Huang analyzes another critical issue, China's healthcare system in which he tries to explain why the "healthcare reform in China appears to lead a situation in which none of the affected actors (patients, healthcare providers, governments, the new rich, the middle class, low-income group) are satisfied" (p. 75). The answer, Huang asserts, lies not in any pro-market healthcare policy, but in the nature and characteristics of China's decentralized "buckpassing polity" in which central leaders and local cadres are have an incentive to shirk their responsibility. Carol Lee Hamrin discusses the emergence of a variety of religions (but pays most attention to Protestants) in China, which it inseparable from China's embrace of globalization. Transnational religious ties have deeply penetrated the official atheist state, despite the best efforts of the party-state to manage and contain religious influences among the people. Furthermore, religious faith seems to have fueled rights consciousness, as exemplified by several high-profile rights activists who have embraced religion and sees it as a source of strength for their struggle against official injustice.

Barrett McCormick, using *Super Voice Girls* and *Freezing Point* as examples, argues that while China has successfully adopted some global trend setting entertainment formats, its arcane censors have (stupidly?) tried to regulate entertainment to the irk of China's consumers who otherwise remain apolitical. On the other hand, the censors' heavy-handedness in dealing with outspoken journalists and news editors show that the state still relies more on domination to control the media and the cultural sphere, and have not achieved hegemony (in Gramsci's sense). Keyuan Zou examines the *xinfang* (petition) system, especially the new 2005 regulations on petitions. The new regulations attempt to bring the system under a legal framework. While these regulations give more legal protections to the petitioners, they also severely restrain the range of action and scope allowed. Zou also usefully points out several dilemmas of the petitions system, such as people's right to petition versus stability maintenance, the rule of law versus the rule of man, and the reliance on the judicial system versus the reliance on the petition system to solve disputes. Pierre F. Landry addresses the diffusion of legal institutions in China. Using diffusion theory, he argues that trust in the courts and presence social networks help explain the gradual diffusion of courts and the increasing use of courts by citizens to settle disputes in China. Finally, Yan Sun discusses the acute issue of corruption and its relations with democratization in China and India. Contrary to expectations from enthusiastic democrats (and somewhat out of sync with the theme of this volume), Sun finds that poor democratic India is not necessarily more "clean" than authoritarian China. Instead, the more important variables seem to be level of economic development and degree of state autonomy from private interests. In both variables China outperforms India. However, in the poorer and inland regions, the pattern of China's corruption resembles other poverty-stricken countries. In the end, Sun argues that "institutional continuity and partial reform" have "served to lessen insecurity of the stakes of contention for elites in a period of rapid transition, easing the pressures for out-of-control abuse and violence." "China's partial reform strategy, in other words, has served to prevent a worse scenario of corruption by building economic opportunities and market institutions before firing up political competition" (p. 185).

Guoguang Wu ends the volume with an excellent concluding chapter. He contends that the "social problems are rooted in the Chinese pattern of economic development and the authoritarian political institutions that govern that development" (p. 206). With the "fundamental political restructuring being absent", China's "policy adjustment and institutional adaptations [in response to the social tensions] cannot go beyond developmental and institutional constraints despite any effort the leadership may make" (p. 206). How about the future prospect for change? Wu seems pessimistic. He foresees a "China in dispersed, protracted, and in terms of ignitable issues and political impacts, spasmodic social unrest for years to come, and a party-state in a concentrated but nervous and insecure mood for making constant yet institutionally insubstantial efforts to deal with social discontent" (p. 207). Furthermore, "such state-society relations, in turn, imply an unfavourable climate for political reform from above, while the incentives to push such reforms from the bottom will not be strong enough to realize themselves while state repression still works" (p. 207).

Many scholars in China actually resonate with such assessment. Reforms in China began with what Deng Xiaoping has described as "touching the stones to cross the river". But now, many scholars in China have warned that a small group of vested interests may be more accustomed to touching the stones but have forgotten to cross the river. (See the 2011 Social Progress Report produced by Tsinghua University Sociology Department.) This report argues that China is stuck in a "transition trap". Vested interests resist further reforms and bent on monopolizing their resources. Ordinary people also worry that further reforms might deteriorate their lives. To get out of the trap, the state, the vested interest, and the society, all have a role to play. The report suggests the difficulties and challenges lie ahead.

This book presents rich, original data about many of the social challenges faced by China; the authors' analyses of the various issues are very sharp. Reader can get a very clear picture of what has been happening in contemporary China. Nevertheless, perhaps the editors may have also overlooked some positive picture here. Actually, the chapters by Keyuan Zou, Pierre Landry, and Yan Sun are not that pessimistic. For example, in the conclusion chapter, Guoguang Wu cites Landry's chapter to show that "the ruling party's control over the judiciary contradicts the regime's self-proclaimed goal of building the 'rule of law'" (p. 201). However, this is neither the main message nor the main finding of Landry's chapter.

Also, McCormick also seems to contradict himself when, on page 110, he writes that "the Chinese government can carefully distinguish between the public goods that are necessary for economic growth and those that are politically sensitive," but then on page 120, he writes that "it is difficult to create institutions that carefully distinguish between the public goods needed for economic growth and those with political implications." On another matter, the editors should make the use of terminology more consistent. For example, Zou uses "petition" and "letters and visits" to describe the *xinfang* system in his chapter, but Landry (in Figure 9.2, p. 142) uses "complaints bureau", which is likely to be actually the same thing with the *xinfang* office. China specialists will have no issue with this, but a non-specialist reading this book may get confused.

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