



THE BEIJING CONSENSUS IN THE SHADOW OF THE GLOBAL FINANCIAL CRISIS

Gracia Abad¹

Saint Louis University

Abstract:

The tremendous economic growth experienced by the People's Republic of China (PRC) over the last few decades has attracted the attention of academics and policy-makers all over the world. The developing countries are not an exception and, in fact, many in Asia, Africa and Latin America may see the People's Republic of China as an example to follow. Given the PRC's economic growth and development strategies that differ from those of the International Monetary Fund and the World Bank, some authors consider that a new consensus, a Beijing Consensus, might be emerging and could possibly replace the so-called Washington Consensus. However, it is also undeniable that the current global financial crisis may well constitute a formidable test for the Chinese Growth Model and consequently decide the fate of the Beijing Consensus. If the PRC manages to get out of this crisis ahead of the rest, it will mean a tremendous boost for the possibilities of the Beijing Consensus. If, on the contrary, China is affected like the rest, the concept may never be realized.

Keywords: China, Beijing Consensus, Crisis, Development, Growth

Resumen:

El tremendo crecimiento económico experimentado por la República Popular China a lo largo de las últimas décadas ha atraído la atención de académicos y responsables públicos de todo el mundo. Los países en desarrollo no son una excepción y, de hecho, muchos de ellos en Asia, África y América Latina pueden ver en la República Popular China un ejemplo a seguir. Dado que es muy probable que la RPC haya seguido estrategias de crecimiento y desarrollo distintas de las aconsejadas por el FMI y el Banco Mundial, algunos autores consideran que un nuevo Consenso, el Consenso de Beijing, válido para reemplazar al llamado Consenso de Washington, podría estar surgiendo. Con todo, es innegable que la actual crisis financiera global puede constituir una prueba de primera magnitud para el modelo de crecimiento chino y consiguientemente, para el destino del Consenso de Beijing. En este sentido, si la RPC es capaz de salir mejor parada de la crisis económica que otros estados, ello supondrá un enorme impulso a las posibilidades del Consenso de Beijing. Si, por el contrario, China acaba viéndose tan afectada como el resto, el concepto habrá muerto definitivamente antes incluso de haber nacido.

Palabras clave: China, Consenso de Pekín, crisis, desarrollo, crecimiento.

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¹ Gracia Abad is professor of International Relations in the Saint Louis University in Madrid and is a Senior Researcher in UNISCI, Universidad Complutense.
E-mail: graciaabad@yahoo.es.



1. Introduction

The existence of a new model of development inspired by the People's Republic of China has been subject to passionate debates among experts, practitioners and academics for the last few years. Whereas some of them consider a Beijing Consensus suitable to replace the Washington Consensus, others question the viability of the Chinese model, its likelihood to succeed, and the very existence of such an alternative model.

This paper will try to explain the so-called Beijing Consensus. Chinese development has been based on policies and measures different from those of the global financial institutions and relies on principles far different than the Washington Consensus. The paper will explain the differences between the two, the Beijing Consensus' appeal and its possibilities of success given the current global financial crisis

2. China's Unprecedented Growth and Shortcomings

It is widely recognized that the People's Republic of China has experienced unprecedented levels of economic growth over the last few decades. It has maintained rates of economic growth close to 10% for more than twenty years, even in the wake of the financial crisis which affected East Asia in the late nineties². Such economic success has fed into the Chinese expectations of becoming a great power³.

High growth rates have allowed China to achieve a GDP which amounted to \$2.234 billion in 2007⁴. It overtook the United Kingdom in 2005 and Germany in 2008.⁵ It managed to overtake Japan in 2010; however, China's GDP is still far from the figures of the United States.

A different case is India, currently considered to be China's competitor in Asia in the medium term, though it seems to still have a long way to go before fulfilling such expectations.

² In fact, the People's Republic of China, through its opposition to devalue the Yuan, contributed decisively to contain the effects of the crisis first, and to facilitate the recovery later.

³ Actually, even in the context of the current financial crisis, according to the Chinese National Bureau of Statistics, the Chinese economy would have grown a 9% in 2008 even if the growth dropped to 6.8 in the last quarter of the year.

⁴ The Economist (2008): *Pocket World in Figures*, London, The Economist.

⁵ Scott, David (2007): *China Stands Up*, London, Routledge, p. 131.

**Table 1: Economic Growth**

Country /2008	GDP (\$bn)	Av. Ann, Growth in real GDP
PRC	2.234	9%
United Kingdom	2.199	2.7%
Germany	2.795	1.4%
Japan	4.534	1.3%
United States	12.417	3.4%
India	806	6.3%

Source: The Economist (2008): *Pocket World in Figures*, London, The Economist

China's current economic position is noteworthy considering that almost half of its population is employed in the agricultural sector. This is possible due to the fact that China is responsible for the production of 9% of all consumer goods produced globally as well as 4% of total world trade.

