

The Chinese Development Model and The Multi-Polar World. Exploring the Possibility of Other Countries Adapting and Adopting This Model

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Abstract: The development results achieved by China in the past 30 years are so impressive and evident that they can be neither ignored nor denied. As a result, in many developing and even developed countries there is an interest for understanding what are the characteristics of the Chinese development model, whether there are any prerequisites and what are the costs. The paper analyzes the merits of this model and particularly its effectiveness in achieving tangible results in the development process and particularly in moving from quantitative to qualitative results. The conclusion is that particularly for the developing countries the Chinese development model may become more attractive towards the middle of the 21st century.

Key words: economic growth, economic development, development model, Chinese development model, sustainable development, state capitalism

JEL classification: B55, E20, F02, F63

1. The Chinese development model in the context of a changing global economy

Researchers and geopolitical experts had discussed about globalization and the disappearance of distances for many decades but globalization became a reality, something that affects countries, firms and individuals in one way or another, starting with the 1990s and especially after 2000. One may say that today's global economy is characterized by **two intrinsic aspects: the ever-increasing interconnectedness and the changing of hierarchies.**

Both characteristics are dynamic and they define at least for the moment a transition period that may last until 2040-2050. During this transition period some institutions and rules of the game defined more than 70 years ago in the Bretton Woods era coexist with certain new approaches required by new realities. History proves once again that it is not linear in its evolution: the world is not going towards the end of history and towards an universal model of market economy and liberal democracy (as they are defined today in the Western world) but rather towards diversity based on local, historical, cultural, spiritual and political realities. The first characteristic mentioned above, **the ever-increasing interconnectedness**, has been possible because of the enormous improvements in transport and communication made possible by technological and scientific advances as well as because many obstacles related to international trade and investment flows were removed. Some people speculated that this increasing interconnectedness would lead to an ever more integrated global economy, to a universal acceptance of multilateral regulations and institutions and to the emergence of large economic integration areas, such as the now rejected Transatlantic Trade and Investment Partnership (TTIP) and Transpacific Partnership (TPP).

In today's world this interconnectedness did not disappear but one can remark a certain return to bilateral trade and investment negotiations (at least among significant actors), a return to approaches based on national interest and the acceptance that existing institutions and rules have to be adapted, changed or even replaced by new ones.

The second characteristic, **the changing of hierarchies**, mainly refers to the change in the economic development of countries/national economies but includes much more than the economic side, other dimensions being scientific research, military power, culture and the attractiveness of a certain economic, social and political model for other countries.

A very concise demonstration of the changing of hierarchies and emergence of a multi-polar world between 1995 and 2040 can be provided by the comparison of two groups of countries (PwC, 2017):

- **The G7 group** consisting of: Canada, France, Germany, Italy, Japan, the United Kingdom, and the United States;
- **The E7 group** consisting of: China, India, Brazil, Mexico, Russia, Indonesia and Turkey.

In 1995, the E7 group had a Gross Domestic Product expressed at Purchasing Power Parity of only 50% of the G7 group.

In 2015, the E7 group had almost the same Gross Domestic Product expressed at Purchasing Power Parity as the G7 group.

In 2040, it is forecasted that the E7 group will have a Gross Domestic Product expressed at Purchasing Power Parity 2 times larger than that of the G7 group.

Some may argue that Gross Domestic Product is an imperfect economic indicator (which in fact is absolutely true) but at the same time it still can be a good proxy for the ranking of global economic powers. Another argument for sustaining this shift in the global balance of economic power is the fact that in the long run the economic power of countries and regions tends to be correlated with their demographics as long as there are no particularly adverse conditions, such as ageing or effects of inherited wealth on inequality (Brands, 2019; Piketty, 2014).

It is in this context of increased interconnectedness among the players in the world economy and of gradual changing of hierarchies that the impressive economic development results obtained by China over the last 40 years have become more and more of interest for those countries that may consider China as a model as well as for those countries that may consider China a competitor or even an adversary (Walt, 2019).

2. A fresh look at the Chinese development model

While everybody agrees that China has had a phenomenal economic development over the past 40 years, there are voices that contest the accuracy of Chinese statistics (albeit not their essence), others that define the Chinese model as authoritarian state capitalism and still others that say that it is difficult to define the Chinese model and the more so to imitate it.

