

Studies in Critical Social Sciences

Víctor Manuel Figueroa Sepúlveda (Ed.)

Development and Democracy: Relations in Conflict



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Edited by

Víctor Manuel Figueroa Sepúlveda



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Grey Areas in China's Growth: A Questionable Development

Silvana Andrea Figueroa Delgado

Since ancient times, China has distinguished itself as a great nation in many ways. Its contributions to humanity are undeniable. It was the birthplace of printing, the magnetic compass, silk, the first earthquake detector, the mechanical clock and non-submersible vessels, among other crucial inventions. It is also said that China had a high level of literacy from very early times, especially with respect to philosophical and spiritual matters (See Oubiña Falcon 2015 and Pato 2011).

Just as in earlier times, the People's Republic of China today sparks great interest for scholars of economics and related issues. China's major contribution to the world's gross domestic product (GDP), according to the United Nations Educational, Scientific and Cultural Organization (UNESCO), amounted to 10.7% of the global economy in 2007. China conducts the largest percentage of global trade and receives the most significant level of direct foreign investment, all of which figure as elements that draw attention to this country (UNESCO 2010).

Our intention in this work will consist in identifying the key elements of this spectacular economic growth that China has experienced over recent decades. We will begin by presenting our notion of development and drawing out the variables that implicitly underlie the development process. That will lead us to consider the strategies adopted by China in order to fortify its scientific and technological development, strategies that have reached a critical mass. This approach allows us to analyse both the achievements as well as the social costs incurred. By beginning with this comprehensive perspective, we will then be better able to consider the political order and the state of civil liberties, being that such elements form inseparable parts of the model in place. In this manner, it will be possible to offer important points of debate about the existence of real democracy. At the end, we will offer some reflections that seek to interrelate these monumental elements of economic growth, development and democracy.

Advances and Impediments to Development

We have understood capitalist development as a qualitative condition, reflected in the capacity to create technological progress, transforming innovation into a constant process that is tightly tied to productive processes where its general diffusion allows for the homogenization of the economic structure (Figueroa Delgado 2008).

This form of development presupposes national independence that is granted through a solidly endogenous scientific and technological platform. The presence of these factors permits a base for social welfare that should be reflected in rising wages, itself a product of the greater skill levels it requires of the labour force. These factors also provide for expansion of occupations tied to the opening of new sources of production—sustained by constant innovation—all of which should result in a more equitable distribution of income and a substantial reduction in poverty. Other social responsibilities are susceptible to increases of state fiscal growth derived from the steady overall growth of economic activities. Scientific progress should become crystallized in the general increase in quality of life for the entire population in view of the expanded potential to attend to health care and the environment.

This essential condition thus described as a genuine capacity to develop science and technology is indeed a central condition for enabling a nation to aspire to achieve development. In this area, China has demonstrated significant advances. For 2011, it accounted for 15% of global investment in research and development, placing second worldwide. Towards the interior, research and development (R&D) represented only 1.84% of GDP given the tremendous amplitude of the latter (National Science Board 2014). The present public policy for science emerged in the decade of the 1980s in the context of larger reforms of the economic system towards greater opening.

Previously, the scientific and technological efforts had privileged areas of national security such as “nuclear weapons, outer space and the synthesis of insulin” (OCDE 2008: 384). This took place under a scheme of state centralization that was highly influenced by the Soviet model. The economic structure was dominated by strategic state enterprise monopolies and the principal research agents were “the Chinese Academy of Sciences (CAS), the ministry-affiliated academies, the R&D institutions affiliated to provincial governments, the universities, and defence” (OCDE 2008: 383–384).

With the economic liberalization, the aforementioned scheme became modified. Ideologically, the new premise that now circulated was that with the participation of private enterprise, technological progress would be better

focused on development while the actors would further multiply, creating tighter links between the creation and utilization of knowledge.

As the *OCDE Reviews of Innovation Policy (OCDE 2008)* shows us, China moved to create the institutional, economical and organizational climate that it considered propitious for technological development, while it committed a whole array of ministries and state agencies to the task of building up the scientific-technological platform. A whole series of laws and mandates were promulgated in which public policy measures were put into effect that regulated investment, fiscal incentives, financial support or subsidies, state demand and risk capital.

Among key decisions taken was the reduction in the financing of operational costs of the public research centres so as to obligate the search for complementary funding and enable sale of their results. Also, the establishment of the National Sciences Foundation and funding for risk capital, and the prioritization and concentration of resources into larger programs such as the National High-Tech Research and Development Program (863 Program), among others.

