

Panel Summary: China's Future in the Age of Globalization

On April 29, 2006 at the University of Chicago's International House, Professor Zhang Jun, Professor of Economics and Director of the China Center for Economics at Fudan University; Mr. Ted C. Fishman, a freelance journalist; and Professor Wang Hui, Research Professor in the School of Humanities and Social Sciences at Tsinghua University, participated in a panel discussion entitled "China's Future in the Age of Globalization." The panel discussion was moderated by University of Chicago Professor Prasenjit Duara.

Professor Zhang Jun spoke first about China's rapid economic development and the factors that have contributed to its continuing success. Professor Zhang said that China's unique political circumstances enabled its rapid economic growth. Political openness to foreign direct investment (FDI) has enabled China's infrastructure to undergo the extensive improvements that were necessary for the growth of a manufacturing industry geared toward foreign export. Factors such as cheap labor and preferential policies towards foreign companies have certainly facilitated the inflow of FDI, but Professor Zhang pointed to the difference in growth patterns between China and India as an indication that there is a fundamental factor unique to China's development that differentiates it from the Indian example. Professor Zhang said that factor is China's political system.

Professor Zhang argued that India's democratic and decentralized political system is imposing restraints on its economic development, though he did not discuss these restraints in detail. India's economy has grown because it successfully globalized the services sector of the IT industry, relying heavily on resources generated domestically (in particular, its legal system and English language education); however, it has been hindered by the lack of FDI and its democratic institutions. In contrast, China's growth has been driven by local governments induced to compete against one another, leading local governments and public-private alliances to build better infrastructure nationwide. Financial opportunities that became available to local governments were complimented by efforts such as allowing officials to travel and study abroad. These officials have embraced FDI and marketization. In this manner, the political ideology of many individual leaders changed without fundamentally altering the structure of the political system as a whole. Professor Zhang argued that improvements in China's human capital have increased the legitimacy of its leaders and contributed directly to the flourishing of China's export industry.

Mr. Ted C. Fishman spoke next about the tangible effects China's rise has on the everyday lives of Americans and those living around the world. He pointed out that opinions about China's increased economic power vary greatly by location. For example, Canada has benefited from China's increased demand for resources such as oil, minerals, and wood. Mr. Fishman also pointed to Spain as an example of the indirect benefits China's boom can produce. Spain has enjoyed an increased demand for infrastructure investment from Latin America as a result of Latin America's increased resource sales to China. In southern California, Mr. Fishman notes that half a million people are employed in the business of processing Chinese imports, while textile and manufacturing industries in the southeast of the United States have been decimated by job migration to China.

Mr. Fishman further elaborated on the effects of China's global rise, using Wal-Mart as an example

of the tremendous opportunities afforded by China's domestic manufacturing industry; Wal-Mart deals directly with about 8,000 factories in China, with in total approximately 100,000 factories providing supporting materials for its products. The inexpensive goods produced from operations such as this save Americans money while also exerting downward pressure on global prices. Concurrently, however, wages in the Midwestern manufacturing economy are down between \$6,000 and \$8,000. Mr. Fishman concluded his speech with a reminder of the difficulty in categorizing the relationship between political and economic systems. In spite of the widely-held Western belief in the superiority of democracy and rule of law in trade, China's authoritarian system has provided remarkable growth in the quality of life of its people. The Chinese model of economic development is increasingly seen as a guide for other developing countries.

Professor Wang Hui spoke about a new emerging dynamic between China's intellectuals, policy makers, and the social groups affected by China's move towards economic liberalization. Professor Wang described a process in which policy debates are first conducted by scholars within the Chinese regime and then by intellectuals and media in the public space. Professor Wang observed that only after an idea has been exposed to this public space and considered by the increasingly Western-influenced critical class of intellectuals can it come to have significant impact in policy. Professor Wang noted that Chinese leadership has become increasingly sensitive to the power of this new interaction between the governmental and public intellectual spaces.

A corresponding dynamic is emerging within the Chinese government itself. The Chinese government's increasing openness to debate is a result of the inaccuracy of the idea of the homogeneous Chinese state. Instead of this construct, Professor Wang argues that new categories must be imagined to describe the way the Chinese government interacts with economic forces. Marketization is carried out by central and local governments, in addition to various departments of state, all of which have interests that can cooperate or conflict. In addition to these multi-faceted relationships, each level of government also interacts with international markets and interests, adding a layer of complexity to decision-making processes.

This complexity and potential contradiction of interests explains a Chinese government increasingly able to accept public feedback and to respond in different, sometimes internally contradictory, ways. A prime example of this process was the wholesale negation of the Cultural Revolution juxtaposed with the continuing endorsement of socialism and Mao Zedong thought. The Chinese government derived much legitimacy from distancing itself from the violent Cultural Revolution while continuing paradoxically to endorse Mao Zedong thought and a market economy. Today, social groups victimized by unfair marketization can appeal to socialist tradition in demanding the government take responsibility in areas such as healthcare, education, and environmental conservation.

During the question-and-answer session, the panel fielded a question regarding the obstacles both the U.S. and China face in their large gap between the rich and poor. Mr. Fishman noted that the poor in the U.S. are adversely affected by job migration to low-cost centers in China, a process that allows China to "export its income gap to the U.S." and to effectively widen the divide between rich and poor in the U.S. He said that the only solution is to invest in educational and job training

infrastructure in the United States in order to prepare those whose jobs have migrated for higher-value occupations. Professor Zhang addressed China's urban-rural divide, reasoning that the rapid industrialization of rural economies is necessary to diminish the income disparity between rural and urban regions. He also said that the Chinese government has improved its practice of providing compensation to those rural residents affected by industrialization. Professor Wang noted that China's economic growth is expected to continue steadily for some time, but attention to the social implications of development, particularly widening income disparities, is necessary to maintain social stability in China.