China in a Nutshell

Dr. Jim Goodnow
Professor Emeritus of International Business,
Bradley University
Fellow, of the Academy of International Business
You cannot understand today’s world without understanding China

• Is China a friend, a collaborator, a competitor, a threat, an enemy?
• Or is it each of the above?
• Do we need to distinguish between the Chinese people and the current Chinese government?
Why some Americans dislike China

• The Wuhan COVID 19 virus caused a global pandemic that resulted in economic misery and forced “hibernation” due to social distancing

• Chinese exports have taken away a significant percentage of jobs in manufacturing due to outsourcing of multinational corporate supply chains. China is the world’s largest exporter.

• Fear that the Chinese Communist Party desires to dominate the global political economy (the world’s second hegemon state along with the USA.)

• China’s language, culture and political system are significantly different from our Eurocentric traditions and systems and therefore difficult to understand
Chinese Superlatives

• World’s most populous country (India a close second) – 1 in 5 of Earth’s inhabitants is Chinese. Four times the population of the USA.

• World’s largest economy (GDP measured by purchasing power parity) – grew from insignificance in 40 years but on average 1/4 the per capita income of Americans.

• World’s largest international trader (recently surpassing the USA) – again accomplished in 40 years.

• Chinese invented printing with moveable type (before Gutenberg), paper, gunpowder (not guns), the compass.

• The world’s longest lasting period of 29 imperial dynasties/kingdoms – (nearly 580 kings or emperors – only one of whom was female).
The purpose of this course is to enhance understanding of and appreciation for China

• The USA and China must learn how to coexist, cooperate when possible and otherwise compete peacefully.
• We learned hard lessons during the Cold War that we don’t want to repeat.
• We’ll have a “bird’s eye” overview of China’s geography, history, culture as well as its current political and economic challenges.
• For more in-depth study, there are presentations on-line from OLLIs at other universities as well as The Great Courses. While staying current, beware that some media sites are more objective than others.
Chinese Geography – Earth’s 4th Largest Land Area

- East to West “stair steps”
- 92% Han majority in most developed east
- 8% minorities (56 official) around less developed “necklace”
- Three major rivers;
  - Yellow (Huang He)
  - Yangtze
  - Pearl
Fundamental Thesis

• The nearly 4000-year history of the ebbs and flows of dynasties plus its current Communist regime provides a background framework for understanding behaviors and policies in 21st century China
**Prehistory**

- Humans probably arrived in China 500,000 years ago. Like the rest of the world, they were probably hunter-gatherers who eventually settled in small agricultural communities along the Yellow River valley in the north as well as along the coastal plains north of today’s Shanghai.

- Apart from a few pots, archeologists have found very little evidence of a Xia Dynasty that might have ruled a small part of north China prior to 1800 BCE (at the time of Egypt’s Middle Kingdom). The Xia developed sophisticated irrigation systems to stem ravaging floods.
Shang Dynasty 1800-1100 BCE

• Concurrent with the New Kingdom in Egypt and the Hebrew Exodus
• Unified a significant portion of today’s northern China by military force (including many slaves)
• Enhanced by bronze objects that improved agricultural and military pursuits
• The major archeological remains are magnificent bronze ceremonial objects (many of which are beautifully displayed in the Shanghai Museum.)
Shang dings
(ceremonial pots)
Shang pitchers
Zhou Dynasty 1100~360 BCE

• Overlaps with Assyria, Babylon, and Persian dominance in the Middle East
• Major legacy is the codification of Chinese cultural behaviors and philosophies that occurred in the years of the dynasty’s decline
Foundations of Chinese Culture

• Nature can be beautiful but cannot be controlled. Hence, the concept of fate. Prosperity depends on luck. Architectural *feng shui* relates to interpretation by fortune tellers.

• Chinese concept of heaven a blend of polytheism (many gods headed by the Jade Emperor) and hazy greyness (It is similar to the Jewish concept of Sheol rather than the Christian and Islamic concept of an everlasting paradise filled with light and bliss.)

