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China as a Development Model for the Global South: Opportunities and Limits

Henry Gao, Gregory Shaffer, and Mario R. Osorio Hernandez

Abstract: *With its remarkable economic success, China could be regarded by countries in the Global South as presenting a development 'model' that they should follow. In this chapter, we examine whether the Chinese approach, which China calls "Socialism with Chinese Characteristics," could be a model for the Global South. We start with three key features of the 'model': its experimentalist pragmatism starting with the Deng era; its investment-led, export-orientation; and its dual-track economy, bolstering both public and private forces to spur industrial growth and innovation. We then discuss two examples that are helpful in unpacking and potentially calling into question the idea of a 'model', one involving the phenomenal growth of China's e-commerce sector, and the other involving China's recent experience in climate adaptation and energy transition. These two examples illustrate the difficulties in conceptualizing the 'China model' and the complexity of China's heterodox approach to development. We then turn to the lessons China might offer to countries in the Global South before examining the irony behind China's more recent advocacy of its model in the context of Chairman Xi Jinping's return to a more personalist and dogmatic form of governance.*

Introduction

As the second largest economy and the largest trader in the world, China holds immense appeal to developing countries eager to move up the ladder of development. According to China, its economic success is mainly attributable to its "Socialism with Chinese Characteristics," a unique system which pragmatically and experimentally has blended a market economy with heavy government intervention. China's relative uniqueness makes it difficult for countries in the Global South to adopt its approach to development as a model. Only recently with the consolidation of power by President Xi Jinping and the intensification of geopolitical competition with the United States has China begun to promote its development model as an alternative to what was long advocated by the Bretton Woods institutions that the United States and Western countries created.

In this chapter, we first set forth what could be conceptualized as a 'China model' based on China's reform practices and experiences initiated under the leadership of Deng Xiaoping during the late 1970s. We focus, in particular, on China's pragmatic and experimentalist policies, often involving competition among different cities and regions (Part I), its economy's investment-driven, export orientation that formed a central part of global supply chains (Part II), and its dual-track economy, blending government-driven policies with market-led competition in supporting its industrial development (Part III). Parts IV and V then address the complexities of speaking of a 'China model'. Part IV addresses how China's e-commerce success could be understood as both a contradiction and an attribute of the model. Similarly, Part V examines how the conceptualization of the model in the context of China's energy transition policies implicates any lessons to be drawn by the Global South. Part VI assesses the possibilities and limits of the 'China model' for other developing countries, especially in light of China's increasing promotion of it. Although there are important takeaways from China's practices and experiences, blindly mirroring China's unique development trajectory is the wrong insight to be derived from China's economic development and is unlikely to lead countries in the Global South to comparable levels of economic success. Part VII considers the irony of China more aggressively promoting its 'model' in international fora in ways that contradict the very practices that led to its economic success. We then conclude.

I. Contested Conceptualizations of the China Model: Experimentalist Pragmatism

Differing views on the exact nature of China's development model abound.[1] On one end of the spectrum, some assert that the management of the economy under a stable and responsible "authoritarian" regime capable of steering economic growth through strong state control and the mobilization of vast socio-political resources is the defining feature of China's development.[2] This perspective often harkens back to the so-called "Beijing Consensus" (a phrase coined by Joshua Ramo), which positions the China model in direct conflict with the "Washington Consensus" and that model's emphasis on democratic capitalism and the free market in guiding the direction of Western societies.[3]

In the middle of the spectrum, others advocate for a view that portrays the China model as characterized, first and foremost, by "gradual" reform. Instead of following shock therapy and other prescriptions of the Washington Consensus, China opted for "second-best" solutions such as dual-track pricing and hybrid property rights.[4] These measures allowed China to stimulate previously non-existent or highly distorted markets, setting China's economic institutions on a course toward a market economy.[5] This position, like the first, can suggest a quasi-mechanical causality between specific policies and development outcomes, attributing a linear dimension to development trajectories based on a particular prescription, such as gradualism. Both

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[1] For an overview of some of the positions, see Michael W Dowdle and Mariana Mota Prado, 'Dialogus de Beijing Consensus' in Weitseng Chen (ed), *The Beijing Consensus?: How China Has Changed Western Ideas of Law and Economic Development* (Cambridge University Press 2017).

