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Spring 4-26-2017

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Liam McCorry

[mccorryl1@student.lasalle.edu](mailto:mccorryl1@student.lasalle.edu)

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**Economic, Cultural, and Political Influences of  
the West in China  
(1940-Present)**

**By: Liam McCorry**

**Faculty Supervisor: Pingjun Jiang**

**Dr. Kling**

China has long been the focus of study for people trying to better understand economic transition as well as the evolution of Communism in a functional society. China has undergone the transition from an agricultural society to a manufacturing powerhouse in an extremely short amount of time. This Chinese Industrial Revolution took place in roughly 50 years, just a quarter of the time it took for the rest of the world to undergo the same changes. One of the major reasons for this rapid change is the investment within China from foreign firms. China had long practiced economic isolationism, not engaging in trade often with the rest of the world. For a period, they were forced into trade relations with nations such as England due to wartime losses. Following a tumultuous political climate, the Chinese Communist party rose to become the rulers of China. When Mao Zedong rose to power following this Civil War he sought to disconnect China from the global economy. Under the communist regime, the Chinese economy operated on five-year economic plans. This continued until Deng Xiaoping became the party leader and initiated economic reforms. Unlike Mao, he felt that China could benefit greatly from rejoining the global economy. This has helped to shape the Chinese economy into what you see today, there are remnants of the Chinese nationalist movement integrated into their global approach to doing business.

To understand modern China and their connection to the Western world you must look at their past. In order to properly discuss the influence of the West in the affairs of the Chinese, you must break it into four time periods. These four periods are World War II and the rise of Communism, China as a plan based economy, Deng Xiaoping's economic reform policies, and finally, in modern day China. Each section will evaluate the impact that the West had in three

areas: The economy, Policy, and Culture. China has long had a strained relationship with the West dating back to the age of isolationism. China lost the Opium Wars and were then forced into trade. The West took advantage of the vast resources in China and exploited the less technologically advanced society for their own gain. Missionaries came to China during this period to “save” the Chinese countrymen who were perceived as savages. These forced Western ideals and interactions left a bitter taste in the mouths of the Chinese people, leading to a movement where anything associated with the West was purged from Chinese society and culture forcefully. To further complicate the political climate of China, Japan invaded in 1937 leading to a lengthy conflict, which didn’t end until the conclusion of World War II. This invasion led to a collaboration between ruling party of China (Chinese Nationalist Party or KMT) and the Chinese Communist Party (CCP) to join forces. This was not expected as the KMT had put an end to a Communist revolt as recently as 1931.

### **The Rise of Communism: (1940-1949)**

China in the 1940’s can be defined as a period of extreme change; the first revolution had happened decades prior and the KMT had been the ruling party ever since. With the invasion of China from Japan there came a need for the KMT to work alongside the Chinese Communist Party (CCP). The KMT did not have an influential presence in Western China primarily in rural areas. The CCP was able to bring these areas together, building a cohesive front. The KMT received aid from the West, primarily the United States, to try and weaken Japan over the course of World War II. When the United States formally joined the war, however, they focused on a naval assault on Japan, disregarding the invasion of China. Once George Marshall pulled the

United States out of the region it left the KMT with far superior technology as well as training from the West. This section will evaluate the impact this had on Chinese political development during this period.

As previously stated, the KMT and the Chinese Communist party had long been political enemies, fighting for control of the country. One of the major developments in China occurred in 1940 when Mao Zedong set forth three goals that he wanted to accomplish. He wanted to present a united front with the KMT, engage in armed conflict with Japan, and to build a party within CCP occupied territories. Mao had ulterior motives with these goals, however, as the CCP was utilizing the united front with the KMT to infiltrate their ranks. (China: Tradition and Transformation, 486) This helped achieve the stated goal of armed conflict against Japan, while also setting the CCP up for the impending war with the KMT. The CCP could isolate and destroy KMT forces that stood in their way of increasing their power and influence. One of the ways in which Mao and the CCP were able to increase their presence was through party schools. These schools were designed to educate and inform the rural farmers of the ideological nature of the CCP, feeding them propaganda which would garner further support for their cause. Also in 1940, Mao released an essay titled “On New Democracy” which as stated by Fairbank and Reischauer:

