

**One-day Workshop, 25 April 2008**

**Co-hosted by the Centre for the Study of Political Economy, University of Manchester  
and the British Inter-University China Centre**

## **Does the Growth of China Challenge Everything We Thought We Knew About Development?**

**Arthur Lewis Boardroom, 2<sup>nd</sup> floor, Arthur Lewis Building,  
University of Manchester**

**Organisers: Professor Nicola Phillips and Dr Elena Barabantseva**

### **WORKSHOP REPORT**

#### **Session 1: 9.00-10.30 The nature of Chinese development and the Chinese conception of development**

Chair: Nicola Phillips

Presentations:

Xiaobing Wang- 'A Chinese model of development'

Sarah Cook – 'China's conception of development'

Elena Barabantseva – 'The developmental logic of China Modernisation Reports'

#### **'Introduction', Nicola Phillips**

Nicola Phillips welcomed participants to the event and thanked them for their attendance. Elena Barabantseva was thanked in particular for helping to organise the day. The Centre for the Study of Political Economy was delighted to be able to co-host the proceedings alongside the support of the British Inter-University China Centre. The rationale for the day's presentations was to address the question of the growth of China and the ways in which some people say it is up-ending 20th Century development thinking. To what extent, then, could we accommodate China's growth within existing theory or, instead, did we need altogether new thinking about the developing world? The day also considered the question of a Chinese conception of development and whether there is such a thing as a 'Chinese development model'.

## **‘A Chinese model of development’, Xiaobing Wang**

Xiaobing Wang outlined two main stages of China’s development – namely the first 30 years of the People’s Republic of China, 1949-1978; followed by the second thirty year phase of 1978-2008 that saw gradual implementation of reform. The first thirty year period was characterised predominantly by a socialist heavy industrialisation strategy as a means of modernisation. This involved high investment by the state in industry with the concomitant effect of industry outpacing agriculture in terms of overall GDP. Agricultural production declined in this period, from representing 51% of China’s GDP in 1952 to only 28% as of 1978.

However, this period was also marked by slow growth in individual consumption and slow employment creation. Chinese income per head also remained low at the beginning of the reform period, with US \$600 per capita as of 1978. China, as of 1978, was thus still at the low end of the income spectrum compared to China as of today which now stands at the lower to middle income level with per capita per head of \$4,580.

China’s experience in this second period can be considered different to that of other development models, especially the USSR, in three major ways. Firstly, China’s development strategy was pursued alongside regional decentralisation that gave provincial governments some scope for innovative policy; secondly, China still experienced a large urban-rural divide; thirdly, the political dominance of the Chinese Communist Party remained stable and was not subject to erosion as in other cases.

Moreover, Chinese policymakers when embarking on reform in 1978 faced a big debate on strategy to pursue. Would reform take the form of gradualism or else resemble a ‘big bang’? Would reform be incremental or comprehensive? Would economic reform or political reform take precedence? In the end ideas for social transformation took a gradualist tone in which socialist ideology would no longer be all consuming - encapsulated in the proverb “ a black cat or a white cat, it’s a good cat if it catches the mouse”. Furthermore, the post-1978 era would be characterised less by grand plans than by adaptation to specific problems and opportunities as they arose -“cross the river by feeling for stepping stones”. The post-reform era was also more tolerant of material inequality amongst citizens – as long as general standards of living continued to rise at the same time - “Let some people get rich first”.

In addition, the 1978-2008 era prioritised economic development over political restructuring. The economy here was subject to ‘reform’ and ‘opening up’. This entailed some integration of market mechanisms into previously state planned industries and sectors. However, the market here was viewed as an adjunct to, rather than as a replacement for, planning – “planning as the principal part and market as the supplementary part”. The Central Government under the direction of Deng Xiaoping thus assented to the non-socialist trends particularly in the 1979-1983 era in which reforms were implemented across the whole of China. For instance, local co-operatives were given the right to sell their agricultural surplus via markets with a subsequent increase in state-wide agricultural production of between 40 and 50%.

However, it was the 1984-88 period that marked the high wave of reform. Here market liberalisation took the form of a dual track policy and market forces were now applied to many industrial sectors. By February 1985 market prices were allowed to be fully determined by supply and demand. This progress was maintained in the 1989-93 period albeit tempered by domestic tensions.

The rise of the 'socialist market economy' was officially recognised in the 1994-2001 phase following the November 1993 blueprint for building a market system. In January 1994, for example, Chinese policy-makers implemented foreign exchange reform and the introduction of further marketisation in relation to previously state-dominated sectors. However, by 2002 given the rise of material inequality, corruption, and elements of social unrest across China, the Central Government began to attempt to balance this agenda with a new discourse of a 'harmonious society' and 'peaceful development'. President Hu embraces this language as a means of expressing his wish for more socially balanced growth.

Overall, there were many specific lessons that can be drawn from the above analysis – namely incentives helped to boost production, competition was successfully applied not just to firms but to (provincial) governments, reform was incremental, experimental and in sequence, and was implemented gradually. China, moreover, should be considered here as a 'normal country' - that is, its experiences should not be viewed in isolation but as potentially useful in other contexts.

### **'China's conception of development'; Sarah Cook**

Sarah Cook expressed the importance of considering China's conception of 'development' and how this is mediated by China's own encounter with Western notions of development. Firstly, it was necessary to note a long standing impasse or gap in our understanding of tradition and culture and how this can influence development – and hence the need to engage with concepts such as Confucianism, or in India's case, debates such as that of Amartya Sen as to the *Argumentative Indian*. It was also pertinent in this discussion to look at the longer term historical context in which China's development has been situated – its memory of humiliation, sense of nationalism and so forth- before we can understand factors shaping a Chinese view of development.

People studying China know where its different debates are historically rooted but outside this area there are not enough people who know about these debates. In order for us to more fully understand, it was said to be necessary to work with Chinese development actors who engage with the international community. Engagement on development was seen to have much to contribute to global development strategies. Assembling knowledge about what China's internal development has been would therefore be key to integrate Chinese experience to more strategic understandings of 'development'. This was hoped to have potential lessons for programmes such as poverty reduction strategies.

Crucially, Western scholars were seen as having to understand various Chinese discourses as to development, particularly in unpacking the meanings of the various slogans utilised by the Chinese state. This could reveal also how 'Western' concepts such as 'gender', 'participation', and 'good governance' had been adapted by China and in turn reflect China's own internal debates. Western researchers would have to consider China's responses to its own domestic development dilemmas and constructively contrast these with East Asian developmental experiences. Importantly, they would have to note the ways in which China did differ from their regional neighbours – 1) China's transitional economy and its dual track policy – whereas East Asian developmental states did not have socialism in the first place; 2) China's late liberalisation – with lots of external pressures to pursue this strategy; 3) the role of China's sub-national governments and their relative strength when contrasted with East Asian models.

It was also noted that scholars ought to engage with the complexity of the Chinese model and the risks facing its decision makers. For example, demographic factors (which all

countries face to an extent); or the way in which policies that facilitated growth – notably ‘get rich quick’ strategies – later posed obstacles to development – especially ‘showcase’ development projects in the urban centres that often had little or no benefit for ordinary citizens. Research ought to also consider China and how its status as a ‘late developer’ bears impact upon its development trajectory, particularly in relation to the environmental question and also to the way in which policy-makers in China have been subject to external pressure from global institutions to an extent not experienced by their East Asia neighbours. Those concerned with global development should cultivate awareness of the tensions China has to manage and the problems of multilateralism. History and memory would be needed here to contextualise China’s situation.

Finally, scholars faced with the limits of a Western development paradigm would need to consider the Chinese experience as a serious opportunity for reflexivity. China now accounted for a big part of the global economy, but perhaps more rapidly than China itself would have liked. Indeed, there would be need to consider whether China in fact could retreat to a more protectionist outlook. It is very important, however, that China’s role and the risks associated with development – pandemics, climate change and so forth – should not be presented in terms of a ‘Chinese threat’. Many have been taken by surprise by the rise of China but ought to ask why they were not more prepared. China – as neither a defeated power nor an ally – is asked to adapt to Western institutions with the onus on it to adapt. Perhaps instead we need to interact with China and also look to why we feel challenged and whether, through reflection on the Chinese experience, whether a new development consensus may be reached.

### **‘The developmental logic of China Modernisation Reports’; Elena Barabantseva**

Growing media coverage of issues such as Tibet, criticisms of China’s human rights record, state orchestrated nationalism and so on, was compared to lack of media acknowledgement of the Chinese state’s efforts to pursue a model of development within Tibet and other ethnic minority areas in China since the late 1950s. The implication of this development strategy for local communities was viewed as essential to consider the actual record of Chinese policies aimed at promoting the stability and development of China’s border regions.

The Chinese Government’s formulation of a development paradigm here ought to be considered in terms of how it informed particular practices and policies. It was seen as necessary to look at discourses of development – including how China sees itself as a nation, and the way in which nationhood and national identity has been constructed through a discourse on development. In this task the prominence of China’s Modernisation Reports was viewed as important.

In particular it was seen as interesting to consider how China’s own reports have presented modernisation processes by use of a ‘Yangtze River’ metaphor. The river has been used as a spatial illustration of civilisational progression and process. Although the Yellow River has traditionally been viewed as the cradle of Chinese civilisation, the aim of the Yangtze River metaphor is different. The path of the Yangtze and its ‘heights’ have been used to illustrate the growth of China from primitive roots, to agricultural development, to industrial society, and, now, to the knowledge economy.

It was pointed out that the theory informing China Modernisation Reports employs the Yangtze as a reference point for thinking about development processes as accomplished by centuries of Chinese processes. Yangtze, moreover, has been suggested as a model that can account for human civilisation and the pattern of its development on a wider scale. In the

case of China, according to the theory, the river metaphor also neatly described the geographical basis of Chinese development trajectories. In particular, the Tibet region is referred to as one of the key areas in which primitive society arose; with industrial society developing closer to the east; and the knowledge society growing from roots in Shanghai. It was noted that while the Yangtze River Model recognises China's cultural diversity and acknowledges that 35 out of 56 China's ethnic groups live in the regions of the Yangtze River Valley, the articulated linear progression of the civilisation development advocates a particular mode of thinking about how the development of diverse populations within China should evolve. Each stage of civilisation development neatly categorised into primitive, agricultural, industrial or knowledge society is applied to the regions along the Yangtze River. It was argued that this model classifies China's regions and groups associated with them into the categories designating them to a particular stage in socio-economic development along modernisation process, a rhetorical strategy which has been identified as one of the tools for 'naturalisation' of how the development process works. It was further argued that the Yangtze River Model categorises China's regions and diverse ethnic groups along the modernisation vector producing the hierarchies of one space over the other, and one social group over the other, rejecting a possibility of other alternative development models.

