

Bhabani Shankar Nayak *Editor*

# China: The Great Transition

From Agrarian Economy to Technological  
Powerhouse

 Springer

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## About This Book

The great transition of China from a subsistence agrarian economy to a technologically driven economic powerhouse reflects the skills and achievements of the hardworking Chinese people. The political commitment of the Chinese state and government is helping in leading the development trajectory of the country. The economic development in China is a product of political pursuit shaped by the Chinese people with unquestionable work ethics. China not only is the workshop of the world today but also works as the engine of global economic growth. The rapid transition of Chinese economy and its society is profoundly affecting the competitive capabilities of the capitalist economies. There are consistent attempts by the liberal and Western intellectuals, commentators and writers to undermine the Chinese politics and achievements of working people of China. The ideologically driven propaganda is a dangerous trap that hides viable alternatives from people. The volume celebrates all achievements and documents the challenges of combined and uneven developments in China. The Chinese state and government are trying to implement different policies and programmes to overcome different challenges in China during this transition processes.

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# Chapter 1

## Introduction: China—Challenges of the Great Transition



**Bhabani Shankar Nayak**

The great transition of China from a subsistence agrarian economy to a technologically driven economic powerhouse reflects the achievements of the hardworking Chinese people. China continues to grow as the second largest economy of the world from 2010 onwards. It is going to be the largest economy in the world by putting US economy behind. The Chinese GDP has increased of 1,500 times from 1952. The transformation of China and its economic growth is neither miraculous nor a product of market economy. The economic development in China is a product of political pursuit shaped by the Chinese people led by the Communist Party of China from 1921 onwards. China is not only the workshop of the world today but also works as the engine of global economic growth. The state led development in China paves the path of recovery and provides direction to the crisis ridden global economy. The rapid transition of Chinese economy and its society is profoundly affecting the competitive capabilities of the capitalist economies. There are consistent attempts by the liberal and western intellectuals, commentators and writers to undermine the Chinese politics and achievements of working people of China. The ideologically driven propaganda is a dangerous trap that hides viable alternatives from people.

The phenomenal Chinese economic growth and development led to the significant fall of poverty in China. The World Bank (2022) study on “*Four Decades of Poverty Reduction in China Drivers, Insights for the World, and the Way Ahead*” shows that China lifted 800 million people out of poverty and contributed to three-quarters of the global reduction of extreme poverty. There were 250 million poor living in rural China in 1978 which has declined in a massive scale. There were more than 750 million (about two-thirds of the population) in China lived below international poverty line in 1990. The commitment and targeted approach of the Chinese government has led to the eradication of absolute poverty in China. There is remarkable growth of access and

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availability of quality healthcare, education, livelihoods, social security and political stability in China. The massive investment in infrastructure, education, health and inclusive income stability programmes led to the rise of China. The unwavering commitment of Chinese government and state, determination of Chinese people and visionary leadership of the Communist Party of China have led this historic transition to a process of great leap forward.

The prosperous transition in China continues to show features of combined and uneven development. China has largest billionaires, but many people still live and practice subsistence economy. Many Chinese do not have access to clean air, water, sanitation and dignified sources of livelihoods. Social, economic and political inequalities are hinderances to deepening of democratic and egalitarian development in China. The gender gap and widening gap between urban and rural China are twin serious challenges to progressive transformations in China. The Chinese state and government is trying to implement different policies and programmes to overcome these challenges.

In spite of all achievements in fields of social and economic developments, poverty eradication, educational growth, improvements in health, communication and transportation, industrial and technological developments, China continues to face global ideological challenges from the erstwhile colonial countries. Chinese model of alternative economic development is a threat to the imperialist economic policies pursued by the Western European countries and America for centuries now. Therefore, the ideological campaign to undermine China and achievements of its hard working and skilled Chinese labour.