“Justified a united front as a temporary phase and yet reaffirmed the long-term mission of the party. For the benefit of his non-Marxist audience Mao blandly claimed to have inherited the mantle of Sun Ya-sen and the May Fourth movement, while for Marxists he implicitly put himself on the level of Marx, Engels, Lenin, Stalin as a contributor to Communist theory.” (China: Tradition and Transformation, 488)

The notion of Mao as a great Communist thinker was more in practice than it was in theory. The contributions from Mao were the establishment of a party, army, and a large support base in rural communities. Any of his stated theories could be attributed to those who came before him.

One of Mao's greatest tools of influence came in 1942 with a reform movement that set to correct unorthodox ideas. It relied on criticism of self and others in confined groups, admissions of guilt and repentance, and standard procedures. (China: Tradition and Transformation, 488) It was intended to stomp out liberal ideals that had infiltrated the CCP, crushing individualistic tendencies and diminish the influence of traditional morality over members of the CCP. This allowed for the CCP leaders to identify allies and eliminate potential threats to their long-term prosperity. This would prove to be essential for the Communists in the coming years as they sought to obtain full control over the political climate in China.

Another outcome of this process of eliminating ideas and people that threatened the Communist party was that it helped to eliminate any of the communists that studied in Moscow. These party members removed Mao from power once and did not agree with all of his theories. Mao utilized the fact that Communist ideas were no longer a foreign concept to the Chinese people, empowering the rural farmers as the proletariat. It utilized modern technology and social organization to spread its idealism in turn, spreading the influence of communism. Mao identified that there was a need for revolution for Communism to fully take hold. This revolution would aim to give the masses a new life, which could only be achieved through total political influence and power that could change the old order. This power could only be achieved by creating a cohesive centralized party that relied upon its members submitting to absolute discipline.

Mao recognized that there was a need for another revolution in order for Communism to fully infiltrate Chinese culture. This was the catalyst for the Chinese Civil War which was waged from 1945-1949. The CCP was able to emerge as the victors of the civil war despite being outgunned and outmanned, forcing the KMT to retreat to what is now known as Taiwan. This conflict came at a time where the West feared any mention of the word Communism. They would vehemently fight it to halt the spread at any cost. For this reason, the KMT was given the superior technology by the United States but it was not enough. They entered the conflict with a gross overconfidence that this advantage alone would be enough to crush the Communist party forces. Mao was able to work with the People's Liberation Army once again during this conflict. The CCP and the People's Liberation Army utilized guerrilla tactics to compensate for their disadvantage. They built traps to halt the advance of the KMT tanks eliminating their advantage, increased their numbers as they moved East by convincing people of all backgrounds to fight for them, and finally would take control of the armaments supplied to the KMT and used them to better equip their armies. (China: Tradition and Transformation, 490) In a sense, the United States supplied both sides, ultimately leading to the victory for the Communist party. The now victorious CCP did not see America as an ally due to their support of KMT forces during the civil war. This had a major impact on how the Chinese Government viewed the West moving forward.

In this period, the influence of the West had little impact economically or culturally but had a major political impact. The West tried to keep the nationalists in control, but were ultimately defeated. This led to hostility towards the West and their ideals. You could make the argument that this led to a cultural impact as well. Mao and the CCP sought to restore "Chinese

principles” back into society.

### **Communist Economic Policies: China as a Planning Economy (1950- 1976)**

After the CCP victory over the KMT, Mao and other CCP leaders established the People’s Republic of China. This was a direct reference to the same ideals that brought the Chinese together during the times of war. It showed this was a country run for the people by the people. This set the precedence for the tumultuous rule of the CCP and Mao. As communists, the idea that everyone gets equal pieces of the same pie was something that was immediately identified as a crucial element to this new era of Chinese history. Using the Soviet Union as an example, China began to redistribute land to the 300 million proletariat farmers living in rural areas. This process took place between 1950-1953 and was done so by force in most instances, leading to the execution or unfair treatment of former landlords (ChinesePosters.com). While many of these peasants were now landowners for the first time, it did not represent a major economic shift for China as they had long been an economy reliant upon agricultural output. In order for the next phase of the plan to come into fruition, these collective farms became crucial and required a surplus to be produced.