• The extended family including its ancestors is the foundation and center of society. Great respect for elders.

• Harmony in small closed societies exists because each member knows and plays his or her appointed role. Correction takes the form of lessening one’s reputation or status (losing face or *mianzi*) rather than bodily punishment. Reciprocity is very important. The family and the small agrarian community in which it lives creates social barriers to outsiders. This leads to the concept of *guanxi* or connections.
Reverence for the Ancestors

• Four generations in the male line of the eldest son.
Archeological finds: Oracle Bones

• Earliest tangible evidence of writing in Chinese characters

• Today, there are about 40000 characters. Well educated Chinese know about 6000. Half that number needed to read newspapers.

• Written language is the same but spoken dialogues are very different.
Spring and Autumn Period 800-500 BCE

• Overlaps with middle of the Zhou Dynasty
• A period of relatively peaceful disunity
Confucianism
Kong Fu Tze (or Master Kong)

• Teachings later amplified by Mencius who taught that human beings are basically good if they learn to control their emotions
Fundamental Confucian Precepts as Found in The Analects and I Ching

• Ethical relationships based on tradition
• Jen – compassion based on genuine love
• Li – transcendent ritual and etiquette-based social behavior
• Qualities: humaneness, tolerance, harmony, wisdom, sincerity, filial piety, uncritical of others
• Individuals should be “noble” by conforming (neither overly ambitious nor lazy) – doctrine of the mean.
Forms of Filial Piety

• Benevolent sovereign and loyal subject
• Loving parent and obedient children
• Good and fair husbands and understanding wives
• Gentle elder sibling and respectful younger siblings
• Considerate older friends and reverential younger friends
The Mandate of Heaven

• Rulers continue to be powerful under the mandate of heaven if they are benevolent
• They lose power under the mandate of heaven if they are cruel, self-serving and/or corrupt
Daoism (The Way)
Lao Tzu (6th century BCE)

• Daoist principles are contained in Dao Te Ching
Daoist Teachings

• Universe works by balancing the opposites: Yin and Yang
• Wu-wei – spontaneity, self-reliance, openness, creativity
• Life should be in harmony with nature, live simply and do not intervene
• Dao- Like water, go with the flow, be your natural self and do not try to control other people
• Te – Everything has its place in the universe – related to holistic herbal medicine
• Ch’i – life’s animating breath or energy is the source of empowerment in the Tao (or the way) – related to acupuncture and tai chi
Yin and Yang

- Daoism and Confucianism appeal to opposite personality traits. The former appeals to unbridled emotions while the latter appeals to the rules-constrained intellect.
Warring States 500-~222 BCE

• Overlaps with the decline and fall of the Zhou Dynasty
• Contemporary with the height of Greek culture in the West
• A period of civil war between rival local fiefdoms
The First Emperor
Qin Dynasty 221-206 BCE

- Military leader who conquered most of northern and central China followed by his less skillful son
- Started building the earthen Great Wall
- Archeological legacy is his tomb (Terra Cotta warriors)
Qin Shi Huangdi
221-210 BCE

• Burned most books except those about agriculture
• Instituted Legalism – clear sets of regulations (especially military behavior) with immediate rewards and severe punishments
Terra Cotta Warriors (Xian)

• From the excavated tomb of the first emperor
The World’s Largest Bronze Artifact

- From the tomb on the first emperor in Xian, China
Han Dynasty 206 BCE-220 AD

• Overlaps with Roman Republic and Empire
• Early Han 206 BCE -9 AD (First Golden Age)
• Xin emperor 9-25 AD (overlapping Jesus’s formative years)
• Late Han 25-220 AD (overlapping early Christianity)
Legacies of the Han Dynasty

