

# Chapter 83

## The Historical Process of China and Economic Globalization: Economic Growth and Inclusive Development



Paolo Andrea Panerai

The reception of the Chinese authorities was immediately very warm. To the foreign trade minister Rinaldo Ossola, until a few months before extraordinary general manager of the Bank of Italy, and to the few members of the delegation among which the minister had also included some journalists, was immediately offered green tea and the exchange of words on mutual friendship was solemn, just as it is today in non-official meetings with Chinese citizens of all levels. This tradition expresses their kindness of mind and wisdom, coming from 6000 years of civilization, demonstrating that only with a friendly spirit is it possible to make good business that lasts over time. The Chinese authorities immediately demonstrated their friendly and respectful spirit even when choosing the location to welcome us. We were, in fact, housed in the former Embassy of Burma, a very refined building turned into a guesthouse. It was a less brusque passage from the green that we had left in Rome and the barren landscape all along the way from the airport, where the Maoist slogan of the Four Modernizations reigned, but also with the big compounds, the houses of Beijing, surrounded by walls painted in burgundy red without the possibility of seeing inside not even through a crack. In the former diplomatic headquarters of Burma there was a kind of loveliness of that Asian country among the most colorful of the continent. The rivers of bicycles that strolled the wide streets of Beijing were also a source of joy, interrupted only by very few cars. In the gardens, inevitably gray due to the cold, groups of Chinese of all ages were engaged in their daily workout (practicing tai chi), prescribed to keep both the body and the soul in shape, following the rhythms and movements of the exercises. Minister Ossola had a brilliant idea as a true, great central banker: to ensure that Italy, which was certainly not the richest country in Europe but the fifth economic power in the world, became the first country in the Western world to give China significant financial assistance, recently reopening in

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the world. Over a billion citizens, most of them well below the threshold of poverty, basically needed everything. The mission was precisely organized for the signing of the first loan from a western country to the great eastern country for an amount equivalent to 1.5 billion euros, in the form of standby, that is with the possibility of pulling it by the Chinese authorities whenever they needed to make purchases of Italian products and technology.

Here, this is the story of my first contact with China. It was December 1978 and I was part, as a journalist, of the Italian delegation. An extraordinary opportunity because I had, during Minister Ossola's third meeting with Vice President Deng Xiaoping, the chance to interview the founder of New China. The Vice President received the Italian foreign trade minister three times in a week, to express his gratitude for that gesture of friendship dating back to the centuries with such an important loan. Twenty-nine years had passed since the birth of the People's Republic of China and New China was being born. A magical moment to understand today the extraordinary development accomplished in little less than 40 years. That December of 1978 seems impossible even to imagine, with the barren landscape along the whole street of the airport, where the slogan of the Four Modernizations still reigned, and the big city compounds, the houses of Beijing surrounded by high walls painted in bordeaux red without the possibility of seeing inside not even through a crack. A closed world that tried to hide, with shame, the extreme poverty, the hunger of over a billion citizens. When I asked Vice President Deng how many inhabitants lived in China, he replied that he was not able to answer this question.

In the famous interview with Oriana Fallaci, which I had the honor of setting up together with the then President of the Italian Republic Sandro Pertini, Vice President Deng thus replied, with extraordinary realism, to the question of China's coherence with respect to communism values: "According to Marx, socialism, which is the first phase of communism, covers a very long period. And during this time, we will stick to this principle: From each according to his abilities, to each according to his ability. In other words, we will combine the interests of individuals with those of the country. There is no other way to spark interest in producing in the masses, let's face it. And since the capitalist West will help us overcome the backwardness, as Italy did, in which we find ourselves, the poverty that afflicts us does not seem to me to be so subtle. Whatever happens, the positive effects will be more numerous than the negative effects."

