The Chinese Model of Development and Its Implications

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Abstract

At the end of the Cold War, scholars were pondering how far Western ideas would spread in an international environment defined by “the end of history”. China’s rapid and continuous growth in the past three decades alters this backdrop. Today, the debate seems to be on how far Chinese ideas (also known as the “Beijing Consensus”) could reach. This paper focuses on the following aspects of the Chinese model of development and its implications: What does the China model contain? What are major critiques and limitations of the China model? Is the Chinese model applicable to other nations? It should be noted that due to its recent economic slowdown, the China model of development is losing some luster. Today’s Chinese leadership does not claim that the Chinese developmental model to be an alternative to other models. China seems to enter a new era of Chinese exceptionalism. The paper concludes that the increasingly prosperous China does represent an alternative development model that has gained some traction in the developing world, and the fears that the China development model will dominate the world are premature.

Keywords

China, China model, Beijing Consensus, Washington Consensus, Chinese model of development, Chinese century, Chinese exceptionalism

1. Introduction

By the early 1970s, China was diplomatically quarantined, economically isolated, in a nearly catastrophic military situation where it faced threats from the two superpowers—the Soviet Union and the United States (Abrami, Kirby, & McFarlan, 2014). At the end of the Cold War, scholars were pondering how far Western ideas would spread in an international environment defined by “the end of history” (Fukuyama, 1989). The financial crisis of 2008 alters this backdrop. Today, the debate seems to be on how far Chinese ideas (also known as “Beijing Consensus”) could reach and much of the world see China as actively contending for global power and influence. China’s reforms have resulted in a fast and continuous growth in the past three decades and half which have lifted hundreds of millions out of poverty. In recent years China has mounted a large soft-power offense around the world (Brady, 2008). When one searches for “zhong guo mo shi” (China model in Chinese) in Baidu.com (the top search engine in China), one can get about 10 million results. On October 7, 2014, the International
Monetary Fund announced that China had surpassed the United States as the world’s largest economy measured by purchasing-power parity (PPP), a distinction held by the U.S. since 1873 when it overtook Great Britain. For decades, the United States has used its dominant influence in the World Bank and International Monetary Fund (IMF) to strengthen relations with other countries in the West and guided developing countries toward capitalism and liberal democracy by conditioning aid on the U.S.-backed reforms. Those countries had no choice; there was no credible alternative to the U.S.-dominated system. That is changing. As of July 2015, more than 50 countries decided to join the Asian Infrastructure Investment Bank (AIIB) led by China. Beijing holds a stake of about 30% in the new institution. By providing project loans to developing countries in Asia, the bank will extend China’s financial reach and minimize U.S. negotiating leverage.

The Soviet Union has disappeared and the U.S. superpower is arguably on the wane. There has been an increasing number of publications suggesting that there is an inadequacy in the American economic model. Meanwhile China has slowly been evolving into a soft-authoritarian state and stands in sharp contrast to the liberal democracy espoused by the West. In a recent study by Shambaugh, he claims that China and the Chinese Communist Party (CCP) will collapse unless they adopt Western-style liberal democracy (Shambaugh, 2015). However, now that a strong and authoritarian China has emerged, one not compliant with the standard “liberal democracy model” advocated by the West, it is seen as a threat (Chen, 2015).

In recent years, China has become one of the potential competitors to Western liberal democracy. A small but growing number of countries in the developing and post-communist world are looking at China as a model for “growth with stability”. Given a choice between market democracy and its freedoms and market authoritarianism and its high growth, stability, improved living standards, and limits on expression—a majority in the developing world and in many middle-sized, non-Western powers prefer the authoritarian model (Halper, 2010).

In the meantime, disappointment with corruption, environmental degradation, increasing economic disparity, social unrest prompted the people to re-examine the China model in a new and more critical light. China stands at a critical juncture. The country’s developmental model—strong state role, heavy focus on investment, and export-oriented economy has produced nearly four decades of remarkable growth. But the recent slowdown has suggested that this model might run its course, a victim of a sharp, cyclical downturn and structural flaws laid bare by the 2008 global financial crisis. The Chinese economy became energy intensive but is energy inefficient, a toxic combination that damaged both the economy and the environment. Nationwide, China has sixteen of the twenty dirtiest cities in the world, a mostly befouled freshwater system, and growing desertification (Abrami, Kirby, & McFarlan, 2014).

