China's increasing interaction with the world has had an enormous impact on its domestic economic reforms. In this book Thomas Moore examines the role of the outside world as a source of change in China in the decades since Deng Xiaoping instituted the country's Open Door policy. Moore assesses the impact of varying degrees of economic openness in the world trading system on the reform, restructuring, and rationalization of Chinese industries. Through the lens of two critical, internationally significant industries—shipbuilding and textiles—he investigates the opportunities and constraints presented by the world system.

Moore argues that scholars are wrong to focus narrowly on such factors as Chinese elite politics and industrial planning to explain the course of economic development and to extract predictions about China's future growth. International forces such as industry-specific trade regimes (the Multifiber Arrangement [MFA] in textiles, for example) have had a profound impact, disrupting the pattern of state intervention. The supervisory ministries that once played an intrusive role in the daily operations of industry now play a weakened role, allowing industries to adapt to world market conditions by undertaking the reforms necessary to thrive. As Moore amply demonstrates, the international environment most conducive to change in China's textile and shipbuilding industries during the 1980s and 1990s was one marked by moderate economic closure rather than openness. He also challenges the idea that China's recent economic success has been driven by a mainland version of the "East Asian" model, arguing that Beijing's ability to pursue strategic industrial policy is actually quite limited. Moore's finding that protectionist trade regimes such as the MFA have actually been a boon to industrial reform in China (when compared with other, relatively open international industrial sectors) has important implications for the study of "managed" versus "free" trade environments.

Based on extensive documentary and interview material, the book adds the Chinese case to a long tradition of country-based studies by political economists, historians, and area specialists that have chronicled the experience of developing countries as they enter specific industrial markets in the world economy. This is timely and provocative reading for anyone concerned with the nature of China's deepening participation in the world economy and its consequences for the country's development prospects, internal reforms, and foreign policy.

Thomas G. Moore is Associate Professor of Political Science at the University of Cincinnati. He is the author of numerous book chapters and scholarly articles on Chinese foreign policy and China's participation in the world economy, including publications in such journals as Asian Affairs, Asian Perspective, Journal of Contemporary China, and Journal of East Asian Affairs.
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China in the World Market

Chinese Industry and
International Sources of Reform in the Post-Mao Era

THOMAS G. MOORE

University of Cincinnati
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Abbreviations

Almanac  Almanac of China's Foreign Economic Relations and Trade
AFC  Asian Financial Crisis
APEC  Asia Pacific Economic Cooperation forum
ATC  Agreement on Textiles and Clothing
BMTs  bureaus of maritime transport
CBR  China Business Review
CCP  Chinese Communist Party
CCSI  China Corporation of Shipbuilding Industry
CHINASILK  China National Silk Import & Export Corporation
CHINATEX  China National Textiles Import & Export Corporation
CMRS  contract management responsibility system
CNTC  China National Textile Council
COSCO  China Ocean Shipping Company
CSIC  China Silk Industrial Corporation
CSSC  China State Shipbuilding Corporation
CSTC  China Shipbuilding Trading Corporation
CTR  China Trade Report
EC  European Community
FBIS  Foreign Broadcast Information Service
FBIS-CHI  Foreign Broadcast Information Service, Daily Report-China
FBIS-LAT  Foreign Broadcast Information Service, Daily Report-Latin America
FBIS-WEU  Foreign Broadcast Information Service, Daily Report-Western Europe
Abbreviations

FDI foreign direct investment
FEER Far Eastern Economic Review
FIEs foreign-invested enterprises
FTCs foreign trade corporations
GATT General Agreement on Tariffs and Trade
GDP gross domestic product
GJMYWT Guoji Maoyi Wenti [Issues in International Trade]
GSC global surplus capacity
IMF International Monetary Fund
JPRS Joint Publications Research Service
KIEOs keystone international economic organizations
KMT Kuomintang
LLMA Lloyd's List Maritime Asia
LMA Lloyd's Maritime Asia
LNG liquid nitrogen gas
LPG liquid petroleum gas
LSE Lloyd's Shipping Economist
LSM Lloyd's Ship Manager
LTA Long-Term Arrangement
MFA Multifiber Arrangement
MMF man-made fiber
MNCs multinational corporations
MOFERT Ministry of Foreign Economic Relations and Trade
MOFTEC Ministry of Foreign Trade and Economic Cooperation
MTI Ministry of Textile Industry
NICs newly industrializing countries
OECD Organisation for Economic Co-operation and Development
OMAs orderly marketing arrangements
PLA People's Liberation Army
PPP purchasing power parity
PRC People's Republic of China
SBR Seatrade Business Review
SCMP South China Morning Post
SETC State Economic and Trade Commission
SEZs special economic zones
SOEs state-owned enterprises
## Abbreviations