## **International Campaign to Undermine Chinese Path of Development**

The international debt trap is a product of colonial and neo-colonial plunders, imperialist hegemony and neoliberal economic policies imposed by developed countries on developing world. The Asian, African, Latin American and even the capitalist west is suffering from debt due to the dominance of Westphalian capitalist system that controls world economic and politics. However, the reactionary and capitalist ideologues, their mouthpiece mass media, writers, journalists, consultants, think tanks, leaders and their propaganda machines are on a relentless campaign to defame, delegitimise and diminish Chinese achievements. The core idea of this consorted anti-Chinese propaganda is to undermine the alternative development model pursued by China. During the 1990s, the G7 developed countries created a regime of free market economy led neo colonial economic policies under the leadership of the World Bank and IMF. These two institutions imposed structural adjustment, liberalisation, privatisation and globalisation policies on the countries which failed to repay the debt. These policies were tools of indirect control over natural resources, domestic consumer, labour and investment markets of the defaulter countries. The

international debt trap is the mother of all economic crises in the developing countries which helps to maintain the economic and political hegemony of the developed countries in western Europe and US (Nayak, 2022a, b).

The Chinese economic and political engagement in Asia, Africa and Latin America is challenging the debt dependence development model and questions the very foundation of western debt trap designed to exploit natural resources from the developing world. Debt is a political and economic tool of the western countries to control the politics and economic systems of the developing world and continue capitalist hegemony. China is a threat to such world order. From Chinese authoritarianism to Chinese debt trap campaigns are ideologically driven propaganda based on myths. There is absolutely no foundation to these campaigns. Falsehood is a norm for the survival of western hegemony over people and the planet.

The Chinese ‘Debt Trap’ narratives are myth making propaganda. The idea of debt trap diplomacy is to undermine Beijing and its relationship with developing countries. In reality, China provides three different types of loans i.e., (i) interest free loan, (ii) long term loan for infrastructure with minimal interests and (iii) commercial loans. China even allows to restructure the terms of the existing loans based on changing economic conditions of the borrowing countries. China has never grabbed any assets of the any countries that borrowed from China. The acquisitions, investments and integrations are western business strategies in international trade, but China pursues these strategies with a difference when it comes to its lending patterns and policies for the developing countries (Nayak, 2022a).

China is the one of the largest official creditors with a global presence, but it never puts conditions of structural adjustments, change of labour laws or liberalisation and privatisation of their economic systems while lending. The western propaganda machine never fails to portray integration and acquisitions as Chinese dominance and debt trap. Chinese economic engagement with the developing countries fundamentally challenges the western hegemony. Therefore, Beijing is branded as an authoritarian devil that intends to colonise and dominate the world. There is no iota of truth in it, but western ideologues look at themselves in prison of their own eyes. The colonial past is a mirror, where the colonisers plays their victim card to hide their past (Nayak, 2022a).

The economic and political challenges faced by Asian, African and Latin American countries today are products of their colonial past and neo colonial present dominated by the United States and Western Europe. China is providing loans for infrastructure development by which the developing countries can recover from their western dependency to mobilise their own natural resources (Nayak, 2022a).

The African, Asian and Latin American counties are not currently under substantial Chinese debt. In fact, the share of Chinese debt in comparison to total debt to GDP ratio is very minimal. So, it is time to debunk the unfounded narratives and propaganda around Chinese debt trap diplomacy. The expansion of Chinese economic and political engagement with developing countries help in reducing their dependency on western capital, which makes western powers uncomfortable and persistently spread lies against China. This is a diversionary strategy of the western leaders to hide their political and economic failures. Falsely outsourcing of all the blame on China is not

going to hide failures of capitalism and so-called western democracy. The deepening of democracy depends on a debt free world economy. It can be facilitated by politics of unity, peace, solidarity and shared prosperity. The Chinese economy and politics based on peace, cooperation, development and socialism are four pillars of Chinese alternative for the world to pursue (Nayak, 2022a).