[2] See, for example Robert Lawrence Kuhn, *How China's Leaders Think: The Inside Story of China's Reform and What This Means for the Future* (John Wiley & Sons 2009); For a Chinese version, see Pan Wei (ed), *Chinese Model: Interpreting 60 Years of the People's Republic (中国模式: 解读人民共和国的 60 年)* (Central Compilation and Translation Press (中央编译出版社) 2019).

[3] Joshua Cooper Ramo, 'The Beijing Consensus' (May 2004).

[4] Dani Rodrik, 'Second-Best Institutions' (2008) 98 Am Econ Rev 100, 100–04.

[5] Nicholas Lardy, *Markets over Mao: The Rise of Private Business in China* (Peterson Institute 2014).

approaches suggest a deterministic relationship between a set of practices and a development path, conjuring the image of a 'China model' that is inherently transitional.[6]

At the other end of the spectrum, a third position rejects this framing of reform, depicting the Chinese model as a non-model in crucial respects. Rather than situating China's reforms within the confines of specific principles along a trajectory, this literature presents China's development process as marked by permanent experimentation, emphasizing a pragmatic trial-and-error approach to development and economic growth. Deng Xiaoping's well-known statement, "we don't care whether a cat is black or white as long as it catches mice," aptly captures China's pragmatist approach to reform during his tenure.[7]

Scholars such as Isabella Weber and Yuen Yuen Ang adopt this third position, rejecting readings of China's socio-economic transformation through competing ideologies, such as statist versus liberal. Instead, they underscore the co-evolutionary nature of China's development, with the state and the market, and state-owned enterprises and private businesses interacting and adapting to dynamic developments. Here, the concept of "gradualism" is seen as much tied to the rhythm of market transformation as to the agnostic attitude toward the desired mix of markets and institutions, allowing China to continually adjust course based on outcomes and feedback.[8] The Chinese saying "crossing the river by feeling the stones" fittingly encapsulates the development strategy's stance regarding institutional direction.[9]

As Isabella Weber argues, the impetus to reform Mao's socialist planning system did not stem from an ideological shift but, rather, from a renewed commitment to shared prosperity. In her book, "*How China Escaped Shock Therapy: The Market Reform Debate*," Weber explores the path Chinese reformists chartered as they recognized the critical juncture the socialist economy had reached by the end of the 1970s—a path characterized by a wide array of policy prescriptions not tied to any specific doctrine or precept.[10] Chinese reformers allowed local governments *and* businesses to experiment with various policies and practices. Their approach encompassed not only incentives for local governments to undertake innovative pilot experiments, but also varying forms of support to state-owned companies involved in the production of 'heavier' goods, all the while bolstering private businesses specializing in 'lighter' commodities. These strategies enabled the development and discovery of workable reforms at each stage of development. New institutional arrangements arose with new challenges, evolving through ongoing decentralized experiments and changing categories between what constituted 'light' and 'heavy' products for the economy.[11] As recognized by the State Council

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[6] Suisheng Zhao, 'The China Model: An Authoritarian State-Led Modernization' in Carla P Freeman (ed), *Handbook on China and Developing Countries* (Handbooks of Research on Contemporary China, Edward Elgar Publishing 2015) 46; Tang Xiaoyang, 'Co-Evolutionary Pragmatism: Re-Examine "China Model" and Its Impact on Developing Countries' (2020) 29 J Cont China 853, 855–56.

[7] Gregory C Chow, 'How and Why China Succeeded in Her Economic Reform' (1993) 4 China Econ Rev 117, 127.