In this sense, we must also take into account China's trade balance which has reached an estimated \$273-billion surplus for 2009. This amount is 8.6% lower than the \$298-billion positive trade balance in 2008,⁶ making the United States push hard in favour of a revaluation of the Chinese currency in 2005. The Yuan was finally revaluated by 2.1% that year⁷. Furthermore, from July 2008 until mid-June 2010, China re-pegged the Yuan to the dollar to help fight the global financial crisis⁸. China freed the Yuan in June and has let it gain about 2.8 per cent against the dollar until October 2010.

However, there are doubts regarding the sustainability of such growth rates. Those doubts stem from the increasing income inequalities with which China seems to be plagued and current environmental and development practices. Up to 75% of the population (mostly in rural areas) has hardly any access to basic needs such as medical care and education.⁹ The environmental consequences of China's industrial and development practices account for

⁶ "China Trade Statistics 2009", *Suite 101*, at <http://www.suite101.com/content/china-trade-statistics-2009-a205058>.

⁷ Odgaard, Liselotte (2006): "The balance of power in Asia-Pacific security : US-China policies on regional order", London, Routledge, p 51.

⁸ "Yuan hits post-revaluation high against dollar", *Business Recorder*, 14 September 2010, at <http://www.brecorder.com/single/58/1/1102146:yuan-hits-post-revaluation-high-against-dollar.html>.

⁹ Dirlik, Arif: "Beijing Consensus: Beijing "Gongshi". Who Recognizes Whom and to What End?", University of Oregon, *Position paper* (2006), at http://anscombe.mcmaster.ca/global1/servlet/Position2pdf?fn=PP_Dirlik_BeijingConsensus.



China having 16 out of the 20 most polluted cities in the world¹⁰. A good indicator of this is the Green GDP, which results from calculating GDP and considers the economic loss caused by the eventual environmental degradation associated with growth. In the case of the PRC, its GDP would amount to 0%.

For some time now a good number of scholars – those supporting the so-called “external contradictions” hypothesis- have tried to draw attention to the imbalance of the Chinese economy towards its external side. They state that the excessive weight of the external side of the Chinese economy risks provoking a global recession which would, in turn, harm the PRC. Moreover, according to the Keynesian theory, the export-led development model would end up provoking a global deflationary crisis¹¹.

They consider it necessary for China to develop a stronger internal market which would sustain growth and correct the external vulnerabilities inherent to the current model. In the context of the global economic turmoil, many policy-makers around the world have considered increased Chinese consumer spending as a key way out of the crisis and a return to pre-crisis levels of global growth.

3. The Emergence of the Beijing Consensus and the Reaffirmation of Sovereignty

Some other developing states have been encouraged by these impressive growth rates experienced by the People’s Republic of China and have tried to follow a similar pattern of development.

The Chinese pattern of development, seen as a suitable model to be followed by other developing countries, has been named the Beijing Consensus. Andrew Leonard coined the term in the early 90s; however, the concept was first formulated by Joshua Cooper Ramo years prior.

What is interesting about the Beijing Consensus as a pattern of development is the fact that it represents a clear departure from the classical mechanisms promoted by the global financial institutions, i.e. the World Bank or the International Monetary Fund, and could possibly replace the Washington Consensus.¹²

The Washington Consensus was a set of development principles established in 1989 by John Williamson, an economist of the World Bank. It relied on elements such as privatization of production, free markets, strong fiscal discipline, and globalized economies. The concept would be expanded by another economist of the World Bank, Daniel Rodrik, later on in the early nineties. The concepts were in principle designed to respond to the deteriorated economic situation in Latin America.

¹⁰ Esteban, Mario (2008): “Energía y medio ambiente en las relaciones hispano-chinas” in Esteban, Mario: *Medio Ambiente y energía en Asia-Pacífico*, Madrid, Exlibris.

¹¹ Palley, Thomas: “External Contradictions of the Chinese Development Model: export-led growth and the dangers of global economic contraction”, *Journal of Contemporary China* vol. 15, no. 46 (February 2006), pp. 69-88, p. 70 and ss.

¹² Esteban, Mario: “Why is the “Beijing Consensus” moving forward”, *Safe Democracy Foundation* (13 June 2006), at <http://english.safe-democracy.org/2006/06/13/why-is-the-beijing-consensus-moving-forw/#more-124>.



The main features of the Beijing Consensus on the other hand were outlined in a paper written by Joshua Cooper Ramo in 2004. He explains the concept based on three essential theorems¹³:

1. The importance of innovation as a means for accelerated change. It is thought that innovation is the only means through which changes may be fast enough to be even faster than the inconveniences caused by change itself.
2. Development entails much more than simply improving GDP or GDP per capita rates. It has to go beyond that. It has to be also directed at improving people's quality of life so as to reduce the possible social imbalances inherent to development. In other words, they try to make development durable, balanced, sustainable.
3. Development also requires *self-determination*, in Ramo's words, that is, to be able to influence big powers or, at least, develop relations on an equal footing with them. The third of these theorems gives an idea of the Beijing Consensus as a model of development based on a strictly classic notion of sovereignty. In other words, following Chen Zhimin,¹⁴ the Beijing Consensus would constitute a return to a Locke-based model¹⁵ of interstate relations as well as the abandonment of the Kantian-based model¹⁶ inherent to the Washington Consensus.