The Soviet Union had become the template used for Communism in China as they were able to see the results of certain actions before enforcing them domestically. It is no surprise then that Mao’s next phase of the new era of the People’s Republic of China was to industrialize the nation and create a production schedule. The Soviet Union wanted to see the success of Communism and loaned China \$300 million as well as technical specialists to aid the transition (Cairns). This helped to achieve Mao’s intended goal for China to become a major industrial



nation in order to fully break away from the age of imperialism. The first Five Year Plan was for the period between 1952 and 1957 and had impressive effects, seeing total production outputs double with an annual growth rate of 16 percent. In 1952, the production of steel was 1.3 million tons but saw a sharp rise by 1957 to 5.2 million tons (Cairns). Heavy industries such as steel production and coal mining were the focus of the plan as a whole.

Just like in the Soviet era, rapid industrialization led to a strain on agricultural output as the farms could not produce enough surplus to feed the masses in the cities. This led to the government intervening in 1956 and taking control over the collective farms. In turn, this led to political unrest as the farmers felt betrayed, even attacking officials that came to take farmlands (Cairns). The government despite this unrest considered the first 5 year plan a success. The success of the Five Year Plan was not felt in the rural communities however. As stated above, the divide between rural peasants and those living in cities was widened. Grain production fell behind schedule which severely limited the ability for rapid urban growth to occur.

In 1958 China wanted to show the Soviet Union that the Chinese were able to develop a much better approach to economic growth and industrialization. This economic plan was called The Great Leap Forward and the intention was for China to surpass England in terms of output within 15 years or less. In order to achieve this the gradual integration of communism into Chinese society was accelerated in order for the plan to be successful. There were calls for the production methods to become greater, faster, and cheaper. One of the issues with The Great Leap Forward was that while the government could make statements calling for these increases of output and increased efficiency, they had no ability to make it a reality. This was a twofold plan that included, a mass steel campaign, as well as the formation of the people's commune.

(ChinesePosters.com)

This plan helped to organize the people to aid in the production of steel that was needed to achieve the stated goal of overtaking England as a Steel producer. Perhaps one of the most creative ways that the government was able to increase output was installing backyard steel furnaces. Common people melted down anything steel they owned such as pots and door knobs to help contribute to the efforts. While this yielded a large quantity, the quality of the steel this method produced was so poor that it could not actually be used functionally.

As previously mentioned, rural farms were seized by the government and people's communes established with the intention of drastically increasing production. One issue with this however, is that the production targets given to government officials sent to oversee these collectives were unrealistic. Another issue faced in these large collective farms was that labor was being directed towards the production of steel, leaving it difficult to properly reap harvests (ChinesePosters.com). This helped to further magnify the downfall of such extreme levels of industrialization as the production levels were not able to maintain a surplus to feed the masses.

Another shortcoming of *The Great Leap Forward* was that it placed such a strong emphasis on steel and agricultural output that infrastructure was neglected. There was a clear disconnect between the people of China and the government as the government continued to speak of the success experienced from these plans. Some officials such as Peng Dehuai voiced their concerns that the plan was not acting in the interest of the people, but he was promptly removed from his post and replaced (ChinesePosters.com).. The plan had not lived up to the expectations but the government celebrated it on the 10-year anniversary of the establishment of the People's Republic of China. Unfortunately, the following three years would be blemished by

extreme famine striking the nation, severely halting the rapid growth and killing an estimated 30-40 million people (ChinesePosters.com). Such an extreme famine in conjunction with the dismissal of formal relation with the Soviet Union led to an economic collapse. This temporarily weakened Mao's influence as he retreated to Shanghai turning over power to Deng Xiaoping and Chen Yun among others.