- Confucian ethics and rituals institutionalized
- Competitive examinations for court civil servants and scholars (*shi*)
- Iron supplants bronze weapons and agricultural implements (long before Europe)
- International trade with neighbors, Southeast Asia, Indian subcontinent, Europe (Silk Road)
Three Kingdoms 221-481 AD
Overlaps with Byzantine Period

• Lines indicate directions of conflicts among regions
Buddhism Arrived in China Around 300 AD

• Premise: Overcome suffering and endless reincarnation by getting rid of attachments

• Appealed to many Chinese who felt downtrodden by Confucian formalism and related hierarchies.
New Land Buddhism especially appealing

• Worship of a bodhisattva who had not yet attained enlightenment but who could lead worshippers to a pleasant after life experience (akin to Christian traditional concept of heaven) on the way to achieving enlightenment
• Improved the Grand Canal
• Unsuccessful invasion of Korea
Tang Dynasty 618-907 AD Brought China’s “Renaissance”
China’s Only Female Emperor
Wu Zetian

- Concubine to the Tang Emperor killed her own child and blames Empress
- Empress is killed; Wu becomes Empress at age 30; assumed more power the next year after the Emperor suffered a stroke
- Crown prince was poisoned and other rivals killed at Wu’s request
- Her son became Emperor but she had him abdicate
- She became “Emperor” in 690 AD at age 64
- Deposed in 705 AD following exposure of two love affairs
- Died in disgrace in 706 at age 80
- Her palace intrigues are similar to others throughout most of China’s dynastic era
Five Dynasties and Ten Kingdoms 907-960 AD

- Throughout most of the Tang period, Islam had spread throughout the Middle East and beyond (reaching the western edges of China, e.g., today’s Uyghurs)
- This was a five plus decade era of regionalism between two great dynasties (the Tang and the Song)
Northern and Southern Song Dynasties 960-1276 AD

- Crusades and cathedral building in Europe and the Middle East
- Also Viking and Norman conquests in Britain as well as Magna Carta
- Jin Dynasty overlapped from 1115-1234 AD (invaded from the north and had conflicts with Mongols)
- About 150 initial years of civility and less warfare and the growing importance of the civil service and communications (with the invention of moveable type and nationwide paper currency)
- Growing importance of the Silk Road
Yuan (Mongol) Dynasty 1276-1368 AD

- Rule by descendants of Genghis Khan
- Coincided with extended visit by Marco Polo
Mongol Invasions in Eurasia

- Eventually overpowered the Song Dynasty
Kublai Khan
1264-1276

• Ruled over about half to two-thirds of the Eurasian landmass
• His successors were less skillful as military and administrative leaders
Marco Polo’s Visit

• Is the story really true or is it a fabrication?
Ming Dynasty 1368-1644

• Overlapped Europe’s Renaissance and Age of Discovery
• Major legacies include rebuilding the Great Wall, building Beijing’s Forbidden City as well as artistic creations – especially porcelain
Legacies of the Ming Dynasty
End of Part 1 of the course

• Any questions or comments?
Qing Dynasty (1644-1912) included the two longest serving emperors (Kangxi and Qianlong)
Military Conquests by the Qing Empire

• During the mid 1600s, the area controlled by the Emperor expanded beyond today’s Northeast China and added most of today’s South China.

• During the mid 1700s, the Empire expanded again to include today’s Tibet and Xinjiang regions as well as Inner Mongolia and today’s independent country of Mongolia.

• However, Qing Chinese forces were unable to defeat the armies from southern bordering regions including areas that are today’s Vietnam and Myanmar.
Map showing expansion of Chinese imperial territory during the Qing era
Chinese Territorial Expansionism and Today’s Uyghurs

• Most of China’s imperial history is centered in the country’s northeast quadrant.

• During the Han and Tang dynasties, a protectorate was established in the current northwestern region (today’s Xinxiang province – home of today’s Uyghurs).

