



On the Adoptability of the Chinese Economic Growth Model



Contrary to what Chinese supporters may say, the Chinese economic model is simply not a sustainable alternative to the Washington Consensus of market-friendly policies. It is merely a development model. The widely held view that China must soon change its way of economics serves as evidence for this crucial point. Indeed, the development model, coined by Ramo as the Beijing Consensus, is simply a process of efficient mobilisation of natural resources by the Chinese policymakers. This is not a success of economic innovation by the Communist Party. Instead, it would be more appropriate to describe it as the copying of a combination of two preceding economic development strategies: The 'East Asian development model' of state-led industrial development (Taiwan, South Korea, Japan), and the 'transitional' model of centrally

planned economies into more market-orientated ones (Eastern European countries). The socio-political environment is also a crucial pre-condition in guaranteeing the success of adopting the Chinese model as China is unique ideologically, geographically, and demographically.

The Chinese economic model has been successful in terms of impressive figures and substantial improvements in standards of living. But there are valid concerns regarding its sustainability. It is a well-known fact that China has been overly reliant upon investments and exports to power its growth – evidence shows that while household spending typically represents 60-70% of aggregate demand in developed countries, it has accounted for less than 40% of Chinese

demand. A consistent current account surplus of around 10% of GDP is much more of a vulnerability than strength as it means an unsustainable reliance on export consumers. The consequential damage is clearly being shown by the ongoing trade war.

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Furthermore, there is virtually no transferability of China's development model elsewhere. China's economic miracle is the combined product of different unique factors. Hong Kong, for example, is (or was) a vital link to the global market and modern financial and legal institutions. China also has the natural advantage in terms of the size of the labour force, which is complemented by its convenient geographical location, right next to the trade hubs of Japan, Taiwan and South Korea. The uniqueness of these important factors, in combination with China's distinctive political system, means that adopting the Chinese approach will require difficult and radical reforms, as well as artificial efforts to mimic China's natural advantages. Even in the unlikely possibility of succeeding such reforms and imitation, major challenges such as cultural differences would lie in the way of succeeding the replication of China's economic miracle.

But while it would be impractical for other countries to adopt China's specific development model, what could be learnt from China is the importance of pragmatism in policymaking. The successful example of the Chinese economic story over the past few decades has shown that countries should implement policies that would work best for their case, regardless of whether they conform to the conventional economic theories or ideological beliefs. This is evident from the Communist Party's description of Chinese economic development as '摸着石頭過河'— crossing the river by feeling for the stones. Instead of hewing to a particular development theory or putting too much weight on upholding ideological principles, China was able to acknowledge and adopt successful aspects of preceding development models despite their conflicting ideological beliefs. This is in sharp contrast with the laissez-faire economists of the late 20th century who encouraged developing countries to adopt their free-market policies – ending with stunted economic developments.

Hence, while it is certainly impractical to adopt the Chinese development model, there is much to be learnt from their pragmatic approach to economic policymaking that deprioritises ideological principles for actual results. To borrow the famous phrase by Deng Xiaoping, '不管黑貓白貓, 捉到老鼠就是好貓'— it doesn't matter if a cat is black or white, so long as it catches mice.

Andrew Chang
Collingwood College