Perhaps one of the most complicated events to examine during the rule of Mao came when he began to lose his control of the party. Mao invoked the masses to rise up and challenge the Communist Party in order to overthrow those who ousted him from power. This revolution sought to purge China of Western idealism as well as "corrupt" officials within the party. This was nothing more than a ploy used by Mao in order to weed out political opponents while rejuvenating the vigor with which people supported the cause in the early years of the Party. Propaganda was released through state run news sources stating that the party had been infiltrated by revisionists who sought to create a dictatorship of the bourgeoisie. This led to a period of civil unrest as many organized to fight for the Communist regime in an unofficial capacity.

Many intellectuals, party officials and those wearing the clothes of the bourgeoisie were either killed by the masses or driven to suicide. Red Guards were formed by students looking to eliminate any threat to the Communist ideals. They were the ones carrying out these public displays against those deemed to be enemies of the state. They were told to destroy the four olds-old ideas, old customs, old habits, and old culture (The Guardian). This eventually grew from students blindly acting out into a full blown civil war as workers joined the fight and factions were formed. By the end of 1968 Mao recognized that this had gotten out of control and sought

to end it by sending millions of youths to the countryside to be re-educated. This did not make the suffering any better as 500,000 to 1 million people had lost their lives during this period of unrest (The Guardian). It came to an official end in 1976 with the death of Chairman Mao.

While this period is riddled with instances of abuse, poor economic policy, and taking multiple steps backwards regarding development, there was still one major positive. In 1972, President of the United States Richard Nixon visited China to hold talks. These talks were aimed at rebuilding the relationship between the two nations, normalizing their relationship once again (History.com). The US was losing badly in Vietnam at the time, with the Vietnam armies being supported by the Soviet Union. For this reason, a stronger US-Chinese relationship would send a message to the Soviet Union. The main motivations on both sides was political, using each other for mutual gain.

Aside from the visit of Richard Nixon to China, there was very little political influence from the West in China during this period. The Cultural Revolution was a direct rejection of Western ideals, seeking to purge them from all aspects of society. Culturally, China had returned to their roots with virtually no influence at all from the West. You could argue that the West had a minor influence culturally solely because Chinese culture became anything that opposed the West. Economically, the West also played a very minor role. With the Soviets providing both the financial means of mass industrialization as well as man power to create a plan, the West was left on the outside looking in. This period is perhaps the one most devoid of Western influence. Mao did not want to emulate the West or Soviet Union, rather he wanted to create a society that was distinctly Chinese. For this reason, the influence of the West economically, culturally, and politically was very minimal during this period.

**Relinking the Global Economy (1976-2001)**

Following Mao's death in 1976, Deng Xiaoping became the new leader of the CCP. While he was still Communist in name, however Deng was progressive fiscally. This was exhibited by his often repeated saying "White or black, it is a good cat so long as it catches mice." Deng used this phrase as justification for using Western style market tools (Managing International Business in China, 3). At the heart of this phrase was that you should utilize everything available to you, so long as it provides value in 1978, Deng initiated economic reform that intended to re-link China with the global economy. The core of his policies was to utilize market mechanisms such as the re-establishment of prices, ability for State Owned Enterprises (SOEs) to sell excess output on the free market, and the ability for SOEs to engage in foreign trade. Because the government still played a major role in the economic activity of Chinese firms, this system has been dubbed a Social Market Economy.

One of the greatest contributions to the economic development of China was the introduction of the Equity Joint Venture Law in 1979. This opened China up to investment from Western firms only in the form of Joint Ventures (Managing International Business in China, 7). A Joint Venture is when two firms come together to engage in economic activity working towards the same goal while still retaining their status as an independent firm (Managing International Business in China, 9). One of the ways Deng's reforms enticed foreign firms to invest in China was by reducing tariffs. By reducing the cost of firms to import or export goods, foreign firms did not carry as much risk when trying to enter Chinese markets. The reason for this is that it lowered the cost of doing business in China, which increased profit margins.

