

China and the Beijing Consensus: An Alternative Model for Development

Student Pulse Academic Journal

By Dustin R. Turin

INTRODUCTION

In the period since 1989, when economist John Williamson first conceived of the economic and policy recommendations known as the *Washington Consensus* (Williamson, 1989), this Consensus became generally accepted as the most effective model by which developing nations¹ could spur growth. Embracing ideals of free-market capitalism, which included open trade policies, privatization, and deregulation, the Washington Consensus provided a prescription for development in the Third World. Nevertheless, implementations of the Washington Consensus have had decidedly mixed results: as Serra and Stiglitz contend (Harris, 2008), the Consensus led to multiple currency crises, stagnation, and recession during the financial turmoil of the 1990s and may ultimately have led to the collapse of several nations' economic systems. The most recent and more severe financial crisis, which began in late 2007 and is still running its course, has further eroded confidence in the Western, neoliberal economic model.

Recently a new strategy has begun to surface, defined in contrast to the Washington Consensus as the *Beijing Consensus*; and indeed, the Beijing Consensus has little in common with Washington's model. Instead of prescribing rigid recommendations for the problems of distant nations, the Beijing Consensus is pragmatic—much like China in the post-1979 world—and recognizes the need for flexibility in solving multifarious problems. It is inherently focused on innovation, while simultaneously emphasizing ideals such as equitable development and a "Peaceful Rise" (Ramo, 2004: 4-5). The Chinese model—informal as it may be—is quickly gaining appeal within the developing world and influencing a reassessment of Washington's antiquated policies. In short, the Beijing Consensus uses China as an alternative model for development in the

¹ The terms *developing nations*, *Third World*, *developing world*, and *developing countries* are used synonymously throughout this paper to avoid repetition.

Third World, and serves as a bellwether to the future of Western dominated development priorities.

BASIS FOR COMPARISON: THE WASHINGTON CONSENSUS IN BRIEF

The Washington Consensus (WAC) is at its core based around ten policy recommendations. The recommendations are as follows: (1) Fiscal Discipline; (2) Restructuring Public/Social Expenditure Priorities; (3) Tax Reform; (4) Liberalizing Interest Rates; (5) Competitive Exchange Rates; (6) Trade Liberalization; (7) Liberalization of Inward Foreign Direct Investment; (8) Privatization; (9) Deregulation; and, (10) Property Rights (Williamson, 2004: 3-4). These principles—in particular those regarding liberalization, privatization, and deregulation—are closely associated with the neoliberal ideology, or “market fundamentalism,” which espouses free-market capitalism as its core tenet (Serra and Stiglitz: 3). However, regardless of the true value of the economic policies the WAC suggests, Williamson—the man who coined the term—has come to the following concession: “[The WAC] has been interpreted to mean bashing the state, a new imperialism, the creation of a laissez-faire global economy, [or] that the only thing that matters is the growth of GDP” (Williamson, 2004: 6). Disdain towards WAC policies has been most pronounced within the developing world, where it was felt that the Consensus was simply a new way for the developed North to take advantage of the developing South.

In fact, much of the WAC’s criticism can be linked to the adoption of its principles by the world’s leading economic institutions in Washington, D.C., such as the International Monetary Fund (IMF) and the World Bank (Serra and Stiglitz: 3). In great part, these institutions can be credited with policies that were detrimental for a number of developing nations. The case of Argentina is a perennial example: “The country strictly conformed, perhaps more so than any

other 'emerging market', to the advice of the [IMF]," however after surging in the early 1990s and then beginning to "lose momentum," the end result was "complete collapse" by 2001 (Oniz, 2004: 375). Serra and Stiglitz add, "seven years of strong growth [in Latin America] in the early 1990s were followed by seven years of stagnation and recession, so that for the period as a whole, growth under the Washington Consensus was half of what it had been from the 1950s through the 1970s when the region followed other economic policies" (Serra and Stiglitz, 2008: 4).

On the other hand, proponents of the WAC and the neoliberal approach have simultaneously suggested that its policies have played a significant role in the huge economic success that many East and Southeast Asian countries have experienced since the 1970s (Handelman, 2008: 295). However, leading experts on the region disagree with this analysis. Robert Wade contends that the tools by which East Asian countries (such as China) achieved economic success were carried out—in stark contrast to WAC principles—by "relatively authoritarian and corporatist state[s]" (Wade, 1990: 297). Wade instead refers to the "Governed Market Theory of East Asian economic success," which suggests a deeply different approach to development than that of the pro-privatization, free-market liberalists (Wade, 1990: 297; Serra and Stiglitz, 2008: 4). This method of development has been highly successful, especially in China: "No other country has averaged a growth rate more than 9 percent over a 25-year period.... Consistently high growth rates are an anomaly limited to a handful of economies in East Asia" (Yusuf and Nabeshima, 2008: 35).

