

# **THE RISE OF CHINA**

THREE ESSAYS ON CHINA'S ECONOMY  
AND 'SOFT' POWER

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Many thanks to Mr. Zhang Ming for the photos on the cover.  
The colored photo shows a street in Beijing which was once  
a decaying factory area.

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## Preface

It is undeniable that China has changed the economic and political landscape of the world. Thus it is imperative that East Asian countries which have become critically integrated with China understand very well the roots and dynamics of China's role and entry into the global and East Asian economies in the past three and a half decades.

In 2007-2008, the Institute of Philippine Culture (IPC) of the Ateneo de Manila University gave a Research Merit Award Project to four faculty members to study China's economy during the last four decades, the nature and patterns of its trade with East Asia, and China's growing global 'soft power' in both the economic and political realm. The project was finished in 2010 and Elizabeth Tan's paper on "China's Integration in East Asia: The Role of Intra-Industry Trade" (which was the most technical paper in the project) was published in the *Philippine Review of Economics*, volume 47, issue 2, 2010. The three other papers were: "China's Macroeconomy: 1978-2009" by Joseph Anthony Y. Lim; "China's Trade With East Asian Countries: Impact on Regional Trade Integration" by Ellen H. Palanca; and "Contest for Global Influence: China vs. US Soft Power" by Benito O. Lim. These are now brought together here, updated to reflect the important developments both in China and in the world after the Great Recession of 2007, as an issue of the *Chinese Studies Journal* of the Philippine Association for Chinese Studies (PACS) of which the authors are also members. J. Lim's revised paper is now renamed "China's Dragon Economy: Achievements and Challenges." This book is intended for a non-economist audience so the essays can be read without having to refer to the numerous charts and tables at the back of every essay.

The authors shouldered the costs of the additional research while the publication of the book was made possible by the financial support of the Philippine Association for Chinese Studies (PACS).

## Foreword

Filipinos need to understand China, just as Chinese need to understand the Philippines. Lately this imperative has floundered in the sea of territorial disputes between the two states. In this light, this volume acquires great salience. From the Philippine side it aims to contribute to an understanding of China, particularly the spectacular growth of its economy and the implications of this outstanding economic performance for Chinese society, politics, and foreign policy.

The authors in this volume have been engaged in Chinese studies for many years. Theirs is the expertise to marshal economic data, make them comprehensible to non-economists, and thus offer a perceptive and up-to-date reading of China and its variegated economy and the foreseeable challenges it faces ahead. The authors point to the inextricably globalized economy of China, with countries in East and Southeast Asia—and increasingly in Latin America and Africa—implicated in its production and trade dynamics. Together with economic growth has evolved a vision of China's role in the world, articulated specifically in terms of "development assistance" to needy states in the global South.

The Philippine Association for Chinese Studies deserves commendation for publishing this set of papers. This book can be expected to generate discussion and debate, which, if pursued constructively, can serve as productive avenues for deepening insight and understanding. Congratulations!

Filomeno V. Aguilar Jr., PhD  
Dean, School of Social Sciences  
Ateneo de Manila University

## Foreword

It was with considerable excitement that the Institute of Philippine Culture (IPC) received the news about the imminent publication of the papers of Dr. Ellen H. Palanca, Prof. Benito O. Lim, and Dr. Joseph Anthony Y. Lim in the book *The Rise of China: Three Essays on China's Economy and Soft Power*. Published by the Philippine Association for Chinese Studies (PACS), this book offers a singular and significant contribution by enlarging our knowledge about the rise of China's trade with East Asian countries and its impact on regional trade integration as well as development assistance flows.

The IPC's anticipation of this publication is well warranted. A research organization of the School of Social Sciences, the IPC, through its Merit Research Awards (MRA) Program, supports studies by faculty and researchers of the Ateneo de Manila University that advance theoretically grounded research and provide conceptual insights on Philippine society and culture. Included in this overarching theme are studies that articulate the global-local nexus, and more particularly, researches that examine global flows and Asian integration.

In 2008, the IPC granted a Merit Research Award to Dr. Palanca, whose proposed study on China's trade with East Asian countries fell within the ambit of the IPC's priority research agenda. It was the IPC's hope then that Dr. Palanca and her co-researchers would generate a substantial written output worthy of publication—a book, a collection of essays, a research monograph, and/or journal articles. With the publication of this book (and the earlier publication of the paper of their co-researcher, Prof. Elizabeth Tan, in the journal *Philippine Review of Economics*), the IPC's expectations have been exceeded.

The Institute of Philippine Culture would like to thank and congratulate Dr. Palanca, Professor Benito Lim, and Dr. Joseph Lim for the rich harvest of publications as well as public lectures that their 2008 IPC Merit Research Award has yielded. Noteworthy is how this book provides important updates on the information found in earlier versions of their papers and lectures. For example, back in 2008 when the authors began their research, China's trade was the second largest



in the world. However, since then—and as this book points out—China has become “the top exporting country in the world in 2009”; “the top trading country (combining exports and imports) in 2012”; and “the second largest economy in the world (after the US) in 2013.”

*The Rise of China: Three Essays on China's Economy and Soft Power* chronicles and examines this astonishing growth of China's economy since the late 1970s and how such growth has affected, not only trade in the East Asian region, but also development assistance to developing nations. For with its emergence as a global economic superpower, China has also become a formidable global political power as it is now a major and alternative (vis-à-vis the World Bank and the Asian Development Bank) source of development aid to developing countries.

Some of the authors' conclusions might stir controversy and debate—which is another way of saying that this book promises to be an informative, exciting, and good read.

The publication of this research is a landmark in the history of the IPC as a knowledge producer and broker. For this, it would like to thank the authors—and encourage the book's audience to read on.

Marita Concepcion Castro Guevara, PhD  
Director, Institute of Philippine Culture (IPC)  
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## Acknowledgements

The authors would like to express our gratitude to the Institute of Philippine Culture (IPC) of the Ateneo de Manila University and the Philippine Association for China Studies (PACS) for supporting the research for our papers and the publication of this book, respectively.

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Ellen Palanca would like to thank Grace Ong for her exceptional research assistance. We also would like to thank the ever dependable Richie R. Santos for her efficient administrative and secretarial support throughout the project. Finally we would like to thank Alvin E. Firmeza for his research assistance, copyediting, and for doing the cover and layout of the book.

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## About the Publisher

The Philippine Association for Chinese Studies (PACS), incorporated in October 1987, is a non-government, non-profit and non-political professional association open to all persons interested in studying China and the Chinese. It seeks to increase the understanding of China and the Chinese primarily by facilitating contact and exchange of information among scholars from various disciplines.

The specific objectives of PACS are:

- To promote, encourage and support academic studies and research on China and the Chinese through discussions, lectures, seminars, publications and international exchange.
- To identify gaps in research subjects and methodology and stimulate work in these areas.
- To establish and maintain contact with other professional, national and international organizations in the interest of mutual enlightenment in the field of Chinese Studies.
- To offer to government, business and other sectors, when deemed appropriate by its executive board, assistance in research and education, policy formulation and program development that may lead to a better understanding of China and the Chinese.
- To assist persons engaged in Chinese studies with respect to opportunities for work or studies and similar information, such as strengths of various institutions and the availability of grants and scholarships.
- To encourage the establishment of Chinese studies as part of the curriculum or as a program of study in different institution of learning.
- To promote the understanding of the Philippines and the Filipinos among the Chinese.

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