Another issue faced by Deng's regime in the 1980's and 1990's is that there was not any

way for the Yuan to be converted to other nation's currencies. This was a persistent issue as Foreign Direct Investment, or the influx of business and capital from abroad, increased because it limited the way transnational firms did business. One way that China was able to overcome this by pegging the value of the Yuan directly to the dollar. This meant that a fixed exchange rate was set, fluctuating in value as the dollar appreciated or depreciated. This was a clever way for China to give their currency value while also maintaining one fixed rate. This led to intentional depreciation at times to ensure that the Chinese market remained attractive to FDI (Doing Business in China, 130). Finally, in 1996, the Yuan was fully convertible on the current account. The current account enables the free inflow and outflow for all purposes other than investments or loans. This meant that the Chinese could access foreign currencies for travel, import, and export purposes. This was a step in the right direction but the Yuan was still not convertible on the capital accounts. The capital account is the full convertibility of a currency for the acquisition of assets such as shares, properties, and other major assets. The capital account also allows for banks to receive foreign currencies as deposits.

While Deng was relatively soft regarding economic policy that was not communist, he showed no mercy when it came to those who opposed his political ideals. Perhaps the most notorious example of Deng's regime flexing their military might to crush unrest was the event that took place in Tiananmen Square on June 4th, 1989. This was a demonstration by students calling for a higher level of democracy and transparency at the government level. As their numbers grew, the Chinese government grew increasingly more restless. On the morning of June 4th, 1989 troops of the Chinese army reached Tiananmen Square and began to fire on the protesters. The situation escalated further when the protesters began throwing rocks at the troops

creating a scene of intense conflict. When everything was said, and done, 300 students were killed and approximately 10,000 had been arrested (History.com).

The event that took place in Tiananmen Square was seen around the world. It outraged both the Western World as well as allies of China such as The Soviet Union. Soviet leader Mikhail Gorbachev expressed his sadness at seeing such horrific images and called for the Chinese government to respond to the concerns of the protesters. The external pressures on China continued as the United States Congress urged President George H. Bush to impose sanctions on China. Three weeks after the incident, Congress voted to impose several economic sanctions on China affecting trade. Unfortunately, many of these sanctions were short lived and were either done away with or bent to allow for a way to work around them.

This period of Chinese history can be summed up by calling it a phase of rapid reform. Deng took steps to move China towards an economy more like the West, based upon market forces rather than government plans. Deng also identified the need for foreign direct investment in China, relaxing regulations to allow for it. This helped to further boost the Chinese economy, allowing for it to become a destination for many manufacturing firms. Despite all this progressive work done in the areas of economics, Deng still held on to the one-party system that had been in place since Mao rose to power in 1949. This came to a boiling point in Tiananmen Square where he used force to silence protesters calling for government reform. For these reasons, the influence of the West economically on China during this period is very great. This is seen by the fixed exchange rate set between the Yuan and the US Dollar. This ensured that the two would experience the same fate based upon market fluctuations. Politically, the West did not play a major role during this time up until Tiananmen Square. Even after the Tiananmen Square

incident the West did not uphold their threats which is why their actions cannot be classified as anything but minor. Culturally, the primary shift was towards education abroad. These students were sponsored by the government in an attempt to create a better educated populace to ensure the growth of China. These students were then silenced by the same government that sent them away, making the impact of the West moderate culturally.

### **Modern China (2002-Present)**

The moment in modern Chinese history that is considered to be a major catalyst of change is China's acceptance into the World Trade Organization. The World Trade Organization, or WTO as it is commonly referred to as, is a global organization where member nations work to ratify trade agreements that are beneficial to all parties, if a dispute occurs between two nations, they intervene as a mediator and work towards a resolution. The WTO is committed to helping member nations establish sustainable development and utilize all resources. This has been extremely helpful for China because it has provided them with a structured plan of economic development. One of the major influencers within the WTO is the United States. Without their vote, it is very difficult for a nation to be accepted into the organization. For this reason, China had to appease the Americans and de-regulate areas of the economy for the sake of becoming a member of the WTO. One of the required market sectors was the banking industry. Up until 2002 China had not allowed for foreigners to operate financial institutions. One of the concessions that China had to make for ratification was to slowly allow foreign firms to operate and manage financial lending institutions. This process is still ongoing, with the most recent liberty granted to foreigners being that they can now exchange the Chinese currency, the Yuan,



freely. These foreign run financial institutions are still not able to lend to Chinese consumers or businesses however, as this has been deemed too great a risk.