The International Debt Statistics (2022) published by the World Bank has revealed that the external debt of 123 low- and middle-income countries have increased on average 5.6% to \$8.7 trillion in 2020. It shows devastating impact of the pandemic on economy of the developing countries. The G20 creditors have designed a policy framework called the Debt Service Suspension Initiative (DSSI) as if the creditors are doing a charity for the poor living in the developing world. The international debt trap locks people and countries within an economic system where borrowing is normalised to service growing debt burden. Debt trap eats away income, wellbeing and livelihoods of people. Many poor commit suicides due to debt trap. Similarly, poor and developing countries sacrifice their economic independence and political sovereignty in decision making over their own people, resources and territories. The creditors force the debt trap countries to follow various policies that facilitates in realising the objectives of the developed creditor countries. It is a systematic strategy of developed countries to exploit the developing countries. Debt is a tool of control and exploitation. It helps to widen the gap between rich and poor, developed regions and underdeveloped regions. The international debt crises and traps poverty, underdevelopment and inequalities are products of colonial politics and neo-colonial policies imposed on developing countries by the developed countries (Nayak, 2022b).

There is a long-standing history of developed countries to occupy the territory and resources of the debt defaulter countries. For example, the French and Belgian soldiers had occupied the Ruhr; an area in North Rhine-Westphalia, Germany and access coal when the country failed to repay Versailles debts. During colonial period, countries in Asian, Africa and Americas were divided between European colonisers and European colonialism has established international debt trap in these continents. After the first World War, the United States Congress refused to cancel European debt. However, after the Second World War, the European countries have cancelled each other's debt and came together during the Bretton Woods Conference to create an international financial system under the leadership of US. This conference led to the rise of Bretton Woods institutions and institutionalise international debt trap of the post-colonial developing countries (Nayak, 2022b).

The international debt trap is resurfacing from 2020 onwards after the publication of "The Elements of the China Challenge" by the Policy Planning Staff, Office of the Secretary of State, United States. This unclassified Policy Planning Staff paper focuses on China's "predatory development program and debt-trap diplomacy." The paper also claims and highlights "Beijing's authoritarian goals and hegemonic ambitions" It also argues that "the CCP has undertaken major infrastructure and investment projects, debt-trap diplomacy, and other predatory economic practices in every region of the world, the better to induce or compel sovereign nation-states, particularly their governing and business elites, to aid and abet China in the reshaping of world order. And the CCP has leveraged its integration into international organizations to infuse

them with norms and standards rooted in the party's authoritarianism". These ideologically driven propaganda is far from truth. There is no factual foundation to such claims. It is part of a relentless anti-Chinese propaganda (Nayak, 2022b).

The rise of China and its internationalism based on peace and development threatens the very foundation of debt driven international financial system led by western Europe and US. China is engaging with developing countries without putting any conditions and helps different countries in Asia and Africa to develop infrastructure to mobilise their own resources for their own economic development that is free from debt and western dependence. Such mutually beneficial engagement between developing countries and China threatens the very foundation of western hegemony. Therefore, China is portrayed as a devil by the so called western democratic world (Nayak, 2022b).

In reality, the Chinese government is deepening its relationship with African continent by forgiving 23 interest-free loans for 17 African nations. The Chinese government has also cancelled more than \$3.4 billion debt and restructured around \$15 billion debt for the African countries between 2000 and 2019. Beijing is also renegotiating 26 other loans while refinancing around \$15 billion of debt in Africa. Therefore, the Chinese debt trap is an ideologically motivated campaign to defame China and its alternative approach to international debt, bilateral, multilateral trade and infrastructure development programme. The western countries asks for structural adjustment to diminish welfare state and its infrastructure whereas China provides debt for infrastructural development for the rise of an economically independent state. China shows its commitment to mutual development when it comes to debt and investment whereas western countries impose conditions of investments that exploits people and their environment in the developing world (Nayak, 2022b).

These two tales are central to understand and overcome debt driven capitalism and denounce western model of international economic system that destroys democracy for market, ruins people's lives and livelihoods for profit and creates foundation for environmental disasters. The working poor across the world are victims of such a debt trap created by capitalism under the leadership of western states and governments. It is time to dismantle capitalism and its debt driven financial architectures for the sake of humanity, peace, prosperity and the planet. A debt driven western dominance based on capitalism is not an economic or political alternative. It has failed in different stages of history. The world does not need a unipolar, bipolar and multipolar world order led by United State, China, France, Britain, Germany, Russia and India. The world politics needs to focus on people, peace and planet based on egalitarian values of liberty, justice, fraternity and citizenship rights. A people and planet centric world order is the call of the day for a sustainable tomorrow (Nayak, 2022b).

