China's Place in Global Divisions of Labour: An Uneven and Combined Development Perspective

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ABSTRACT *By examining the contradictions in China's model of growth and the shifting dynamics of its place in the global division of labour, the aim of this paper is to understand the tensions in the class relations that underpin the Chinese 'success story'. The theoretical lens will be that of uneven and combined development. The notion of 'combined' informs the way in which China's integration with global capitalism and global circuits of capital has been a major source of its meteoric growth, but has increased its economic vulnerability, particularly after the 2008 crisis. The element of unevenness explores the differentiation between and within sectors and regions, and the way that the inherent dynamics of equalisation and differentiation, and the role of labour within these processes, underpin the dynamics of China's insertion into the global divisions of labour.*

Keywords: uneven and combined development, China, divisions of labour, workers, crisis

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Introduction

After meteoric rates of growth, averaging nearly 10 per cent for two decades, in 2015 China was officially declared to be the world's largest economy. It is the world's largest exporter and trader, accounts for 22 per cent of global manufacturing and dominates the production of a wide range of goods (Meckstroth, 2014; UNCTAD, 2014). However, the sustainability of this success story, predicated on low wages and high exports of goods and capital, is being increasingly questioned as a result of a slowdown in growth rates and the recognition of significant tensions and contradictions in China's model of accumulation. This model is based on a set of class relations that are being increasingly challenged by explosive protests and unprecedented levels of strikes by workers. Indeed Hung (2015) argues that not only is China a major source of global imbalances and crises, but that its boom is set to fade. The aim of this article is to contextualise these tensions in class relations in general, and labour relations in particular, by elaborating a political-economy of China in the global division of labour in which an increasingly restive Chinese working class, that is the subject of this special issue, can be located.

The argument comprises two conceptual strands. First, drawing on political economy approaches, at a macro level emerging divisions of labour are placed and understood in wider processes of capitalist development and the integration of China with the global economy, and in particular the way in which significant sections of production are locked into the value chains of western transnational corporations (TNCs). It is argued that the mode of accumulation that is driving the economy is beset with contradictions; particularly salient is the need to raise domestic consumption at the same time as maintaining competitive advantage based on low wages. Second, drawing on insights from economic geography, at a micro-level, unevenness and emerging divisions of labour need to be underpinned by the law of value. Both of these elements are brought together in the theory of uneven and combined development (Anievas, 2010; Ashman, 2006 and 2010; Dunn and Radice, 2006; van der Linden, 2007; Novack, 1972; Smith, 2006 and 2008; Trotsky, 2008), which enables a dynamic and non-teleological account of contradictions in the regime of accumulation and exploration of the associated implications for sectors, regions and labour.

The structure of the paper is as follows. The following section elaborates the analytical foundations of uneven and combined development from a political economy and economic geography perspective. Section three examines unevenness and tensions within China’s regime of accumulation as it has increasingly integrated with the global economy, and how these have been exacerbated since the 2008 crisis. Section four focuses on China’s capital in global divisions of labour. In particular, it explores how far it is making technological leaps to catch up with advanced capitalist countries and whether it can shift its comparative advantage from low wage production, based on foreign TNCs, to indigenous production that is moving up the value chain.

Conceptual framework: the macro and micro foundations of uneven and combined development

Although the notion of uneven and combined development is conceptually integrated, drawing on Marxist ideas, political economy and economic geography posit different routes to understanding its significance, effects and relevance for China. In the case of the former the broadly macro perspective emphasises the role and development of states in a unified global market, while the micro foundations of economic geography enable an analysis of labour and spatial and sectoral specificities.

A macro political approach

The starting point of the conceptual approach of uneven and combined development is the assumption that the world economy, rather than being a sum of national parts, is an independent reality, created by the international division of labour and the world market (Barker, 2006; Li, 2008). The general proposition that the development of one economy is, positively or negatively, a condition for the development in others is heightened in advanced capitalism. Unevenness implies difference and hierarchy, but also a totality in which unevenness can occur (Ashman, 2006, p.93). Capitalism unifies the world into a single interactive productive system under the dominance of capital, where social entities are bound together into an interacting and interrelated whole and in that sense are combined. However, the world economy and nation states are not dichotomous entities, whereby the coercive laws of the value in the former unfold and are inflected in the latter. Rather they are mutually constitutive in a process where nation states are both constrained and shaped by the parameters of accumulation processes in the global economy, but at the same time the strategies of states and capital reshape these accumulation processes and forge a new set of parameters and dynamics.