[8] See, generally Isabella M Weber, *How China Escaped Shock Therapy: The Market Reform Debate* (Routledge 2021) pt II; Yuen Yuen Ang, *How China Escaped the Poverty Trap* (Cornell University Press 2016).

[9] Chow (n 6) 120, 126; Xiaoyang (n 6) 859.

[10] Weber (n 8) ch 4ff.

[11] Weber (n 8).

of the People's Republic of China, the economy could evolve beyond the boundaries of existing planning systems, which would catalyze new arrangements as former systems faded.[12]

Before delving into an examination of the opportunities and limits for developing countries wishing to adopt China's pragmatic, non-doctrinaire approach, it is important to note that, despite fundamental differences in their framing of the China model, all three approaches converge on two key points. First, they highlight the critical role of investment and exports in driving China's economic growth. Second, they underscore the interplay between private and public forces in shaping its industrial success. The complex implications of these features of China's reforms warrant deeper exploration for any 'lessons' to be drawn by the Global South.

II. Investment-led, Export-oriented Growth Model

Since its initiation of economic reforms in 1978, China has undergone an unprecedented period of economic growth. By the end of the 2000s, it had ascended to become the world's second-largest economy, maintaining an annual growth rate of nearly ten percent for three decades.[13] This remarkable economic progress lifted over 800 million Chinese from extreme poverty, representing close to 75 percent of global poverty alleviation over the last forty years.[14] It also vastly facilitated the expansion of the middle class, with estimates projecting that by 2027, approximately one-quarter of the global middle class will be in China.[15] China not only is the world's second-largest economy, but also is the world's largest trading nation and a leading attractor of foreign direct investment.[16]

For the first thirty years after the founding of the People's Republic, China adopted a form of centralized Soviet-style industrialization that favoured protection of domestic production over trade; its trade was mostly limited to bartering transactions with countries in the Soviet bloc. Such policies did not work well, and China suffered economically. It had a gross-domestic product (GDP) per person of just $156 U.S. Dollars (USD) in 1978 when Deng Xiaoping took over, compared to $12,720 USD in 2022.[17] Aiming to bolster the performance of the Chinese economy, China followed the example of its East Asian neighbours and adopted an export-oriented model.

This export focus, however, is only part of the broader picture. China's high exports and large trade surplus were the residual effects of excess savings which supported investment over consumption. China's high savings rate reflected the experiences of the so-called Asian Tigers (Singapore, Hong Kong, Taiwan, and South Korea) in the 1970s and 1980s, but also those of

[12] 'China 2030: Building a Modern, Harmonious, and Creative Society' (World Bank Group 23 March 2013) 4.
[13] International Monetary Fund, 'World Economic Outlook Databases' (no date) <https://www.imf.org/en/Publications/SPROLLs/world-economic-outlook-databases> accessed 15 January 2024.
[14] *Four Decades of Poverty Reduction in China: Drivers, Insights for the World, and the Way Ahead* (World Bank Group 2022).
[15] Homi Kharas and Meagan Dooley, 'China's Influence on the Global Middle Class' (October 2020).
[16] World Trade Organization, 'WTO Stats' (no date) <https://stats.wto.org/> accessed 15 January 2024.
[17] World Bank Group, 'World Bank Open Data' (no date) <https://data.worldbank.org> accessed 15 January 2024.

Japan in the 1930s and 1960s, as well as other countries in earlier periods.[18] It was driven by investment over consumption. China had endured the Sino-Japanese war, the Chinese civil war, and Maoism, which resulted in severe underinvestment. Only after China developed extensive infrastructure driving high levels of investment in an economy with an extremely high savings rate, did China amass production overcapacity that it channeled toward exports. It then emerged as arguably the biggest economic success story of the developing world.