• In the mid 1700s, during the reign of Emperor Qianlong, China militarily annexed the current provinces of Xinxiang and Tibet. Nothing was done then to acculturate the peoples of these regions into Han Chinese traditions. This remained to be attempted by the current Communist governmental regime.
Qing Dynasty Weaknesses

• Overlapped most of pre-World War 1 American history
• Manchurians blended with Chinese culture but required pigtails to be worn by Han ethnic majority men
• Outside influences led to decline starting in the middle of the 19th century
• Portuguese Jesuit missionaries
• Treaty with Russia
• Taiping Rebellion (led by a Christian “heretic”)
• Opium War with the British who wanted cheap tea
• Anti foreign concessions Boxer Rebellion
• Japanese invasion of Manchuria
Dowager Empress Cixi and her excesses
Last Emperor
Puyi

• Remember the movie “The Last Emperor?”
Republic under Sun Yat Sen

• Short lived in 1911; then limited to South China; ended with Sun’s death in 1925

• Period of war lord conflicts eventually “won” by Chiang Kai Shek and the Nationalists (Kuomintang)

• Nationalists exiled to Taiwan after Communist takeover in 1949
Mao Tze Tung 1949-1976

• Developed Marxist/Leninist regime

• Lack of administrative experience led to eventual failures of openness, the Great Leap Forward in the 1950s and the Cultural Revolution of 1966-76

• Support for proxy wars in Korea and Indochina
China’s Governance

- Constitution of 1954 replaced in 1982 and most recently revised in 2018
- President is also head of the party and commander in chief
- Premier is head of government
- 3000 member People’s Congress elects 24-member Politburo
- Real power rests in nine member Standing Committee
  - Deliberations of both Politburo and Standing Committee are mostly secret
  - Regulations by provincial and township authorities are mostly transparent
The PRC was called Red China. But China has always been “red.”

• The color “red” symbolizes happiness, prosperity, good luck and longevity
Mao’s Chosen Successor: President Hua Guofeng (1976-78)

• Gang of Four – including Mao’s widow were imprisoned
• Effective national leadership power went to the vice premier Deng Xiaoping in 1978
Deng Xiaoping – de facto Chinese leader 1978-1989

• “To be rich is glorious”
• Encouraged mix of socialist government and free enterprise economy (Socialism with a Chinese face or market socialism)
• Inspired China’s amazing four decades of national and individual economic advancement
Skylines: Beijing, Shenzhen, Shanghai
Shenzhen Special Economic Zone

• Perhaps Deng’s best success story
• Seaside area just north of Hong Kong’s New Territories, close to Guangzhou (Canton) – China’s major trading city
• Eliminated most PRC restrictive investment laws
• Population grew from 30,000 in 1980 to at least 12 million today or about 20 million when you add part-time residents – 12th largest city in the world and about 33% more population than in Hong Kong (but lower per capita living standard)
• Filled pent up need for low cost manufacturing to support historic trade of Hong Kong and Canton; today, the high-tech capital of China
Technocratic leaders after Deng and before Xi

- Two presidents and heads of the Communist Party (Jiang and Hu) were trained as engineers and had been successful regional administrators.
- Major projects included the rebuilding of cities (such as Shanghai’s Pudong) and new cities (such as Shenzhen) as well as infrastructure (such as the Three Gorges Dam).
China’s current leaders: President XI and Premier Li
President Xi Jinping

- Born in 1953 (first post World War II leader)
- Exiled with his family to a cave in Shaanxi province during Cultural Revolution; learned agricultural skills
- Joined the Communist Party in his late teens for self protection
- Chemical engineering graduate of Tsinghua University
- Several regional administrative posts prior to becoming head of the Communist Party in Shanghai
- Served as China’s Vice President until he became President in 2013
- Became President for life in 2018
Premier Li Keqiang

• Current Premier of the PRC
• Born in 1955
• LLB in Law and PhD in Economics from Beijing University
• Prize winning economist
• Free market advocate
Goals of Today’s Chinese Government