However, although the global economy is unified into a single world market 'world society has *emphatically* not become a homogenous capitalist milieu' (Van der Linden, 2007, p.151). Within this unified system there are competing blocs, the economic, political and military dynamics of which, do not work in the same direction. Entangled within these blocs, as well as nation states, the competing logics of transnational corporations and different fractions of capital have to be included. Therefore uneven development is reflected in the structured inequality of the world system, and in addition to individual countries it is manifest in local and regional disparities and between different sectors and individual firms within them. The relationship between core capitalist and ‘backward’ economies is encapsulated in the following (oft used) quote:

> The laws of history have nothing in common with pedantic schematism. Unevenness, the most general law of the historic process, reveals itself most sharply and complexly in the destiny of backward countries. Under the whip of external necessity, their backward culture is compelled to make leaps. From the universal law of unevenness thus derives another law which, for lack of a better name, we may call the law of *combined development* - by which we mean a drawing together of different stages of the journey, a combining of the steps, an amalgam of archaic with more contemporary forms. A backward country assimilates the material and intellectual conquests of the advanced countries ... The privilege of historical backwardness...compels the adoption of whatever is in advance of any specified date, skipping a whole series of intermediate stages (Trotsky, 2008, pp.4-5).

Further, in contrast to incrementalist accounts of development, uneven and combined development holds the possibility that beyond accelerated change and catch-up there is the potential for leapfrogging the technical innovations of core capitalist economies (Novack, 1972), albeit unevenly between firms, sectors, regions and localities. While this summarises the elements of a broad political economy perspective on uneven and combined development geographers have advanced a theoretical understanding of its micro foundations.

The micro foundations of unevenness, spatiality and labour

An understanding of the ‘whip of external necessity’ (Trotsky, 2008, p.4), which imposes competitive pressures on economies has to be rooted in the inner workings of capitalism explained by Marx’s law of value. The essential contradiction lies between a constant tendency for differentiation rooted in the division of labour and organisation of production and the opposite tendency toward universalisation reflected in the drive towards the equalisation of the rate of profit (Smith, 2006). This critical dynamic of capitalism has a spatial element and concrete outcomes as capital moves to specific places where higher profits can be obtained or falling profits restored. There is a contradiction between these two opposing tendencies; on the one hand there is radical differentiation and on the other competitive equalisation of the conditions of social production and reproduction.

> In practice, this contradiction, internal to the logic of capital accumulation, finds it resolution precisely in uneven geographical development, which established discrete places differentiated from each other and at the same time pressures these places, across borders into a single mould...The levelling tendency of capitalism continually gnaws at the radical differentiation of the conditions for the exploitation of labour, and yet corrosive differentiation of labour also eternally frustrates this ‘annihilation of space by time’ (Smith, 2006, p.190).

Put another way the competition for markets between different firms in the same industry and the exit and entry of capital from less profitable to more profitable sectors leads to the formation of a general rate of profit. Competition is therefore a force for equalisation, but technological and institutional change, as well as contestation by workers, constantly produces a new unevenness. What emerges is the twin processes of equalisation and differentiation as each capital, by raising productivity and intensifying the exploitation of labour in its own unit aims to realise extra profit (Ashman, 2006).

Geographers, therefore, have elaborated in much greater detail how the inner workings or micro foundations of the system produce the spatial unevenness inherent to capitalism (Smith, 2008; Harvey, 2006; McGrath-Champ *et al*, 2010). Others have looked at how unevenness in constructed through the intricacies of global value chains and how networks of embodied labour are embroiled spatially and in the workplace (Coe, 2008; Starosta, 2010; Rainnie et al, 2013).

The pivotal role of labour in understanding unevenness and spatiality needs to be understood at two broad levels. First, labour as the sole source of value, derived from the necessary labour time spent in producing a commodity, underpins the whole edifice of Marx's work. In competitive accumulation he argues that employers will seek to increase absolute and relative surplus value. 'The production of absolute surplus-value turns exclusively upon the length of the working day; the production of relative surplus-value, revolutionises out and out the technical processes of labour, and the composition of society' (Marx, 1976, p.645). Concretely this means that the class that represents capital will employ a myriad of strategies regarding wages and the organisation of work – which will be contested by workers, individually or collectively, to varying degrees.

