

Geopolitics Trends and Historical Geographic Limits in Contemporary China

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The geographic characteristics of China

It is difficult to isolate geographic characteristics that condition the geopolitical behaviour of a country like China. From a historical point of view, China might be divided schematically into two parts: the heartland, populated prevalently by the Han ethnic group and the surrounding buffer regions, which are not Chinese (Fig. 1).



Figura 1. The Chinese heartland

The symbolic border is represented by the so-called 15-inch isohyet, indicating the level of atmospheric precipitation. In the eastern part of the country, average rainfall is above 15 inches, while in the West this figure is much less (Fig. 2).

About 80% of the Chinese population lives in the south-eastern part of this isohyet, over a land area about half that of the United States. The frequent rains and the presence of important rivers have favoured the agricultural vocation of the Chinese heartland. Considering the high population density, the arable land per capita is about one-third that of the world ave-

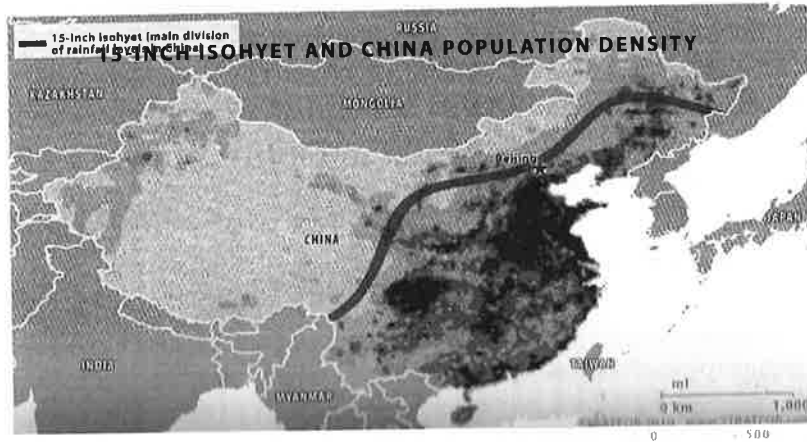


Figura 2. An historical symbolic border

Source: <http://www.stratfor.com/>

rage. This demographic pressure is the principal characteristic on which modern Chinese policy has been modelled.

There are four buffer regions: Tibet, Inner Mongolia, Xingjian and Manchuria. (Fig. 3). In the past, when China was stable these regions were controlled by the central government. These borders are in fact characterized by the presence of imposing mountains massifs, deserts, jungles and a lack of roads so that only that of Vietnam may in theory be transited by an army of large dimensions or exploited in a commercial sense when this control weakened they tended to become subject to the influence of foreign powers. With the control of these regions, the defence of a great mass of peasants became therefore possible. Until the 19th century China did not have concrete threats from the sea and as a consequences any expense for construction of a fleet was limited.

On the basis of these considerations, we may identify three geopolitical priorities for the stability of China:

- a) maintaining the internal unity of the Han regions;
- b) maintaining control of the buffer regions;
- c) protecting the coasts from foreign interference.

In theory, demographic dimensions and a territory relatively blessed with raw materials would permit China to adopt a semi-autarchic regime. This was in line with Mao's choices which, above all, were concentrated on internal stability and the construction of a new national identity. The weakness of the insular option for China, in any case, coincides with a



Figura 3. The Chinese buffer regions and provinces

Source: <http://www.stratfor.com/>

certain material poverty. On the other hand, a China that interacts with the rest of the world, increasing its own prosperity, tends to become unstable. As is known, beginning from the middle of the 19th century, China for the first time was forced to face the question of industrial capitalism.

The consequent concentration of wealth on the coasts with respect to the interior regions brought forth private interests and conflicts which in the end make the unit of the Han and the legitimacy of the central government debatable.

After the Maoist period, the Chinese leadership, over the last three decades, has accepted the challenge of opening its frontiers in an attempt to integrate the country with the world economy. Contrary to what has happened in the past, the Communist Party has made a conscious choice, believing it can govern the transition and avoid dangerous traumas. The buffer regions are at the moment under control and notwithstanding local tensions, concrete threats from bordering powers that might alter the status quo do not seem on the horizon. The most vulnerable frontier for today's China remains therefore the coast, where the traffic might be compromised by a hypothetical American naval blockade.