China established important special zones to house companies committed to the creation of high technology. These included a support package that offered favourable commercial treatment, the installation of technology transfer offices and centres of technological promotion, along with a whole repertoire of support aimed to engender the training of staff in research and development.

This vast collection of measures produced valuable results: an expansion of the entrepreneurial sector and R&D laboratories; a greater linkage between the institutions of higher education and the private sector; a very active export market, including products of high technological content; a significant growth in patents and published articles being cited; in addition to becoming the nation with the largest number of full time researchers after the United States (UNESCO 2010). It is worth noting that since 2009, the domestic patents granted for inventions surpassed those being granted to non-residents and since that time, the gap has continually widened (NBS 2011; 2014).

All of this notwithstanding, there also exist signs alerting us to fault lines or obstacles in the process and which call the Chinese path into question. If we focus in on the patents being granted, we can see that even though Chinese researchers have gained the upper hand on their foreign peers, the portion dedicated to inventions remains small in relative terms. Only 11.68% of the patents granted to residents pertain to inventions while 75.84% of those awarded to foreigners fall into that category according to 2013 data (NBS 2014).

In a brilliant work written by Yuqing Xing (2012), the true significance of China's ascent as the world's number one exporter of high technology goods is debated. The author discussed two key aspects regarding goods that domes-

tically represented a third of total manufactured exports in 2010. First, 79.9% of these goods being sold abroad fall into the category of “processing trade,” i.e., they correspond to product that are processed and assembled from imported materials, parts, and components, either partially or completely, before being resold on the global market. He argues that in these cases, the real aggregate value is given by Chinese labour, rather than the technology being applied, and that their denomination should be changed to “high-tech assembled goods.” Moreover, he demonstrates based on studies by Xing and Detert (2010) and Dedrick, Kraemer and Linden (2010) the essential smallness of value being added (Xing and Detert 2010: 81–116). Secondly, 67% of these exported goods belong to firms that are essentially foreign owned, and 82% of the companies share significant foreign capital participation, such that only 17% of the firms are local in nature. All of this is the inheritance of the broad economic opening that China had embarked upon.

The Chinese liberalization, as we mentioned, has its origins in the decade of the 1980s and was deepened in the 1990s when China formally adopted the model of “market socialism”, a term that alluded to the combination of a planned economy with a market economy, placing greater importance on the latter in the formula (Peiyan 2012). Direct foreign investment was permitted throughout the country, no longer just in specific zones. While small and medium sized state companies became Limited Liability Companies, the large state firms became Publicly Traded Companies. The state kept the most strategic enterprises in its own hands (in, for example, the areas of electricity, petroleum, steel, telecommunications, banking, mining, etc.) (OCDE 2018: 140). In 2001, China joined the WTO.

Against this backdrop, it is undeniable that China realized a tremendous effort in promoting research and development. Yet, it is difficult to speak of economic sovereignty while one’s technological horizon is so impacted by transnational corporations. Another negative element implicit in China’s growth would appear to be the prevalence of low wages, which is precisely what attracts foreign investment, land expropriations and ecological contamination.

If indeed the 2012/13 Global Wage Report of the International Labour Organization (ILO) views with optimism the wage growth that China has experienced over the 2000–2010 period, upwards to double digit annual average growth, the fact is that it even remains low. “For example, in 2010, the average monthly wages in the United States were around US\$ 3,300. In China, wages ranged between \$ 250 in the private sector to US\$ 440 in the public enterprises. If these figures were adjusted in order to consider the lower cost of living in China, they would range between \$ 400 and \$ 700 monthly income” (ILO 2012).

Nor should we be remiss in recalling the many documented cases of extremely poor working conditions for Chinese labourers.¹

As was already mentioned regarding human resources employed in the field of research, China figures in second place globally, but not when adjusted with respect to its large population, i.e., per thousand of economically active persons. In fact, if adjusted in this manner, China is far out of the highest global tiers.² This is of course due to the fact of its immense population, which accounted for almost 20% of all humanity in 2014 (Worldometers 2015), and also due to the prevalence of an extensive rural citizenry that has made it difficult to extend higher education at the optimal pace desired.

The rate of urban unemployment was 4.1% in 2013 (EFE 2014). However, there was no official measurement for the rural situation. It was estimated that 128 million Chinese lived in poverty in 2011, which represented 13.4% of the population (CIA 2014). Rural and urban lands are expropriated forcibly in China with little margin for opposition, although reports do exist of collective peasant and community confrontations with the police. Expropriated lands according to *The Epoch Times*³ are compensated for, but not always in a comprehensive manner on account of corruption on the part of government officials. These lands are destined for the installation of industries, housing developments and even recreational facilities such as golf courses.