Second, in a broader sense the conditions of production are shaped by the struggle between competing factions of both capital and labour (Herod, 2006; Rainnie et *al*, 2011). First order determinations, driven by the inner workings of capitalism, give rise to second order determinations manifest as institutional forms such as international and national regulatory regimes, sectoral specificities and structural power (Selwyn, 2007) and the shifting power between organised workers and capital. Within this conceptual framework the objective and potential role of labour is therefore at the apex of the analysis. The subjective nature of labour and realisation of labour power in contesting capital at the point of production is the outcome of complex and contingent factors, such as for example competition in the sector for the product, the demands of the customers and power relations in value chains. Social relations of production, class conflict and resistance vary by sector and location both reflecting and producing new unevenness.

The next section turns to looking at how new forms of unevenness have been generated by China's increasing integration with the global economy and response to the 2008 crisis.

China's integration with the global economy: exacerbated tensions since 2008

Tensions in China's economy have been well elaborated from a Marxist perspective by Hart-Landsberg and Burkett (2006), Li (2008) and since 2008 by Hung (2009 and 2015). The aim of this section is to elaborate the way in which tensions generated since 2008 as result of integration with the global economy have been exacerbated and generated new forms of unevenness. The following three sections discuss the way in which China's mode of accumulation has resulted in internal imbalances between consumption and investment, which are fundamentally interlinked with and dependent on other parts of the global economy, and the United States and Europe in particular.

An 'unbalanced' economy: towards a crisis of over-accumulation

A key factor in China's rapid growth has been unparalleled capital accumulation. The proportion of national output going into investment is significantly higher than in other developing economies and over twice the average for the core capitalist G7 countries. This colossal rate of investment was enabled by the exploitation of low-paid workers and by the high levels of savings of workers and peasants characteristic of all the rapidly industrialising

Asian economies after 1945. These savings are recycled by state-run banks to provide loans to industry (Ma and Yi, 2010).

From 2000 to 2013 the annual growth of investment averaged 12.2 per cent, compared with the growth of private consumption of 7.3 per cent (World Bank Statistics, 2014). As a consequence over the same period the share of private consumption in GDP decreased from 62 per cent to 48 per cent, while the share of fixed investment rose from 34 to 47 per cent (World Bank, 2014a and 2014b). Further, wages as a proportion of national income fell for 22 consecutive years, from 56.5 per cent in 1983 to 36.7 per cent in 2005 (Hou, 2010). Externally this accumulation has been fuelled by foreign capital – both from overseas Chinese and the core capitalist economies – attracted by the low wages of Chinese workers and with longer-term expectations of the growth of the potentially gargantuan Chinese consumer market. Internally accumulation has been driven by central government and exacerbated by competition between local governments – what Huang (2003) describes as ‘one country, thirty two economies’. Rather than producing a more specialized economy this reinforced China’s ‘duplicative industrial structure by allowing every production branch at both central and local levels continued expanded reproduction in the extensive mode’ (Hart-Landsberg and Burkett, 2006, p.62 quoting Lau, 1999, p.4). This competition between local governments has accentuated what Marx identified as the anarchic nature of accumulation and resulted in the uncoordinated construction of redundant production capacity.

There are other problems of over-accumulation. From the early 1990s the uneven and break-neck speed of development created shortages and inflationary pressures, which were intensified by the government’s fiscal injection prompted by the sharp fall in exports to EU and US after the 2008 crisis. The 2008 mega-stimulus package’s headline figure of $570 billion substantially under-stated the real stimulus as, in addition, the state directed banks to increase their loans to firms and local government (Huang, 2003). This in turn reinforced the tendency towards over-accumulation. As Hung (2008) points out, only 20 per cent of the rescue package was directed towards social spending, the bulk of it going to fixed asset investment in sectors already plagued by over capacity – such as steel and concrete - and the construction of the world's fastest high speed rail system (Soh and Wang, 2011). The infrastructure boom and massive expansion of credit insulated the Chinese economy from the collapse of exports in the wake of the crisis, but laid the basis for other problems.

