

# ALL CHINA REVIEW

Mutual Gains, The New Normal In  
International Relations?

China Steps Up as U.S. Steps Back  
from Global Leadership

Opportunities and Limits of  
China's Role in Afghanistan

Food and Identity in  
Contemporary Perspective

 April - May 2017 [www.allchinareview.com](http://www.allchinareview.com)



## Moving from Washington to Beijing Consensus

ISSN: 2044-9305



9 771756 376008  
USA \$22 EU €17.5  
CN ¥97 UK £15

# Moving from Washington to Beijing Consensus

BY UME FARWA



**In the era of globalisation, Ume Farwa elaborates on the failures of the Washington Consensus and the hopes and promises that the Beijing Consensus brings, not only to China but also to smaller nations around the globe.**

*“After 75 years of US leadership on the world stage, the Mar-a-Lago Summit might mark the beginning of a handover of power from the United States to China.”*

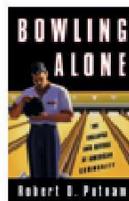
*Fareed Zakaria, Author of the Post American World<sup>1</sup>*

**N**ow that the question of the shift of power from the East to the West has settled, the time demands a global outlook markedly in contrast with the previous one. Along with the American Dream, Washington Consensus has also proved to be an illusion. The United States couldn't live up to its own socio-economic proposals according to the Washington Consensus, both at home and abroad. Since 2003, when the world famous economist, Joshua Cooper Ramo floated the term Beijing Consensus, a Chinese model of development and progress had begun to attract attention across the nations with American global influence shrinking and Populist forces compelling it to back off from its global responsibilities, the Beijing Consensus could never have been more relevant. Here a critical question arises: What can the Beijing Consensus offer to the world,

in terms of ideas, initiatives and institutions, which Washington Consensus failed to deliver?

In 1989, John Williamson proposed ten policy proposals, based on the themes frequently used in Washington-based international institutions, to set an economic model for other nations. Centred in financial liberalisation, private entrepreneurship and political opening, these policy proposals were as much social as they were economic. It shifted development thinking to neo-liberalism. During the Cold-War era, its inherent tensions between democracy and capitalism remained bubbling under the surface resurfacing at the time of the Great Recession of 2007.

Since then, the world has been losing confidence in it. However, it suffered setbacks from its very outset. It is because it manifested itself as “one-size-fits-all” approach. When Williamson tried to apply it to Latin American, he was surprised to know it was not applicable to even America's immediate neighbourhood<sup>2</sup> In 30 years of trade with Latin America, the consensus helped grow the region less than one percent in terms of per capita income. It constituted a system of monopoly of global and national elites in which the rest suffered. In his *Bowling Alone*, Robert Putnam pens the details of how American elites have been building an empire at the expense of their nation, all in the name of neo-liberalism.



**In his *Bowling Alone*, Robert Putnam pens the details of how American elites have been building an empire at the expense of their nation, all in the name of neo-liberalism.**

Conceptualising mainly on equality and development, it had been benefiting only the few elites of the societies. J.D. Vance penned down the painful detail of alienation and anger of America's working class and of how Americans stood against their own system. In his book, *Hillbilly's Elegy: A Memoir of Family and Culture in Crisis*, he explained that Americans believed that their governments robbed them of their hopes, shattered their dreams and their cities crumbled. This is the utter failure of the Washington Consensus in its very home. The Washington Consensus lost its charm because its spirit was devoid of any consensus. From the very outlook, it appears a diktat carried out through Bretton Woods Institutions. For decades, the Global South has been looking for "opportunity-for-all" but it found itself marginalised in global economy and, at times, burdened by the fiscal policies, with the stringent conditions of reforms from US perspective only.

In comparison with the Washington Consensus, the Beijing Consensus is the Chinese model of progress which is a fusion of Chinese thinking and learning on a development model and globalisation. It interpreted growth and development as a function of political control in economic sector, state-ownership of firms and innovation in state sectors. Joshua Cooper Ramo describes it as a composite of three theorems: Repositioning the values of innovation to reduce the friction-losses of reforms; a development model of sustainability and equality; and the theory of self-determination.<sup>3</sup> China's innovation with caution was the flip side of "cross the river by groping the stones". Therefore, it can offer flexible ideas of development of experimenting while gauging a state's own suitability. From 1980 to 2015, it reduced poverty by 94 percent, which is no mean feat.<sup>4</sup> It, thus, sets a successful practical application of bottom-up sustainable development approach.

It is the approach that China figured out for its progress and development when the Washington Consensus (Washington-knows-best) was the global norm. Therefore, it is attractive to other nations because they think, just like China, they can write their own story of success and development, keeping their culture and national pride intact, in a world where they might not be a significant power. Lurking behind it is the idea of a free world: freedom from foreign oppression; striving for a path to be independent while staying interdependent with

other states. This idea along with developing countries is the strength of China in furthering the Beijing Consensus.

It is time for China to add intellectual charisma and accelerate the momentum of China-led initiatives and institutions based on consensus, suitability, wide-ranging applicability, and economic equality.

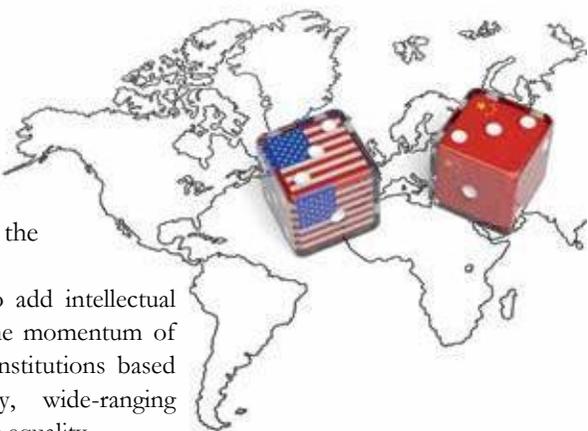
With the US backing off from Trans-Pacific Partnership, it is time for Regional Comprehensive Economic Partnership (RCEP). Here, China is reluctant to give a regional free trade agreement, which excludes the US. Instead of waiting for the Trump's protectionist US, China should take lead and further RCEP. It would strengthen Beijing's influence in the region if it starts negotiations on RCEP on the basis of ASEAN Free Trade Area.