The role of China's Modernisation Reports and their own particular discourses of Chinese development were thus seen as important to consider and to engage in terms of gaining an understanding of Chinese perceptions of their country's trajectory and its historical experience. The Yangtze River metaphor specifically was considered as highlighting many issues - notably the potential tensions between Western and Eastern China, ethnic diversity, the historical stages of civilisational progress, as well as the story of nationhood which to this day influences Chinese policy – for example, with reference to Tibet and other sensitive areas.

## **Open Discussion**

The question of whether China can in fact be deemed 'a normal country' was raised. Was the first presentation correct to identify China in this way? Xiaobing Wang expanded about his meaning here and defined China as 'normal' in two senses. Firstly, China had like other countries moved from an agricultural to industrial society with the Government attempting to promote industry by any means. South East Asia states were also normal countries to the extent that they followed these same structural processes. Secondly, from looking at the first period of Chinese development, what had the Chinese Government actually done? Almost nothing for thirty years - the market was distorted and then the Government in the reform period just reinstalled market systems and gave rights to peasants and enterprises. China was thus a 'normal' country in the sense that it followed a similar structural trajectory to other development experiences and since the Government had done nothing extraordinary.

Participants also raised the question of whether China did represent an alternative development model. Some were unconvinced it was 'alternative' but that nonetheless it did have special features. For example, it did not conform to the Western (Washington) consensus. The Chinese model was also said to not represent a paradigm that would be 'generalisable' to the world. It was said to represent a 'fallacy of composition' to assume that Chinese models would be applicable to other areas.

However, another thought the question of whether China was the ‘same’ or ‘different’ from other ‘countries’ offered a false dichotomy. The question of the scale of China had to be taken into account particularly since it would be possible to lose every other country in China several times over. The fact that China’s provinces could pose an economic unit larger than most other sovereign states in the world also had to be factored into consideration. Its history of moving beyond state socialism but still retaining a Communist Party in power was also unique with no other parallel, not even in Vietnam. The degree of political stability experienced by China was also a significant factor given relative instability in the majority of developing states.

Another theme raised was that of the question of whether the first thirty years of China’s development outlined in the first presentation should be considered as ‘wasted’ years or else as laying the groundwork for the growth experienced in the reform era. Some suggested that the first thirty year period established the industrial base that served as the starting point for China’s modernisation. People learned skills for heavy industry whilst some notable improvements were made in relation to human development indicators.

In addition, the state accumulated enough physical and human capital in this period so that by 1978 it had both the technology and know-how to develop a light industrial basis. China, when it did open up in the reform period, also enjoyed a comparative advantage from its well educated workforce that had access to basic health services. These health and education gains had roots in the first thirty year period and thus should be considered when accounting for the success China enjoyed in attracting foreign direct investment in the reform era. The first thirty years should therefore not be dismissed.

China’s heavy industrialisation strategy was also seen by some participants as having been the correct choice for the country at that particular historical moment. For example, before the 1980s the context of the Cold War was seen as preventing China from realistically engaging in the light industrial export strategy that it utilised in that decade.

Moreover, in terms of approaching China’s experience from a modernisation perspective, it was also thought to be important to emphasise (again) the way in which China – as a late liberaliser – did markedly differ in its experiences from its East Asian neighbours. Huge challenges faced China not only in terms of its size or of the role of the Communist Party in a marketised system but also about the context of its development within an era of globalisation and liberalisation. The same state/market debates that were pertinent within Taiwan and Singapore would also be held in China but influenced by new external factors that the East Asian states themselves did not have to take into consideration. China would have to grapple with the question of ‘how’ to develop in this context – ‘how’ big a state to retain, ‘how’ to balance a ‘neoliberal’ model with interventions with regards to growing social inequality and so forth.

Given these questions and the complexities of China’s development experience one participant suggested that the provocative title question of the workshop was perhaps unanswerable without breaking it down into more specific issues. First of all, we know lots of ‘things’ about ‘development’ – for instance, we know about modernisation theories, East Asian developmental models, the Washington Consensus – which one of these ‘things’ is the Chinese experience challenging? There are, in this sense, many flavours of development thinking and this ought to be recognised when discussing what China’s experience can tell us about ‘development’ processes.

Also we could answer ‘yes’ or ‘no’ to the title question in many different ways. We could argue, for example, that China was unique but then again that it experienced similar

conditions to other countries but attained different outcomes. It was said, therefore, that we have to be careful about the way in which we talk about China vis-à-vis development. For example, we could say specifically that China when viewed in terms of long-term historical change teaches us that GDP growth is important and that gains in GDP can be a sustainable basis for long term poverty reduction. Yet, on the other hand, the question might still remain as to how this relates to pre-existing development thinking.

In relation to this question as to the ‘specific’ lessons that could be drawn from China’s development process, it was highlighted that we should consider the successes that China has achieved and look as to how these might inform other developing countries and their policy choices. For example, China has taught us about the potential success of the state in co-ordinating land reform. China and East Asian states were able to move from economies based on agriculture to industrial societies whereas countries in Latin America, for example, had not achieved relative success in this area. The role of strong state mechanisms, derived from the Chinese experience, could therefore be considered in relation to its potential importance for land reform in a Latin American context.

China’s specific experiences of post-1978 reform and subsequent economic growth could also be taken as a basis for learning lessons as to development. The question of whether such growth was sustainable had to be discussed particularly in relation to the ‘traditional’ modernisation approach that assumed that states could pollute the environment in the process of economic development and thereafter make efforts to clean up what waste and damage had been caused. The case of China was seen to potentially override such notions especially due to the fact that there is no possible way to clean up the Chinese water table once it has been polluted due to the nature of its river systems. This was said to be a very serious problem with which no other country had had to grapple with on the same scale.

The role of the ‘state’ was also determined to be challenging, notably as to what factors made the Chinese state different in its governance than other developing models. As mentioned earlier, the challenges China had faced in governing so large a territory had to be fully noted in the assessment of its state model particularly given the challenges of centralisation in terms of achieving policy uniformity across the provinces of the nation. The state was also acknowledge to have faced challenges in relation to utilising natural resources to the benefit of all parts of the country whilst also having to gain access to international markets . Levels of provincial autonomy would have to be investigated here to consider whether different governance models pertained to each.

The role of the Communist Party and its efforts to maintain legitimacy given the decline of the party’s founding ideology would likewise have to be subject to research inquiry. The party’s response to internal protests and its attempts to introduce rule of law – what some might re-term rule *by* law – ought to be considered in contemporary studies of China at this complicated moment in its history. The party’s role in reasserting state authority would have to be examined in the event of economic growth slowing or else in the case of increased protests as to social inequalities arising from economic development. Such issues were seen as important to address within very interesting contemporary debates regarding the role of the state.

The ability of the state to reflect the diversity and scale of the Chinese nation was also noted as being important to examine. Ethnic minorities make up a large proportion of China’s population – between 6 and 8% - are therefore the Chinese Government’s attempts to reflect their interests and to achieve a successful multi-ethnic and multi-cultural state would have to be considered. The Chinese state here would have to struggle to resist

hegemonic thought about development and to show how different development models of different minorities could be achieved that take into account minorities' own preferred routes to development, their preferred paths, and how a unitary state based in Beijing could be reworked to promote ethnic diversity working alongside provincial administrations.

Another suggested in this vein that it would be important to recognise the Chinese state's recent attempts to shift from prioritisation of exports to instead creating regulations that could facilitate a redistributive state able to mitigate social unrest. These efforts would have to be assessed in whether they delivered meaningful reforms and to what extent institutions were adapted to meet this goal. The experiences of India could be usefully compared and contrasted with China in this area in order to compare social redistribution agendas in terms of their implementation regionally across large state territories.

## **Session 2: 11:00 – 12:30 China and twentieth-century development theory**

Chair: Elena Barabantseva

Presentations:

Raphael Kaplinsky (The Open University) – 'China's impact on the terms of trade and the implications for development strategy'

Nicola Phillips (The University of Manchester) – 'The dangers of a new revisionism in development thinking: China and the developing world'

### **'China's impact on the terms of trade and the implications for development strategy', Raphael Kaplinsky**

This session began with Raphael Kaplinsky's presentation on China's rapid economic growth and the political and economic impact that this has on countries in the world economy, and the type of development strategies they pursue. Raphael's intention was to focus less on China's own development strategies and how these may serve as examples for other countries, and more on the economic ramifications of China's growth on countries in the world economy and what development strategies they may pursue for sustainable income growth.

The presentation began with a perspective on China's economic growth. When compared to the rate of economic growth of other countries in the region, China, Raphael argued, is not exceptional. Japan and South Korea, during the periods of their 'economic miracles' in the 1960s and 1970s, achieved high rates of growth comparable to that of China's – though China has fared slightly better in this decade than Japan or Korea during their periods of rapid economic growth. Where China does exhibit something unique is in the *scale* of its economic growth. Japan and Korea lie near the bottom of the rankings on population size, whilst China, together with India, amount to about 40 percent of world population. Thus, even if Japan and Korea grow at 11 percent for 40 or 50 years, and other small countries such as Botswana grow at 15 percent for a longer period, there is little impact on other countries in the world economy. However, when China, with 20% of the world's population, grows at nearly 11 percent a year, compounded for 26 years, the small country

assumption must be removed, he argued, and the scale of this growth will subject the global political economy to very substantial changes.

Therefore, the main question raised in the presentation was: what development strategies should other countries pursue in order to bring about sustainable income growth? In the past, industrialisation was the key to attaining high *per capita* incomes. Historically, the terms of trade (simply, the price of a country's exports, such as agricultural products, compared to the price of its imports, such as manufactures) have moved in favour of manufactured products and against primary commodities. This is due, in part, to the rise in consumption of industrial products, as incomes have risen. Thus, the primary development strategy for most countries has been to industrialise and to move away from the primary sector, i.e., the export of minerals, oil, gas and agriculture. However, given the scale and continued growth of China's manufacturing sector, this development strategy, he argued, is being significantly challenged and presents major issues for developing countries.

The presentation, next, re-visited the orthodox perspective of development – the so-called 'Washington Consensus'. From this perspective, it is insufficient for a country to move production towards the manufacturing sector; it should also focus on exports. This is mainly due to the benefits brought about by the size of the world market (economies of scale, etc.). Furthermore, the orthodox perspective argues that countries learn through exporting, which leads to greater productivity. However, Raphael argued that this is a misspecification and that first countries must increase their productivity and then increase their exports. This strategy of export-led growth, focusing on the manufacturing sector, hinges on the price of manufactures relative to the price of primary commodities. As Raphael argued, there have been 'blips' in the historical record of the world economy since 1870 whereby the terms of trade have turned in favour of primary commodities, but these have been very short-lived and have dissipated very quickly. In a relatively short period of time, from 1985-2005, there has been a drastic, unprecedented increase in the share of world manufacturing from South East Asia, much of this from China (Africa's share, for instance, collapses), and that this has consequences for the terms of trade for manufactured goods, and thus the development strategies pursued by other countries thus far.