Thus, the dichotomy between the Western "regulatory state" and the Eastern "development state" has become acute. In the Western version, the "government [has] refrained from interfering in the marketplace, except to insure certain limited goals," whereas China has "[intervened] actively in the economy in order to guide or promote particular substantive goals"

(as cited in Handelman, 2008: 292-293). Within this framework, China has cut by 235 million the number of its citizens living in absolute poverty, while the World Bank confirms, “China has contributed to 67% of the total reduction of global poverty during the last 25 years” (People’s Daily, 2008).

AN ALTERNATIVE: THE BEIJING CONSENSUS

“China is writing its own book now. The book represents a fusion of Chinese thinking with lessons learned from the failure of globalisation culture in other places. The rest of the world has begun to study this book.” (Ramo, 2004: 5)

For other developing nations, mimicking even a sliver of China’s success would be success indeed. Where the WAC prescribes the same strict and homogeneous reforms to nearly all developing countries, the Beijing Consensus (BJC) recognizes the need for a unique approach according to each nation’s unique challenges.

The BJC, which first gained notoriety in 2004 when Joshua Cooper Ramo published his paper—*The Beijing Consensus*—through the United Kingdom’s Foreign Policy Centre, is based upon three overarching ideals of Chinese development, which in turn suggest “how to organise [sic] the place of a developing country in the world” (Ramo, 2004: 11). These three ideas are summarized below:

I: Innovation

In order to outpace the “friction losses of reform,” government must actively innovate in order to address the challenges introduced by the changing economic and social environment (Ramo, 2004: 12). Another author phrases this as a commitment to “constant tinkering and

constant change, and a recognition that different strategies are appropriate for different situations” (Leonard, 2006).

This aspect of the BJC is derived from the emphasis that China has placed on innovation in its own development since 1979. In particular, China has maintained a strong focus on creating effective policies, which solve problems that are actually important to its people. In order to achieve this goal, it has been essential for China to actually gain an understanding of what people want: Ogden writes, “The [Chinese] government itself is known to carry out surveys of public opinion precisely to find out public attitude toward itself,” and therefore to actively gauge the impact and popularity of its policies (Ogden, 2002: 100-101).

The fact that the Chinese government relies heavily on surveys and polling reflects a dedication to “constant tinkering” vis-à-vis innovative policymaking. Some of the results have been controversial to outside observers—for instance, the One Child policy, implemented to slow population growth—however within China, such policies have been highly successful. In the case of the One Child policy, the policy has allowed China to reach goals of significant importance to its population, such as economic growth and stability. Despite appearing absurd and morally questionable to the outside world, the fact that is important—and that the BJC emphasizes—is that it works for China.

II: Pursuit of Dynamic Goals/Rejection of Per Capita GDP

In essence, the second big idea of the BJC is a “rejection of per capita GDP as the be-all and end-all” of development priorities (Leonard, 2006). This ideal serves in part as a rejection of Western policies, which are known to weigh these figures heavily. Instead, the BJC suggests an

increased focus on measures such as quality-of-life and individual equity, areas that China has strongly focused its attention (Ramo, 2004: 12).

Qualitatively, the most accurate measure of quality-of-life is the UN Development Program's (UNDP) *Human Development Index* (HDI): "These standards provide 'an alternative to the view of development equated exclusively with economic growth and help us understand that poverty is really 'the deprivation of basic capabilities rather than merely... lowness of incomes'" (Ogden, 2002: 367). Examining development in this way therefore emphasize the realization of substantive results and discredits, for example, situations where income growth benefits only a small portion of the population.

The disparity between measurements of HDI and GDP can furthermore be significant. For instance, according to the UNDP's 2007 data (published in 2009) China was ranked 102nd out of 182 countries in terms of per-capita GDP, whereas it was ranked 56th in measurements of adult literacy, 72nd considering life expectancy, and 92nd according to HDI value (UNDP). Considering GDP as the single most important factor would therefore undervalue China's other substantive achievements.

In this sense, China's governing elite have often emphasized the need to simultaneously pursue multiple goals: "[China's development strategy], according to Premier Wen Jiabao, involves putting people first and promoting reform and innovation in accordance with the 'five-balances': balancing urban and rural development, balancing development among regions, balancing economic and social development, balancing development between man and nature, and balancing domestic development with opening wider to the outside world" (Yusuf and Nabeshima, 2006: 5). In contrast, the idea of pursuing balanced development is rarely mentioned in the framework of Western priorities. The BJC recognizes that an increasing GDP, left without other

goals and serious strategies for achieving them, will not solve problems of everyday relevance to the population.