The Beijing Consensus appears to be a possible alternative to development and is based on a distinctive set of values¹⁷, differing from those of the post-Westphalian- Kantian model preferred by western countries and that helped form the Washington Consensus.

The model of development described above, especially in the light of its third theorem and its base on a strictly classical concept of sovereignty, may be of particular interest for other developing countries. Interestingly, it does not consider any concrete degree of political liberalisation, let alone democratisation, as a necessarily link to economic growth and development. Furthermore, the Chinese case proves that economic reform and liberalisation do not necessarily result in democratic reform¹⁸. In fact, the PRC is an example of an authoritarian political regime with a technocratic approach to governance¹⁹ which incorporates interventionist economic policies and places strong emphasis not only on the achievement of economic growth but also on the maintenance of social stability²⁰. Chinese leaders and citizens consider that the limitation of certain civil and political rights may be

¹³ Cooper Ramo, Joshua (2004): *The Beijing Consensus*, London, The Foreign Policy Centre, pp. 11.

¹⁴ Zhimin, Chen (2007): "Soft Balancing and Reciprocal Engagement: international Structures and China's Foreign Policy Choices" in Zweig, David and Chen, Zhimin (2007): *China's Reforms and International Political Economy*, London, Routledge, pp. 53.

¹⁵ The Lockean model would refer to a Westphalian conception of sovereignty according to which some issues such as the equal sovereignty of states and the non-interference in internal affairs of the other states, are considered of paramount importance and they cannot be violated even on the basis of human rights protection.

¹⁶ The Kantian model would be characterised by the higher importance accorded to issues such as democracy or to the protection of human rights even through humanitarian intervention, this is even at the expense of strict state sovereign rights.

¹⁷ Breslin, Shaun (2007): *China and the Global Political Economy*, Basingstoke, Palgrave MacMillan, pp. 1.

¹⁸ Kleine-Ahlbrandt, Stephanie and Small, Andrew: "China's New Dictatorship Diplomacy", *Foreign Affairs*, vol. 87, no. 1 (January/February 2008), pp. 38-56.

¹⁹ Desker, Barry: "Why War is Unlikely in Southeast Asia", *RSIS Commentaries*, no. 71 (27 June 2008), at <http://www.rsis.edu.sg/publications/Perspective/RSIS0712008.pdf>.

²⁰ Esteban, "Why is the "Beijing Consensus...", *op. cit.*



necessary if economic development and stability are to be assured, something that may seem very reasonable for leaders and citizens alike in other developing countries²¹.

The Chinese model is an attractive alternative for those authoritarian leaders who may want to improve the growth and development rates of their countries without putting their regimes at risk, making economic development a priority over political reform²². At the same time, judging by the Chinese case, they will enjoy some legitimacy as long as they achieve certain economic development and welfare for a greater number, regardless of the political line they may follow.

The Beijing Consensus relies on the idea that “China’s path to development is unrepeatable by any other nation,”²³ requiring states to follow paths towards growth and development. This is the opposite of the universal prescriptions provided by the Washington Consensus, and the Chinese leaders seem reluctant to recognise the existence of any Chinese “model” which other states might copy²⁴. Chinese officials (far from adopting a position of moral authority) frequently mention that China should be considered a developing country, stressing the importance of South-South solidarity²⁵. Thus, leaders of autocratic regimes around the world can be certain that not only development and economic liberalization lead to democracy, but also that the People’s Republic of China is not going to condition its relation with them based on their democratic standards and will not criticise their internal affairs²⁶.

The People’s Republic of China is likely to be seen with much less wariness in developing countries than in Europe or the United States, since it does not have a history as a colonial power nor has China threatened or attacked any third world/developing country over the last few years. This behaviour seems consistent with its claim of seeking a “harmonious development”²⁷ in a “harmonious international society”²⁸.

In this sense, China has made tireless efforts to avoid any possible concern about a “China threat” among its potential followers and partners. Therefore, President Hu Jinta expressed his aspiration for a “harmonious world”²⁹ during his address at the 60th anniversary of the United Nations, which, as far as Chinese foreign policy is concerned, may be seen as the logical correlate of the “harmonious development” that the PRC claims to be carrying out.

²¹ Peerenboom, Randall (2002): *China's long march toward rule of law*, Cambridge; New York, Cambridge University Press, pp. 86.

²² Leonard, Mark (2008): *What does China Think?*, London, Harper Collins, pp. 96.