By autumn 2011, other sources of systemic risk were appearing. There was an increasing reliance on credit for investment; with the latter increasing from 130 per cent of GDP in 2008 to 200 per cent by 2013 (Nabar and N'Diaye, 2013). The huge debts amassed by local governments and the rapid expansion of informal markets to supply credit threatened to boomerang back on the real economy. In response to government exhortations to borrow and stimulate regional economies after the 2008 crisis, local governments accumulated unprecedented debts; new credit is being taken to service existing debt (Jiang and Wu, 2014). The liabilities of local governments increased by 67 per cent from 10.7 trillion yuan in 2010 to 17.9 trillion yuan in 2013, representing 27 per cent and 33 per cent of national GDP respectively (Jiang and Xu, 2014). This problem appears even more acute as some local governments are now being sued for late payments (Mitchell and Wildau, 2015).

By 2011 the government was trying to dampen the overheating property market and halt the speculative boom by instructing banks to cut back on credit. This led to the growth of an informal finance sector or 'shadow banking', as underground lenders and trust companies extended credit to individuals and firms who might not have otherwise qualified (Hung, 2008; Nabar and N'Diaye, 2013). These loans were then 'sliced and diced' into investment packages that resemble the 'toxic' collateralised debt that triggered the first phase of the current global crisis. Burgeoning informal lending has been described as a 'time bomb' that poses a bigger risk to the Chinese economy than even the amassing of debts by local government (Soh and Wang, 2011). These cheap loans to firms and local government have amplified over-investment into a generalised risk to the economy and produced parallels with the sub-prime crisis that engulfed the United States and European economies from 2007.

The problems of balancing and rebalancing

China's ruling class are concerned about their ability to control the tempo of competitive accumulation and the over-dependence of China's growth on exports to the world's major markets. Although the share of exports in GDP has fallen from a high of 39 per cent in 2006 to 26 per cent in 2013, China's growth model remains highly dependent on exports to the US and Europe (World Bank Statistics). In 2007 Premier Wen Jiabao told the People's Congress that the economy was 'unstable, unbalanced, uncoordinated and ultimately unsustainable' (Wolf, 2011). Reflecting the fears of China's ruling class that the scale of accumulation is not sustainable, the 12th Five Year Plan (2011-15) called for a sharp change in the pace and structure of economic growth, which included slower growth and a rebalancing from investment to consumption (see Jiabao, 2011). However, while recent years have seen some increase in wages, partly as a result of workers' struggles, a more substantial increase in domestic consumption driven by rising wages presents immense difficulties for the ruling class.

A further problem with attempting to raise incomes to increase demand for domestic production lies in the fact that China's high personal savings are difficult to translate into consumption. For most workers these are needed to compensate for the lack of welfare and to pay for medical expenses, children's education and retirement (Ma and Yi, 2009; Hart-

Lansberg and Burkett, 2008). Additionally, it is estimated that more than 80 per cent of total housing saving deposits are owned by less than 20 per cent of the population (Hung, 2009).

Rebalancing the economy towards domestic consumption that entails the contradictory impetus to increase wages and simultaneously keep costs sufficiently low to maintain competitiveness, poses a significant dilemma for the ruling class.

Further, the unevenness of different regions, sectors and firms means that measures that serve the interests of China's capitalism as a whole may have differential impacts spatially and sectorally, and therefore the interests of different sections of the ruling class are fractured.

From 2005 the government tried to fuel domestic consumption to rebalance the economy by boosting the disposable income of peasants and urban workers. Measures included the abolition of agricultural taxes and a rise in government procurement prices for agricultural products. Although these measures to raise rural living standards were a small step, their effect was instantaneous. Slightly improved conditions in the rural-agricultural sector slowed the flow of migration to the cities and produced a sudden shortage of labour and a hike in wages in the coastal export-processing zones (Hung, 2009). No sooner had the government taken its first step towards domestic consumption-driven growth, then some sections of the ruling class in the coastal export sector complained about the impact on their profitability. They demanded compensating policies to safeguard their competitiveness, and attempted to sabotage further initiatives to raise workers' living standards (ibid). Nevertheless, such is the pressure on China's rulers that measures to stave off social unrest have included the raising of the minimum wage and threshold for tax along with plans to build 36 million units of low cost housing (ibid). The next section discusses how this tension in interrelated with the co-dependence of China and the US.