• Assure the long-term survival of the regime
  • Maintain a secular version of the mandate of heaven
  • Positive “spin” from state-owned media
• Minimize public dissent
• Grow the economy out of a middle-income gap
• Defend the homeland
• Deal with internal demographic issues
• Cope with health and climate emergencies
Minimizing Public Dissent

- Acceptance and trust of public authority based on centuries of Confucian hierarchical tradition
- Tiananmen massacre of 1989
- Laws affecting Hong Kong 2020
- Reeducation camps for Uyghurs 2019-2020
- Social credit cards and facial recognition data gathering
Avoiding a future middle-income trap

• End of the supply of cheap labor for exported goods?

• Dependence on export surplus is now supplemented with the creation of the world’s largest domestic internal retail market

• Continued support of state-owned enterprises (especially in banking, real estate, construction and transportation related industries)

    Belt and Road Initiative is supporting these industries and helping to maintain domestic employment.
Trade with the USA

### U.S. and China trade standoff: What’s at stake

**U.S. imported record $539 billion in goods from China in 2018, in billions**

<table>
<thead>
<tr>
<th>Category</th>
<th>Value (in billions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Computers &amp; electronics</td>
<td>$186.5</td>
</tr>
<tr>
<td>Electrical equipment</td>
<td>$49.9</td>
</tr>
<tr>
<td>Miscellaneous manufacturing</td>
<td>$44</td>
</tr>
<tr>
<td>Machinery</td>
<td>$38.7</td>
</tr>
<tr>
<td>Clothing</td>
<td>$29.8</td>
</tr>
<tr>
<td>Fabricated metal</td>
<td>$26.5</td>
</tr>
<tr>
<td>Furniture</td>
<td>$25.8</td>
</tr>
<tr>
<td>Transportation equipment</td>
<td>$21.7</td>
</tr>
<tr>
<td>Chemicals</td>
<td>$21.4</td>
</tr>
<tr>
<td>Plastic &amp; rubber products</td>
<td>$20.2</td>
</tr>
<tr>
<td>Leather and similar goods</td>
<td>$20</td>
</tr>
</tbody>
</table>

**U.S. exported $120.3 billion in goods to China in 2018, in billions**

<table>
<thead>
<tr>
<th>Category</th>
<th>Value (in billions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transportation equipment</td>
<td>$27.8</td>
</tr>
<tr>
<td>Computers &amp; electronics</td>
<td>$17.9</td>
</tr>
<tr>
<td>Chemicals</td>
<td>$16.2</td>
</tr>
<tr>
<td>Machinery</td>
<td>$11.1</td>
</tr>
<tr>
<td>Oil &amp; gas</td>
<td>$7.1</td>
</tr>
<tr>
<td>Farm crops</td>
<td>$5.9</td>
</tr>
<tr>
<td>Miscellaneous manufacturing</td>
<td>$3.7</td>
</tr>
<tr>
<td>Waste &amp; scrap</td>
<td>$3.5</td>
</tr>
<tr>
<td>Electrical equipment</td>
<td>$3.4</td>
</tr>
</tbody>
</table>

*Source: U.S. Census*
Trade with and public sector investment in the USA

• What will be the outcome of the Trade War?

• To what extent is outsourcing by subsidiaries and joint ventures of US based companies responsible for China’s export surplus with US?
Why Are There Continuing Subsidies for State Owned Enterprises?

- 80 percent of China’s Fortune 500 companies are state owned
- Tradition of guaranteed employment
- Uneven growth and development favoring coastal areas
- Wages of lesser paid workers in the interior are higher than those in several Southeast Asian countries
Belt and Road Initiative

• Pakistan rail corridor especially important for importing petroleum
Technology: an engine for growth?