²³ Cooper Ramo, *op. cit.*, pp. 5.

²⁴ “The Beijing Consensus is to keep quiet”, *The Economist*, 08 May 2010, pp. 59.

²⁵ Shambaugh, David: “Beijing: A Global Leader With ‘China First’ Policy”, *Yale Global* (29 June 2010), at <http://yaleglobal.yale.edu/print/6397>.

²⁶ Thompson, Drew: “China’s Soft Power in Africa: From the Beijing Consensus to Health Diplomacy”, *ASIA MEDIA*, 13 October 2005, at www.asiamedia.ucla.edu/article.asp?parentid=32003.

²⁷ The concept was used by Hu Jintao at the UN 60th Anniversary Summit on September 15, 2005. It embodied China’s aspiration to appear as responsible power on the global stage. It replaced the previous notion of “peaceful rise”.

²⁸ The correlate of the above mentioned Chinese “harmonious development” in its foreign policy. See Berkofsky, Axel: “The hard facts of soft power”, *Asia Times*, May 25 2007, at www.atimes.com/atimes/China/IE25Ad01.html.

²⁹ Shambaugh, David: “Understanding the Jabberwork”, *The National Interest*, no 94 (Mar./Apr. 2008), pp. 55-57.



Finally, the PRC is also seen as an example (or perhaps an icon) as it has refused to follow the prescriptions of the IMF or the World Bank in achieving higher rates of economic growth and development³⁰.

4. The Expansion of the Model and the Chinese Position in the Global Political Economy

All these circumstances, together with the PRC's increasing 'soft power,'³¹ which at least to some extent may also be the result of its pragmatic foreign policy and its economic appeal,³² have provided China with an unparalleled opportunity to increase its influence in the global political economy as a result of two sets of events:

- The rising number of developing states which are embarking upon a similar pattern of development
- The increasing number of states which are establishing trade and investment relations with the People's Republic of China.

Nevertheless, the Chinese government might be trying to consciously foster these developments in order to expand its participation in South-South cooperation. That would explain the "go out" strategy already set forth in 2001, aiming to increase Chinese investments in the Third World.³³ China did not hide the fact that it wanted to establish a new "strategic partnership in Africa,"³⁴ paying visits to countries like Saudi Arabia, Morocco, Nigeria and Kenya.

It is interesting to note that there are several cases in Asia in which countries intend to follow the development model embedded in the Beijing Consensus, and/or intensify their economic relations with the Middle Kingdom.

4.1. Asia

Some of the former Soviet Republics such as Kazakhstan, Uzbekistan and Turkmenistan have seen China as a model for the management of economic issues and also an ally in their opposition to the American policies aiming to spread democracy. That said, we must remember that China sided with the authoritarian governments of some Central Asian countries when they perceived a threat of Colour Revolutions spreading from the Caucasus

³⁰ In fact, John Williamson, who - as we mentioned above - was the economist who designed the Washington Consensus, has recognized that some of the Asian States with histories of recent economic success did not follow some of its principles. See Springborg, Robert: "From Washington to Beijing: In Search of a Development Model", *The Middle East in London* (December 2007-January 2008), pp. 4.

³¹ Gill, Bates and Huang, Yanzhong: "Sources and limits of Chinese Soft Power", *Survival*, vol. 48, no. 2 (Summer 2006), pp. 17-35.

³² Thomson, Drew: "China's Soft Power in Africa...", *op. cit.*

³³ China may well be planning the construction of a gas pipeline from the Western Coast of Burma to Yunnan and Sichuan in China as a way to bypass the Straits of Malacca. See Kleine-Ahlbrandt, Stephanie and Small, Andrew, *op. cit.*

³⁴ Bhattacharya, Abanti: "Hu's Foreign Visits. Emerging Beijing Consensus", *IDSA Strategic Comments*, 11 May 2006, www.idsa.in/publications/stratcomments/AbantiBhattacharya110506.htm.



and Eastern Europe. Similarly, we should not forget how China received President Karimov of Uzbekistan shortly after the violent repression of a demonstration in Andijan in 2005, in sharp contrast with the sanctions applied by the United States and the European Union regarding the occasion.

Some Southeast Asian countries like Laos, Vietnam and Myanmar may also be interested in emulating the Chinese model and/or intensifying their relations with the PRC.³⁵ Thus Laos, following the Chinese path, has undertaken important market reforms to try to enhance the share of the economy represented by sectors other than agriculture, and increasing its participation in international trade despite still being a strictly socialist state in political terms. Meanwhile, Vietnam has tried to implement the same sort of economic, legal and political reforms which have succeeded in China.³⁶ Vietnam has transformed itself into a manufacturing export oriented economy, while also trying to attract FDI. In the case of Myanmar, the economic exchanges seem to have taken the lead, at least for the time being. A new gas field was recently discovered off the coast of Arakan,³⁷ adding to the interest that the PRC already had in this Southeast Asian country as a consequence of its access to the Indian Ocean. In exchange, the PRC has sold \$1 billion worth of military equipment to Myanmar, despite the international sanctions which are in place against Myanmar's military junta.