Clearly, China faces formidable challenges in the decades ahead. At present, whether China’s experience provides useful lessons for other countries is fiercely debated both in and out of China. This article seeks to understand the ideals and the reality of this unique political system. The paper focuses on the following aspects of the China model of development and its implications: What does the China
model contain? What are major critiques and limitations of the China model? Is the Chinese model transferable to other communist/post-communist and developing nations? It goes without saying, the competition between economic models is a battle of political ideologies; debates about a China development model replacing the Western model are nothing less.

2. What is the China Development Model?
In his recent book, Daniel Bell argues that Westerners tend to divide the political world into “good” democracies and “bad” authoritarian regimes. But the Chinese political model does not fit neatly in either category. Over the past three decades, China has evolved a political system that can best be described as “political meritocracy” (Bell, 2015). The China Wave by Zhang Weiwei offers a vigorous summary of the China model theory. Zhang defines China as a rising civilizational state and argues that as such it should not accept the Western political model, otherwise it will lose its advantages and risks disintegration. Unlike the politically diffuse civilizations of Europe, the Middle East, and the Indian subcontinent, China has managed to establish political unity over most of its territory. The China model differs from traditional socialism mainly in its use of a market system in the economy. It also differs in its commitment to democracy “with Chinese characteristics” and to a new model of party leadership. Zhang considers that China’s reform performs much better than the reform efforts in many other countries that have tried to emulate the Western ways. It will find its own political path and win praise from the entire world. Zhang stresses that the Chinese supporters of the Western model should “emancipate their minds” and set themselves free from the numb Western discourse (Zhang, 2011). There are at least four corners of the China development model.

2.1 State-Led Development Model
Economically, China has shocked the world. The Chinese economy has done remarkably well over the last three decades, consistently ranking among the fastest-growing in the world. It has attracted significant amount of foreign direct investment, and has become the largest trading country. Such remarkable successes were attributable to the model of the developmental state (Zhang, 2011). The Chinese reform since 1978 ranks as one of the most extraordinary episodes of social and economic transformation in history: industrialization, marketization, urbanization, and globalization all occurring at the same time. To be sure that state still plays a major to stimulate economic growth. In the aftermath of the global financial meltdown, Beijing has used active state-initiated programs to promote growth and ameliorate or remove the injustices inflicted by the unbridled market. In the words of Pan Wei, a New Left scholar, the China model defends the state-owned economy and its vested interests as an advanced economic management without the constraints of the Western value package; the implicit arguments: “Given that we spurn the deceitful West, we are opposed to its values; so the state owned economy and the one-party autocracy must be good” (Kelly, 2013). A recent study found that China’s stunning growth rates have corresponded with the rise of “state capitalism”. Since the mid-2000s,
China’s political economy has stabilized around a model where most sectors are marketized and increasingly integrated with the global economy; yet strategic industries remain firmly in the grasp of an elite empire of state-owned enterprises (Naughton & Tsai, 2015). In short, as Ferchen states rightly China does not have a competitive political party system and it does seek to strategically regulate certain sectors of the economy in order to create national champions (Ferchen, 2013).

2.2 Development as the Top Priority

For many in China, electoral democracy just is not suitable for all nations, and those developing countries including China needed stability and economic development before they could afford the luxuries of liberal democracy and personal liberty in a Western mold. That argument is gaining traction in China. After the Tiananmen protest in 1989, many pundits predicted that China will soon collapse. Since the mid-70s the wave of democratization swept the world, a large number of authoritarian regimes have collapsed. In the late 1980s and 1990s, the whole socialist camp in Eastern Europe and the Soviet Union collapsed. In this global context, China’s experience is very much a “miracle”. As Deng Xiaoping said, economic development is the priority (fa zhan cai shi ying dao li). In post-Mao China, priority was changed from political campaigns to economic development. China’s economy maintains steady growth and the regime as a whole continues to enjoy some level of acceptance. With the strong economy, the regime as a whole continues to enjoy high level of acceptance. In the aftermath of the global financial crisis in 2008, the China model is even acquiring normative and policy significance as it has been used to challenge the intellectual pillars of the “Washington Consensus”. Xi Jinping, China’s party chief, sees no contradiction in prosecuting deeper market reforms to achieve his national objectives, while implementing new restrictions on individual political freedom. In fact, he sees this as the essence of “the China model” in contrast to the liberal democratic capitalism of the West which he describes as totally unsuited to China (Rudd, 2015).