In this paper we propose a look at the Chinese model from the perspective of **two ideas** (1 - the 4th industrial revolution and large scale implementation of AI that may allow centralized systems to work better than distributed systems; and 2 - the importance of national identity and dignity) derived from **two books** (1 - Yuval Noah Harari: *21 Lessons for the 21 Century*; and 2 - Francis Fukuyama: *Identity: The Demand for Dignity and the Politics of Resentment*).

Yuval Harari's analysis is important because he questions the assumption that under all conditions and circumstances distributed systems (that is market economies) work better than centralized systems (Harari, 2018). Basically, his answer is that it depends on many circumstances deriving from technology, economics and politics factors. His hypothesis is that a centralized system may be more efficient and effective nowadays and in the forthcoming future because of the power of machine learning, big data algorithms and artificial intelligence that are available now.

As for the second author, Francis Fukuyama, his importance for this analysis is twofold: first because three decades ago he launched the idea of the end of history in the sense of an universal acceptance of market economy and liberal democracy principles (Fukuyama, 1989) while now he accepts and argues in favor of diversity; and second because he recognizes that the world cannot be explained only in terms of individuals but rather in terms of groups, societies and nations that have a national identity and a need for dignity (Fukuyama, 2018). It is interesting to note that the remarks of Francis Fukuyama in fact reiterate the position of Aristotle who wrote in the 4th century BC that "that man is by nature a political animal" (Aristotle, 1885).

In the following parts we attempt to answer a number of questions relevant for the Chinese development model and the possibility of other countries adapting and adopting this model.

3. Why China represents an outstanding development model?

The starting point when answering this question is the fact that in 40 years (1978-2018) China managed to pass from a low development level to a high development level as a national economy but also for a vast majority of its huge population. As Jim Yong Kim, the President of the World Bank stated: "Starting in 1990 with the evolution of the Chinese economic system and its embrace of the global market China has lifted over 800 million out of poverty ... This is one of the great stories in human history ..." (Business Standard, 2017).

Another fact, difficult to be accepted from the point of view of a market economy which is intrinsically characterized by a succession of periods of expansion and contraction, China has avoided recession for the past 25 years (Noah, 2018). During this quarter-century period the Chinese economy never had an annual growth rate lower than 6%.

What is remarkable is the fact that in the pursuit of its development China had not simply applied the models of the Western developed countries but rather designed an original approach that combines state intervention and market mechanisms with a fast implementation of information technologies and the use of artificial intelligence. From this perspective China has already proved that it can be an innovation leader, especially in the field of new technologies, such as AI and robotics.

But the Chinese development model is not limited to China. This model has also a much broader component, with a regional and even global perspective, namely the Chinese “Belt and Road” initiative which proposes a large scale/global approach to development, based on a universally accepted idea: infrastructure is fundamental for development.

While these four aspects are not describing the whole Chinese development model, they are more than enough to stir the interest of many developing countries and, to a certain extent, even of developed countries.

3.1. A personal view on the characteristics of the Chinese development model

Taking into account the evolution of the Chinese economy and society over the past 40 years as well as the current official plans of the Chinese government, some characteristics can be identified:

- Prioritization of the society over the individual specific to the Chinese authorities. This approach takes into account the power of the many and the capitalization of individual potential. The specific challenge for the Chinese authorities has been how to create a synergy among the small inputs generated by a very large population.
- Prioritization of long-term goals over short-term goals. This approach can be also described as the art of patience.
- Prioritization of the national/cultural identity over universalism. This approach recognizes that a coherent entity is stronger than a divided one, even if this may lead to some social and environmental costs.
- Flexibility and determination.
- Unity of command and efficient delegation of decision.

These characteristics have been identified based on a personal perception and analysis and they do not imply in any way that the Chinese model is perfect, recommendable for all circumstances or that the model will remain successful forever. Based on these characteristics one may conclude that the Chinese model has performed well for the past 40 years, with clear social, political, demographical, environmental costs and that it seems able to perform in a successful manner for the coming decades, towards 2030-2040.

3.2. Important characteristics of the Chinese approach to development and globalization

As world economy is characterized by globalization, no country can avoid adopting a certain position vis-à-vis this phenomenon. Also from this perspective, one can identify some specific Chinese characteristics.