As noted by Joe Studwell in his book *How Asia Works*, the post-WWII economic miracle in East Asia is mainly attributable to three government interventions: land reform which helped to boost agricultural productivity and produced sufficient food for the next stage of economic development; industrial policy coupled with rigorous export discipline which forced manufacturing firms to boost their competitiveness and move up the value chain; and a financial policy that took advantage of high savings rates, low interests rates, and tight capital controls to subsidize manufacturing exports.[19] Michael Pettis highlights a few complementary factors, such as significant spending on infrastructure, which provided the necessary conditions for sustained investment; a stable financial system that allocated capital relatively efficiently, rewarding prudent risk-taking; and varying forms of infant industry support, coupled with fierce internal competition that drove managerial and technological innovation to promote long-term growth.[20]

China, following Japan, Korea, and Taiwan before it, was able to combine such elements successfully. Other countries, however, might find it difficult to imitate its success. For example, Southeast Asian countries such as the Philippines, Indonesia, Malaysia and Thailand lag behind due to their failure to implement land reform, lack of export discipline, and premature financial deregulation. For Studwell, it was the unique political economy of the East Asian countries which helped to propel their phenomenal economic growth. This is especially true in China, where the right to trade was tightly controlled by the government for a long time and was only fully liberalized at the end of 2022,[21] and export financing has been indirectly controlled by the government through its ownership of banks which provide the credit, enabling the government to not only implement export discipline but also screen out non-competitive exporters. As many developing countries not only lack the bureaucracies to implement these policies effectively, but also face challenges in attaining the high levels of savings and

[18] Jeffrey Frieden, Michael Pettis, Dani Rodrik, and Ernesto Zerdillo, *After the Fall, The Future of Global Cooperation* (Geneva Reports on the World Economy 14, 2012).
[19] Joe Studwell, *How Asia Works: Success and Failure in the World's Most Dynamic Region* (Grove Press 2013) 1–18.
[20] Michael Pettis, *Avoiding the Fall: China's Economic Restructuring* (Carnegie Endowment for International Peace 2013) ch 2 (referring to the investment-led growth model).
[21] China used to limit trading rights to state-trading enterprises. During its WTO accession, China agreed to liberalize trading rights to all enterprises within three years of accession. On 1 July 2004, China amended its Foreign Trade Law to remove the approval requirement for trading rights, but prior registration with the authorities was still required. On 30 December 2022, the Standing Committee of the National People's Congress deleted Article 9 of the Foreign Trade Law, which conditioned the processing of exports and imports on prior registration. 'Decision of the Standing Committee of the National People's Congress on Amending the Foreign Trade Law of the People's Republic of China (全国人民代表大会常务委员会关于修改《中华人民共和国对外贸易法》的决定)' (31 December 2022) <https://www.gov.cn/xinwen/2022-12/31/content_5734366.htm> accessed 15 January 2024.

investment required to develop substantial export production, they may find it hard to replicate China's approach.

III. Industrial Policy and Market Competition: A Dual-track Model

At the heart of China's development is the concept of a dual-track economy, reflecting the country's pragmatic stance toward reform. The concept refers to the simultaneous maintenance of two distinct yet interrelated economic pathways. One track embodies socialist principles, associated with centralized planning and government-driven industrial policy, while the other embraces entrepreneurial, private-led market competition. China's dual-track reform approach gained prominence with the changes initiated in the late 1970s under Deng Xiaoping's leadership. It played a crucial role in China's integration into global supply chains and remains an important aspect of its industrial and economic program, as evidenced by the country's own self-conceptualization of "Socialism with Chinese Characteristics."

The two tracks work as complements to each other. At least three components can be distilled with respect to the state-guided track: a top-down administrative hierarchy, which ensures that macro government intervention in the form of five-year plans can be imposed on lower-level government, broken down into deliverables which are passed through and faithfully implemented; strong state control over the economy's 'core', partly effectuated through a large number of state-owned enterprises; and massive subsidies targeting specific sectors and particular enterprises channelled through state-owned banks. In parallel, at least three distinctive features emerge regarding the market-oriented track: bottom-up market forces through private enterprise, involving fierce internal competition; an abundance of space for experimentation and innovation afforded to businesses in 'non-core' sectors of the economy, the boundaries of which change over time; and political and regulatory frameworks encouraging adaptability and responsiveness to market dynamics, allowing private enterprises to succeed in an environment characterized by flexibility and innovation.