The argument then turned to the impact that China's increased share of global manufacturing has had on the global economy and country development strategies. Unlike in the past, it showed (until 2001) that the price of manufactures, in the aggregate, has been falling. When decomposed, it showed that the prices of exported manufactures have been falling, with China's exports being the main contributor. Such falling prices for manufactures has a negative effect on prices on manufactured exports from developing countries, and thus the variety of products that developing countries produce. In this scenario, the positive terms of trade towards manufactures no longer holds and that this has a negative effect on developing countries, which have pursued strategies of export-led industrialisation.

Alternatively, when the patterns of China's global consumption were presented, it showed that particularly from the 1990s onwards, China's share in the consumption of primary commodities, particularly metals such as copper, aluminium zinc and iron ore have sharply increased. This is not a 'one-off jump' as it was explained. Given the intensity of its current consumption and its levels of GDP compared to other industrialised countries, China is seen to be at an early stage of its consumption, which is projected to increase sharply in the future. At the moment, the pattern of China's consumption of raw materials is geared towards the development of its infrastructure and investment, and to a lesser degree, the production of its manufactures. This has had an effect on the relative price of

such commodities, which have increased in recent years. In addition, the price of oil is currently very high at around US\$117 per barrel and China's demand for energy has pushed up the demand for biofuels, thus having an effect on prices in the agricultural sector. Agricultural commodity exports have also been subjected to the pressures of China's increased demands for food, leading to a sustainable increase in the price of agricultural commodities until 2016 (by the FAO and OECD estimates cited).

From this, the presentation moved on to argue that China's influence on the price of manufactures and primary commodities is signalling a sea change in the global political economy, and is not merely a short-term phenomenon that will witness a shake out and a return to structure that was evident prior to China's high rates of growth. All countries are not experiencing the shift of the terms of trade equally. Thus far, Brazil, Argentina, Russia, the Ukraine, Kazakhstan and countries in South East Asia stand to benefit from the increased prices of agriculture, marginalising countries in Africa. Furthermore, manufactured exports from African countries (excluding South Africa) are primarily in clothing and exports, which stand to compete with China. The result is that recently, clothing exports from African countries have fallen by 25 percent in two years. The argument that African countries stand to benefit from the relative price increases for primary commodities cannot necessarily be made. Countries such as Lesotho have a substantial labour force in clothing and textiles manufacturing and therefore stand to experience high rates of unemployment should this sector continue to erode. Furthermore, nearly 90 percent of ores and minerals are possessed and exported by only 12 African countries and in general, most African countries are poorly endowed in agriculture, placing limits on the benefits that they may realise from the commodities boom.

In conclusion, Raphael drew out some general points regarding the arguments made in the presentation. The first was that China's growth represents a very substantial phenomenon with opportunities and threats for other countries in the world political economy. If a country exports what China imports or imports what China exports, then there are benefits to be realised in export revenue or the potential to increase a country's basket of goods, respectively. However, developing countries that directly compete with China on exports stand to lose much politically and economically. For Africa in particular, if it is to pursue an orthodox development strategy, it stands to lose in its manufacturing sector and politically, this presents a challenge to working class politics as there is little organised labour and employment. Even for those countries that export minerals and precious stones, there are political challenges as well depending on how mineral rents are utilised and whether or not the country experiences the effects of Dutch Disease. Furthermore, mining of these commodities is very capital intensive and ownership is very concentrated (and often externally owned), leading to distributional issues. For soft commodities, the benefits to small and medium-sized African farms depend on the ability to augment product use and capture niche markets. Finally, a 'Beijing Consensus' is becoming evident through the words of African policy makers, who are now presented with another option to Western aid and trade regimes.

### **'The dangers of a new revisionism in development thinking: China and the developing world', Nicola Phillips**

This presentation began with the same sorts of questions raised above but with respect to Latin America and the Caribbean. That is, the presentation sought to address the impact of China on both thinking about development and development strategies in these regions.

China's growth has had a drastic effect on both the northern and southern parts of Latin America. In the south, this has undermined fifty to sixty years of development thinking on the move away from primary products for export. In the northern part, China's growth is overturning this region's strategy to focus on low-cost manufacturing for export.

Before proceeding further, China's economic growth with respect to Latin America and the Caribbean was put in perspective. The key point was that although China's economic relationship with these regions have increased at an extraordinary rate for the past four to five years, this is in no way as influential as the relationship between these regions and the United States (US) and the European Union (EU), (US accounts for 50 percent of trade with Latin America where as China represents about 4 to 5 percent of total trade). Thus, Nicola argued, arguments to the effect that China's growth and its relationship with Latin America and the Caribbean represents an important political shift related to a Beijing Consensus and new opportunities for development thinking (or, indeed new structures of political relationships) are widely exaggerated yet are part of political rhetoric in parts of the region. Instead, there has been little to no evidence for any overt interest on the part of China in the recent past to develop any cultural or political ties with these regions, or at least one that challenges the hegemony of the US in the region.

Nonetheless, Nicola argued, although overstated, China's rapid growth is still significant to the region. The presentation showed that from 1999 to 2004, there has been a three-fold increase in exports from China to Latin America and seven-fold increase in exports from Latin America to China. Mexico and Brazil are the principle destination for Chinese exports, Mexico accounting for 25 percent of all exports to Latin America and the Caribbean, and Chinese imports mainly originate from the southern economies – Argentina, Brazil and Chile – with Brazil accounting for nearly 40 percent of all exports from the region to China. The profile of exports from the region to China consists mainly of raw materials, foodstuffs and natural resource based manufactures accounting for 75 percent of all exports. Goods import to the region from China are mostly in the form of manufactures (over 90 percent), which consist primarily of labour intensive low technology, low value added products; although there has been a significant increase in high technology imports. Globally, China's shift to more high technology exports has negative consequences for Mexico.

The presentation noted that the export boom in Latin America has been met with optimism on the part of Latin American policy makers, as if there are no negative consequences of this phenomenon for the region. There has been a negative impact of these developments, for instance, on the northern part of the Latin American region (Mexico, Central America and the Caribbean). Most of this is with regard to displacement of exports from these countries in third party markets, most importantly the US, which has important political and economic implications. Together with the export boom, there has been a significant increase in revisionist thinking in the region about development. This revisionism has in essence 'wiped away' the last fifty years of development thinking related to the dangers of dependence on raw materials for export, and the kind of thinking around industrialisation processes. In the northern part of the region, the big rethinking about development has centred on the notion of geographical advantage. Geographical advantage, until recently, has underpinned the development strategy across this part of the region. However, it has been systematically dismantled by the emergence of China and has affected the political strategies that have accompanied this development strategy.

In this regard, the presentation focussed on the export boom in the southern part of Latin America and the Caribbean, particularly in Brazil and Chile. This, it was argued, represents troubling prospects with regard to development in the region, in the context of the historical inability of South American products to compete in global markets for manufactured high technology products as well as the increasing dominance of China in the US market. In terms of its global profile, Brazil does stand apart to some degree but it is significant that Chinese interests in Brazil have centred predominantly on raw materials.

Thus, it was explained that there are two pertinent issues. First, the Chinese demand for Latin American products are mainly in primary commodities and the demand for processed products and resource based manufactures are focussed very significantly on the exports of the Association of South East Asian Nations (ASEAN). Therefore, South American economies are subject to strong competition from exports to China from the ASEAN economies, to the extent that those South American economies become locked into the low value added end of these commodity and production chains. Second, an emerging space for upgrading the competitiveness of Latin American industries has been further squeezed as a result of competition from ASEAN, not just as a result of Chinese demand for raw materials. The extent of dependence of on raw material exports has been a danger for the economies of the region. When speaking to people in Latin America about the export boom, Nicola stated, it is if these concerns that have historically been prevalent have been essentially been wiped away. This raises question as to the sustainability of the boom and the fifty years of development thinking in the region should provide some guidance on this matter.

With regard to the northern part of the Latin American and Caribbean region, the implications of China's growth, it was argued, take on a different form whereby the potential exists to disrupt existing development strategies, especially those based on low-cost, low-value added manufacturing with preferential access to the US market. China's relative labour costs are significantly lower, eroding the region's competitive advantage. In addition, there have been shifts in multilateral and bilateral arrangements (with the US) in trade in textiles, increasing competition with textile producers in Asia. The significance of this on the northern part of the region is the region's dependence on trade with the US market. For this part of the region, 85 percent of exports are destined for the US market (trade with the US is also significant for the Central America and the Caribbean). China, it was shown, has displaced Mexican exports as the source of electronics exports. There is evidence of an increase in Mexican exports to the US, related to the preferential access to this market it enjoys but China's increase is much more rapid.

In summary, the main points of this discussion were that China's rapid economic growth has been reducing the degree of latitude that Latin American and Caribbean countries to pursue development strategies that allow them to successfully compete in the global economy. This is particularly the case for the northern part of the region, which risks the entrenchment of long-standing development problems as a result and the obsolescence of its development strategy focussed on electronics, textiles and so forth. For the southern part of the region, it has essentially reverted to primary commodity exports, setting back the development strategy that it has pursued for several decades. In addition, there has been a form of revisionism in development thinking around the role of primary commodity exports as a viable development strategy for the region. The political significance of this is that there has been an interest on the part of the Latin American economies to try and protect their access to the US market for their exports through bilateral trade agreements. This has in essence, reinforced orthodox development strategies for the region, making it difficult to foresee any changes to this form of strategy in the near future.

## Discussion

The topics that were discussed following these presentations ranged from specific to broader points on the nature of the impact of China on development in regions such as Africa and Latin America and the Caribbean. The first point made was in regard to the rules of origin in trade relations between the countries in Sub-Saharan Africa (and southern Africa in particular) and the EU and how these prevent African manufacturing from using Chinese products (mainly textiles) to transform them and sell them to the European market. This, in effect, would reduce competition with China in these sectors. The next point was in regard to the dangers inherent in the changing terms of trade that Raphael had discussed in his presentation and the short-term nature of development strategies that have concentrated on primary commodities as an export strategy. The point was made that these strategies have been successful historically only in the short-term, and have also suffered from so-called resource curses. The final question along these lines was related to whether or not Mexico was perhaps used as a 'back door' to the US market for Chinese exports, given Mexico's preferential access to the US market.

On a broader scale, several points were made regarding the relationship between Latin America, ASEAN and China, and the nature of revisionist thinking about development in Latin America and the Caribbean. With regard to the relationship between ASEAN and Latin America was that it was thought that ASEAN was being framed as a competitor to Latin America for sales to the Chinese market. It was argued that ASEAN should instead be seen as an aspect of a greater East Asian system of production, in which South Korea and Japan should be included. ASEAN countries, it was mentioned, run large trade surpluses with China and thus, the point about China competing in the world economy should be restated as East Asia competing in the world economy, as China is assembling East Asian components.