2.3 Focus on Good Governance

“Good governance” has recently become a buzzword among Chinese policymakers and academics. It is increasingly reflected in reform practices at all levels of government in response to emerging social, political, economic, and environmental issues, as well as to challenges posed by China’s market-oriented reforms and rapid modernization (Deng & Guo, 2011). Broadly defined, “good governance” is about the “exercise of economic, political and administrative authority to manage a country’s affairs at all levels,” with special consideration for such good universal norms and practices as participation, the rule of law, transparency, responsiveness, consensus orientation, equity, effectiveness and efficiency, accountability and strategic vision (UNDP, 1997). There is a growing consensus among Chinese scholars that good governance is crucial for the establishment of a functioning democracy.

Lee Kuan Yew, the founding father of Singapore, passed away in March 2015. The appeal of building a clean and efficient government, with Mr. Lee as a leader and his country as a model, continues to be
strong. As a matter of fact, compatibility in governance approaches led China to seek Singapore’s assistance in training Chinese civil servants. Such training programs cover a wide-ranging set of topics, from economic policy to project management, from community management to fighting against corruption; virtually every aspect of governance was covered in these programs. Transfer of ideational/technical expertise from Singapore to China has become systematic (Zha, 2015).

The ideas of modernization theory, especially the version expounded by Samuel Huntington, resonate with an increasing number of the Chinese scholars and the Beijing leadership. Huntington’s emphasis on institution-building reverberates throughout the Chinese discourse on democracy. In the words of Zhang Weiwei, a professor at Fudan University, “democracy is a universal value, but the Western democratic system is not. The two things cannot be mixed. The core value of democracy is to reflect the will of the people and achieve good governance” (Zhang, 2011). For Zhang, good governance matters most. The new emphasis on good governance suggests that the CCP sees a need to address social issues through a combination of better services and stronger police work rather than through Western style electoral democracy. Dingding Chen’s study demonstrates that, for the most liberal Chinese, the desire for liberty and democracy quickly weakens as long as the Chinese government does a good job of tackling corruption, environmental pollution, and inequality. Democracy is seen as a means, rather than as an end (Chen, 2015).

Chinese scholars in this camp hold that China should promote democracy through good governance not via direct national elections. With this in mind, an increasing number of scholars are paying attention to the importance of good governance rather than focusing on electoral democracy (Yu, 2014). In the words of Yu Keping, “We must innovate social management and at the same time prioritize the self-governance of society, mutual governance by the government and the people is the basic path to good governance” (Bandurski, 2012). The proponents of good governance are reformers by and large in that they work with the party-state and seek incremental change to it, representing good governance as a non-threatening and feasible option for the party-state’s marked course of reform. For them, good governance is a prerequisite for higher-level political reforms such as the electoral reform. It is worth noting that although China’s economy has leapt far ahead of its processes of good governance, its human rights record is far from satisfactory.

2.4 Gradual and Pragmatic Reform

The reform in China is marked by incremental and piecemeal changes. Compared with that of the Soviet Union, China’s reform have been executed more cautiously and more slowly. Over the past three decades the CCP has been undertaking “incremental changes”, drifting away from the orthodox Marxist ideology. The popular term in the post-Deng’s era among the CCP leaders is yu shi ju jin, meaning that the party must be adaptable and flexible to the changing governance environment. There is no reform blueprint. Instead, China’s reform is known as “crossing the river by feeling the stone”, partial reform composed of economic liberalization and political conservatism. Since then, China has been “feeling the stones” for more than three decades. The ultimate outcome of China’s ongoing
reforms remains to be seen. Nonetheless, all existing indicators point to the development of a stronger and more effective system of governance within China. In the words of Zhang Weiwei, like with its economic reform, while China does not have a roadmap for democracy, it has a “compass”. The broad orientation of the “compass” toward a new type of democracy in China is to establish (1) a first-rate mechanism for selecting the right talents at all levels of the Chinese states, (2) a first-rate mechanism for exercising democratic supervision, and (3) a first-rate mechanism for carrying out extensive and intensive social consultation (Zhang, 2011). However, the CCP has realized recently that as China entered the “deep water” of reform, structural defect of the existing system such as lack of checks and balances and the entangled role of the state and the market has emerged, spurring the nation to deepen its reform comprehensively.