To gain greater access to the Indian Ocean, China has contributed to building and upgrading both the roadways and rail networks which link Yunnan (South China) with a number of points along the Myanmar coast of the Bay of Bengal. Similarly, China is involved in the modernization of the naval facilities located at Akyab (Sittwe), Mergui, Hanggyi Islands and Great Coco Islands. According to some reports, China and Myanmar will have an intelligence sharing agreement regarding India's force deployment in the North East and Bay of Bengal.

³⁵ Interestingly, most of the Southeast Asian countries interested in the Chinese pattern of development are those which have not seen the People's Republic of China as a competitor in terms of trade and foreign investment to a greater or lower extent. See Greenaway, David; Mahabir, Aruneema; Milner, Chris: "Has China displaced other Asian countries' exports?", *China Economic Review*, no. 19 (2008), pp. 152-169.

³⁶ Peerenboom, *op. cit.*

³⁷ China may well be planning the construction of a gas pipeline from the Western Coast of Burma to Yunnan and Sichuan in China as a way to bypass the Straits of Malacca. See Kleine-Ahlbrandt and Small, *op. cit.*

MAP 1: Arakan Projects

Source: SWET Project

Southeast Asian countries which have traditionally sided with the US, like Thailand and the Philippines, are increasingly fond of receiving trade and cooperation from the People's Republic of China.

4.2. Iran

In the Middle East, Iran is trying to emulate the Chinese experience of growth. Iran has invited Chinese experts and academics to advise it and also embarked in trade deals with China for oil and natural gas. Thus, not surprisingly, the PRC became Iran's largest trade partner in 2007 and has been negotiating agreements to invest several billion dollars in Iranian Gas Fields. Similarly, a group of Chinese companies signed a contract with Iran in order to develop a number of projects in the oil sector. Sinopec has also committed 1500 million dollars to upgrade the Arak refinery. The PRC will also conduct the exploration of the Yadavaran gas field,³⁸ and Chinese national companies such as the China National Offshore Oil Co. are investing huge amounts of money in the Azadegan oil field, despite China's support for strengthened UN sanctions against Iran. This move has been seen with dislike by the US³⁹.

³⁸ Adib-Moghaddam, Arshin: "Como abordar el desafío iran", *Foro Para un Mundo en Democracia*, *Safe Democracy Foundation* (29 January 2008), at <http://spanish.safe-democracy.org>.

³⁹ Pomfret, John "In China, officials in tug of war to shape foreign policy", *The Washington Post*, 24 September 2010, at <http://www.washingtonpost.com/wp-dyn/content/article/2010/09/23/AR2010092306843.html>.

MAP 2: Yadavaran Area

Source Answer.com Business and Finance

4.3. Latin America

The Chinese appeal is not only limited to the Asian continent and authoritarian governments. On the contrary, in Latin America an increasing number of countries, some of them democratic, are looking towards China for inspiration. Raw materials in general,⁴⁰ not just oil and gas, call China's attention to the region.⁴¹ There has been a massive increase of Chinese FDI in those sectors, and the three biggest Chinese oil companies, CNPC, Sinopec, and CNOOC have reached exploration deals with a number of countries in the region, such as Venezuela, Peru, Ecuador, Argentina and Bolivia⁴². All in all, it is clear that China has become one of the largest trading partners for countries like Peru, Chile and Brazil, as its

⁴⁰ Malamud, Carlos: "Los actores extrarregionales en América Latina (I): China", Real Instituto Elcano, *Documento de Trabajo*, no. 50 (13 November 2007) at http://www.realinstitutoelcano.org/wps/portal/rielcano/contenido?WCM_GLOBAL_CONTEXT=/elcano/elcano_es/zonas_es/america+latina/dt50-2007.

⁴¹ Sánchez Ancochea, Diego: "El impacto de China en América Latina: ¿Oportunidad o amenaza?", Real Instituto Elcano, *ARI*, no. 119 (21 November 2006), at http://www.realinstitutoelcano.org/wps/portal/rielcano/contenido?WCM_GLOBAL_CONTEXT=/elcano/elcano_es/zonas_es/cooperacion+y+desarrollo/ari+119-2006.

⁴² Schiller, Ben: "The China Model", *Open Democracy* (20 December 2005), at http://www.opendemocracy.net/globalization-corporations/china_development_3136.jsp.



trade with the region has multiplied by ten in the last decade.⁴³ China is in the process of trying to establish strategic partnerships with several countries in the region⁴⁴.