China-US: a major fault line in the global economy

China's major export markets are the United States (US) and European Union (EU), accounting respectively for 17.2 per cent and 16.3 per cent of its exports in 2013 (World Trade Organisation, 2014). The expansion of the US market, highly dependent on both private and public borrowing, has sucked in colossal volumes of imports from China and produced a huge Chinese trade surplus. In this way China has become the world's largest holder of foreign exchange reserves. China's official holdings of U.S. Treasury securities have been growing exponentially to reach $1.3 trillion as of December 2013. Financing 22 per cent of US debt, China is the largest foreign holder of U.S. Treasury securities (it overtook Japan as the largest holder in 2008) (Salidjanova, 2014). At first glance, these figures may suggest a simple rebalancing of global economic power in China's favour. However, more importantly, they are part of a set of deepening interdependencies between China and the core capitalist economies.

China's trade surplus finds its way back to the US, chiefly via buying government debt, in order to enable further purchases of Chinese exports. Such are the dependencies involved that, despite China's rulers' desire to reorient the economy, when they faced a one-fifth fall in exports between late-2008 and early-2009 they intensified export promotion by, for example, granting VAT rebates on exports, rather than rebalancing towards domestic consumption.

The analogy of Marx's 'hostile brothers' comes to mind when assessing the dollar-renminbi exchange rate skirmishes between the ruling classes of the US and China as they strive for competitive advantage. In July 2005, the Chinese government announced that the *renminbi* would be allowed limited appreciation against the dollar. In the wake of the crisis, between 2008 and 2010, the exchange rate was frozen, but appreciation was again been allowed from early 2010 (see Morrison and Labonte, 2011). Since 2005 the *renminbi* has appreciated by 28 per cent (and by 40 per cent when China's higher inflation is taken into account), seriously eroding Chinese competitiveness. Despite talk of China's capacity to destroy the dollar's reserve status and construct a new financial order, China has little choice in the short term than to continue US dominance by extending more credit and perpetuating their interdependence. A collapse in the dollar would deal a severe blow to China's export machine and its financial power through the drastic devaluation of its dollar investments.

Therefore China's regime of accumulation with a huge imbalance between consumption and investment leaves it heavily dependent on exports to the US and Europe; a vulnerability that was exposed after the 2008. The contradictory drives to both increase consumption and therefore wages in order to reduce dependence on the US and Europe, and at the same time to keep wages competitive and increasing productivity, are shaping responses to labour.

China's capital in the global division of labour

This section explores China's place in emerging divisions of labour with regard to unevenness, spatiality and labour. In particular, it discusses China's place in production hierarchies and how far it is making technological leaps to catch up with competitors in advanced capitalist economies. Further, the discussion focuses on the problem of China as a 'temporary fix' for TNCs and the extent to which its comparative advantage of low labour costs is being challenged.

Moving up the value chain?

There are debates about whether China is moving up the value chain to pose a serious challenge to the advanced capitalist economies. Information and communications technology (ICT) industries illustrate the problem China faces. China is a major exporter of

ICT products, such as personal computers and laptops, and consumer electronics more generally. These sectors, however, are dominated by foreign-owned TNCs employing Chinese workers to assemble high value-added goods, such as micro-processors and memory chips, produced elsewhere (Nanto, and Chanlett-Avery, 2006). China has subsequently made little advance in raising the local value-added content of exports. Koopman *et al* (2013) estimate that the share of domestic content in its manufactured exports was about 50 per cent before WTO membership and has risen to nearly 60 per cent since then. However, for processed exports dominated by foreign TNCs the figure is much higher. There are also variations across sectors and those that are labelled as relatively sophisticated, such as electronics devices, have a low domestic content of 30 per cent or less (ibid).

Nevertheless, to suggest that in the global division of labour China is either trapped in low skilled production or at the other end of the spectrum moving towards advanced manufacturing is to misunderstand the unevenness of China's capital and technological capacity in the context of dynamic changes and shifts in the global economy. The technological capacity of China combines primitive and low-technology production with medium-technology and pockets of advanced, and even very advanced technology (Jacques, 2009). Giant companies have developed in areas that play to their domestic comparative advantage (white and electrical goods, trucks and cars for example). Furthermore, China's banks, construction and oil firms have emerged as global giants with eight firms now in the *Financial Times* top 100 firms in 2011 (Dullforce, 2011). A number of other firms have the potential to develop into major competitors in sectors such as Aerospace (AVIC1), telecommunications (China Mobile and Huawei) and computers (Lenovo).