The Western world tries to convince that there is a universal path to modernization, based on market economy and liberal democracy.

China, on the other hand, is not interested in changing other people’s minds about their own systems and this approach appears to be favored by the leaders of many developing countries in Africa and Asia. More and more Western officials have stated that the main confrontation in today’s world is moving from economic results or even military capabilities towards a confrontation of models which is primarily an ideological confrontation.

An analyst from King’s College in London remarked in this respect: “If China succeeds in creating a future with no political reform but a fully modernized economy, then theories of development will need to be rewritten” (Brown, 2018).

3.3. The Chinese development model and the role of the state in development

A specific characteristic of the Chinese development model is that the state has played a significant role. However, the role of state in achieving economic and social development is not a unique Chinese characteristic.

The state also played an important role in development in, Japan; South Korea, Singapore, in South East Asia in development of automotive industry. Specifically, the state also played a significant role in the Germany's development (Ralf, 2009).

At the same time one can note that in the period after World War II the state also played an important role in developed countries in the military sector and research and development.

3.4. The Chinese model - What can be adapted and adopted by other countries?

In its current form of manifestation, the Chinese experience/model may interest primarily the developing countries in Asia, Africa and Latin America. In this regard, at least in the official statements, China is not promoting its model but rather offers a choice to states that seek to develop rapidly.

If one tries to make a comparison with the post 1990 period and the position of Western countries regarding transition in Central and Eastern Europe we can say that there is no "Beijing Consensus" (a clear recipe to be followed) as an alternative to the Washington Consensus.

At the same time, it is also clear that even China did not start 40 years ago with a clear blueprint but rather applied the principle "cross the river by feeling the stones", that is beginning with small steps and adapting permanently to the internal and international realities.

The Chinese approach to development is based on the idea that growth models applied in developing economies should be different from those in the developed countries.

In retrospect, the Chinese development model had some elements that can be used in a specific manner by other countries. Among them:

- Some ingredients for the success of the Chinese model: a highly literate population as well as a vast market;
- Certain essential steps in the modernization process: adoption of market oriented reforms and the welcoming of globalization (with focus on trade and foreign direct investment flows, first inward flows, then outward flows as well); development of infrastructure; great focus on research and development; early adoption and huge state support for development of artificial intelligence, robots and the digital economy;
- The market is regarded as a tool that can be used by all countries;
- The role of science and technology is fundamental for long-term development;
- The recognition of the need to deal with pollution and problems related to urbanization.

While the above aspects and elements do not represent a development model as such, they do represent elements of a development approach that has been successful in a country that started with a relatively low level of development and bearing the responsibility of a population of more than a billion people.

4. Conclusions

Global economy is passing through a period of multiple changes determined by quantitative accumulations from the previous decades, but also by technological and scientific discoveries that redefine all human activities. These changes are reflected more and more in a multi-polar structure of world economy, in which United States remain the prominent power but much less "the indispensable nation" envisaged by Madeleine Albright (Bacevich, 2019).

Therefore, world order is in the process of redefining and restructuring which create numerous opportunities but also numerous challenges, perhaps much more difficult than ever before, while the risk of conflicts, even among former allies, is increasing.

In this context, the states reaffirm themselves as key players in the global arena and, as result, countries big and small are involved in negotiations according to their power and diplomatic skills. International institutions such as the International Monetary Fund or the World Trade Organization seem to be less important and bilateral negotiations are more frequently involved. Under such circumstances, clarity, long-term coherence and unity of command are essential for any country that wants to maximize its potential.

At the same time, development requires focusing on existing resources as well as a sequencing of goals because no country has enough resources to do everything at once. And based on historical experience all types of

infrastructure, human resources, education and scientific research should be placed at the top the development agenda.

Speaking about development, two sides of the same coin emerge: on the one hand, sustainable development requires the design of specific solutions for each country. On the other hand, global sustainable development requires the collaboration of all countries on topics such as climate change, avoidance of military conflicts, inequality.

Taking into account all these aspects, perhaps the most important lesson from the Chinese experience over the past 40 years is to embrace the long-term perspective rather than the immediate success and to secure coherence and unity of action.

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