3. Limitations and Critiques of the China Model
The Chinese model looks good on paper, but in reality it has serious limitations. There is now a polemic between “universal values” and the China model. The China model was advanced as an alternative source of universal norms. In the wake of the global financial crisis in 2008, the China model became the subject of much debate (Cao 2005; Fewsmith, 2013; Guo & Li, 2012; Hsu, Wu, Zhao, 2011; Zhao, 2010). New Left scholars argue that in the reform era of the past three decades and half, China has done better in meeting the needs of 1.3 billion citizens than the world’s largest democracy, India. In their view, today’s China is more advanced than India, and more robust than the Gorbachev-era Soviet Union. New Left arguments in favor of a China model provide intellectual support for continued one-party dominance (Kelly, 2011).

The liberal writers, in contrast, work against the party-state and demand radical change in the hope of replacing China’s one-party rule with liberal democracy (Guo, 2013). Liberals who embrace universal liberal democracy contend that the so-called China model promote enlightened authoritarianism. They argue that the proponents of the China model need more empirical evidence to help people understand how the China model really works and operates and gives readers into the causes and effects that are related to the China model. According to them, what the China model means in practice is unclear. The biggest problem facing the model will likely come from within China itself. There is little internal consensus on what the China model consists of, beyond a few generalities. In addition, liberal scholars believe the main goal of the China model is to affirm and support the current system of governance which stresses the authoritarian value of state power. In fact, in May 2015, Chinese Premier Li Keqiang acknowledged that using stimulus to generate growth is “not sustainable” and “creates new problems”. Chinese officials are now taking pains to say that new spending announcements do not represent more stimulus. In his annual report to China’s legislature in March 2015, Premier Li Keqiang set the target for 2015 growth at just 7%—the slowest rate in 25 years. China is engaged in a historic transformation, a politically fraught effort to reboot a $10 trillion economy beset by debt, overcapacity and structural...
inefficiencies. By any measure, turning such a ship around is no small or simple task.

The widespread view in the West is that China’s success results from its “vast, cheap labor supply”, its “attractive internal market for foreign investment”, strong government support, and its access to the American market, which provides a perfect spendthrift counterpart for China’s exports and a high savings rate. China has an enormous population, a huge number of low-cost labor, and gigantic domestic market. The vast domestic market gives China leeway to negotiate the introduction of technology. Beijing has used the carrot of its potentially huge domestic market to persuade foreign investors to share their technology. Small countries do not have this option, so many of them offer fiscal incentives instead (Economist, 2001). Critics at the Economist have called the China model “unclear and an invention of “American think-tank eggheads” and “plumage-puffed Chinese academics” (Economist, 2009).

Some studies find that as China still confronts many challenges it is too early to suggest a Chinese development model. What happens since the late 1970s does not show a continuous upward trend. China has managed its vulnerability to the crisis well so far, there is no guarantee that it will continue to do so. After expanding at an annual clip of more than 10% a decade ago, China’s economy growth has slowed, growing at just over 7% in 2014. That is expected to fall to 6.5 in the next couple of years. In addition, there is a dark side of the China model. Rampant official corruption and social injustice have violated the principles of what the people believe to be good governance, and threatened the Party’s legitimacy, which presents daunting challenges to its model of economic development.

The most disappointing aspect of China’s reforms is the underdevelopment of the rule of law, which leads to institutionalized state opportunism, self-dealing of the ruling class, and rampant corruption. If not for indigenous Chinese firms possessing relationship capital and cultural know-how to help foreign firms navigate China’s murky business environment, foreign investment would have been deterred.

The liberal scholars in China believe that promotion of the so-called China model would only serve despotism and nationalism and would prevent China from merging into the mainstream of human civilizations. In their view, a distinctive Chinese path that emphasizes placing China outside the “mainstream of human civilization” could only intend to and result in prolonging the present political autocracy. And without democracy and the rule of law, individual freedom and liberation and free development of market economy would be only empty words. Therefore, how to understand the theory and practice of the Chinese model has become the focus of the present ideological and even political struggle in China (Cao, 2005).