However, a huge technological gap between China and advanced capitalist countries remains, as it is heavily dependent on imported technologies. Foreign companies control virtually all intellectual property in China and accounted for 85 per cent of exports in 2010

(Salidjanova, 2011). Sustained efforts are being made to ‘move up the value chain’. In aerospace, for example, huge investment is planned to challenge the global giants Airbus and Boeing. In 2010 this was identified as one of seven industries in the category of ‘high end equipment manufacturing’ whose share of the economy the ruling class wants to increase from 2 per cent in 2011 to 20 per cent by 2020 (MacCarthy and Waldmeir, 2011; Rabinovitch, 2011). To have any chance of meeting such a goal China’s rulers are compelled to intensify their role in what the Communist Manifesto called the ‘chase across the globe’ for new markets, technology and raw materials. In the domestic economy the role of Chinese firms in the global value chains of TNCs producing income and price sensitive goods locks workers into intense competitive pressures in the global economy and increases the objective necessity for their exploitation.

The temporary ‘spatial fix’ of relocation

China’s competitive advantage of low labour costs in terms of offering a ‘spatial fix’ for global TNCs and more generally to resolve the contradictions of capital is taken for granted (Harvey, 2006; Li, 2008). However, moving to new locations, re-jigging contractual arrangements with other capital and/or adopting new technology are only temporary fixes for individual capitals and the system as a whole. Competition drives other capitalists in the same sector to follow a similar strategy - in other words, if one capitalist expands output and relocates production, then other capitalists are compelled to follow a similar strategy to defend their competitive position. This is the concrete manifestation of the tension between differentiation and equalisation referred to by Smith (2008) and discussed earlier.

By relocating across national boundaries firms may be able to employ workers for a lower wage or compel them to work longer and harder. This is one of the countervailing influences on the falling rate of profit identified by Marx. However, the higher the rate of profit achieved in a particular sector, the more rapidly that exceptional rate of profit will be eroded by the entry of new capital into that sector (assuming that there are no barriers to entry). Competition on the labour market and the attendant rise in confidence of workers collectively or individually will push up wages and erode the differential. However, the fact that labour has less freedom to move across national boundaries than capital means that differences in the rate of exploitation may be sustained for long periods of time – depending on the strength and combativity of workers

There is a complex interplay between the rate of exploitation and the level of investment per worker which means that the impact on profits cannot be simply read off from the strategies of firms and sectors. However, the dynamics of foreign investment into China on the basis of low costs reflects the contradictions of this model of social relations.

China's eroding low wage advantage

According to the CEO of Collective Brands, a US footwear company shifting some of its production from China to Indonesia, '[t]he utopia for one stop sourcing for quality and low price has been China ... but utopias never last' (Brown, 2011). The advantages that can be gained from a particular locality can only be temporary, and the opportunities for excess profits (economic rents) from location are eliminated by the mobility of capital. The advantages and excess profits to be extracted from China's regime of low-wage, labour intensive production, are being eroded. The meteoric rise of China's economy and average growth rates of 10 per cent for the last thirty years were based on an endless supply of cheap migrant workers from inland China to the Special Economic Zones (SEZs) in the coastal regions. Labour markets have tightened with the availability of migrant workers slowing down from 2005. This has meant expectations of better working conditions, the possibility of trading jobs, a higher turnover of workers and upward pressure on wages. All of these reduce the level of profit that firms can make in a particular locality. Buttolo (2015) demonstrated empirically how these forces have played out in the garment and LED lighting sectors in Guangdong as a regime of accumulation based on low wages became unsustainable.