On the revisionism in thinking on Latin American development strategy, it was thought that Latin American development strategies prior to the influence of China's rapid economic expansion were being put forward as successful, when in historical terms, it was argued that they missed opportunities to gain from conditions in the global economy. The point raised was that Latin America experienced a 'lost decade' in the 1980s and went bankrupt. The advice that China has been giving to policy makers in the African region behind closed doors, which may be apply to Latin America, is that these economies must restructure *themselves* in order to become successful and to not place too much blame on the negative effects of global competition. The examples that were cited to this effect were the continued growth in exports of textiles from Bangladesh and other Asian economies despite competition from China, and the restructuring of part of the electronics sector that occurred in Mexico, which resulted in Mexican manufacturers capitalising on proximity to the US market to focus more on low volume, high value production that emphasised design.

The next set of points centred on the nature of development within China. The first was in regard to China's necessity for employment, which the low-value added manufacture provides, which is necessary to prevent social unrest. China has drawn on a significant supply of labour from its western provinces. The question that was raised was whether or not China was locked into this form of production or if more sophisticated forms of manufacturing could satisfy the demand for employment. The next point drew on the Lewis model's notion of modernisation and asked, whether China's reserve army of labour

would reach point to where it would put upward pressure on the cost of labour. This would render China less competitive compared to other East Asian economies. The final point related to China's development was with regard to the future structure of the Chinese manufacturing sector which, it was argued, would still dominate textiles and garments in ten years but will not be likely to grow. The question that this raises, therefore, is whether countries that maintained an entrepreneurial base would emerge as 'winners' in the long run? Countries that relied on aid and foreign investment, or that might move up the value chain, may find it difficult to compete with China.

The last two points before the presenters responded related to China representing a model for development in Latin America. The first being whether China is exporting a cultural model for Latin American development, the second being on whether China offered a model for the Latin American and Caribbean ruling classes for economic imperialism, with less interference than that from the US.

The responses from the panellists first addressed the points regarding China promoting any form of development model in developing countries. With regard to China's involvement in the Democratic Republic of the Congo (DRC), its investment to exploit copper and cobalt resources were partnered with social expenditure, local ownership, backward linkages, education and health care. The rhetoric employed by China, it was added, portrays itself a 'developing country', which offers other developing countries an alternative to other sources of foreign investment.

On the topic of the reserve army of labour, the response was that this linked to a broader question on what the structure of the future global political economy may resemble. The point was that China, and more broadly East Asia's, entry into the world economy is substantially changing the general equilibrium. Where in 1913 the conventional wisdom dictated that the world was tending towards further integration in the near future (only to be followed by two devastating world wars), the current state of the global economy is witnessing such an important turning point. The question then becomes whether there will be an opportunity for other countries to participate successfully. If so, the argument was made, it would simply be a matter of countries adjusting to take advantage of new comparative advantages and specialisation. Otherwise, the changing patterns of income distribution in the world economy may further a repeat of the collapse of the global economy that occurred in the past.

On a related note, an article by Mike Davis in the New Left Review was discussed, which makes the case that 50 percent of the world's population live in cities. Whereas in an earlier period, cities were focal points of industry and rational, class politics, they are now 'dumping grounds' for the marginalised resulting in informal settlement and millenarian politics. They are therefore, also sites of reactionary forces to globalisation, particularly in developing countries. As globalisation is centred on largely, transport and communications, which are in turn dependent on energy and the environment, the price of energy will be an important factor that will affect the future global political economy. Therefore, the impact of China will be very significant in these matters and will have an impact greater than influencing a series of marginal adjustments in the world economy.

With regard to the questions raised and the points made on China's impact on development in Latin America and the Caribbean, the response to the question of any form of Beijing Consensus offering an alternative model to the region's ruling classes, there was no evidence that Chinese imperialism is displacing US imperialism. Furthermore, it was argued that to think of China as a new imperial power or to attribute cultural aspects to its

impact on development is problematic. Although such a notion has been taken advantage of rhetorically by a range of leaders (such as Hugo Chavez), there is no significant movement on any element of a 'Beijing Consensus' in Latin America. This is the case for two reasons: state capacity simply does not exist in the region, lacking the resources to make the sort of investments necessary to follow a Chinese model, and the Chinese government has shown hardly any interest in cultivating a political presence in Latin America. This was met with a point of clarification regarding the role of the ruling classes in Latin America having an interest in staying in power and perhaps drawing from some form of a Chinese model in this regard. This was responded to by stating that the debates on the impact of China in Latin America have centred on the topic of restructuring and there has been little to no discussion (which would be easy to overstate) of China's political influence on social structures in the region.

With regard to ASEAN acting as a competitor to Latin America, whilst it was recognised that the East Asian region should be conceptualised as a production system, examining it in a disaggregated fashion offers an advantage as ASEAN is often taken as the point of comparison in Latin America against which its performance is judged. In the debate in US circles on the impact of China on Latin America, it was pointed out, there exists a preoccupation of whether China is displacing US political or economic influence, without consideration of the fact that US investment in China is driving its growth. Therefore, the question is misplaced. The lack of competitiveness of Latin America in the global economy is therefore the key development issue.

Regarding the potential to interpret Latin America's past development efforts as successful, it was argued that it was not the case and that the region's development efforts could be characterised as being ad hoc with no strong vision of development. Nonetheless, the general point was that the region typically engaged in a strategy based on low-cost manufacturing and processing for re-export in the post-war period. China's impact on the Latin American and Caribbean region, particularly through the export boom, is clouding long-standing development problems and re-enforcing rather than ameliorating significant social problems, high levels of inequality, low savings rates, institutional deficiencies, low levels of education and low investment rates. China, thus, presents a barrier to competitiveness and overturns development strategies that have emerged in response to these issues.

As the discussion opened up once again to the participants, it moved towards the issue of labour in China. Although there has been evidence, it was stated, of the rising costs and declining surpluses of labour, more evidence is required. However, it was pointed out that with regard to labour of an age group that can move flexibly and easily, it already has in China. Employment creation in China is moving more towards the informal sector and the question arises as to whether or not contract laws and so forth will have an effect on labour being pushed into more informal forms of production. As another participant remarked with regard to the labour issue, China's rising labour costs are good news for low to lower middle income countries that may play the role of providing China with intermediate goods.

The wider discussion also took on the idea of a 'Beijing Consensus'. On the one hand, it was stated, there exists an interesting debate on what this entails, as China lacks a clear development industry and has no clear set of actors involved in development practices. Furthermore, engagement in Africa is based on business interests. With regard to its involvement in the DRC, the question arises as to who backs up this sort of initiative politically, and what type of risks China is taking by involving itself in state-led activities

where the government in the DRC is weak. Others felt that the notion of a Beijing Consensus is overstated. China, by participating in peacekeeping operations, mandating liberalisation and free elections is essentially participating in the West's development agenda. The overstated political impact of China can be witnessed in the case of Angola, for instance, where it was windfall oil revenues that allowed it to reject the International Monetary Fund (IMF) rather than China's direct involvement. Nevertheless, the concept of a Beijing Consensus has been taken up by Chinese scholars and has been the subject of much debate in China, in the midst of having no definable set of international development policies. In this sense, it was added, China is not, nor was it ever, a monolithic entity; it is reactionary and often lacks coherence.

The discussion also included the scale of China's economic growth. The point was raised as to whether or not there would be such concern if China were a series of smaller states, rather than a political entity of its size. If so, this has implications for regionalism – does the world retreat into bilateral arrangements where China becomes a dominant power or is there a model where China becomes a region among regions? Also, much focus was placed during this session on the aggregate supply side of China's growth. For this to be sustained, there needs to be an equally large aggregate demand for China's products. What this implies for the future of the global political economy and for development strategy is that not every country can increase their exports at the same time – a reconfiguration of aggregate demand is also necessary.

Finally, the session ended with a reminder to preserve analytical clarity in academia in the midst of pursuits to make improvements in the world political economy, and with an emphasis that Latin American and Caribbean countries, when speaking of Chinese aid policies, have been constrained in their pursuit of industrialisation as a development strategy by trade policies with the US. The fundamental point in this is that it is about *power* and about *politics*; the trade strategy of the US has been to entrench Latin America in a particular form of development, which makes other forms difficult to pursue.

### **Session 3: 2-3.30 Energy and resources in Chinese and global development**

Chair: Xiaobing Wang

Presentations:

Hongyi Lai – 'China's Strategy for Ensuring Oil Security'

Marcus Power – 'The D/development Business: China, neoliberalism and the geopolitics of development in Africa'

Tim Wright – 'Black Gold and Blood Stained Coal'

#### **'China's Strategy for Ensuring Oil Security'; Hongyi Lai**

China's energy strategy, Chinese corporations' oil pursuits, and the question of resources were said to have important implications for China's external policy. China was shown to have become the second largest oil consumer in the world as of 2002 and 2003. This trend began as far back as 1993 when China became a net oil importer as China's oil consumption outpaced its oil production. This reflected the rapid industrial and economic growth that had characterised the Chinese experience following the reforms of the late 1970s.

China's Report on National Energy Security published in 2005 was viewed as important to consider in the examination of the relationship between China's resource needs, its external policy and global development. This publication marked a period of stepping up prospecting of natural resources within China in order to help ensure the state's future energy supply. For example, it has been estimated that only 6% of China's natural gas has to date been prospected and verified. China's energy strategy was also explained to entail significant efforts to improve energy efficiency and to change the consumption composition of energy within the country. The Central Government had meanwhile established a few initial National Strategic Oil Reserve Bases (NSORBs) whilst the second and third generations of NSORBs were currently being created.

Importantly for the development of China's external policy, however, China has also recognised the need for international co-operation in relation to the energy question and has increasingly sought to utilise overseas deposits of natural resources in order to diversify its oil supply. Previously, China had concentrated oil exploration in the Middle East but had now expanded to other suppliers, with Africa now the second largest supplier of Chinese oil. This process had been cemented with the expansion of the Chinese National Petroleum Corporation since 1991 in what policy-makers termed "going out" – that is China's going out overseas to locate natural resource supplies. One of the chief indicators of this new direction in policy could be seen in the construction of the China-Kazakhstan pipeline in 2004 as well as the visible rise in China's oil imports.

Part of the rationale for this new direction in Chinese policy was seen to be the perceived need on behalf of the Chinese state to diversify sources away from Middle Eastern states in order to mitigate the risk factor involved with dependence on supply from this often volatile region. However, as has been notable from press coverage of recent events in Darfur, the new strategy itself can not be seen as without risk, given the international reaction to Chinese trade deals with regimes whose human rights records are often subject of international concern. Indeed, China had been criticised for supporting the Sudanese government irrespective of the Darfur crisis.