<table>
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<tr>
<th>Abbreviation</th>
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<tr>
<td>SSIEC</td>
<td>Shanghai Silk Import and Export Corporation</td>
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<td>STA</td>
<td>Short-Term Arrangement</td>
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<tr>
<td>STIB</td>
<td>State Textile Industry Bureau</td>
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<tr>
<td>SW&amp;SB</td>
<td>Shipping World &amp; Shipbuilder</td>
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<tr>
<td>TA</td>
<td>Textile Asia [Yazhou Fangzhi Yuekan]</td>
</tr>
<tr>
<td>TIBs</td>
<td>textile industry bureaus</td>
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<tr>
<td>TOI</td>
<td>Textile Outlook International</td>
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<td>TVEs</td>
<td>township and village enterprises</td>
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<td>VERs</td>
<td>voluntary export restraints</td>
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<tr>
<td>VLCCs</td>
<td>very large crude carriers</td>
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<tr>
<td>WTO</td>
<td>World Trade Organization</td>
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<tr>
<td>WTR&amp;O</td>
<td>World Trade Review and Outlook</td>
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<td>ZGFZGYNJ</td>
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In trying to interpret the momentous changes that have occurred in China since the death of Mao Zedong, one piece of the puzzle has been conspicuously missing – conceptually if not always empirically – from most scholarship on the so-called reform era: the impact of the outside world. Simply put, what influence have international forces had on the course of change in post-Mao China? Even in the literature on China’s growing participation in the world economy, shifts in policy and behavior – both at home and abroad – have been attributed quite narrowly to domestic factors. While this tendency has begun to shift somewhat in recent years, the dominant approach remains Sinocentric in critical respects. Especially for the 1980s and early 1990s, the impact of the outside world continues to be seriously underestimated. Indeed, this book is intended less to highlight the contemporary pattern of external influence on China – one that is increasingly (if still sometimes inadequately) acknowledged in both the academic and popular literatures on China’s political economy – than to document the significance of external influence during this earlier period.

More specifically, the overriding goal of this book is to begin work on a conceptual foundation for understanding how international forces have structured the choices China has faced as it has expanded its participation in the world economy while simultaneously undertaking reform of its state socialist economy. While scholars have typically acknowledged the “importance” of the Open Policy (kaifang zhengce) for China’s economic development, few studies have examined with any specificity how international forces have actually influenced domestic change in China. At a theoretical level, I am especially concerned with how certain types of stimuli in the international political economy, such as varying degrees of economic openness in world industrial markets,
Preface

feed back into the Chinese political economy by shaping reform efforts, industrial transformation, and general development strategy.

As it has reentered the world economy over the last two decades, China has had to operate in an international environment over which it exerts little influence. In the shipbuilding and textile industries, for example, its role was clearly that of a “regime-taker” rather than a “regime-maker.” In shipbuilding, China was a latecomer to the international industry. As such, the fundamental dynamics of the world shipbuilding community were well-established prior to China’s entry. In particular, the international political economy of shipbuilding has long been characterized by chronic surplus manufacturing capacity as the result of complex patterns of private sector initiative and public sector intervention. Even today, after more than a decade of sustained export success, China’s share of the world shipbuilding market remains too small for it to have any significant influence over developments at an international level. Similarly, in textiles China found itself confronted with the Multifiber Arrangement, the eight-hundred-pound gorilla of industry-specific trade regimes. Despite China’s recent emergence as a major player in world textile markets, the persistence of the Multifiber Arrangement – an institution that now dates back four decades – has defined the international marketplace throughout the post-Mao era.

The argument of this book is quite straightforward: global surplus capacity and the Multifiber Arrangement created incentives for a specific agenda of economic adjustment that profoundly shaped the course of reform, restructuring, and rationalization in the Chinese shipbuilding and textile industries, respectively, during the 1980s and early 1990s. I do not, however, claim that external forces provide a comprehensive explanation for developments in these industries. Quite to the contrary, my account emphasizes the interaction of international and domestic forces. In this vein, the case-study chapters show not only the catalytic effect that the Multifiber Arrangement and global surplus capacity had in triggering important changes in China’s textile and shipbuilding industries, but also how domestic structure filters the impact of the outside world on China.

I owe thanks to many people for their help in making this book possible. My greatest intellectual debt is to my dissertation advisers at Princeton University: Lynn White, Robert Gilpin, and David Bachman (at the University of Washington since 1991). I am also grateful to Keisuke Iida for serving as fourth reader for the dissertation. Their
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In the course of revising the dissertation into a book, I received valuable feedback from colleagues and friends too numerous to mention here. William Kirby (series editor), the late Michel Oksenberg, and David Zweig deserve special mention for their extremely careful readings of the entire manuscript. Their comments have improved the book tremendously. Dixia Yang provided able research assistance on several occasions. Remaining errors of fact, judgment, and interpretation are, of course, mine alone. At Cambridge University Press, I am very grateful to my editor, Mary Child, both for her initial interest in this project and for her patience in awaiting the final product. Similarly, I owe thanks to Mike Green, Holly Johnson, and Jonathan Munk for shepherding the manuscript through the various stages of the administration and production process.

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Preface

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I would be most remiss not to thank the scores of individuals in Hong Kong, China, and the United States who generously took time out of their busy schedules to talk with me about my project. In forty-one cases, this contact resulted in formal interviews. Many of these informants also agreed to endure follow-up questions and other correspondence. In addition to these gracious individuals, countless others helped by identifying documentary sources, discussing research strategies, and even making personal introductions that led to extremely important interviews. Only I can fully appreciate their contribution to this book, and I extend my warmest thanks to everyone concerned.

Finally, I would like to acknowledge the tremendous support of my family. I could never thank them enough for indulging my stubbornness in sticking with this project. My parents always encouraged my studies, and I only wish that my father could have seen the finished product. My wife and three daughters have lived through the project with remarkably good humor, and for that I am deeply grateful. (In Karen’s case, the standard injunction about spousal sacrifices is entirely inadequate. Indeed, there would be no book today without her unselfishness.) In many ways, this book is testimony to their patience. They have provided all the love and encouragement any husband and father could ever need.