III. Self-Determination

Finally, the third point of the BJC emphasizes the need for developing countries to actively seek independence from outside pressure, as it is imposed by “hegemonic powers” such as the United States (Ramo, 2004: 12). Ultimately, this ideal can be seen both through the lens of China’s traditional animosity to foreign incursion, and by considering the fact that China has refused to submit to outside pressure and instead pursued its own priorities.

Gresh describes this characteristic of the BJC as “valuing independence and self-determination and refusing to let other (western) powers impose their will,” emphasizing the idea that “Countries can plan their own development without having to accept the unfavorable terms of the Washington Consensus” (Gresh, 2008). Indeed, it is easy to see why the Chinese model has met with strong interest in other developing nations.

Particularly in Africa—where western countries have a long history of incursion and exploitation—the idea of self-determination being important to development, as China proposes, is highly appealing. This is evidenced by China’s increasing role in the region: Princeton Lyman, for the Council on Foreign Relations, writes, “China’s investments are attractive to Africans... because they come with no conditionality related to governance, fiscal probity or other of the concerns that now drive western donors” (Lyman, 2005). China, in other words, does not seek to impose its own priorities on partner countries, for good or ill. Regardless of if the U.S. and other Western nations agree with the ideology of self-determination, it is a key component of the BJC, and one

that further underscores the “alternative value” of the BJC in relation to the Washington Consensus.

Discussion: Taking the Beijing Consensus Beyond China

One of the primary hallmarks of the Beijing Consensus is that it does not dictate finite policy points to those who may seek to use it as a model. Where the Washington Consensus clearly delineates ten relatively unambiguous recommendations, the BJC is formed, merely, around three ideas, which are in themselves less tangible and more subjective than those of the WAC. This leads to an important question: is the Beijing Consensus really useful as a development model?

Arif Dirlik, a China specialist, questions the true utility of the BJC on the basis of its broad nature and lack of specificity: Dirlik instead calls the Beijing Consensus “a notion, rather than a concept or an idea, because it does not have any of the coherence that we associate with either of those terms” (Dirlik, 2006: 1). Dirlik also brings up some of the downsides to China’s boom, addressing the fact that a large portion of the population has been “marginalized by... new development policies” (p. 4), and bringing attention to the environmental challenge China now faces, describes pollution levels as so severe that they are “an additional cause of public suffering and disturbance” (p. 7). The implementation of China’s development ideals has obviously not been without flaw.

However, although Dirlik offers a challenge to viewing the BJC as a “model,” or even as a true “consensus,” he recognizes that the BJC is important for other reasons:

“In the PRC, the search for autonomy and self-determination has taken... a multilateralist approach to global relationships which contrasts sharply with the increasingly unilateralist direction US policy has taken over the last two decades. The most important aspect of the

Beijing Consensus may be an approach to global relationships that seeks, in multinational relationships, a new global order founded on economic relationships, but which also recognizes political and cultural difference as well as differences in regional and national practices within a common global framework.... A century of revolutionary socialist search for autonomy, bolstered by recent economic success, qualifies the PRC eminently to provide leadership in the formation of an alternative global order.” (Dirlik, 2006: 5)

The suggestion Dirlik is making is that despite its imperfections, the BJC is relevant to the world—not necessarily as a directly replicable model—but as a new lens through which to view the world (an “alternative global order”).

Other scholars echo Dirlik, suggesting that while the ideas from which the BJC is composed have a legitimate value, calling the Beijing Consensus a “consensus” may be overly flamboyant; instead, analysts tend to refer to these ideas more preferably as a “China model” (Lai-Ha, Lee, & Chan, 2008: 12). Lai-Ha, et. al. write, “It is worth noting that Chinese analysts only disagree with [the BJC] over a different use of terminology to sum up China’s experience. By and large, they resonate with [the BJC] by putting emphasis on the claims that the state should play a predominant role in reform and development. They also point out that there should not be any universal blueprint for development imposed by external actors from above” (Lai-Ha, Lee, & Chan, 2008: 13).

Therefore, in exploring the feasibility of implementing the BJC as a development model outside of China, the result is twofold. On one hand, the BJC is limited by China’s own unique experience: the long experiment with socialism, the world’s largest population, a noteworthy Confucian tradition, and a unified national identity all make China distinctly *Chinese*.