Notwithstanding the fact that military budgets have increased by eight times over the past ten years, China would need decades to compensate for American naval superiority. The option practiced at the moment, moreover has as its objective the discouragement of an American naval blockade through the construction of a land-based, medium-range missile defence system, small attack submarines and a space device able to blind American satellites.

The economic challenge and the new trend

These scenarios remain mostly virtual. Given the interconnection of the global economy, any American naval blockade against the Chinese coasts would have worldwide consequences that would be difficult to predict. If, in fact, Chinese investments abroad are still quite limited, this data should be valued in a qualitative sense and within a geopolitical perspective, considering the fast rate of progression and the high concentration of Chinese investments in what are considered strategic emerging countries, such as in the energy sector.

The main geopolitical problem for China, instead, is of an essentially economic nature, deriving from its strong dependence on exports that render the country vulnerable with respect to the fluctuations of the global cycle and the prices of raw materials. In this sense, we should remember that even if the dependence of the Chinese economy on exports has fallen since 2007, its commercial links to the United States, the European Union and Japan remain significant and greater than, for example, those of other so-called emerging countries, such as India and Brazil.

The increase in Chinese exports is explained by the inflow of foreign investment which since 1990 has transformed China into the principal receiving country at a worldwide level and caused a significant surplus in the balance of payments. The recent changes at an international level seem nevertheless to reduce this potential. In 2012 the amount of foreign investment registered a 4% decrease and investments directed toward services have for the first time exceeded those directed toward the manufacturing sector. At the moment, it is not possible, to establish if this is a structural adjustment or a turning point of a new phase of dynamics in the international economy. We limit ourselves here to highlighting the worries expressed on this subject by Chinese leaders who have emphasised in various circumstances their perplexity regarding the maintaining of the current development model.

Investigation into the characteristics of the present economic crisis is not one of the objectives of this paper. We should however recall the words of one of the great historians of capitalism, Fernand Braudel, when he said that if we observe the history of capitalism in a long-term perspective, we must conclude that there have been more recessions than periods of expansion. The future of China should be evaluated while keeping in mind the unstable nature of capitalism.

The rise of China's investment abroad follows a well-known model according to which a developing country is, in a first stage, mainly a host country for foreign investment. In a second stage, when the country gets richer and its companies become stronger, the outward investment takes off. At this stage, the country is both an exporter and an importer of capital. In a third stage, its

investment abroad overtakes the inward investment. There are by now many researchers who speak of a crisis of the Chinese system. Several even go so far as to say this is already a full-blown crisis and that it is necessary rather to worry about the consequences. Already in 1999, the future president Jang Zemin launched the slogan "Go West" and Deng Xiaoping himself had highlighted this necessity from the very beginning of his reforms. In 2004, finally, the "Rise of Central China Plan" was developed, which referred officially to six provinces, Hun, Hubei, Shanxi, Anhui, Jiangxi and Henan.

Over the last decade, in any case, the lower level of domestic consumption has not been a priority for Chinese policy, but rather a condition that favoured the high volume of exports and global competitiveness, thanks exactly to low wages. The paradigm change for the leaders in Beijing began in 2008, after having taken notice of the dimensions of the global financial crisis, Chinese dependence on the economy of the United States, the progressive increase in the cost of raw materials and the potentially negative consequences of great migratory movements which from the interior areas of China have reached the coastal regions over the last thirty years (Fig. 4).



Figura 4. General migration patterns in China

Source: <http://www.stratfor.com/>

As mentioned above, the historic priority of Chinese governments has been to maintain internal stability. For that to be assured, it is necessary to reduce the territorial imbalances between the coastal and the interior regions, distributing investments and wealth. At the moment about 400 million Chinese live along the coasts and 900 million in the interior.