The rush to attract foreign investment has been to the detriment of the natural environment. There are various studies and documentaries on what are now called “cancer villages,” located mainly in rural areas that have hosted chemically toxic industries, which have badly contaminated the air, water, food and have affected the surrounding population (McKenzie 2013). In coastal areas, the dumping of waste at sea has been documented (Guang 2009). Carbon emissions qualify as among the highest in the world: 7 metric tons per year per inhabitant (APF 2013). While the per capita figure suggests that there are many countries with a higher amount, the absolute magnitude is enormous.

The costs of China’s growth have been high and varied. In order to present a more complete analysis, we now turn to the political realm and to the rights of Chinese citizens.

1 For example, see Redacción Web (2014).

2 See UIS (2015).

3 See various articles under “Expropriations in China” as available at: <http://www.lagranepoca.com/archivo/category/free-tagging/expropiaciones-en-china.html>.

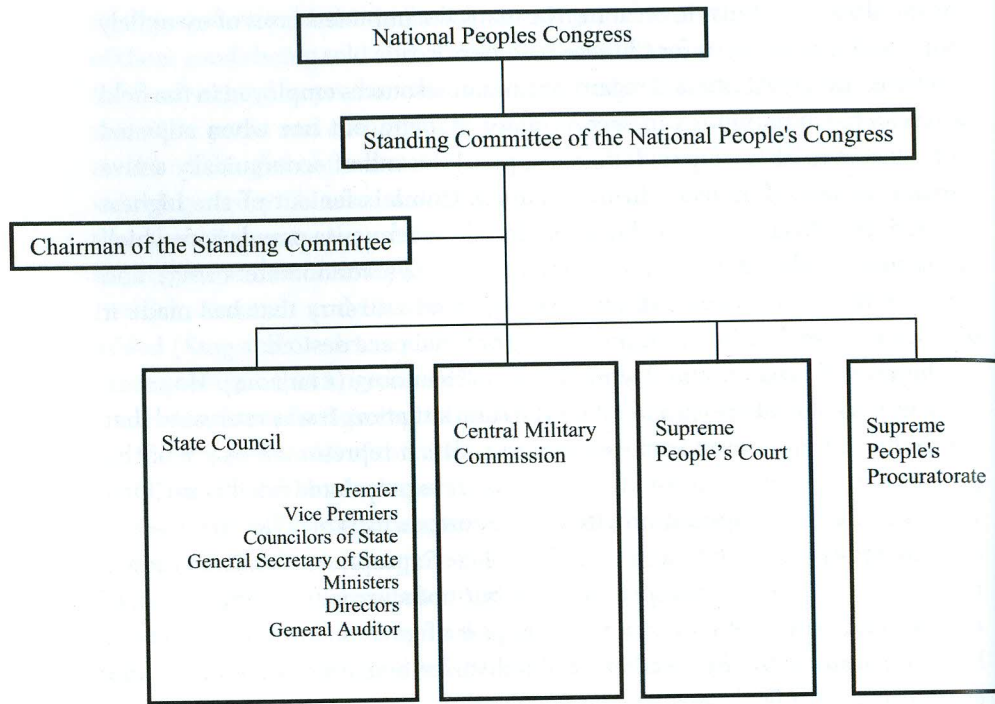


FIGURE 5.1 *Diagram of the National People's Congress*
SOURCE: PEOPLE'S DAILY, COUNCIL OF STATE, ORGANIZATIONAL
STRUCTURE OF THE NATIONAL PEOPLE'S CONGRESS (MOFCOM 2012B)

Democracy Issues

In the area of political institutions and state power, China can be seen to have a complex legislative structure. The People's National Congress (Figure 5.1) formally constitutes the highest legislative authority. It is made up of around 3000 deputies,⁴ of whom a little more than 5% or 150 constitute the Permanent Committee (Martínez 2012). Among its diverse functions are to elect the President of the People's Republic of China and its Prime Minister. The latter heads the Council of State which is made up of the vice-premiers, councillors of state, ministers, commission directors, general auditor, and the secretary general (CRI 2013) of state, all of whom are designated by the Assembly to which it answers (MOFCOM 2012b).