In the case of Brazil, President Lula da Silva sent a team to China to study the Chinese economic model. Chinese oil companies have been working with Petrobras to try to increase the oil production and Baosteel, the main Chinese steelmaker, invested up to 1.4 billion dollars in a Joint Venture with Brazil⁴⁵. Furthermore, President Lula wants to create a partnership between China and Brazil, acting as an example of South-South co-operation⁴⁶. This is consistent with Jos Dyrceu's (former Brazilian Prime Minister) view that "China will be the determining factor for the development of Latin America"⁴⁷.

Apart from Brazil, other Latin America countries with clear populist inspiration, like Venezuela, are both interested in the Chinese model of development and enhancing their economic relations with the Middle Kingdom. China has invested 400 million dollars in Venezuela to foster gas production and to upgrade oil fields in order to ensure the long-term supply of petroleum.⁴⁸ Furthermore, plans are underway for Venezuela to provide Iran with assistance in channelling its oil to China⁴⁹. Finally, in Bolivia, President Evo Morales has also sought to develop a closer and broader relation with China to increase Chinese investment in the Bolivian hydrocarbons sector.

4.4. Africa

Chinese involvement in Africa over the last few years has received great attention. Its anti-colonial credentials may play a role of special importance.⁵⁰ Although it is true that China has been present in the African continent since the withdrawal of the colonial powers (supporting the independence movements in the 50s and 60s), it has massively increased its relations in the form of trade, investment and aid throughout the last years. The expansion of trade, the increase of investments and the enhancement of cooperation in the field of human resources have been substantially incremented since 2005.⁵¹

The interest between China and Africa is clearly mutual as China badly needs raw materials and energy to sustain its industry. A growing African population makes the continent a very appealing market. Thus, Chinese business and economic activity in Africa have counted on the support of the Export-Import Bank of China and the China Development Bank. These banks have helped Chinese investors and companies with loans and investment guarantees. Similarly, in December 2005, the Chinese Government launched the official "China's African Policy" by means of an "Africa White Paper", which explained the main features that would define the Chinese cooperation with Africa over the next few years,

⁴³ Carroll, Rory: "China pours its wealth into Latin America" *The Guardian*, 18 April 2010, at <http://www.guardian.co.uk/world/2010/apr/18/china-brazil-south-america-trade>.

⁴⁴ Malamud, *op. cit.*

⁴⁵ Aiyar, Pallavi: "China muscling its way into the global brand race", *The Financial Express*, 18 December 2004, available at <http://www.financialexpress.com/news/china-muscling-its-way-into-the-global-brand-race/56570/2>.

⁴⁶ Kurlantzick, Joshua: "How China is Changing Global Diplomacy", *The New Republic*, 27 June 2005, at www.cerium.ca/spip.php?page=impression&id_article=1267.

⁴⁷ Castillo, Antonio: "China is good news for Latin America", *China Daily*, 19 March 2010, at http://www.chinadaily.com.cn/opinion/2010-03/19/content_9612186.htm.

⁴⁸ Sánchez Arcochea, *op. cit.*

⁴⁹ Kurlantzick, *op. cit.*

⁵⁰ Kleine-Ahlbrandt and Small, *op. cit.*

⁵¹ Broadman, Harry: "China and India Go to Africa", *Foreign Affairs*, vol. 87, no. 2 (March/April 2008), pp. 95-109.



serving as a general framework for all the economic activities⁵². Furthermore, in 2007, Hu Jintao announced the creation of a new Special Economic Zone placed in Zambia and followed by two more in Mauritius and Tanzania. This created two more special economic zones, totalling five in the African continent.⁵³ In November 2009, at a meeting in Sharm el-Sheikh, Prime Minister Wen Jiabao assured that assistance to African countries would keep growing without any degree of political conditionality.⁵⁴

All these efforts have proven to be successful if we consider the rate at which exchanges between China and Africa have been growing at 56% per year over the last decade.⁵⁵

As previously mentioned, Chinese interest in Africa and other regions is driven to a large extent by its growing needs for raw materials and energy. Oil imported from Africa amounts to a third of the total Chinese oil imports, a proportion that continues to rise. Thus, oil extractive industries are involved in most of the economic exchanges with Africa⁵⁶. In fact, as much as 50% of the FDI from China goes to countries with large oil reserves like Nigeria, Sudan and Zambia, while also extending to countries like Angola, Congo, Chad and Equatorial Guinea. For instance, in the case of Angola, which recently overtook Saudi Arabia as the main supplier of oil for China, the PRC did not hesitate to offer a 2 billion dollar credit at a very low interest and without any kind of conditionality. The deal was accepted by the Angolan government, allowing it to escape from the good governance conditionalities set by the IMF for a similar loan.⁵⁷

Authorities of countries like Sudan or Zimbabwe have enthusiastically received the lack of Chinese concern regarding human rights and democracy issues, as well as its role as a sort of counterweight to the West⁵⁸. The Chinese disregard for human rights concerns has been harshly criticised by Western governments and commentators who consider China to be a “rogue donor”⁵⁹.