It was noted here that we should be careful to realise that China's rationale in trade deals differs from that of the West. Whereas Western countries often have used trade and aid deals as a means of intervening in the domestic affairs of other non-Western countries, Chinese corporate strategy remains against interference. This could be linked partially to the fact that Chinese corporations had to operate in a situation where the top twenty Western oil companies had monopolised most existing reserves and thus Chinese prospectors were left with no choice but to seek resources elsewhere and to go in to 'nasty' places like Sudan without imposing conditionality.

China's growth was also explored in terms of its meaning for oil prices. Oil was seen to have been priced at less than \$19 per barrel in 1996, rising to \$35 per barrel in 2004, to over \$110 per barrel over the last two years. China was recognised as sharing some of the blame here alongside other oil consumers for this 'scary' development. Meanwhile, China's position as a late liberaliser was again seen to be a 'mixed bag' for the state and its development agenda. China's late-comer status meant that it would undertake economic growth in conditions of constrained energy supplies; although the relatively late nature of its development would also mean that the country would have access to better technologies for environmental protection and for energy efficiency which would not have been available in earlier periods.

## **The D/development Business: China, neoliberalism and the geopolitics of development in Africa'; Marcus Power**

The presentation examined the politics of Chinese engagement with Africa and explored different themes within this context – including, how Chinese growth may alter the Chinese relationship with Africa; whether China could be characterised as pursuing a ‘neoliberal’ strategy; as well as whether China was operationalising ‘neoliberalism with Chinese characteristics’. Examination of these themes was seen to require understandings of the discourses of Chinese development and of its global relations. This was approached by the researchers from their position as Africanists and geographers and how Chinese relations with Africa was encountered in different spatialities and could be mediated by African institutions.

Two categories were useful to identify in this discussion as to ‘development’. Firstly, ‘big D’ Development which characterised planned, purposeful state-led processes predominantly after the Second World War, and secondly, ‘little d’ development which could be understood as the contradictory establishment of capitalism in ways which were geographically uneven. These categories were said to be useful in examining China’s path to capitalist development and the implications of the Chinese-African partnership.

Moreover, in order to better understand the ‘partnership’ between China and Africa, researchers would have to think past Western biases present within International Relations (IR). Some within geography disciplines, for example, have criticised IR’s implicit statism and consequent marginalisation of Africa. The consideration of foreign policy and geopolitics would also have to take into account Chinese interstate relationships and the ‘geographical imagination’ of China. Post-colonial political economy was perceived as having made progress here in its attempts to ‘decentre’ the West within considerations of the ‘global’. Thinking past the West was stressed as being an essential task in this endeavour, for example, challenging the Three Worlds debate and hence reconsidering the place of China in the modern global community.

Engagement with Chinese scholars would also be essential in order to understand the hybrid results of Chinese capitalism and to challenge the simplicity of most Western media accounts that spoke of Chinese ‘imperial power’ within Africa. Negri’s point that imperial politics ‘has no centre and no outside’ could be applied to the Chinese-African ‘partnership’ to consider the way in which Chinese relations were embedded in local forms of neoliberalism within Africa. For example, its relationship with Angola and Ghana could be examined in terms of the transformative capacity of ‘neoliberalism’ and how neoliberalism ‘changes when it travels’. Debates within China itself as to the nature of Chinese ‘neoliberalism’ would be important to understand here as would the discourses of ‘free market’ systems that are often used to conceal coercive government actions favouring specific groups and practices.

The real and different contexts of ‘big D’ Chinese Development would have to be considered in terms of China’s own vision for its future and for its relationship with African actors. Moreover, this would require acknowledgement of the fact that many different conversations within geopolitics and IR had to be brought together productively and could not be separated out into different strands. For example, debates as to neoliberalism and the relationship of aid in development processes would have to be considered together, especially when looking at growing forms of South-South co-operation.

Furthermore, these forms of South-South co-operation were seen as involving construction of discourse as to the China-Africa relationship – a discourse that has evolved since the creation of the Peoples’ Republic in the 1950s. The way in which China talks about itself as a fellow developing country and mutual victim of colonial intentions was stressed as forming one of the crucial elements of the definition of China’s relations with African states. China’s conception of having influence without interference could be read in this anti-colonial context. Mao’s past application of a general model of revolution to Africa without differentiation could be seen to have been replaced, however, with more specified state level agreements.

Nevertheless, researchers here would have to acknowledge the fact that China to a large extent uses Africa in a strategic manner aimed at achieving geo-political ends. China’s own development would also have to be considered in terms of spatial unevenness within China itself and the subsequent tensions this provoked. Western concerns as to ‘rogue forms of aid’ and human rights, moreover, had to be seen in terms of telling us more about Western views on ‘development’ than it did about China’s own perceptions. Finally, the complexity of the Africa-China relationship would have to be explored in ways that did not cast Africans as ‘victims’ but rather as agents with potential to influence events and policies.

### **Black Gold and Blood Stained Coal’; Tim Wright**

China’s economy was depicted as being “greedy” for energy with total energy consumption rapidly rising. The elasticity of energy consumption (the percentage rise of energy consumption per percentage rise in GDP) was high, and indeed over 1 in some years in the mid 2000s. The presentation focussed on the importance of coal within the energy strategy being pursued by China. China’s coal production had doubled between 1989 and 2007. Indeed, coal made up the majority (around 70%) of commercial energy supplies in China.

Coal prices and profits had also risen in relation to the economy’s increased demand for the commodity. After a period of recession around 1999-2000, prices and profits had increased dramatically over the last seven years, and, although some of the increased revenue had gone into higher wages and greater safety expenditures, the industry was now relatively profitable. Whether this represents a long-term shift, or is essentially a cyclical phenomenon is not clear.

Although the coal industry over the last five years had represented a ‘success’ in China there were a huge number of concealed problems. Deaths from accidents in the mines were higher in China than in any other country. The death rate per million tons, for example, was three times higher than that of India even for the large state mines.

Whereas since the end of the Second World War there had been no mining accident at work claiming over fifty lives in the English-speaking world, in China since the 1990s there had not been a single year in which there had been no disasters claiming over fifty victims. However, any comparison with the US or Australia must in to account the fact that many of the American and Australian mines are open-cast and highly mechanised.

For example, in 2005 alone there were over seven hundred recorded mining deaths in accidents involving over 50 fatalities (and almost 6000 in total) – a huge embarrassment for the Chinese state. As a response the Hu-Wen regime had focussed on mining safety as a means of regaining support across the country. Graphs were displayed that illustrated the

way in which some dramatic improvements had in fact been made in relation to mining accidents and overall fatalities within the industry.

However, accidents were not the only perceived problem in the industry. The environmental impact was deemed as equally pressing. At the point of production the questions of widespread pollution of water supplies, the erosion of arable land in mining districts, as well as the sheer dirty nature of the industry needed to be redressed. At the point of consumption, moreover, coal was said to be damaging in terms of high levels of sulphur dioxide being emitted with consequent implications for deteriorating air quality. Charts were displayed which illustrated that across a wide display of Chinese cities, all fell short of World Health Organisation recommendations as to the permissible level of sulphur particles present in the air.

Nevertheless, despite these concerns the continued dominance of coal as a key component within China's overall energy strategy was seen to be likely. Problems with hydroelectric power and the Three Gorges dam was not an encouraging indicator of the potential of the state to harness alternative energy sources. The lack of oil supplies within the boundaries of the Chinese state itself also ensured that coal would be a necessary choice for policy-makers.

The only realistic alternative to China's dependence on coal was therefore said to be nuclear energy. This was noted to have considerable risks associated with its production although the safety situation in relation to nuclear was deemed to be improving. Nevertheless, the issue of pollution control and environmental management was seen as a problem that all countries would have to address – for instance, the UK itself has recently set out targets for reduction in carbon emissions. China was therefore not the only country to face such challenges in balancing energy need and environmental risks.

### **Open Discussion**

Many questions were raised from the participants following these presentations. The idea of China being a 'neoliberal' developer was raised and queried given the traditional understanding of 'neoliberalism' as entailing strict market features unimpeded by state planning which was seen to be irreconcilable with the reality of the Chinese experience. In addition, the issue of the 'contradictions' inherent within policy debates was noted. For example, the contradiction was noted between China's need for energy in order to maintain its security on the one hand with its need to enter into 'nasty', unstable oil-rich areas on the other. Or else the contradiction between the state's recognition of problems associated with rapid growth but its desire at the same time to maintain China's rapid economic boom. How would elites respond to and manage these tensions?

Another participant raised the question of 'big D' and 'little d' 'development' and the implication of the second presentation that China was somehow on a potential 'mission' within Africa. Was it the case that China sought to prove itself on the international stage by developing a part of the world that Western powers had failed to aid or was Chinese involvement in Africa better understood in terms of China's own domestic concerns about development and a non-altruistic desire to better China's own position?

In relation to this last question, the second presenter stated that China's involvement in Africa should be more appropriately understood as being about China's own development and China's own needs. For example, its relationship with Angola can be seen as centred on Chinese need for oil and energy. This could be contrasted with China's approach in the 1950s which was deemed to be more genuinely about philanthropy and South-South

solidarity. Chinese involvement in the 1950s aimed to 'show up' the West and to illustrate the achievements that could be brought about by Chinese-African co-operation, for instance in construction of railways. In the 21<sup>st</sup> Century philanthropy was less of a concern.

With regards to the first issue of whether China constituted a 'neoliberal' model, the second presentation's characterisation of the state as such was emphasised as being tentative. What was most important was to illustrate the ways in which 'neoliberalism' could differ from space to space. China's economic vision was said here to have many parallels with neoliberal models although it was admitted that this might not be the most appropriate label. Yet in terms of China's emphasis on attracting foreign direct investment, its desire to strike the correct balance between the state and an effective market mechanism, and its 'going out' strategy involving Chinese corporations opening ventures overseas - there were many similarities between China and 'neoliberal' paradigms.

In addition, the state of the Chinese coal industry was discussed in detail. One participant noted that in relation to air pollution the Chinese situation today, although bad, was a vast improvement on what it had been even twenty years ago. In one city it was noted that the local authorities had made good progress in eliminating the threat to the city's air quality from slag heaps created from coal production. Innovative authorities had in fact used the heap as a source of materials for constructing paving slabs and had thus demonstrated the ways in which China could constructively respond to the environmental challenges of development.

Moreover, the price of coal was said to still be very high, with power cuts in the capital Beijing due to the high price of the commodity. The extraction process and the creation of mines in local, rural areas was also seen to provoking a backlash from ordinary citizens concerned with well-being and the environment.

