

Handout A: Key Terms and Historical Context

Key Economic Terms:

- **Centralization:** the act of concentrating power and decision-making processes within a small group, or the centre; in a state, this means that several individuals have a lot of power to make decisions, while the majority of people have very little decision-making power
- **Collectivization:** the process of creating collective communities, where resources and property formerly owned by the individual are shared with everyone else, or the collective, but are also now owned and managed by the government.
- **Exports and Imports:** **imports** are goods and services that one country buys from another country (for example, Canada imports, or buys, consumer goods like electronics and appliances from China). **Exports** are goods and services that one country sells to another country (Canada exports, or sells, wood and natural resources to China).
- **Foreign direct investment (FDI):** an investment that is owned and operated by a foreign entity (an individual or company). In other words, FDI is the capital (ie. money) being invested by companies and people in one country into companies and industries in another country; it also reflects how optimistic or pessimistic investors in one country are about the future economic growth of another country.
- **Gross Domestic Product (GDP):** the market value of all final goods and services produced within a country in a given period of time. This is the primary method for measuring the size of a country's economy by adding up the total market value of a country's goods and services over one year
- **Industrialization:** a particular way of organizing production, a constant process or progression of technical (new technology) and social change which continually increases society's capacity to produce a wide range of goods
- **Modernization:** the process of development from a traditional, or agriculture-based, society to a modern, or trade and industrial-based, society.
- **Supply and Demand:** **supply** can be considered how much of a good or service is available from producers or suppliers, whereas **demand** is the need or want amongst consumers for a particular good or service. Generally, as the demand for a good or service increases, the price will also increase; the high price attracts suppliers for that good, increasing the supply of a good to meet the demand, which causes the price to go back down.

Historical Context

China entered the 20th century reeling from decades of colonial rule and civil unrest, which continued until the 1950s and crippled the country's political and economic development. After a lengthy and bloody civil war, Mao Zedong and the Communists defeated Chiang Kai-shek and the Kuomintang, creating the People's Republic of China (PRC), or Communist China, in 1949. With China's economy in shambles, the

China's Fall

China was estimated to have the world's largest economy in 1820 at 33% of global Gross Domestic Product (GDP) (for comparison, the United States in 2012 account for 25% of global GDP). China's percent of global GDP declined in the late 1800s and 1900s until reaching 5% in the 1950s, which it stayed at until the late 1970s.

Communist Party leadership decided that rapid industrialization, modernization, and collectivization were necessary for China to catch up with the rest of the world. These reforms were very costly and resulted in the death of millions of Chinese due to poor planning and widespread famines.

Mao's death in 1976 was followed by extensive reforms, initiated by Premier Deng Xiaoping in 1979. Deng ushered in an era of 'opening up' China to the world through specific economic reforms, which included the de-collectivization of agriculture, the creation of Special Economic Zones for foreign investment, privatization of some enterprises, and a transition from a centrally-planned (or command) economy to a market socialist economy. This led to rapid growth (9 to 11.5% GDP growth per year between 1978 and 2013), increased living standards, and a decrease in poverty. In 1989, student-led protests broke out in Beijing and other Chinese cities against corruption in the government, and for greater freedoms, namely freedom of press and expression. These protests were eventually put down through use of military force with several thousand civilian casualties, and political and economic reforms were put on hold for several years. China continued to rapidly grow in the 1990s and two former colonies, Hong Kong and Macau, were returned to China by Great Britain and Portugal, respectively. China entered the 21st Century as an emerging superpower with considerable influence in the developing world, especially in Africa. The Chinese economy has been widely speculated to overtake the American economy in size in the next 10 to 20 years.

Questions:

1. In your opinion, will the rise of China be met by resistance by Western governments or engagement and cooperation?
2. How do you think the West has reacted to China's growing power and influence so far?

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