The coexistence of these two economic tracks illuminates the balance between markets and state institutions implemented through Chinese reforms, holding significant implications for reform-oriented nations in the Global South. As noted above, some conceptualizations of the China model presumed that the country's shift from state planning to marketization would inevitably lead to convergence with Western economic models. Advocates of free-market liberalism asserted that China's rapid economic growth validated their paradigm, while critics on the left cautioned against the country's transition into a neoliberal economy. However, a dual-track perspective reveals that China's reform trajectory has been complex and pragmatic, rather than linear and dogmatically ideological. It consistently has been characterized by a duality between the market and the state.[22]

Consequently, a key lesson for developing countries lies in the very conceptualization of the China model, as the way the 'model' is presented bears on whether China's reform practices and experiences are reckoned as opportunities or challenges. Certain practices can be perceived

[22] See Weber (n 8).

either as contradictions of the model, such as when success is viewed as a departure from authoritarian state planning, or as intrinsic to it as when the model is conceived as a shifting, complex intertwining of public and private forces. As elaborated below, China's choices regarding its e-commerce sector and its recent experience with climate adaptation policies serve as examples that underscore the role of framing in drawing lessons from China's approach.

IV. The Chinese E-commerce Sector: Contradiction or Attribute of a China Model?

As the largest e-commerce economy in the world, China has become a model that countries would like to emulate. However, unlike many other sectors, the e-commerce market in China is not the product of government-oriented industrial policy. Instead, the sector developed by means of market-driven private entrepreneurship.

If, as is often the case, the Party-State's industrial policies are used as the yardstick for construing the China model, the remarkable development of the e-commerce market in China is likely to be taken as an anomaly, serving as a cautionary tale for countries in the Global South seeking to emulate China. It would highlight that the e-commerce sector thrived despite authoritarian government planning, prompting developing countries to exercise caution in drawing inspiration from the China model. However, if the dual-track nature of China's economy is put forward as the benchmark, the extraordinary growth of the e-commerce sector emerges as part of the model, calling attention to the Party-State's pragmatic approach.

China's openness to private enterprise created a conducive environment for private businesses to experiment and effectively address three major challenges faced by the industry. These challenges consisted of an inefficient distribution system, a non-existent payment system, and an outdated logistics system. E-commerce giants, particularly Alibaba, played a significant role in overcoming these obstacles and fostering the growth of the industry.

First, the inefficient distribution system in China posed a significant hurdle for the e-commerce sector. Traditional brick-and-mortar retail relied on complex supply chains and multiple intermediaries, resulting in a slow and cumbersome distribution process. Alibaba recognized this challenge and leveraged the power of technology to streamline and optimize the distribution system. However, few people know that the first to recognise the problem was not Alibaba. It was the Chinese government. It not only identified the problem correctly. It even hired the right person: Jack Ma's first important job was to build an e-commerce website for the China International Electronic Commerce Centre, a subsidiary of China's Ministry of Commerce in 1998. Jack Ma realized there was untapped potential in this sector. He quit his job to found Alibaba a year later, and the rest is history.

Second, the non-existent payment system was a critical challenge hindering the development of e-commerce in China. Prior to the rise of e-commerce, cash transactions dominated the retail landscape, making online transactions and electronic payments unfamiliar to many consumers. China's state-owned banks dominated the payment system, and their main purpose was to service China's state-owned enterprises, who were the key players in China's industrial policy.