⁴ Candidates may be nominated jointly or independently by political parties, mass organizations or more than ten voters, but the number of candidates a voter nominates shall not exceed the number of deputies in the corresponding areas (MOFCOM 2012a). According

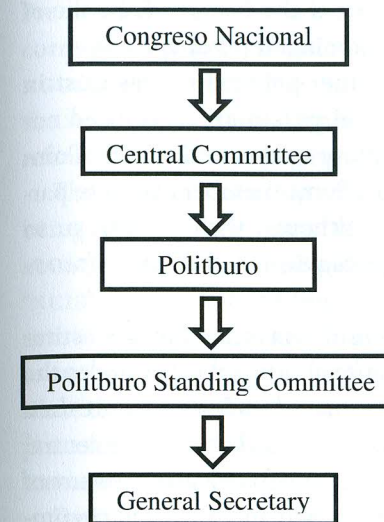


FIGURE 5.2
Simplified diagram of the Communist Party of China
SOURCE: CONSTRUCTED FROM INFO
CONTAINED IN MOFCOM (2012D)

The State Council (Figure 5.2) has the responsibility for implementing laws and decisions of both the National People's Congress and the Communist Party of China (CPC) (Diario del Pueblo 2000). Contrary to what happens in so-called "modern democracies," China's Constitution recognizes the CPC as the sole ruling party (MOFCOM 2012c). Decisions issued by the Central Committee or the Politburo Standing Committee (PSC), appointed by the former, have the greatest influence on the direction of state policy in any area of public interest.

The structure of the Party hierarchy includes the CPC National Congress that elects the members of the Central Committee, and the latter is formally accountable to the former. But in turn, the Central Committee decides on the number and election of delegates to the National Congress. Similarly, the Central Committee designates the Politburo (members with positions in the Council of State) and its Standing Commission, consisting of a smaller select number who in turn elects the Secretary General of the CPC (MOFCOM 2012d)

to Martínez (2012), the electoral system operates at various levels: 1) the People's National Congress; 2) the Provincial, Autonomous Region, and Municipal Popular Assemblies under the Central Government; 3) the Popular Assemblies of cities divided into districts and autonomous prefectures; 4) the Popular Assemblies not divided into districts, municipal districts, counties or autonomous counties; and 5) the Popular Assemblies of municipals, municipals of ethnic minorities and peoples. First, the community designates their local representatives, then, these elect those who will represent at the provincial or regional level, and the latter of these select the candidates who will represent as deputies to the National Popular Congress.

who likewise serves as the present day President of the People's Republic of China and Chairman of the Central Military Commission (Abahaj 2015).

In addition to the hegemonic party, eight other political parties exist in China.⁵ These other "contestants" of the electoral system are recognized not as competition to the CPC but as complementary to the work of the Communist Party, sharing close ties of collaboration. Some members of these parties are invited to the congresses of the CPC, although without vote, or to other symposia or discussion forums where they can express their views (MOFCOM 2012e).

This feeds the notion of "democratic centralism" as elevated to a constitutional level (MOFCOM 2012f) and this organizational principle also guides the CPC (MOFCOM 2012d). It translates into decisions made by a few which are then ratified by others. This likewise applies to the coordination between the central government and local authorities, the latter of which operate with a measure of autonomy to receive and adapt national laws to local regulations and circumstances, particularly given the multiplicity of ethnic groups and regions that can hardly be treated in detail by the general laws.⁶

What has been said so far speaks more of a political system with strong authoritarian features. But there are additional elements that question the very existence of genuine democracy in China. Amnesty International has documented cases that suggest a systematic violation of human rights in the nation (Amnesty International 2015). Torture and death sentences rise to alarming rates, without publication of any official records, and this has been questioned for some time by AI which estimates thousands of victims and alleges that the number of death sentences in China exceeds those being carried out in rest of the entire world. A major problem is that capital punishment can be applied for non-violent crimes and for those confessed to under torture. The mere fact of questioning the regime can earn a judicial rebuke, thus making it a very dangerous practice, even for lawyers engaged in the defence of their clients.

There have been well known acts of censorship carried out by the Chinese government. In April 2013 following the award of a Pulitzer prize for an article published in *The New York Times* regarding the riches acquired by former

5 They consist of the Revolutionary Committee of the Chinese Kuomintang (RCKK); The China Democratic League (CDL); The China Democratic National Construction Association (CDNCA); The China Association for Promoting Democracy (CAPD); The Chinese Peasants and Workers Democratic Party (CPWDP); The China Zhi Gong Party (CZGP); The Jiu San Society (JSS); The Taiwan Democratic Self-Government League (TDSGL) (MOFCOM 2012e).

6 There are also "autonomous regions and that of the special economic zones and the Hong Kong and the Macao Special Administrative Regions" (MOFCOM 2012b).