The dilemma of implementing meaningful reforms in favour of safety and environmental protection was also noted, particularly given the employment and revenue that the coal industry generated. Moral concerns as to 'black hearted coal owners' were important to recognise as bearing influence on researchers' study of the industry whereas local officials themselves, often paid in relation to GDP output of their locality, would be more resistant to demands to sacrifice production in efforts to increase safety and decrease pollution.

Another dilemma - that of the ordinary Chinese citizen who chose to work in the mine despite high fatality rates and dangers - was also highlighted in the discussions. Many mine workers chose to enter the industry in order to mitigate extreme poverty. Despite the high risks involved many obviously thus felt that they were better off working within the mine. Improvements to mining conditions would likely have to be made by reducing productivity in order to spend more time on health and safety concerns and this was seen as potentially jeopardising the competitiveness of some mining operations. If this resulted in unemployment of workers whose livelihoods depend on the mining industry then this would be a potentially negative development.

Manipulation of regulations was also said to be a risk factor. For example, a famous film (*Blind Shaft*) was based on incidences of murder in the mines in order for perpetrators to claim the compensation of the victim. Research would be necessary also, it was noted, to consider whether Chinese mining practices - and their subsequent poor health and safety records - were being exported to the African context or whether such operations outside of China would be more socially and ecologically responsible.

Another important point was raised as to the relationship between coal use and nuclear power. It was said that the rise of nuclear energy would not dent the use of coal due to the scale of the coal industry, mining operations and the long timetable that would be required for implementation of energy changeover. Nuclear power was also said to contain its own risks and thus would perhaps not be a more suitable source of energy particularly given the experience of the creation of China's first nuclear plant in a location that threatened Hong Kong's environment. In addition, it was suggested that China would have difficulty in sourcing the necessary uranium for any nuclear energy programme and would likely have to source the mineral from Australia.

On another issue, one participant asked the presenters to what extent they thought China was constrained in its development choices by its engagement with the World Trade Organisation (WTO). In response, it was suggested that China was not being seriously constrained by the WTO and that, on the contrary, the country had been classified by Western states as 'rogue' in the sense that it had actively failed to engage with international institutions involved in global 'development'.

However, at the same time it was seen as very important to note that the Western community's expectations that China join the mainstream of 'development' interventions was highly problematic and that Chinese involvement in places like Sudan would likely continue. Although China at times demonstrated a growing willingness to engage the international community this would be tempered by Chinese calculations as to the political costs of going down such a route.

In relation to the question of Chinese practices in Africa, moreover, the case of Chinese investment in the Angolan construction industry was discussed. Angola had traditionally seen high levels of investment from Portugal as the former colonial power but now had in more recent times seen Chinese firms overtake Portuguese business in terms of investment. China's use of its own labour supply and low pay was criticised but others noted that it might be hypocritical for Westerners to claim 'best practice' in relation to investment in Africa. It would be necessary to judge China's own perspectives on Africa on their own terms.

China's involvement in Africa, in keeping with the tone of the second presentation, was also noted in the open discussions to be based on geo-strategic interests and interventions. For example, China's energy security concerns were directly linked to Chinese offers of support to infrastructure within sub-Saharan Africa. Moreover, China's external policy was said to only be understandable in the context of its competition with geo-political strategies of India and the US. China had 'stepped in' to Africa at a time when other global players had opted to 'step out'.

This was regarded by one participant as being a sensible response by China given that it would therefore face few confrontations in Africa with other powers. For instance, China would not wish to enter into the Middle East for energy resources for fear of antagonising the US and their monopoly over the region. It was also stressed in discussions that China is in fact not the number one oil consumer and thus its demand had to be seen in perspective vis-à-vis the demands of the rest of the world. China's relationship with Russia was said to be extremely significant for both countries in their mutual attempt to attain geo-strategic security. The link between oil security and geo-politics was not to be underestimated nor the fundamental potential of geo-political conflict over this key resource.

With regard to the 'fear' of a Chinese threat and of concerns about the rise of conflict it was further suggested that the anxieties about China reflected more about the West and its

priorities than it did about the Chinese state and its policy experiences. It seemed to some here that discussion of China and its 'aid' agenda was irrelevant if not in the context of the international picture, for example the relative US retreat from Africa as a sphere of influence.

The fact that the Angolan government had rejected a World Bank loan on the basis that it had already secured financial aid from the Chinese government was put forward as an example of how the question of aid and the question of geo-politics more generally had to be seen as interlinked rather than as discrete policy fields. Moreover, fears as to the rise of China in the modern context was said to have to be put into context of fears as to the spread of Communism in the 1960s. The phenomenon of growing anxiety as to the place of China in the international system was not new in this respect and had to be understood in historical context.

### **Open Discussion**

Many questions were raised from the participants following these presentations. The idea of China being a 'neoliberal' developer was raised and queried given the traditional understanding of 'neoliberalism' as entailing strict market features unimpeded by state planning which was seen to be irreconcilable with the reality of the Chinese experience. In addition, the issue of the 'contradictions' inherent within policy debates was noted. For example, the contradiction was noted between China's need for energy in order to maintain its security on the one hand with its need to enter into 'nasty', unstable oil-rich areas on the other. Or else the contradiction between the state's recognition of problems associated with rapid growth but its desire at the same time to maintain China's rapid economic boom. How would elites respond to and manage these tensions?

Another participant raised the question of 'big D' and 'little d' 'development' and the implication of the second presentation that China was somehow on a potential 'mission' within Africa. Was it the case that China sought to prove itself on the international stage by developing a part of the world that Western powers had failed to aid or was Chinese involvement in Africa better understood in terms of China's own domestic concerns about development and a non-altruistic desire to better China's own position?

In relation to this last question, the second presenter stated that China's involvement in Africa should be more appropriately understood as being about China's own development and China's own needs. For example, its relationship with Angola can be seen as centred on Chinese need for oil and energy. This could be contrasted with China's approach in the 1950s which was deemed to be more genuinely about philanthropy and South-South solidarity. Chinese involvement in the 1950s aimed to 'show up' the West and to illustrate the achievements that could be brought about by Chinese-African co-operation, for instance in construction of railways. In the 21<sup>st</sup> Century philanthropy was less of a concern.

With regards to the first issue of whether China constituted a 'neoliberal' model, the second presentation's characterisation of the state as such was emphasised as being tentative. What was most important was to illustrate the ways in which 'neoliberalism' could differ from space to space. China's economic vision was said here to have many parallels with neoliberal models although it was admitted that this might not be the most appropriate label. Yet in terms of China's emphasis on attracting foreign direct investment, its desire to strike the correct balance between the state and an effective market mechanism, and its 'going out' strategy involving Chinese corporations opening ventures overseas - there were many similarities between China and 'neoliberal' paradigms.

In addition, the state of the Chinese coal industry was discussed in detail. One participant noted that in relation to air pollution the Chinese situation today, although bad, was a vast improvement on what it had been even twenty years ago. In one city it was noted that the local authorities had made good progress in eliminating the threat to the city's air quality from slag heaps created from coal production. Innovative authorities had in fact used the heap as a source of materials for constructing paving slabs and had thus demonstrated the ways in which China could constructively respond to the environmental challenges of development.

Moreover, the price of coal was said to still be very high, with power cuts in the capital Beijing due to the high price of the commodity. The extraction process and the creation of mines in local, rural areas was also seen to provoking a backlash from ordinary citizens concerned with well-being and the environment, particularly in Tibet.

The dilemma of implementing meaningful reforms in favour of safety and environmental protection was also noted, particularly given the employment and revenue that the coal industry generated. Moral concerns as to 'black hearted coal' were important to recognise as bearing influence on researchers' study of the industry whereas local officials themselves, often paid in relation to GDP output of their locality, would be more resistant to demands to sacrifice production in efforts to increase safety and decrease pollution.

Another dilemma - that of the ordinary Chinese citizen who chose to work in the mine despite high fatality rates and dangers - was also highlighted in the discussions. Many mine workers chose to enter the industry in order to mitigate extreme poverty. Despite the high risks involved many obviously thus felt that they were better off working within the mine. Improvements to mining conditions would likely have to be made by reducing working times in order to spend more time on health and safety concerns and this was seen as potentially jeopardising the competitiveness of some mining operations. If this resulted in unemployment of workers whose livelihoods depend on the mining industry then this would be a potentially negative development.

Manipulation of regulations was also said to be a risk factor. For example, there had been incidences of murder in the mines in order for perpetrators to claim the compensation of the victim. Research would be necessary also, it was noted, to consider whether Chinese mining practices – and their subsequent poor health and safety records – were being exported to the African context or whether such operations outside of China would be more socially and ecologically responsible.

Another important point was raised as to the relationship between coal use and nuclear power. It was said that the rise of nuclear energy would not dent the use of coal due to the scale of the coal industry, mining operations and the long timetable that would be required for implementation of energy changeover. Nuclear power was also said to contain its own risks and thus would perhaps not be a more suitable source of energy particularly given the experience of the creation of China's first nuclear plant in a location that threatened Hong Kong's environment. In addition, it was suggested that China would have difficulty in sourcing the necessary uranium for any nuclear energy programme and would likely have to source the mineral from Australia.

On another issue, one participant asked the presenters to what extent they thought China was constrained in its development choices by its engagement with the World Trade Organisation (WTO). In response, it was suggested that China was not being seriously constrained by the WTO and that, on the contrary, the country had been classified by

Western states as 'rogue' in the sense that it had actively failed to engage with international institutions involved in global 'development'.

However, at the same time it was seen as very important to note that the Western community's expectations that China join the mainstream of 'development' interventions was highly problematic and that Chinese involvement in places like Sudan would likely continue. Although China at times demonstrated a growing willingness to engage the international community this would be tempered by Chinese calculations as to the political costs of going down such a route.

In relation to the question of Chinese practices in Africa, moreover, the case of Chinese investment in the Angolan construction industry was discussed. Angola had traditionally seen high levels of investment from Portugal as the former colonial power but now had in more recent times seen Chinese firms overtake Portuguese business in terms of investment. China's use of its own labour supply and low pay was criticised but others noted that it might be hypocritical for Westerners to claim 'best practice' in relation to investment in Africa. It would be necessary to judge China's own perspectives on Africa on their own terms.

China's involvement in Africa, in keeping with the tone of the second presentation, was also noted in the open discussions to be based on geo-strategic interests and interventions. For example, China's energy security concerns were directly linked to Chinese offers of support to infrastructure within sub-Saharan Africa. Moreover, China's external policy was said to only be understandable in the context of its competition with geo-political strategies of India and the US. China had 'stepped in' to Africa at a time when other global players had opted to 'step out'.