In Asia only, there is need of \$1.4 trillion to invest in infrastructure annually between 2017 and 2030 to sustain its growth momentum, according to the latest Asia Development Bank report.<sup>5</sup> One Belt One Road (OBOR) is one such initiative. It used an investment-aid-grant-loan model to back the projects of these initiatives. In Asia, particularly, inadequacies and different socio-political systems are some of the challenges which China needs to steer clear of.

For instance, in the China-Pakistan Economic Corridor (CPEC), it has used this model, which is making the country a darling of foreign investors. These investments are the soft and concessional loans, which are given to the companies involved.

**It is time for China to add intellectual charisma and accelerate the momentum of China-led initiatives and institutions based on consensus, suitability, wide-ranging applicability, and economic equality.**

Nonetheless, there are certain confusions popping up. The most significant became apparent when the Global Times published an article whether Pakistan would be able to return loans as its fiscal debt increased to around 2.4 percent.<sup>6</sup> To dispel



The Beijing Consensus is the Chinese model of progress which is a fusion of Chinese thinking and learning on a development model and globalisation.

In the short run, state-controlled capitalism may work but in the long run, due to its inherent short falls, **China needs to bring a paradigm shift** in market economics and offer an alternative to free-market capitalism in an all embracing manner.



The 16<sup>th</sup> Meeting of The Regional Comprehensive Economic Partnership Trade Negotiating Committee and Related Meetings held in Indonesia December 2016.

Photo courtesy by [www.royalindo.com](http://www.royalindo.com)

the misperceptions, if any, and allow no room for misunderstandings, Chinese state entities will have to work in collaboration with the host country and its people. Before launching any mega-investment project, it needs to conduct a survey among different strata of its society to analyse how the host country views China's approach.

In a today's multi-polar world, the likelihood of the South-South Development Cooperation has been expanding. It will resolve the longstanding issue of the North-South gap in terms of economy and industrialisation. Since its initiatives in developing countries are based on the South-South Cooperation Development Cooperation Model, it needs to expand its development finances, not in terms of volume but in its scope as well. Therefore, a Sovereign Wealth Fund should be established.

China has created a network of multilateral regional and international institutions. Asian Infrastructure Investment Bank, Shanghai Cooperation Organization and Association of South East Asian Nations +3 are the few of such influential entities. These fora can be used effectively to enhance influence of Beijing in the region.

However, it shouldn't stand aloof from existing

internal financial institutions rather it should increase its influence within these institutions. It should develop a culture of consensus rather than dictation, the old practice in these institutions. Gradually, it should increase joint ventures of Bretton Woods Institutions and China-led institutions in order to expand its sphere of influence.

Intellectual charisma of the Beijing Consensus is its strength. It is anchored in learning from the West's failures without leaving its own ground. This adds gravity to the idea of Globalisation. In the short run, state-controlled capitalism may work but in the long run, due to its inherent short falls, China needs to bring a paradigm shift in market economics and offer an alternative to free-market capitalism in an all embracing manner. It is of paramount significance as the nations which lead the world create a "Weltanschauung", the global outlook, which then becomes a central piece of their global supremacy. The US created the global outlook on the basis of liberalism, which charmed the world. Though this global outlook is fading away, China still needs to work for a global outlook with its own characteristics. The Beijing Consensus is but a part of this outlook. Beijing will have to proportionate its increasing influence with acceptance of its ideas. 



**Ume Farwa** is a Research Fellow at the Institute of Strategic Studies Islamabad (ISSI) and Sub-editor at *ISSI Quarterly Journal*. Her area of research is the political economy of China and of Pakistan-China relations.

#### References

1. Zakaria, Fraeed. (2017). Trump prepares to pass the leadership baton to China. *The Washington Post*, March 16. Also available at [https://www.washingtonpost.com/opinions/trump-prepares-to-pass-the-world-leadership-baton-to-china/2017/03/16/c64ccee2-0a84-11e7-a15f-a58d4a988474\\_story.html?utm\\_term=.b8face82e463](https://www.washingtonpost.com/opinions/trump-prepares-to-pass-the-world-leadership-baton-to-china/2017/03/16/c64ccee2-0a84-11e7-a15f-a58d4a988474_story.html?utm_term=.b8face82e463)
2. Ramo, Joshua. (2004). *Beijing Consensus*. Foreign Policy Centre, London.
3. Ramo, Joshua, "Beijing Consensus", 2004, Foreign Policy centre, London, page 11-12.
4. Ghazanfar Ali Garewal. (2017). Shanghai: economic conduit for global south. *Shanghai Daily*, February. <http://www.shanghaidaily.com/opinion/foreign-perspectives/Shanghai-economic-conduit-for-global-south/shdaily.shtml>
5. China Real Time Report. (2017). Building Binge: ADB Calls for More Infrastructure Across Asia. *Wall Street Journal*, February 8. <http://blogs.wsj.com/chinarealtime/2017/02/28/adb0228/>
6. Song Shengxia. (2017). China should ensure Pakistan doesn't face financial crisis. *The Global Times*, February 21. <http://www.globaltimes.cn/content/1033997.shtml>