Tabella 1. Total annual consumption of rural and urban residents (RMB100 Millions)

Year	Total consumption	Consumption of rural residents	Share of total	Consumption of urban residents	Share of total
2001	49435.9	15791	32%	33644.9	68%
2002	53056.6	16271.7	31%	36784.9	69%
2003	57649.8	16305.7	28%	41344.1	72%
2004	65218.5	17689.9	27%	47528.6	73%
2005	72652.5	19371.7	27%	53280.8	73%
2006	82103.5	21261.3	26%	60842.2	74%
2007	95609.8	24122	25%	71487.8	75%
2008	110594.5	27495	25%	83099.5	75%
2009	121129.9	28833.6	24%	92296.3	76%
2010	133290.9	30897	23%	102393.9	77%

Source: National Bureau of Statistics of China, multiple years

The dimensions of poverty in China still have important proportions. About 900 million people have an average annual per capita income similar to that of Mongolia, Georgia, Guatemala or Indonesia. Within this group the most widely-accepted estimates indicate the presence of about 500 million individuals whose annual per capita income does not exceed US\$ 1700. In this context, the principal difficulty for the Chinese government consists of the need to stimulate the consumption of about one billion people who live in conditions of substantial poverty

For the majority of the Chinese, many of the goods produced for the domestic market remain inaccessible. To this we must add the precarious pension system which pushes many Chinese to favour savings to face future illnesses and a secure old age. In this scenario, state subsidies lose their effectiveness. Just to cite a few bits of data, we must consider that the average consumption of the single Chinese families in 2012 reached 37% of GNP. A level far below the principal western and capitalist economies but even below that of Indonesia. Furthermore, the data concerning overall consumption of the Chinese rural population, which still represents over 50% of the total, indicate a drop of 9% between 2001 and 2010 (Tab. 1).

The central government, after having for decades used excess agricultural labour to support industrialisation, has recently paid particular attention to dynamics relative to the rural world, increasing subsidies and measures to support the agricultural sector. All together, the results obtained were contradictory. On one hand, the objective increase of productivity of the agricultural sector has guaranteed the low level of food prices, reducing inflation, and stimulated exports and the consequent growth of the GNP. On the other hand, it has favoured the exodus of millions of farmers towards urban centres.

This phenomenon has been supported in part by the single local administrations, on the basis of the relative development of particular industrial

Tabella 2. Composition of Farmers' Income

Year	Wages	Income Farming	Income Others ¹
1998	26.53%	44.53%	28.94%
1999	28.52%	41.55%	29.94%
2000	31.17%	37.01%	31.83%
2001	32.62%	36.49%	30.89%
2002	33.94%	35.01%	31.05%
2003	35.02%	33.78%	31.20%
2004	34.00%	35.98%	30.02%
2005	36.08%	33.72%	30.19%
2006	38.33%	32.33%	29.34%
2007	38.55%	31.49%	29.96%
2008	38.94%	29.98%	31.09%
2009	40.00%	29.07%	30.93%

Source: National Bureau of Statistics of China 2010

districts. In general, local functionaries tend not to lend attention to the problems of the agricultural world. The principal reason for this attitude lies in the fact that after the reform of 2004, while the government has asked the single districts to devolve a significant part of their local resources to the agricultural sector, the tax base coming from agricultural incomes remains low. If the amount relative to real Chinese wages has effectively increased in the last ten years, improving the material conditions of hundreds of thousands of persons, agricultural incomes have demonstrated a negative tendency, and a consistent number of rural works continue to remain excluded from this process (Tab. 2).

This tendency merits further investigation. In the recent past, countries like Japan or South Korea, as they have experienced an increase of exports, never saw their consumption level fall below 50% of GNP. In China, the opposite has happened. In 2000 for example, consumption reached 47% of GNP and exports 23%. In 2006, consumption had fallen to 35% and exports rose to 39%. In 2009, after massive investments decided upon by the central authorities the year before, the public works and construction sector represented 45% of GNP. Between 2009 and 2010, notwithstanding the important resources made available by Chinese credit policy, consumption increased only from 33% to 34%.

The fundamental need to keep the unemployment rate under control has meant keeping uncompetitive traditional production systems alive, which in the medium term tends to influence the inflation rate negatively, rendering exports less competitive.