This was regarded by one participant as being a sensible response by China given that it would therefore face few confrontations in Africa with other powers. For instance, China would not wish to enter into the Middle East for energy resources for fear of antagonising the US and their monopoly over the region. It was also stressed in discussions that China is in fact not the number one oil consumer and thus its demand had to be seen in perspective vis-à-vis the demands of the rest of the world. China's relationship with Russia was said to be extremely significant for both countries in their mutual attempt to attain geo-strategic security. The link between oil security and geo-politics was not to be underestimated nor the fundamental potential of geo-political conflict over this key resource.

With regard to the 'fear' of a Chinese threat and of concerns about the rise of conflict it was further suggested that the anxieties about China reflected more about the West and its priorities than it did about the Chinese state and its policy experiences. It seemed to some here that discussion of China and its 'aid' agenda was irrelevant if not in the context of the international picture, for example the relative US retreat from Africa as a sphere of influence.

The fact that the Angolan government had rejected a World Bank loan on the basis that it had already secured financial aid from the Chinese government was put forward as an example of how the question of aid and the question of geo-politics more generally had to be seen as interlinked rather than as discrete policy fields. Moreover, fears as to the rise of China in the modern context was said to have to be put into context of fears as to the spread of Communism in the 1960s. The phenomenon of growing anxiety as to the place of China in the international system was not new in this respect and had to be understood in historical context.

#### **Session 4: 16:00 – 17:30 China and the future of global development**

Chair: Xiaobing Wang

Presentations:

John Humphrey (Institute of Development Studies) – ‘Managing the challenge to development policy of the “poor but powerful” countries’

Khalid Nadvi (The University of Manchester) – ‘China and the changing contours of Globalization’

#### **‘Managing the challenge to development policy of the “poor but powerful” countries’, John Humphrey**

John Humphrey’s basic argument was that China and India are countries that may be characterised as ‘poor but powerful’ with regard to development policy, creating particular problems for how Western countries and Western development agencies interact with them. ‘Poor but powerful’, on the one hand, implies that they are increasingly influential in the global economy and in global politics; they are needed by Western countries to deliver and help to deliver on development promises and that their might is increasing. On the other hand, given these rising expectations, it also poses problems, expectations about China and India from other developing countries may not necessarily be met. China and India are poor, especially in regional terms, and are faced with significant internal problems with respect to their reduction of poverty. At the same time, countries in the world want to treat them as great powers and they want to be treated as such, and it was argued that this is problematic.

China and India, it was pointed out, are not the only rising powers in the world. Russia, for instance, presents an interesting case from a development studies perspective, as it cannot be classified according to traditional schemas. However, China is a very significant actor in the global political economy and one that illustrates the ‘poor but powerful’ argument (although these arguments may also apply to India). In development studies and practice, the world is neatly divided, it was argued, into halves: north and south, donor and recipient, and developed and developing. China challenges those distinctions as they are not rich but also not recipients of foreign aid. Simon Maxwell’s distinction between the ‘20 percent club’ and the ‘0.2 percent club’ was cited and draws out an important point with regard to China. The ‘20 percent club’ are poor countries, such as several in Sub-Saharan Africa, who receive aid equivalent to 20 percent of government expenditure or 20 percent of gross domestic product (GDP). The 0.2 percent club are the countries who receive aid at less than 0.2 percent of their GDP. China and India, which fall into the 0.2 percent category, aid is insignificant compared with government expenditure and GDP.

For development agencies, financing 20 percent of the country’s GDP in aid, grants them a lot of power. John argued that to whatever lengths such agencies discuss ‘ownership’ and the ‘country voice’ and so forth, the fact remains that Western development agencies have their priorities, which are pursued with calculated self-interest. As such, countries dependent on foreign aid put development agencies in both comfortable and powerful positions. With countries such as China (and India), that sort of leverage is not available to donors. Donors, it was argued, justify aid in terms of philanthropy both to their

governments and to their recipients. This separates it, rhetorically, from geopolitical and economic interests: aid is separate from trade, it is separate from investment and it is separate from financial interests. However, the philanthropic argument behind aid breaks down when confronted with countries that may be a threat. For instance, money can be allocated for aid to Sierra Leone, without it threatening the British economy. The same cannot be said if aid were to go to China. Therefore, there is an uneasy relationship with China, as a developing country.

The next point related to China and India in their newfound roles as donor countries. India, as an example has been very frank about its interests. With regard to its recent development policy on Africa, it clearly outlines its needs for resources. However, India, unlike China, receives less criticism as it is a democracy. These countries, it was argued, are challenges to Western development policy. This is the case not only because the West cannot control them through aid but also because these rising powers, of which China is probably the most important, are increasingly capable of setting their own aid agendas. Their increasing economic power means that they can implement some of those aid agendas, although in absolute terms China's aid to Africa is currently very small. As China presents itself as a 'developing country', through a discourse of not being a dominant imperialist power, it undermines some of this ideology of Western aid. However, in practice, Chinese aid does come with conditions (such as recognition of Taiwan as part of China). Furthermore, through its economic success, China has positioned itself as a leader among developing countries, that 'see the future' in the cities of China's eastern coast.

The presentation argued that the West has approached this situation with a 'taming approach' towards China (which is considered to not be very fruitful). The West, and its development agencies consider China as a form of rogue state, 'behaving badly in the world'. On issues of trade and development, it has refused to leave the G77. On issues of climate change, as the world's largest greenhouse gas emitter, it is not moving on climate change policies. This then leads to the contradictions of the 'poor but powerful'. For China, international development is not its main concern; it is more focussed on maintaining territorial integrity. Furthermore, its main focus is on sustaining rapid economic growth, thereby ignoring policies that undermine its economic expansion.

Therefore, the problem with the poor but powerful countries, it was argued, is the way we look at them and the way they look at themselves. John used the following analogy, taken from a Demos pamphlet on innovation in Asia, based on a hall of mirrors concept. In a hall of mirrors, one goes in and looks fat, thin, tall or small, depending on one's viewing angle. The poor but powerful can be viewed in the same way. If one tries to address whether or not China has massive innovation capacity, one could look at the number of PhD graduates, and conclude, yes. However, if one examines the number of PhD graduates per million of population, one would conclude, no. So, how may China's development and its capacity be viewed? Is China responsible for global greenhouse gas emissions? Yes, it's the largest emitter in the world. However, per capita, it is about 1/8<sup>th</sup> that of the US. Therefore, depending on how China is viewed, a different perspective will be attained. Since we, as researchers, want to look at these issues simultaneously, it was argued, one can conclude that China is poor, that it does not have greenhouse gas emissions per capita and that emissions standards should not apply. However, when examined in the aggregate, it is the largest greenhouse gas emitter in the world at the moment; and with 35 percent of all incremental greenhouse gases emissions between now and 2030, one cannot argue that China is poor and that no action is necessary. It is this conundrum that constantly undermines the relationship between China and the West.

The presentation then made the point that to try and overcome this conundrum, not only for development but also for the broader relationships between the West and China, a shift in attitude needs to take place. This means building relationships where both can learn from each other. There is much to learn from China about development, and much that China will learn about development from the West as well. Many Chinese projects in Africa, from a Western perspective may go wrong. Policymakers in Beijing know this because they know of many projects within China that they implemented that went wrong as well. The Chinese, it was argued, are not omniscient, so they learn by their mistakes, and they learn from their successes. However the Chinese are probably much better at learning from their successes than many other countries. The point that they may come to understand that dealing with African countries in particular is extremely problematic, given that the African countries have their own agendas, know how to manipulate donors and know how to do it rather well. Chinese involvement in the Sudan is part of understanding just how difficult it is to deal with African countries; they are not pliant and they are not just victims of powerful countries. Development in Africa is complex, and China may fall foul of a number of these complexities over the years. Therefore, they have much to learn about development and managing the contradictions that it entails.

With regard to managing the development relationship between the West and China, it was argued that changes in structures are required. Many development agencies have offices in African countries, with many people on the ground. The West does not really want to do that with China anymore due to projects closing down. It's also happening in India. The Swiss Agency for Development and Cooperation (SDC), it was pointed out, has agreed to a significant transformation with the Swiss government: from 2010 it will have no more aid projects in China. It will have a series of strategic collaborations with India, around key issues like climate change, technology, and so forth. Another model for a relationship would be to treat China as another industrialised country (such as the US), with an embassy and bilateral relationships between ministries. For instance, there is no DFID office in Washington, and if there was, it would be there because of the World Bank and the IMF. China and India are powerful, it was argued, and perhaps the West should relate them as other world powers. There is still a good degree of scope for collaboration, possibly more at the level of the EU rather than at the level of the UK, which requires a presence in Beijing, particularly around technology transfer. John pointed out that there are many issues where China may welcome support to address social problems and technology problems, for instance, where European governments have some role to play in engaging with China over those issues.

The final point related to the fact that the West does not know how to engage with the Chinese. We do feel that the only way you can engage with the Chinese government across a range of issues is to have a presence in Beijing and to talk through issues, to work with the think tanks that are so close to the government. Actually it just needs a lot more people on the ground interacting if we want to have any real kind of dialogue and any influence and any understanding so that we can learn from the Chinese as well. And therefore for that reason I do think we probably need a bigger presence, a more structured presence, not just through the embassy in Beijing, than we do in Washington. Whether that should be led by a development agency is another matter, and that's precisely the issue which DFID are struggling with at the moment. And the House of Commons Select Committee on Development is having a... one of its inquiries at the moment is precisely on what DFID should be doing with respect to China. So I think there are some really interesting

challenges for development and development projects and development agencies arising from the specificity of the position of these rising powers like China and India.

### **‘China and the changing contours of Globalization’, Khalid Nadvi**

The topic of this presentation regarded what Khalid called ‘changing contours of globalisation’ that are being brought on by China. Several years ago, at IDS, Khalid and others began discussions on the ‘Asian drivers’ of globalisation, of which China is the most powerful element in this narrative (but not the sole ‘driver’ in this process). The discussion centred on three themes: the geographies of production, the process of rule-making (and how standards affect the ways in which production behaviours are governed) and the manner in which the challenges that these processes then bring up in terms of our understanding of development studies, or as students of development in the early 21<sup>st</sup> century. China’s rapid economic expansion, it was argued, is significant for several reasons. These may be summarised in terms of three ‘S’s: scale, speed and the severity of impact.

For several years, the severity of China’s impact has been the focus of concern as China has the potential to affect development in the rest of the world in both positive and negative ways. This, it was argued, marks an important moment in history. In order to illustrate this, Jeff Henderson’s metaphor of moments as ‘hinges’ was invoked. Hinges operate, in essence, as they would in a door. A door can swing open but it can also swing back. And the point about hinges in terms of that metaphor, in terms of historic moments, is useful because it shows that these changes are not unidirectional; they are conflictual. They are being worked out and they can move in different directions. Furthermore, these moments are surrounded by many tensions, which are apparent in terms of the geography of global production. In this regard, one of the points that become apparent when observing the global value chain or the global production network literature, is the importance of China as the power of production in the world over the last two decades. This may be seen in labour-intensive sectors and in capital-intensive sectors, particularly in sectors like electronics and so on. One of the questions that the changing shift of global production is raising is, ‘what does it mean in terms of other actors that want to engage in global production and how can they negotiate spaces with China?’ One of the interesting stories about China’s role in this global production network, the presentation discussed, is that China is not just a producer of finished products, but that it sources a whole series of components from within the region and assembles them together. Thus, it is a very integrated production system and one that is also quite dynamic.

