

***State Capitalism: How the Return of Statism is Transforming the World.* Kurlantzick, Joshua. New York: Oxford University Press, 2016.**

Neelum Nigar*

The term ‘State capitalism’ is a combination of the traditional economic planning of a state and ‘free-market’ competition, which includes openness to free trade and foreign investment. Over the past two decades, most of the developing countries have moved away from free-market economies to a modern state capitalism in which state has a direct control over two-third of the major corporations along with more free trade and overseas investment.

In this important book, *State capitalism: How the Return of Statism is Transforming the World*, the author Joshua Kurlantzick analyses the rise of state capitalism in the developing world. The author hypothesises that state capitalism has the potential to challenge the free-market capitalism and also that the countries, with more state interventions, in their economies are not necessarily slow-growing than those of the free market economies. With the help of secondary data and case studies, the author argues that there is a rise in state capitalism in the recent past and the countries as diverse as Brazil, Vietnam, Egypt, the United Arab Emirates (UAE), Russia, Venezuela and Singapore have both state control over the key companies with a degree of openness to the world economy as long as they do not threaten state control over the key industrial sector.

State capitalism has many varieties and the author rightly mentions that the Chinese brand of state capitalism has received much of the attention. According to him, the distinction between various types of state capitalism is important to understand the strategies they use in the economic and political system and their implications for the success and failure of the system in a country.

According to the author, two distinctions are very important and are closely linked. First, state capitalism differs in terms of a political system.

* *The book reviewer is Research Fellow at the China Pakistan Study Centre, Institute of Strategic Studies, Islamabad.*

There are autocratic regimes like Saudi Arabia, China and Russia and others are democratic regimes like Brazil and India and some lie in between them like Singapore and Malaysia. In this respect, Kurlantzick delinks the notion of state capitalism and autocracy: he debunks the myth that state capitalism is naturally linked to the autocratic regime by citing the example of Brazil and Malaysia.

Kurlantzick is of the view that state capitalism differs in terms of economic performance with the countries which are more efficient, economically, such as Singapore followed by less efficient countries like China or Malaysia and least efficient countries like Kazakhstan, Iran and Egypt. Along with this spectrum, the author argues that the notion of state capitalism is misunderstood in the Western world. Through this evidence, Kurlantzick stresses that an innovative form of state capitalism in the contemporary world is quite responsive to the needs of the common masses, which will make it sustainable both economically and politically, in the long-run.

Moreover, Kurlantzick lays down five threats of state capitalism to the world order. According to him, state capitalism poses a potential challenge to the dominance of free-market economics and also to some extent to democracy. The other three challenges that the author identifies are: i) the impact of state capitalism on political freedom; ii) on political stability of a country and iii) the stability of an entire region. Referring to Russia and Malaysia, as examples of ineffective state capitalists, the author fears that the collapse of such countries can have a disastrous global impact while autocratic state capitalists like Russia and China will use their companies as a 'weapon of war.' One particular threat that the author highlights is that under authoritarian state capitalist regimes like Russia and China the State-Owned Enterprises (SOEs) have few incentives to uphold the international standards of environmental protection and corporate transparency or labour. The author cites the example of the Chinese investments in Myanmar and other developing countries, where the Chinese SOEs have low labour and environmental standards.

Towards the end, Kurlantzick devotes a detailed chapter to policy advice and asserts that the growth of state capitalism is critical and each actor including states, Multinational Corporations (MNCs) and other stakeholders should not overreact to the emergence of this modern type of

Book Review

state capitalism and should not assume that governments utilising state strategies are threats to democracy, free trade and international security. The author emphasises that all of these actors must recognise the different forms of state capitalism and formulate the policies pertaining to each challenge related to economic freedom, international institutions and security and also issues related to human rights. Citing, particularly the examples of authoritarian state capitalists-like China and Russia, Kurlantzick emphasises, that the western policymakers should focus on each challenge and must not make hype of the Chinese Model as a shift from Washington Consensus to the Beijing Consensus. They should focus on the anti-democratic elements in the Chinese model as a significant barrier to pose any serious challenge to the US strategic interests.

Over all, this book gives a pithy analysis of the rise of state capitalism in the developing countries despite few of the areas that the author has not touched upon. One particular area is the rise of recent populism in the developed countries. Economic uncertainties that have prevailed in many parts of the world is one significant factor in bringing back the state at the forefront and reasserts its position economically and politically as witnessed after Trump has got into power. The author repeatedly advises the western policy makers not to panic over the rise of state capitalism but falls short of highlighting the economic chaos, prevailing in most of the free-market economies, which is shifting the focus to the newly emerging global economic model i.e., Beijing Consensus. With few of its limitations, this book makes a significant contribution to the subject of state capitalism and is recommended to anyone interested in the fields of International Economics, International Political Economy and International Relations (IR).