Even the most inflexible of the critics against China cannot fail to recognize the most extraordinary result that New China could achieve: the defeat of hunger and, for over one billion Chinese out of 1.4 billion, even poverty. The economic-political program of the Vice President Deng was decisive, and contemplated, also in the constitution, the particular socialism of China, pursued with capitalist instruments. Who knows what Karl Marx would say today. Deng's famous aphorism, "no matter which color are the cats, what matters is that they take the mice," joins an even more significant aphorism that summarizes the road he took China to, which today, thanks to the contribution even in the constitution of President Xi Jinping, the country can quickly aspire to become the largest economy in the world. Deng's second aphorism reads as follows: "Socialism does not drive to poverty; wealth is beautiful

if distributed among all citizens.” A pillar of wisdom and greatness of thought that should stimulate the obsessive search for the same goals of politicians around the world.

With poverty and rampant hunger, especially during the years of rule by the Gang of Four, the demographic problem, in terms of a huge population to feed, was China’s biggest problem. It was inevitable that with poverty and hunger the demographic policy provided for each married couple a single son, possibly male. Having solved the problem of hunger and in a very large part of poverty with the extraordinary combination of socialism with capitalist tools, the demographic problem has become a great opportunity, both in terms of market potential and the possibility of selecting talents for technological and scientific progress and even for excellent champions in the game of football (over 60,000 football schools, each with 10 playing fields and the attendance of 3000 children each) cannot fail to bring out young champions of a level equal to those of the European and southern American teams. But the demographic factor is now decisive in terms of scientific and technological research. The case of Huawei, the most contested and most feared company in the United States, demonstrates that. Half, or 90,000 out of its 180,000 employees have a Ph.D..

But if President Deng has given way to great growth, updating the Constitution formed by Mao, the further turning point that projects China at the top of the world not only in economic terms but also in leadership for the defense of globalization and inclusive economic growth has been the second updater of the Constitution and creator of the BRI or New Silk Road. When President Xi Jinping spoke for the first time in 2013 about the largest development project ever conceived, starting from a cooperation base between over 65 countries from Asia, Europe, and Africa, very few believed that the project would have worked. The leaders of the project members, on the other hand, have grown from year to year. In March of this year, Italy, first among the G7 countries, also signed the MoU with China for cooperation within the BRI project. Class Editori, my own publishing house, after having partnered with Xinhua news agency for the realization of the information, big data, and consulting platform classxhsilkroad. It took part last June in the great agreement between companies from 40 countries on the exchange of information and BRI related data. Correct and timely information available to various peoples can contribute to development and inclusion more than anything else. After all, it was Vice President Deng who ask Xinhua to create a department for the dissemination of useful information to companies. Without being informed and up to date, companies could not progress. And that’s how CEIS, the China economic information service, was born.

In 1984, information was essential for the economic progress. Today, in the era of internet, digital, and big data it is fatal. Yes, it is true, we are living a new era. An era full of promises, opportunities and scientific progress like never before in the history of humanity, but also of dangers. Risks that can be restrained only with a policy that focuses on knowledge and understanding between peoples; with a policy of increasing the well-being of everyone; a policy that is embodied in globalization, shared between the United States and China in the WTO by the last three US presidents. The president-in-office, Donald Trump, has significantly changed the policy through the tariff strategy. What was this sharp turnaround caused by? What allowed

Trump to win the election with the America First slogan? The slogan has at least two meanings: first of all America, that is, any choice must be to the advantage of the United States, but also that the United States must be the first over all other countries.

The United States helped end the first two World Wars, that of 1915–1918 and that caused by Adolf Hitler, started in 1938 and ended in 1945. The United States has funded reconstruction twice. All this has self-legitimized it to be considered as world leaders and guardians of democracy. A democracy that has always been both political and economic in the US. The economic democracy was protected for more than a century by the antitrust law. That is the law that was introduced to block the excessive oil power of the Oil Standard of the Rockefeller family and that then had the highest moment when AT&T, absolute ruler of the telecommunications market was divided into 10 companies to restore competition in the fundamental telecommunications sector.

Incredibly, the last three presidents who have governed each for eight years, namely Bill Clinton, George W. Bush, and Barack Obama, have forgotten to apply the antitrust law to the OTT, the Internet, and digital giants, from Google to Facebook. Google has reached 94% of the search market, in whose market the second in the ranking is not a small company but no less than Microsoft, which has only 4% market share. Inattention, inability to assess the risks for the US administration itself of these giants? Or deliberate choice to make Google and Facebook grow so much in the world, in the belief that the United States could continue to hold the record in the world thanks to Internet and these giants?