To sum up, in the Chinese intellectual discourse, the New Leftists believe that the pursuit of modernization in China should take a unique path. They maintain that China could challenge the Western model of capitalism and liberal democracy (Li, 2010). On the contrary, the liberals doubt on whether China is to overcome its accumulating problems, and offer a genuine alternative to the Western model of development (Li, 2015). In their mind, due to the limitations in the Chinese model, China is
not yet a success to be emulated.

4. Is the China Model Applicable to Other Countries in The Developing World?

Whether China’s experience provides useful lessons for other transitional economies is hotly debated. Some economists argue that China’s success demonstrates the superiority of an evolutionary, experimental, and bottom-up approach over the comprehensive and top-down “shock therapy” approach that characterizes the transition in Eastern Europe and the former Soviet Union. However, Scott Kennedy and Yao Yang contend that thumbnail comparison shows little Chinese divergence from Williamson’s original 10 points of Washington Consensus (Ferchen, 2013). Other economists argue that it is neither gradualism nor experimentation but rather China’s unique initial conditions, such as large agricultural labor force, low subsidies to the population, and a decentralized economic system that have contributed to China’s success (Hong, 2004). According to this group of economists, China’s experience has no general implications because China’s initial conditions are unique (Huang, 2001).

So far few countries that eye the China model have China’s vast, cheap labor supply and attractive internal market for foreign investment. And the record shows that, in many countries, when the state keeps putting its hands in business, great inefficiencies result. As Andrew Nathan put it in 2015, it would not be easy for other countries to emulate all of what China has done. The Chinese model requires large fiscal resources, technological sophistication, a well-trained and loyal security apparatus, and sufficient political discipline within the regime not to take power struggles public. Nonetheless, as the prestige of the Chinese model grows, even without Chinese efforts to propagate it, other authoritarian governments are encouraged by the idea that authoritarianism is compatible with modernization, and they try to adapt, to varying degrees, Chinese methods of control (Nathan, 2015).

Andrew Nathan judged that by demonstrating that advanced modernization can be combined with authoritarian rule, the Chinese regime has given new hope to authoritarian rulers elsewhere in the world (Nathan, 2015). Though it is in the best interest of China if such the China model could work in other contexts, the current leadership in Beijing downplays the Chinese style of reform as a model for other parts of the developing world.

5. Conclusion

Twenty-plus years after the “end of history”, China’s growth remains a bright spot for the global economy. The European Union stumbles from recession to recession. America has yet to achieve full recovery from the effects of the 2008 financial crisis. China has become richer, more powerful, more prominent, and more vexed. As countries in the developing and post-Communist world continue to search for new models of development and governance, the China model is a tempting option.

It should be noted that due to its recent economic slowdown, the China model is losing some luster. The debt hangover of the 2008-2009 stimulus is worrying. Many believe that the state-led program of
massive infrastructure investment is financially unsustainable. Total debt to GDP ratio of China jumped from 147% in 2008 to over 282% now, according to a recent McKinsey report (McKinsey, 2015). China is still only 89th in the world in per capita GDP, and its Gini coefficient, a measurement of economic inequality, is among the highest in the world. The bottom line is, the CCP is facing major challenges that it has not seen for decades. Whether and how it can weather them is uncertain. The “core socialist values” that China has embraced include Western ideas of “democracy” and “freedom”. In contrast, China has yet to produce any value that has gained international acceptance (Zhao, 2015). The concept of soft power is taken seriously in China as it seeks to improve its image abroad. Yet, unlike in the 1960s, Beijing has not shown many interests in promoting the “China model” abroad. Today’s Chinese leadership does not claim that the Chinese developmental model to be an alternative to other models. China seems to enter a new era of Chinese exceptionalism. Many Chinese scholars share the view that there’s not a one-size-fits-all model of development. In comparison with the rising economic power of China, the ideational influence of the “China model” has much less global sway. In conclusion, the fears that the China developmental model will dominate the world are premature and it is too early to predict the arrival of the Chinese century now.

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