- Breakthroughs in 5G and artificial intelligence technologies BUT...
  - Stealing technology secrets (and piracy)
    - Requiring joint ventures rather than allowing wholly owned foreign direct investments
  - Chinese students bring back latest technologies from universities in other countries (Yet other nations are learning from Chinese innovators)
  - Facial recognition and consumer purchasing preference monitoring software can modify behavior of Chinese citizens (and can limit activities of dissidents and minorities)
  - Cyber interference with politics in other countries as well as cyber innovations in space remain largely secret
Examples of Chinese Companies’ Purchases of Technology

• Chinese companies purchased portions of US companies: Geely bought Volvo (formerly Swedish owned) from Ford; Haier bought home appliance division from GE; Lenovo bought desktop computer division from IBM.

• Technologies for high speed rail bought from Germany (Siemens), France and Japan.

• The Academy of International Business has set up a task force to coordinate global scholarly research about ways that Chinese companies acquire, learn, apply and administer new technologies.
Defending the homeland

• Man made islands in the South China Sea
• Land disputes with India (recent armed conflict)
• Maintenance of the People’s Liberation Army and expansion of People’s Liberation Navy
Demographic issues

• Aging of the population
  • 10 percent of population now; 25 percent in 30 years
  • Compare with 15 percent in the USA now (with future dependent on rate of immigration)

• Fallout from the One Child policy (fewer females than males for a generation)

• Required registration by current domicile (keeps 50 percent of the nation’s population in rural areas)
One child policy began in 1979 but was recently relaxed

- “Little emperors”
- Traditional education emphasizes excellence in rote learning for exams rather than critical thinking and creative pursuits
- Twelve males for every ten females (up to 30 million males without mates)
Health care and climate issues

• Response to COVID 19 and its aftermath
• Dependence on fossil fuels (especially coal) for more than 70 percent of energy
• Air pollution is partly related to geography (deserts and mountains near seacoast – like Southern California)
• Heavy investment in anti pollution technology
  • World’s number one producer of wind turbines and solar panels.
Other Issues affecting China vs. USA

• Apart from the recent skirmish with India and a minor skirmish with Vietnam in 1988, China has had no application of military force in recent history. Sun Tzu’s Art of War (6th century BCE) suggested that military force should be used only when there is no other alternative. Negotiation preferred to armed conflict.

• Currency manipulation (no freely floating exchange rate) threatens US economic interests

• Industrial policy (Made in China 2025) includes subsidies for electric cars, next generation information technology and telecommunications, artificial intelligence and advanced robotics. Should the US do something similar (as was proposed by Senator Marco Rubio)?

• Should the USA more fully collaborate with the Chinese? (UNT is cooperating with Chinese in distance education technology and music school collaborations.) Should US firms (Boeing, Caterpillar, Bechtel etc.) be encouraged to participate in Belt and Road Initiative projects?
Some Future Scenarios for a Dual Hegemon World

• 1. Doomsday: China invades Taiwan, US intercedes militarily, World War III brings mass destruction and perhaps the end of civilization

• 2. China takes over Taiwan while the rest of the world responds with sanctions but not military intervention resulting in a temporary minor global economic slowdown

• 3. Optimistic scenario: Status quo. China, the US and other major economic powerhouse nations realized the value of maintaining the current open liberal economy based on rules established by international organizations such as the WTO and the IMF.
  • When “cheating” on the rules occurs, other nations can impose sanctions – but these could be temporary. Sane minds prevail and China calculates that it is not in its self-interest to invade Taiwan unless (at some distant point in history) the Taiwanese people vote to integrate with the mainland.
Final reflections

• Not all people with Chinese heritage are hard wired to be Confucian conformists loyal to a one-party central government. Taiwan (alias Chinese Taipei) has had an elected government for about 70 years. Many people in Hong Kong protested because they wanted one as well.

• If we want to continue to retain our current standard of living and to avoid a shooting war (or even a nuclear stalemate such as occurred during the Cold War with the Soviet Union), we should not consider China to be our enemy. It is a competitor and co-hegemon with whom we must continue to coexist, negotiate and (hopefully) appreciate.