Premier Wen Jiabao, the state authorities decided to ban any publication of correspondents or foreign media, as well as those of independent journalists, NGOs or any commercial entity otherwise not verified by the state. Similarly, the state warned those responsible for the administration of local networks to refrain from encouraging rumours that harm national interests (EFE 2013).

The media censorship also extended to movies and television programs being transmitted by social media networks, citing "political reasons." In April 2014, the programs "The Big Bang Theory," "The Good Wife," "The Practice" and "NCIS" were all retired from broadcast (EFE 2014a), suggesting considerable sensitivity to criticism and denial on the part of the Chinese government. Moreover, it seems that in terms of diverse religious beliefs and practices, there are some that are tolerated, but not all. Particularly in Tibet, constant repression of peaceful demonstrations that manifest ethnic, religious and cultural identity has been reported (Amnesty International 2014).

Despite a context of repressive authoritarianism, demonstrations do continue to be reported notwithstanding the risks involved with challenging the state. A report published in *El País* estimated that there were around 180,000 "protests, strikes and incidents of social unrest" throughout the country in 2010 related to environmental, labour, or land expropriation issues, as well as government corruption. More recently, protests regarding the freedom of expression have also been reported (Reinoso 2013).

Conclusion

China has laid firm foundations for the deployment of scientific and technological capabilities. This explains to a considerable extent why the country has been a preferred international destination for foreign direct investment. With its cheap labour and attractive tax incentives along with other facilities for the installation of new investments, China has characteristics that stand out among nations competing for direct foreign capital. Therefore we can safely reaffirm the advantageous status of China in this regard. We will have to recognize that the high quality and skill levels of its intellectual and manual labour force have dovetailed with a sophisticated and accumulating R&D infrastructure backed by a package of state supports for the promotion of scientific and technological processes. In another study, we showed that it is the very laboratories of R&D that initiate a practice of international diffusion, so even if the nation of China does have the highest percentage of these technological generators, it does display one of the highest growth rates in their multiplication.

According to the 2014 China Statistical Yearbook,⁷ total investment as seen by the expenditure side (expressed as gross capital formation) accounted for 47.7% of GDP in 2012. While data from the United Nations Conference on Trade and Development (UNCTAD 2015a) indicates that of this investment only 3.14% were made up of foreign inflows for that year, the fact is that important economic sectors of the Chinese economy are led by foreign capital. Other data indicate that in 2013, foreign companies were responsible for 47.5% of Chinese exports, especially concentrated in the area of high-tech products (Krokou 2015). It was already the case by 2010 that machinery and electronics exports accounted for almost 70% of the activities of resident foreign firms (Agencia de Noticias Xinhua 2010). When in 2014 China became the nation that captured the world's largest share of Foreign Direct Investment (UNCTAD 2015b), these percentages should not be all that surprising. It should be further noted that the outflow of Chinese capital has also expanded and the fact that the preferred sector has investment in services such as manufacturing accounts for only about 23% of those outflows (Krokou 2015).

In this way, the impressive scientific-technological effort of China has been the object of considerable exploitation by external agents aiming to satisfy their own interests. Given its broad level of economic liberalization, the country has not successfully achieved the most optimal use of its resources. Transfer is notorious since domestic firms do not lead in the manufacture of high-tech goods and sometimes the potential of skilled labour is not fully exploited by those Chinese industries largely confined to assembly tasks.

To this, we have to add the fact that China has relegated considerable portions of its territory to highly polluting activities to the detriment of its environmental and human health profiles, which in many cases signified further expropriating peasants or urban families from their homes. Nor has the treatment of workers always been the best, as wages have remained relatively low, even after the increases of recent times, while in some cases unacceptably poor working conditions persist.

State violence is visible in various areas, and sometimes in a very direct way such as: 1) its oversight of important social events; 2) in the area of censorship, and 3) in the form of violations of human rights. This has amounted to a political system with little margin for effective participation, with abuses of power that extend all the way to torture and excessive application of the death sentence. It can certainly be argued from a liberal standpoint that democracy

7 See Table 3-18 NBS 2014.

in China is absent, even in its most basic formulations of civil and political liberties, despite the fact that these rights are printed in the Constitution (MOFCOM 2012c).

In short, although China displays an understanding of the essence of development, its full consolidation has proved elusive on account of the tremendous economic opening it has relied upon. In other words, its ascension has been truncated despite its multiple efforts. We could even say that the form of growth China has adopted has itself constituted the drag on its development and its democracy, and that this reveals an absence of a truly national project, given that local actors can be the first to reap its benefits.