On the other hand, the BJC serves as a convenient starting point for identifying a mode of development that is independent from the currently accepted model (i.e., the Washington Consensus). In this sense, the BJC is highly valuable to the developing world by “[serving] to

enhance the voice of developing nations in global affairs” (Lai-Ha, Lee, & Chan, 2008: 13). Ultimately, the BJC does not dictate any specific policy that adherents must undertake, and it is thus less outwardly recognizable as a “model”—but, the ideas from which the BJC is composed create a base upon which policy can be shaped. Furthermore, disdain with failed Western policies significantly increases the appeal of the BJC in the developing world.

CONCLUSION

The Beijing Consensus is not actually a “consensus” in the same way that the Washington Consensus has come to be understood, as an ideal form of development. Instead, it is a new way of thinking about the global order that is intended to be contrarian, and which realizes value—most basically—as an alternative to the currently dominant ideology.

Because of its position as an “alternative,” the Beijing Consensus is naturally appealing to states that have not benefited from the existing international power structure. In many ways, the Beijing Consensus is presently manifested as a growth of Chinese “soft-power” throughout the globe, particularly in regions such as Africa and the Middle East (Lai-Ha, Lee, & Chan: 13). China’s use of soft-power furthermore stands in stark contrast to the continuous reliance on hard-power solutions by the United States and other Western nations.

It can consequently be concluded that the Beijing Consensus will continue to play a growing and increasingly important role in shaping future development initiatives throughout the world. The role of the Beijing Consensus is realized both as an alternative development philosophy, and as a gauge to the changing international environment. Ultimately, the rise of this idea is indicative of China’s increasing importance as a world power.

References:

- . 2008. "235 million people lifted from absolute poverty." *People's Daily (English)*. Retrieved from: <<http://english.people.com.cn/90001/90776/90882/6528088.html>>
- . 2009. "China pledges \$10bn Africa loans." *BBC*. Retrieved from: <<http://news.bbc.co.uk/2/hi/africa/8349020.stm>>
- . 2009. "Human development report 2009: China". *UN Development Program (UNDP)*. Retrieved from: <http://hdrstats.undp.org/en/countries/country_fact_sheets/cty_fs_CHN.html>
- Dirlik, Arif. 2006. "Beijing Consensus: Beijing 'Gongshi.'" *Globalization and Autonomy Online Compendium*. Retrieved from: <http://www.globalautonomy.ca/global1/position.jsp?index=PP_Dirlik_BeijingConsensus.xml>
- Gresh, Alain. 2008. "Understanding the Beijing Consensus." *Le Monde Diplomatique*. Retrieved from: <<http://mondediplo.com/2008/11/03beijingconsensus>>
- Handelman, Howard. 2008. *The challenge of Third World development (5th edition)*. Upper Saddle River: Prentice Hall.
- Harris, Helen. 2008. "The Washington Consensus reconsidered: towards a new global governance." (Book Review). *Journal of International Affairs* 62.1. *Academic OneFile*, (accessed November 9, 2009).
- Lai-Ha, Chan, Pak K. Lee, and Gerald Chan. 2008. "Rethinking global governance: a China model in the making?" *Contemporary Politics* 14, no. 1: 3-19. *Academic Search Premier*, EBSCOhost (accessed November 18, 2009).
- Leonard, Andrew. 2006. "No consensus on the Beijing Consensus." *Salon*. Retrieved from: <http://www.salon.com/tech/htww/2006/09/15/beijing_consensus/>
- Lyman, Princeton N. 2005. "China's rising role in Africa." *The Council on Foreign Relations*.
- Ogden, Suzanne. 2002. *Inklings of democracy in China*. New York: Harvard University Asia Center
- Oniz, Ziya. 2004. "Argentina, the IMF, and the limits of neo-liberal globalization: a comparative perspective." *Review of International Affairs*.
- Ramo, Joshua Cooper. 2004. "The Beijing Consensus." *The Foreign Policy Centre*.
- Serra, Narcis and Joseph E. Stiglitz. 2008. *The Washington Consensus reconsidered: towards a new global governance*. Oxford: Oxford University Press.

Wade, Robert. 2003. *Governing the market: economic theory and the role of government in East Asian industrialization*. New York: Princeton University Press.

Williamson, John. 2002. "What Washington means by policy reform." *Peterson Institute for International Economics*. Retrieved from:
<<http://www.iie.com/publications/papers/paper.cfm?researchid=486>>

Williamson, John. 2004. "A short history of the Washington consensus." Proceedings from 2004: *From the Washington Consensus towards a new Global Governance*. Barcelona.

Yusuf, Shahid and Kaoru Nabeshima. 2006. *China's Development Priorities*. The World Bank.