Despite the steps taken by Xiaoping to re-link with the global economy, doing business in China as a foreign firm is still very challenging. One of the major challenges is that Chinese firms have an advantage over Transnational Corporations, or firms that operate in multiple countries usually separating business functions, both with consumers as well as with Government regulation. These challenges are experienced more frequently and with greater restrictions in sectors that are deemed to be more sensitive by the Chinese government. For example, the telecommunications sector carries with it concerns over security due to the need for access and building of national infrastructure. This has led to government to restrict access to this sector to transnational firms. The government stays very much involved in the day to day operations, often working to appease the same bureaucrats whom you are competing with.

Another issue that is experienced by transnational firms are the forms of entry required for them to enter China. Under current market conditions, there are a limited number of options for a firm to enter China, one of which is an Equity Joint Venture(EJV). An EJV is used by firms to enter in China and is characterized by a sharing of risk associated with doing business. Firms partner with a Chinese firm and share resources for a specified number of years, typically 30-50 years. EJV's are characterized by a sharing of the risk associated with operating a business in the form of equity and capital being provided by the foreign firm (Managing International Business in China, 29-30). The government requires that a minimum of 25% of the total equity put forth by this EJV come from the transnational firm. Because this method requires the transnational firm to offer a certain amount of capital, the government regulates and limits the ability to pull

out of this deal, often requiring the approval of both your board of directors as well as the government. This form of entry can be mutually beneficial with the Chinese gaining access to advanced technologies and managerial tactics, while the foreign firm is able to receive preferential treatment, gain additional access to the Chinese markets. From 1979-2004 44% of FDI was in this form but this has become less popular as this method of entry has proven to be more costly than other entry methods.

Cooperative Joint Venture (CJV) are another form of entry, characterized by the ability for both parties to operate as separate, legal entities rather than one conglomerate. There are no legal requirements regarding enter the CJV which allows for transnational firms to be the minority shareholder. The transnational firms may also pull out of this form of joint venture at any moment. Because the foreign firms still gain access to Chinese markets and labor, the government does require that trade unions be allowed to represent employees to avoid exploitation. This is one way for China to ensure that a foreign firm does not simply come to China, manufacture their product and then pull out. (Managing International Business in China, 29-30)

The third primary entry method is a wholly owned enterprise. This can be characterized by a foreign company establishing a new enterprise in China. The foreign company holds the capital of the new enterprise. This means that they are liable for this new enterprise to the extent which they have invested. As China moves closer to satisfying all requirements for their entry to the WTO, this method of entry has become the most popular. From 1979-2004 34 percent of firms entered China using the wholly owned enterprise. This number drastically increased to 67 percent. The reason for this is that previously restricted sectors such as banking were slowly

being opened to foreign firms. This shows the influence that global trade has had on the way China has opened to foreigners. A softening has taken place both out of necessity to meet regulations set forth by the WTO (Managing International Business in China, 35), as well as the importance that FDI has played in the overall development of China.

One of the things that makes China want to have transnational firms is the Foreign Direct Investment provided by these firms. Foreign Direct Investment is when a firm enters into a foreign country either by establishing a subsidiary, or through the purchase of a controlling share of a foreign firm. In China, this is beneficial because they are a restricted market which gives the government a say in how deals are brokered between Chinese firms and transnationals. Perhaps the most attractive thing for a host country, especially if they are a developing nation, is the advanced technology introduced into their country. This access to technology allows for the development of higher quality product, while also working to reduce the overall cost of goods. This in turn helps to further stimulate the Chinese economy by increasing overall manufacturing efficiency.