What emerges are complex patterns of capital mobility with firms moving from urban to suburban locations, from large to small cities, from the coastal regions to inland China and out of China completely (Yang, 2014). Citing numerous examples of companies moving their production back to the United States, Sirkin et al (2011) argued that the differential is closing between the opportunities offered in China and in the southern states of the United States. They concluded that China's overwhelming cost advantage over the United States is shrinking and that higher US productivity, a weaker dollar and other factors will close the cost gap between the United States and China. Further, differentials are eroded by the appreciation of the *renmimbi* against the dollar, and the 'costs and headaches' (ibid: 11) of extended supply chains, as well as inventory expenses, quality control, unanticipated travel needs and the threat of disruption due to port closures and natural disasters.

In addition to the threat of relocation some sections of capital that are reaching the limits of operating in low-cost locations may look to another strategy for staving off, limiting or temporarily resolving the aggregate crisis of accumulation by adopting more or newer technology. In China Foxconn has diversified its strategies by planning to relocate some of its production to Brazil, Mexico and Eastern Europe. Further, although Foxconn continues to build new plants and hire thousands of extra workers to make smartphones, it also plans to install a million robots inside of three years to supplement its workforce in China (Markillie, 2012).

Therefore the calculus on how to extract maximum surplus value from China can change, and an alternative strategy is to return some or all production to the higher labour cost home country and invest in new technology. It is not suggested that all foreign firms will switch their production from China or that workers will be replaced by robots. Automating assembly lines would require the restructuring of entire manufacturing processes. Smaller firms have more limited capital to invest in robotics. The technological capacity of capitalism changes incessantly and with it the incentives for capital including its mobility. There will be developments in technology that will change how things are produced in incremental or revolutionary ways and which will alter the potential for profits. How far and how quickly new technologies will be adopted is not predictable, and it will be uneven between firms. However, there will be a pressure on them to adopt these new technologies in order to keep pace with their rivals.

Strategies for extracting absolute and relative surplus value

As Chinese capital has become ever more integrated with global circuits of capital accumulation, the question of competitiveness looms increasingly large for China's rulers. Not only is this much lower than in the advanced capitalist countries, and other East Asian economies, but it is falling. Total factor productivity (TFP) fell during the global crisis and only marginally increased in 2010. Estimates of TFP between 2001 and 2007 range between 4.7 per (Yuan, 2013) to 4.1 per cent annum cent per annum (Wu, 2014); between 2008 and 2012, however, TFP slowed down to between 2.8 per cent per annum (Yuan, 2013) and –0.8 per cent (Wu, 2014). The implications of these figures are that repressing wages or increased exploitation are needed to compensate for poor relative increases in productivity.

Conclusion

The rise of China's economy offers further evidence of the abiding significance of Trotsky's concept of uneven and combined development. By its very nature, competitive accumulation is anarchic and does not proceed on a smooth upward path. Unevenness is reinforced, as we are now witnessing, by the aftermath of the 2008 economic crisis differentiated by sector and region. If China is subject to the dynamic of uneven development between and within states, it is also locked into the pattern, albeit less dramatically, of the booms and slumps of mature capitalism. In the early years of its transformation it was able to draw on its vast labour surplus to generate spectacular growth and accumulation, and as it did so, was remorselessly incorporated into the global system and so subject to the same crisis tendencies as the rest of the world.

From a macro perspective this article concurs with Hung's (2015) compelling argument that any restructuring of capitalist development in China will involve an increase in the share of domestic consumption in GDP. In turn this would require a profound redistribution of wealth and income. Without such a change of direction the question is raised as to the ability of the Chinese state and existing political institutions to contain the labour unrest and proliferation of disputes that have occurred since the late 1990s.

This is the context in which labour relations need to be understood. Therefore at a broad level of analysis, China's integration with the global economy locks workers into the competitive dynamics of world capitalism. The 'law of value' provides an impetus for individual employers to intensify work, hold down wages and/or increase efficiency. Uneven and combined development enables an understanding of the specificities of how the law of value unfolds spatially and sectorally and within different workplaces and therefore the context within which labour struggles are played out.

In particular, presented in Marxist terms this raises the question as to how far it is the case that China has exhausted the possibility of primitive accumulation (the capacity to convert an agrarian into an industrial workforce) and reached the limits of extracting absolute surplus value by extending the number of hours worked to which there are physical and political limits. The key question is how far they can increase relative surplus value by reducing the necessary labour time to produce a given good or service through using new managerial methods and organisation, training and education. Whichever direction is taken all present a challenge for the relationship between the state, managers and workers.

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