5. The Chinese Model and the Financial Crisis

At this point it seems clear that the first casualty of the global financial crisis has been the already weakened Washington Consensus and the economic principles which have guided the global economy throughout the last decades. It has meant, Alain Grash explains, “the

⁵² *Ibid.*

⁵³ Leonard, *op. cit.*, pp. 119.

⁵⁴ Brautigam, Deborah: “Africa’s Eastern Promise” *Foreign Affairs*, 05 January 2010, at <http://www.foreignaffairs.com/articles/65916/deborah-brautigam/africa%E2%80%99s-eastern-promise>.

⁵⁵ Lammers, Ellen: “How will the Beijing Consensus Benefit Africa?”, *The Broker*, 01 April 2007, at <http://www.thebrokeronline.eu/en/Magazine/articles/How-will-the-Beijing-Consensus-benefit-Africa>.

⁵⁶ Broadman, Harry: “China and India Go to Africa”, *Foreign Affairs*, vol. 87, no. 2 (March/April 2008), pp. 95-109.

⁵⁷ Schiller, *op. cit.*

⁵⁸ Sautman, Barry V.: “Friends and Interests: China’s Distinctive links with Africa”, The Hong Kong University of Science and Technology, Center on China’s Transnational Relations, *Working paper* no. 12 (2006).

⁵⁹ Freschi, Laura: “China in Africa: myths and realities” *Aidwatch*, 09 February 2010, at <http://aidwatchers.com/2010/02/china-in-africa-myths-and-realities/>.



marginalisation of the international organisations such as the International Monetary Fund (IMF) and the World Bank”⁶⁰.

The chances for the Beijing Consensus to emerge as a possible response or, on the contrary, follow the same fate of the Washington consensus depend very much on the ability of the People’s Republic of China to deal with the effects of the crisis. Nevertheless, we could say that there are already some reasons to be optimistic.

To begin with, Asian countries were initially less affected by the financial crisis⁶¹ than Europe and the US, due to being less exposed to mortgage problems. Furthermore, later growth has slowed down in Asia, and particularly Northeast Asia, leaving China less affected than Japan, South Korea, Russia and other developed countries in the region.⁶²

In 2008 the PRC experienced the lowest growth rate in five years at 9%, dropping to 8.7% in 2009 according to the National Bureau of Statistics. However, China’s economy seems relatively healthy if compared to some others worldwide.

Clearly, China has not been completely isolated from the OECD recession. Decreasing exports resulted in a drop in GDP and a downturn in China’s property market. Recently, China has registered a slowing demand for commodities, and unemployment rates have risen.

However, we can also say that the Chinese economy is healthier and better able to resist financial contagion. In fact, according to the China Daily, the Chinese banks increased their profits by a 30.6% in 2008 and the three biggest Chinese banks –China Construction Bank, Industrial and Commercial Bank of China and Bank of China- are expected to suffer less from the economic downturn.

While the collapse of Lehman Brothers provoked three days of losses in the Shanghai Index, it only needed one day to recuperate its original level after the adoption of a number of measures taken by the Chinese Government. At the same time, when compared to the reactions of the European and American markets, the Chinese government’s reactions reflect the higher degree of confidence of the Chinese economic operators and the effectiveness of the measures set in place, resulting in the increased likelihood for said measures to be successful.

According to Fernández-Stembridge, there are two elements which help explain the lesser impact of the crisis on the Chinese economy compared with those of other countries⁶³:

1. The stringent regulations and controls on capital outflows as well as its small external debt (just 11.4% of its GDP).

⁶⁰ Gresh, Alain: “Understanding the Beijing Consensus”, *Le Monde Diplomatique* (November 2008), at <http://mondediplo.com/2008/11/03beijingconsensus>.

⁶¹ Abad Quintanal, : “Asia salva al capitalismo”, *Foro para una democracia segura, Safe Democracy Foundation*, 03 November 2008, at <http://spanish.safe-democracy.org/2008/11/03/asia-salva-al-capitalismo>.

⁶² Marquina, Antonio (2010): “De la globalización económica a la crisis financiera y económica. Su impacto en el sistema internacional” in Pérez de Nanclares, Juan (ed.): *Estados y Organizaciones Internacionales ante las nuevas crisis globales* AEPDIRI, pp. 434 and ss.

⁶³ Fernández-Stembridge, Leila: *Crisis Financiera: ¿Es China Endeble?*, Observatorio de Política Exterior Española, *Memorando OPEX*, no. 101 (15 October 2008), pp. 2.



2. The massive capital inflows provoked by the revaluation of the Yuan since 2005 and the fact that China has become a major destination of investments in the context of the current crisis.

Both elements would give reasons for investors to consider China a safe place for their funds in the current situation.

In fact, China's sound economic situation allowed the PRC to offer a \$500 billion loan to the United States in order to rescue its economy.