It has long been thought that the main source of FDI in China comes from the West. Primarily from the European Union and the United States. In 2005, 11 percent of all FDI in China originated from Western Nations. The other 89 percent came from Asian countries such as South Korea, Hong Kong, and Japan (Managing International Business in China, 8) As the world has become more globalized, and China has loosened regulations, you would expect the percentage of FDI from the West to increase. This however, proved to be false in 2016, as China nears the completion of the requirements for the WTO they have experienced a decline in the total percentage of FDI originating from Western countries (Santander.com). In 2016, Western

countries accounted for just eight percent of total FDI, a three percent decrease from 2005. While they may not account for much of FDI, the West has been crucial to the technological development in China. The trade they engage in has helped stimulate the Chinese economy through innovations that otherwise did not exist. This can be seen in the rise of E-commerce giant Alibaba. When eBay first entered China, they wanted to acquire Taobao, the consumer to consumer marketplace for Alibaba. At the time, they were not even close to the size of eBay but they began to emulate the business strategies of eBay, leading to them to surpass both eBay and Amazon in total sales in 2013.

One theory that has been proposed as to why it seems that FDI in China has had less demand for FDI from the West is that the Asian Tigers have increased their investment. The Asian Tigers are comprised of the 4 high growth economies of Asia. These nations are Hong Kong, Singapore, Taiwan, and South Korea (Investopedia). The economies of these countries are driven by global trade, a stress on the importance of education, and a high savings rate. It is these characteristics that have made these nations able to resist the strain of financial burden of recession (Investopedia). While nations such as the United States rely on purchasing things on credit, leading to the housing bubble in 2008. The consumer culture within the Asian Tigers, and other emerging Asian economies such as China, allowed for them to remain relatively unscathed from the financial crisis. One of the things that many feel has allowed them to enter China more freely, is that they do not undergo culture shock to the same degree as many Westerners. While the cultures are all distinct with their own language and nuances, most Asian cultural tendencies and alphabets have ties to ancient China. For this reason, they are easily able to understand business practices.

Economic growth in China has been driven by FDI, but has also benefited from a shift in consumer behavior with an increase in spending. This shift was first seen in the Automotive Industry. As previously mentioned, most Asian consumers are debt averse, often only purchasing expensive products when they can pay for it in full. This was mind boggling to many Western Automotive Firms who entered China expecting it to be similar to the US and European markets. The people who financed cars were a minority, often they were not capable of paying their loans. Because it was so rare, Chinese lending firms did not have the ability to properly evaluate things such as default risk leading many to fail (Doing Business in China, 18). The auto financing sector, despite its risks, has been identified as having strong potential. The reason for this is the shift in consumer behavior. Many middle-class Chinese consumers, primarily millennials (ages 18-29), are beginning to be more comfortable with taking on debt. This shift has helped to make China the third largest Automotive market in the world by 2005 (Doing Business in China, 19). This has come at the hands of American auto makers who were able to pressure consumers. Because it is a destination for many Chinese students studying abroad, the United States plays a critical role in buying culture. Many millennials come to the U.S and are exposed to our marketing methods designed to drive consumption and gluttony. They then are bringing this back to China where they typically come from upper middle-class backgrounds. This enables them to afford a variety of products and emulate American consumer behaviors.

In modern China, the influence of the West has become pervasive in all aspects of Chinese life. Economically, the West has provided technology and capital to accelerate the industrialization of China. The West has become a major trading partner, often the destination of goods manufactured within China. Culturally, the West has also changed the mindset of Chinese

consumers. China is slowly becoming a consumer culture where they must have the most expensive and the best product they can obtain. The West has also been very influential in the realm of politics. The best example would be the need for China to work with the United States to be ratified as a member of the WTO. The government had to give up some influence on certain industries, opening the door for Western firms to capitalize. The government must now also abide by the regulations set forth by the WTO in terms of business (Managing Business in China, 23-24). This changed the political landscape because it limits the protections that they are able to place on certain industries changing the Chinese landscape.