Some of the interesting features of this form of production, it was pointed out, are the challenges and opportunities this brings to other countries in the region, which are engaged in this integrated production network, yet also compete with China in domestic and world markets. Also, one of the elements of change in global production involves what happens as China moves up the value chain. This issue revolves around a number of questions and debates: has China exhausted its reserve army of labour? Is Chinese capital going to move north and west? And, over the next decade, is China going to systematically move out of very labour-intensive manufacturing and into move capital-intensive and more knowledge-intensive sectors? With regard to the latter point, it was argued that patterns of both will become evident. In this way, challenges and opportunities will arise for developing countries in the region. Thus, this raises questions for how the economies of the Asian countries will reconfigure themselves in response to these challenges and opportunities and

with respect to high-value economic activity. Recent research on this issue has challenged the notions that countries such as Thailand and Malaysia, in the context of the automotive and electronics industries, will be able to compete with China as it moves up the value chain. The conclusion that may be drawn from such research is that policy makers in such countries should invest and focus country resources on the agro-processing sector in order to satisfy the demand for agro-products and minerals that China needs, rather than competing with China on its exports.

Such processes and shifting patterns of global production, the presentation argued, affects the contours of globalisation and puts pressure on producers in the region in sectors such as electronics and automotive components. In this regard, it was argued, there are also interesting points that are drawn out from examining the garments industry. Despite the dominance of China in this industry, countries such as Bangladesh, Cambodia and Pakistan, which are facing challenges, have seen their market shares increase in garment manufacture. This means that China, whilst dominant, will not continue to expand its production of garments at the same accelerated pace as in the past. This presents opportunities for growth in this sector for countries in the Asian-South Asian region (but probably not so for many of the countries of sub-Saharan Africa).

The presentation also elaborated on the rules of trade, with regard to the changing contours of globalisation with respect to China. Khalid's current research is looking at production in the global sporting goods industry, focussing on three countries: Pakistan, India and China. From interviews with buyers and brand merchandisers (at companies like Nike, Adidas, Umbro and so forth), there is an observable phenomenon occurring with regard to labour standards. When sourcing such goods from Pakistan and India, there is significant concern from these companies over compliance with labour standards, in addition to concern over price and delivery. However, when those goods are sourced from China, they are less relevant despite world recognition of its poor labour standards. This is also the case with regard to international NGOs; they put much more pressure on the economies of South Asia with regard to labour standards than they do on China. It was argued that such a phenomenon unveils China's power with regard to not allowing external intervention in its production practices. One could argue, it was pointed out, that labour conditions in China are good and this sort of intervention is not necessary. Whilst this may be the case in some of the state-owned enterprises, it is by no means the case in general. The issue of labour standards with regard to China will be interesting to observe as it moves up the value chain and focuses on more high-technology oriented production. Such forms of production not only require a more highly skilled and trained labour force, they also require more formal systems of production of which labour standards are part and parcel. Thus, as China moves up the value chain, pressures around labour standards are argued to decline. Furthermore, there appears to be an emergence of a presence of civil society in China putting pressure on issues such as labour standards. Therefore, there exists an important tension with regard to labour that surround this "hinge point" in China's economic progress.

From this, the presentation moved on to its final point about what these predicaments imply for the study of development. Khalid proposed that three points were relevant in this regard. The first is that China's impact on globalisation reinforces the notion that growth matters. China's experience has shown that economic growth is fundamental to developmental processes and poverty alleviation. It has also shown that perhaps, it was argued, we must re-engage and re-interpret the early modernisation literature on development, particularly the Lewis model of development. What China and India have

experienced with respect to growth, is high rates of savings. Thus, whether from a modernisation perspective or a Marxist perspective, capital accumulation is a key factor of economic growth, which is necessary for development. However, China's growth also brings up environmental challenges, and with respect to development, the question is raised on how China may grow and still maintain low carbon emissions. The second point relevant to this discussion was on the importance of transportation and communication. As Raphael Kaplinsky argued in the first session of this workshop, transport and communication are fundamental to globalisation. In this regard, the presentation argued that India's rapid growth might be attributed to its investment in communications infrastructure. Therefore, it is important that the role of infrastructure is highlighted, as energy matters and the delivery of water matters, for instance, in facilitating developmental processes. Khalid pointed to recent fieldwork he had conducted in Pakistan where various entrepreneurs argued that it was very difficult to compete with the series of power outages they experience on a daily basis. Thus every factory maintains a set of generators to compensate, making production relatively inefficient.

The third point about China's growth that is relevant to development studies centres on debate on the role of the state in development. As Sarah Cook has argued earlier in the workshop, China does not exhibit the typical characteristics of the East Asian developmental state. Indeed, it was argued, that this form of centralisation is difficult given China's scale. Khalid argued that comparative work with India might be necessary to bring out certain relevant features of the state model necessary for economic growth. India, it was pointed out, has a growing presence of civil society and has maintained relative stability despite changes in government. Thus, the cases of India and China raise the question that perhaps it is not state autocracy, and the power associated with this form of state, but political stability that matters for economic growth – something that may be difficult for other developing countries to manage.

## **Discussion**

The first set of discussions focussed on the nature of China as both an 'omnipotent' and 'powerful' state and one that marginalised, or seen as the 'other' from an Orientalist perspective. In response to this, it was argued that power is not concentrated in China but in a wider geographical space in Asia, encompassing India, for instance. However, in this context, China is seen as the most powerful country given its scale. This notion of power, though, does not relate to any notion of 'omnipotence', it was argued, but to China's ability to raise challenges for other developing countries in the world – such as how production networks are being formed and how trade rules are being shaped. Another response to this point raised the question of what is meant by 'powerful' in China's case. Whilst, China is the largest of the economies in the region, this does not necessarily equate to it being the most competitive, as the relationship between economic scale and competitiveness is not firmly established. Thus, the tendency to attribute political might to China in the world related to the scale of its economic growth and its investment in the region is perhaps exaggerated. It could perhaps be argued, as China's FDI comes mainly from its region (Taiwan, South Korea, and so forth), that perhaps that the source of economic power emanates from these countries instead.

The discussion then moved to the participant, where the topic of China as an international actor was raised. It was argued that perhaps the presentations portrayed China as an international actor using models conceived of by the study of Western cases (the US, the UK and so forth). It was argued that there is another side to China that is omitted in these debates: China's strong nationalist side. Therefore, China in some ways may be a different type of actor due to its form of political organisation and its narrow form of nationalism. The response to this was that indeed, this issue is often not adequately taken into account, either with regard to development within China or in the way that it organises production elsewhere (factories in Africa, for instance). However, it was proposed that China's integration into the world, not only through trade but also through the participation in the flow of people and ideas, may change China internally. However, it was pointed out (although anecdotally), that within China, intransigence continues to exist with regard to its adoption of Western practices and values (culture, language, and so forth). However, the response from other participants on this point was that this sort of change is occurring, however gradually and only with regard to the younger generation of Chinese citizens, particularly with respect to the issue of Tibet (to illustrate the point). Debate however, ensued, on the nature of Chinese nationalism, whether that is beneficial for development and international affairs, and whether or not there is any prospect for this to change within China.

In addition, the discussion also involved two points related to the lesson that the Chinese experience has for development studies. The point was made that the return to sets of debates in development studies, depends on the story that researchers want to tell about the emergence of China. If the lessons drawn from China are about the state, about the particular combination of state and economy, then there is one set of implications. However, it was argued, if this is essentially a story about global capitalism, where the focus should not be China but those parts of China where transnational capital lands and establishes a new spatial configuration for global manufacturing processes, then the implications are different and require a different body of theory to be returned to. The question this raises, therefore is whether the focus should be on China or global capitalism and the changing way that China is integrated into the world order. Furthermore, for many, it was pointed out, the Chinese lessons about development may not be considered particularly auspicious: rejection of environmental standards, labour standards, and the rejection of other aspects of this 'Western' agenda. Many of the lessons, then, are negative for the rest of the world – that is, that developing countries when learning from the Chinese experience were right to resist the imposition of standards. This raises questions, therefore, as to whether the lesson for development studies is that the Chinese development model leads to a social and environmental race to the bottom. The point that was made in the discussion that followed from these questions is that perhaps China should be regarded as being part and parcel of the process of global capitalism, not just as a locus of production under the influence of global capital. China should instead be regarded, it was argued, as a key actor in global capitalism whether at the level of the state or of the firm. Recent evidence was cited that shows that Chinese firms are beginning to play the role of dominant actors in the organisation of global value chains in, for instance, consumer durables and electronics.

The point was also raised regarding how regionalism in Asia is conceived of in the 'Asian drivers' model. The question centred on how Asia fits within global restructuring/globalisation processes, where it begins and where it ends and how China fits into this process (is it at the centre of the Asian drivers phenomenon or is it balanced with India?). From a Chinese perspective, it was pointed out, there is no concept of there being

one Chinese region; the Chinese instead divide themselves between western, central and eastern regions. Furthermore, for provinces in the north, Russia is much more relevant in their affairs than India, for instance, and Japan is considered much more of a competitor in economic affairs. The response was that it was felt that China was very much at the centre of the Asian drivers phenomenon

## **Participants**

Elena Barabantseva (Manchester)

Stephen Buzdugan (Manchester)

Noel Castree (Manchester)

Sarah Cook (IDS)

Chris Courtney (Manchester)

David S.G. Goodman (University of Technology, Sydney)

John Humphrey (IDS)

Yohanes Kadarusman (Manchester)

Raphael Kaplinsky (Open University)

Hongyi Lai (Nottingham)

Mark Langan (Manchester)

Michael Lenihan (Warwick)

Giles Mohan (Open University)

Khalid Nadvi (Manchester)

Astrid Nordin (Manchester)

Nicola Phillips (Manchester)

Christian Ploberger (Birmingham)

Marcus Power (Durham)

Hui Qian (Manchester)

Sacha Rawlence (Edinburgh Management School)

Shogo Suzuki (Manchester)

Oliver Turner (Manchester)

Bernard Walters (Manchester)

Xiaobing Wang (Manchester)

Yuanyuan Wang (Manchester)

Tim Wright (Sheffield)

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Yin-fang Zhang (Manchester)

Kai Zhou (Manchester)