The global crisis has been a crucial test for China, forcing the country to adjust to the slowdown in Chinese exports and industrial production, including the car industry which adds a lower investment in the property sector. Similarly worrisome is the decrease in business activity and confidence of the economic operators.

Chinese leadership seems to have chosen a new path. Economists who have warned about the external contradictions of the Chinese Development Model may have been right. Chinese leaders, while making calls to avoid protectionism,⁶⁴ are also adopting measures to enable a solid increase in domestic demand and private consumption as well as public spending (especially in infrastructures). Thus, money is being devoted in particular to rural areas, transportation infrastructures, public housing, environmental projects, health and social services.

The rise in public spending has meant an injection of up to four trillion RMB (\$ 586 billion), funded partially through funds from the local government and the private sector. An increase of the deficit through an increase in debt sales and the issue of treasury bonds will also be among the measures undertaken⁶⁵.

In order to strengthen the economy, these funds have been invested in the development of rural areas, the construction of transportation infrastructures, public housing, environmental projects, health and social services. In sum, an increase in domestic consumption and investment will compensate for the slow down of the external side of the economy. Furthermore, the government will seek to increase currency flow throughout the country to alleviate the loss of confidence and business activity.

Since the second half of 2008, there has been a change in the discourse of the Chinese leadership. Previously, the government was concerned with the "two contentions" of economic growth and inflation, however, it is now clearly oriented to sustain economic growth and monitor inflation.⁶⁶ Maintenance of economic growth appears to now be of top priority, while the control of inflation is no longer such an important concern. (According to the World Bank, inflation in 2008 was only 4.6 % lower than the previous year).

⁶⁴ Marquina, *op. cit.*, p. 441.

⁶⁵ Batson, Andrew: "Beijing Reveals Small Parts of Big Stimulus", *The Wall Street Journal*, 15 November 2008, at <http://online.wsj.com/article/SB122670803014529937.html>.

⁶⁶ Fernández-Stembridge, *op. cit.*, p. 3.



In other words, as the aforementioned economists of the “external contradictions” hypothesis predicted, the current crisis seems to be one of deflation and not one of inflation. This could be beneficial for a country like China which has had inflation difficulties over the last few years.

Current measures are aimed at maintaining the growth rate at levels of 8%, the rate considered necessary to contain unemployment. In any case, when compared to some western countries like the UK, the measures have steadily increased retail sales and appear to be successful.

The loan offered to the US is also in China’s best interest as it would help restore one of its most important markets and would allow the PRC to gain greater influence on the western financial system.

It seems clear that if the PRC had failed to make the necessary adjustments to maintain its growth and development at reasonable levels amid the crisis, the model would have never emerged in the first place. On the contrary, should China finally manage to handle the consequences of the Global Economic Turmoil (as it seems to be doing), the Beijing Consensus would only be reinforced as an alternative pattern of development.

6. Conclusion

These developments, which contribute to explain the increasing importance of the People’s Republic of China within the functioning of the global economy, may have the potential to prompt a reconfiguration of the global economy, giving rise to an order articulated on the basis of Chinese interests⁶⁷ and practices.

This could end up altering the balance of world economic and presumably military power, causing reason for concern in different circles in the United States⁶⁸.

Many countries could escape from the isolation of the West and find a comfortable partner in China, resulting in a complex network of relations of countries which the West (and especially the US) has alienated itself from. It seems clear that this growing web of foreign relations and increased leverage is not only beneficial for China in economic terms but also in political terms, which could be eventually useful as a balancing tool versus the West.

If the PRC emerges victorious from the crisis, the Beijing Consensus as a model of development (and state capitalism as a new model of managing globalisation) will have triumphed. In other words, as its critics repeatedly mention, the Beijing Consensus is not an alternative to capitalism and globalisation, it is another way to understand and manage them.

Many Chinese leaders, probably conscious of the implications of such a decision, insist on considering their country as a developing one and not as a Great Power.⁶⁹ This self-image may also be cultivated to avoid any reference to the so-called *China’s rise*, one of the terms which may have helped to feed the China threat theory mentioned above.

⁶⁷ Breslin, *op. cit.*, p. 2.

⁶⁸ Nolan, Peter (2007): *Integrating China*, London, Anthem Press, p. 152.

⁶⁹ Shambaugh, *op. cit.*



China is increasingly aware of the meaning of this enhanced economic and, in turn, political position, especially in terms of its Comprehensive National Power. This issue appears to be of paramount concern for the Chinese leadership nowadays.

Even when given the scenario of an asymmetric superpower⁷⁰, what seems certain is that China is steadily gaining influence and power at the global level and is mainly achieving it via economic instruments and strategies as opposed to military assets – irrespective of what the Chinese Revolution in Military Affairs or the Chinese Spatial Programme may state.

⁷⁰ Leonard, *op. cit.*, p. 106.