## **Future of Chinese Transition**

The rapid transition of Chinese society, economy and culture is neither a developmental accident nor a miraculous economic growth. It is a product of mass movement of the working people in China led by the communist party. The political leadership

and its commitment to the long-term development of Chinese people and their society led to the planned economic and political interventions in the form of public policies for the all-round wellbeing of Chinese society. The Eurocentric commentators and researchers theorise of Chinese models of authoritarian development path. Such a reductionist analysis hides the failures of Westphalian ideology and its state led capitalist development model under the dominance of market forces. Many Eurocentric and anti-Chinese researchers theorise ‘Chinese development’ as ‘Capitalism in Chinese character’. Such theorisation of Chinese development path is also distorted to justify the legitimacy of ‘failed neoliberal strategies of economic development’ to undermine the very foundation of Marxian political economy of development that guides Chinese economic planning based on Chinese resources, Chinese needs and Chinese desires.

In 2015, the central committee of the Chinese Communist Party has clearly defined Chinese development path as “socialist political economy with Chinese characteristics.” There are eight major principles of “socialist political economy with Chinese characteristics”. These eight principles are based on sustainability led by science and technology, need based production to improve the livelihoods of the people, primacy of public ownership within National Property Rights, primacy of labor in the distribution of wealth, state led market, high speed development with performance, balanced development, openness with economic sovereignty (Enfu & Xiaoqin, 2017). These eight principles are pillars of Chinese development led by the ideals of peace and collective prosperity. In spite of idealist economic and development policies, the stark realities of inequality impedes Chinese development path. One third of all Chinese household assets are controlled by 1% of Chinese families like capitalist USA. The rise of inequality in China is a challenge but these principles are designed to address the growing disparities in China. These principles are used to overcome the dilemmas of dependency on the developed capitalist countries for capital and technology. The egalitarian economic growth for social development drives Chinese development policies to ensure public welfare over profit.

In spite of significant achievements, the declining share of labour in GDP, growing privatisation of state-owned enterprises, rising income and property ownership, environmental crises, and rise of unproductive assets are some of the major challenges faced by the Chinese development path. The eight principles needs to be implemented in letter and spirit to address these issues. The sustainability and future growth of China depends on strengthening the eight principles of contemporary Chinese political economy of development (Enfu & Xiaoqin, 2017). This book is an evaluation of the great Chinese transition amidst all challenges. It evaluates strengths and limitations of the state led developments in China.

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# Chapter 2

## Two Decades of Fiscal Decentralization and Regional Economic Growth in China



Qiuqia Wang and Bhabani Shankar Nayak

**Abstract** The transition of Chinese economy started with the initiation of reforms and loosening of trade restrictions. This led to the fiscal decentralization which has played an important role in China's economic development. The decentralization in China has been continuously improved and developed slowly based on social and economic needs of the Chinese society. In recent years, China's economic growth rate has started to slow down. At this time, the problems of uneven regional development and untenable industrial layout in China have become increasingly serious. Differences in development between different regions and uneven resources distribution have also increased regional economic disparities. It is therefore important to study how to improve the fiscal decentralization system for China's economic growth and the balanced development of regional economies. It argues that the state should establish a scientific and standardized fiscal decentralization system, change the single assessment system, and streamline administrative expenses to promote balanced development between regions.

### Introduction

In the past few years, the issue of fiscal decentralization, the remove of revenues and expenditures from central to local governments, has received attention from various countries. Fiscal decentralization, sometimes referred to as fiscal federalism, has the potential to improve public sector performance; there is also evidence suggesting that it can promote economic development and the World Bank has made it a major part of its governance reform agenda. However, other arguments suggest that fiscal decentralization, while improving the public sector's economic efficiency, is not suitable for developing countries.

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