The decision taken in May 2013 by the People's Bank of China to adopt a restrictive monetary policy, immediately followed by a peak in interest

1. Include animal husbandry income, property income, transfer income and others.

rates, leads us to presume that the government intends to proceed with structural reforms that may become painful for the Chinese middle class.

In any case, if the reduction in liquidity and financing to local governments should occur too drastically, the risk would be a series of insolvencies in payments that would provoke a chain of lay-offs and therefore the much-feared social instability that Chinese government officials know well.

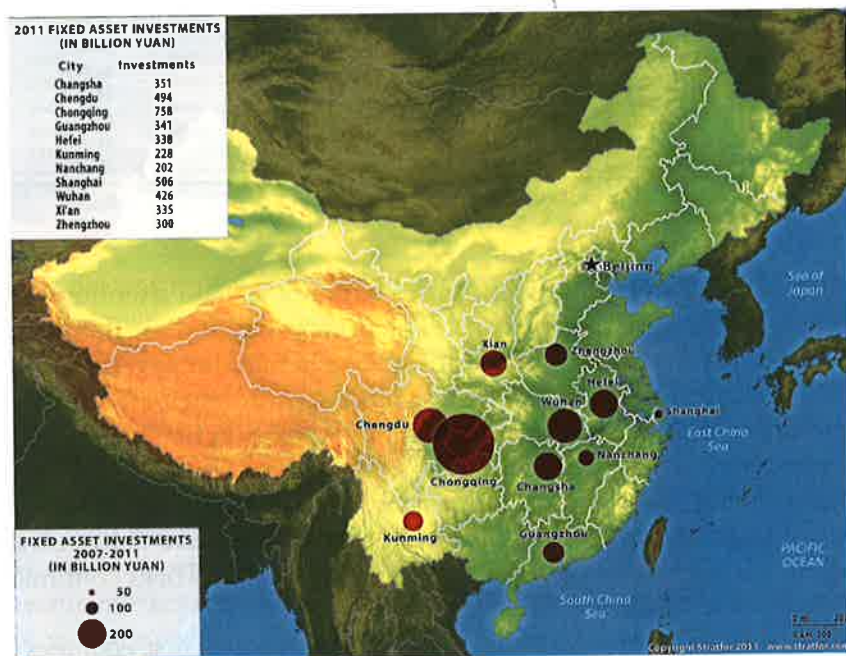


Figure 5. Key development zones in inland China

Source: <http://www.stratfor.com/>

The geography of the Chinese interior poses a few other problems in the implementation of Beijing's 2004 plan. On the basis of official estimates it is possible to assert that in 2010 total logistic costs, related to the transport of merchandise, amounted to 18% of GDP, a statistic that is about twice the level of those countries judged to be developed. The total area of Central China (including Sichuan and Chongqing) is roughly 1.63 million square kilometres, which is smaller than the state of Alaska. But it is home to 500 million people, roughly equal to the combined populations of the United States and Brazil. Schematically, Central China may be divided into four main regions (Fig. 6). The first is situated in the southern part of the Yangtze River, and includes Hunan and Jiangxi. Considering the presence of the Sichuan basin to the northwest and the coastal chain of the Wuyi Mountains, the Yangtze becomes the region's only link to the rest of the country.