Now it is the US administration itself to suffer the consequences of this power and only recently the US Justice Department has launched an investigation on the overwhelming power of the OTT, probably stimulated by the initiatives taken in the antitrust direction by the European Union that has also imposed strong fines to Google and Facebook for violating user privacy and tax evasion.

In fact, for years, between the two main countries of the world, the USA and China, there was a kind of unwritten pact: China had to be the world's workshop for low and mid-level products that the United States would buy, while China could have used the strong balance of payments surpluses to buy Treasury Bills, the US debt securities. Based on this tacit agreement, the world has experienced some years of strong growth without inflation, a reality that cannot be found in any of the economics books used by all the best universities. To provoke this miracle, as the former president of the US Federal Reserve, Alan Friedman, explained to me, has been the entry into the world productive cycle of hundreds of millions of Chinese workers. In relation to the low cost of their work, the cost of product units had dropped a lot, avoiding the traditional combination of rising inflation following global GDP growth. At the end of the interview Professor Friedman, specified, "there is no need to worry, this miracle will last a long time because there are hundreds of millions of Chinese workers who must enter the production cycle".

However, the acute professor Friedman had not taken into account that the overwhelming growth of the Chinese economy would have created a middle class, that the cost of labor would have increased, and that China rightly would not have been satisfied with being the factory of the world for low and average products. Professor

Friedman, and the Americans in general, had not taken into account that companies like Apple had turned to China to produce their sophisticated iPhone. If China could have factories capable of producing for Apple why couldn't it produce devices even for Chinese companies? And in fact, giants like Huawei or Baidu, Alibaba and WeChat have gradually been founded, bringing together on one platform activities and services that Google or Facebook have acquired and not integrated on the base platform.

Who will be able to rebalance the power of the OTT if the American administration did not provide to implement the antitrust rules? The only ones who will be able to do this are Chinese internet and technology companies. And this is one of the reasons why the United States vetoed American companies to buy technology from companies like Huawei, and Huawei to operate in the US.

But to floor the United States, which used to rule the world, it is precisely the BRI project that has in its DNA the inclusion of a large part of the world in development. Not only throughout the Asian continent, including Russia, which after the sanctions imposed on Moscow by President Obama for the war in Ukraine approached China by launching various programs including the use of its own currencies for trade, which for the first time breaks the role of the dollar as the official currency of international trade.

A similar mistake was made by President Obama, despite being the first African American US president, going to Africa only three times in eight years of presidency. But not only that. He assumed that democracy could be exported to North Africa via Internet, like it was a Coke. The tragedies that occurred in Egypt and Tunisia are or should be a warning not to be forgotten. On the other hand, China's cooperation policy with the various African states is not only a solution for some millions of Chinese citizens who can populate the less populated continent of the globe, but also to give a perspective to the inhabitants of those states, thanks to the development, to be able to improve their condition without having to emigrate, as happens today, with serious consequences for Europe.

In this area there is big room for collaboration between China and Europe, today mainly linked by military defense relations with the USA. However, the policy of American tariffs on European products opens up to at least commercial alliances between China and the various European states. But in order to obtain important and stable results with European countries, China must succeed in launching a balanced policy based not only on M&A investments, that is, investments in companies already active in Europe, but mutually engaging also in the so-called Greenfield investments project, that is to say new initiatives by generating new jobs. This applies in particular to Italy. The trade between Italy and China is growing, but in an unbalanced way: Chinese exports are significantly higher than Italian ones, as are Chinese investments in Italy. The rebalancing must be a goal following the signing of the BRI MoU. China has recently changed the rules for investments in China, making them easier. But much is still to be done to this end as well.

2020 will be the fiftieth anniversary of diplomatic relations between China and Italy. The two governments decided it is also a year of tourism and culture, two opportunities to create relationships between peoples. This occasion must be taken,

also to highlight Italy's decision to be the first of the G7 countries to sign a memorandum of cooperation for the great project of the New Silk Road, which historically came from China right to Italy, to Venice and Rome.