## **CONCLUSION:**

China is perhaps one of the most difficult nations to fully understand as an outsider. To better understand China without any Western influence, a Chinese professor by the name of Dr. Zhu has been consulted. The conversation covered the main topics discussed throughout this paper. The following paragraphs will reflect his viewpoint, as well as my own.

Great political unrest during World War II and in the subsequent years led to social change, and later regression. Mao sought to give all people a piece of the pie so to speak. He controlled access to things such as food, oil, clothing through coupons. This rationing was based upon family size and was to ensure that everyone had equal opportunities to access necessities. It may not have been convenient but during times of extreme shortages it proved to be effective. Mao used the economic model seen during the rise of the Soviet Union, collectivizing farms as well as rapid industrialization. To help ensure that industrialization would optimize production outputs the Communists, under the leadership of Mao, created a Five-Year Plan that dictated

quantities to be produced. This had a profound effect on the levels of production increasing them by 16 percent. Unfortunately, the model used by the CCP was the same model as in the Soviet Union when creating a plan based economy. The Chinese suffered the same struggles of feeding a large urban population while relying heavily on surplus crops in order to feed their workers. This was magnified by great famine in the 1960's which weakened Mao's influence. By the end of Mao's life, China had begun to "unfreeze" relations with the West with the visit of Richard Nixon. The West played an important role in the Mao era, more politically than economically or culturally. This would shift under the rule of Deng Xiaoping.

Deng Xiaoping played a crucial role in the development of the Chinese economy to help make it what it is today. He took drastic reforms towards relinking China with the global economy, something he felt was crucial to further development. His policies opened the door for FDI, creating a give and take relationship with the West and other modernized Asian nations. These foreign firms were able to provide technological improvements in China, while also utilizing low production costs due to the abundance of labor. The most important thing that the relinking with the global economy did was China's acceptance into the WTO in late 2001. This helped to increase competition in China, weeding out firms that did not perform well or misused resources. This was an element of the market economy adopted by Deng and ensured that private firms operated at their optimum output. The entry into the WTO helped solidify China as a manufacturing juggernaut, becoming one of the top destinations for firms seeking cheap labor. It was during Deng's leadership that the West became as influential as they are today. They stimulated China economically and influenced political policy to a degree. The West was very important in the economic transition of China from a plan based economy to a mixed market

economy. Culturally, the role of the West during this time was moderate at best. Students studying abroad came back but did not get to fully express the Western ideals and norms they had seen while abroad.

The modern era in China has a heavy Western influence in all facets of life. Economically foreign firms are investing in China, not just for manufacturing but with advanced technologies. Dr. Zhu stated that a shift has been seen in China in the last five or so years where products are being designed specifically for the Chinese market. This was not something that was done previously as most goods made in China were shipped abroad. The technological advances made in modern China have also been thanks to the influence of the West. German and American cars took an automotive industry that lacked the ability to produce cars in the 1980's to the world's largest market, with plants to manufacture the vehicles. This technical skill shows the major shift from unskilled labor to one that can be highly specialized with the ability to use machinery that there was not accessible to prior to the Western entry. It is for these reasons that Dr. Zhu feels that the largest impact the West has had is on manufacturing because the products being made are more technical, requiring greater skill and know how.

The technology introduced by the West is not limited strictly to manufacturing however. It has bred innovation in other industries, seeing Western companies enter the market and change how things are done. Apps such as Uber inspired a similar Chinese app called Didi which has essentially pushed Uber out of China. Dr. Zhu referenced that many of the technologies brought over from abroad have Westernized the way products are developed in China, gone are the days of planning production, now they are reliant upon market demands to dictate what the next big thing will be. This is seen by the widespread use of E-commerce in all aspects of life. You can



use a phone app to pay for anything from a cup of tea to your clothes in a store. As technology becomes more advanced, so do the consumer demands. Dr. Zhu referenced the shift he has seen from cheap goods to a demand for high quality durable goods. The consumer culture is heavily driven by students and expats who go abroad. These are all of the reasons that the West can be regarded as the most influential factor in Modern China. They have changed them as a nation economically, culturally, and politically.

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