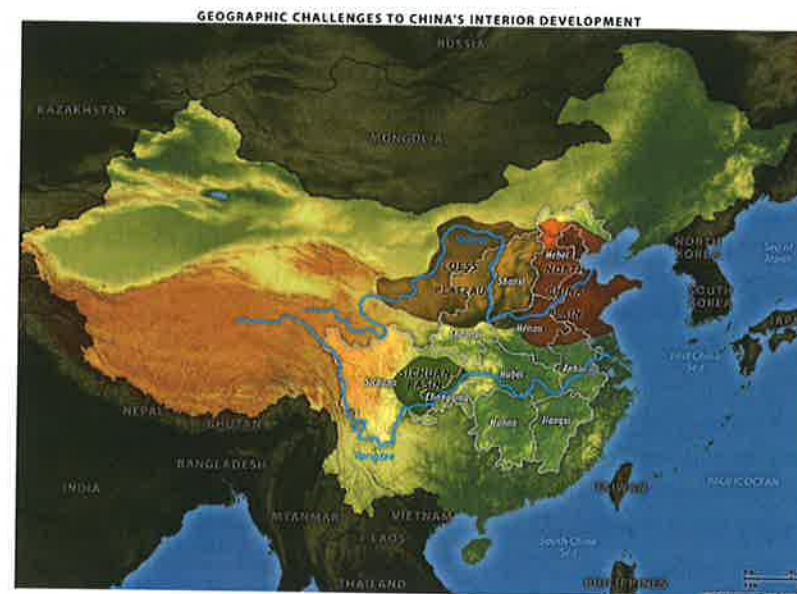


Figure 6. Geographic challenges to China's interior development

Source: <http://www.stratfor.com/>

Proceeding northwards, we find the Yangtze corridor, dominated by the province of Henan and the municipality of Chongqing. The course of the Yangtze has been identified as one of the development axes by the 2004 plan, given the presence of the railway line that crosses the capital of Hubei, Wuhan, and because the region is the most developed in Central China. Its principal activities, in any case, are concentrated along the river, between the cities of Wuhan and Chongqing, while the rest of the region has a prevalently agricultural and forestry-based vocation.

The North China Plain extends to the northeast of Hubei, the traditional Chinese breadbasket, divided among Henan, Anhui and their more prosperous coastal neighbours Shandong, Jiangsu and Zhejiang (as well as the semi-coastal, semi-inland Hebei). Aside from a few industrial islands, the economy of the region is characterised by the presence of family workshops. Finally, there are the provinces of Shanxi, and Shaanxi that make up the traditional core of China's coal industry and are essential suppliers of raw energy resources to Beijing and Tianjin, but they are themselves relatively under-developed.

The first limit to consider is the distance of these regions from the coasts, which increases the cost of merchandise and raw material supply and therefore often cancels out the attractiveness of the lower wages. For

these reasons, the objective of increasing domestic consumption cannot exclude the simultaneous development of the coastal strip. Secondly, these regions are without economic and geographical homogeneity even in their interior. The majority of the structures and services, in reality, are concentrated around a few important cities or a network of urban centres, usually developed along the river while the rest of the territory exhibits a subsistence economy. These imbalances are present also on the coast where strategic ports or centres such as Shanghai, Shenzhen and Wenzhou prevail. While however on the coast, the population is grouped mostly into well-defined clusters, in the interior it is dispersed throughout a vast territory which poses further integration problems. The risk that these internal territorial imbalances might worsen, followed by local incidents and demands able to compromise Han unity and the legitimacy of the central government would be a new development in Chinese history that has not yet been evaluated carefully by the Chinese authorities.

Conclusion

It is always difficult to make predictions, much less with a complex country like China. We will limit ourselves to pointing out several problems that are by now the prevailing subjects of debate. The recent economic and financial crisis that has hit the principal global capitalist economies has accelerated reforms that were already underway in the country. The decision by the central government to increase public spending has guaranteed the continuation of significant growth rates. It remains to be seen if these measures, over the longer term, can effectively consolidate the qualitative factors related to growth.

China, very likely, will not be for very long a country characterised by low wages and strong exports, as we have known it to be in past decades. At the same time, the spread of development to the interior of the provinces remains arduous and requires great decentralisation, improved infrastructure and greater integration with the coastal regions. The roots of the present structural problems of China include the law on internal consumption, above all rural consumption, environmental decay, of which the agricultural sector is one of the principal causes, the differences in regional income, which may be above all summarised in an inequality between the rural and urban worlds, on the basis of great migratory movements and the overall lack of a welfare and social security system.

After all, these problems belong to the history of China and they tend to repeat themselves, even if with different features, on a cyclical basis. The difference with the present, perhaps, lies in the fact that today the central

power is aware of these priorities. A great debate is under way and several important measures have already been decided upon. The internal stability, role and geopolitical weight of China in the near future will depend upon the speed and efficiency with which these reforms are put into practice but the time, in this case, is not measurable.

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