Even though Alibaba did not have a license to run a payments system and its move into finance challenged the dominance and undercut the business of China's state-owned banks, Alibaba was able to devise its own solution: Alipay, a secure and convenient online payment platform. Alipay provided a trusted and user-friendly interface, enabling consumers to make purchases online with ease. Alibaba's introduction of escrow services, where payments were held until the buyer confirmed satisfaction with the received goods, helped build trust and further boosted consumer confidence in online transactions. Alipay only received the official payment license from the Chinese government eight years after its inception.

Lastly, the outdated logistics system posed a significant challenge for e-commerce companies. China's vast geography and diverse consumer base necessitated a robust and reliable logistics infrastructure to ensure prompt and accurate delivery of goods. But the former monopoly - China Post – lacked the incentive to improve its services as it received massive subsidies from the government. Alibaba recognized this need and invested heavily in building a comprehensive logistics network. It formed strategic partnerships with logistics companies, established fulfillment centers across the country, and pioneered innovative solutions like crowd-sourced delivery. By improving and modernizing the logistics system, Alibaba and other e-commerce giants successfully addressed the challenges of order fulfillment, leading to faster and more reliable deliveries. This played a pivotal role in transforming online shopping into a viable and convenient option for Chinese consumers. Again, the government was slow to recognize the potential in the sector, as China only started to regulate the express delivery companies in 2009, sixteen years after the first express delivery companies were established and ten years after Alibaba started business.

The Alibaba example can be viewed in two ways, depending on how one conceptualizes the China model. On the one hand, if the China model stresses the centrality of industrial policy, then Alibaba's success undercuts such a conception. On the other hand, if the China model is conceptualized in terms of a dual-track that provided institutional space for Alibaba to experiment, including through measures that shielded it from foreign competition, then then it is consistent with a pragmatist, experimentalist conception. From that vantage, the government did not care whether the sector was state-owned or private, or promoted by government-driven industrial policy or market-led enterprise so long as it developed, recalling Deng's famous proverb of cats catching mice.

V. China's Recent Experience with Climate Adaptation: Contradiction or Attribute of the Model?[23]

Commentators argue that capitalist democracies (and in particular the United States) will face challenges in tackling climate change due to the lobbying pressure that oil and gas industries place on government and companies' tendencies to focus on short-term gains for

[23] This section is partly based on Henry Gao, Weihuan Zhou, Competition among purposes: The Chinese Experience in the Governance of Climate Change and Energy Transition, *Journal of International Economic Law*, Volume 26, Issue 4, December 2023, Pages 803–816, https://doi.org/10.1093/jiel/jgad027.

shareholders.[24] Young democracies, they contend, might be more susceptible to influences from business interests that oppose environmental policies because of clientelism and effects on profits.[25] To confront mounting environmental challenges, some argue that authoritarianism "may become not only justifiable, but essential for the survival of humanity."[26] However, from a dual-track perspective, the impulse to frame policy reform within the binary of strong-state authoritarianism versus free-market capitalism is misguided. China's practices and experiences are more complex, as evidenced by some of the peculiarities surrounding China's emergence as a leader in climate change mitigation.

In September 2016, China formally ratified the Paris Agreement.[27] Four years later, Xi Jinping announced China's plan to further scale up its Intended Nationally Determined Contributions so that CO2 emissions peak before 2030 and carbon neutrality is attained before 2060.[28] A central element of the plan is to reduce China's heavy reliance on coal, which already saw a steady decrease between 2013 and 2018. While coal demand increased in 2019 and 2020, new coal power plants approved in 2021 declined by approximately 58% compared to 2020.[29] However, this progress in energy transition was interrupted by power outages over twenty provinces in China in September 2021, which triggered a U-turn in policy. China reversed its transition and approved more coal power plants in the last month of 2021 than it did in the previous eleven months combined. This trend continued in 2022, with the coal power capacity approved in the first quarter of 2022 accounting for almost half of the total capacity approved in 2021.

There were two reasons for the abrupt shifts.[30] The first was the misalignment of incentives between the central and local governments, especially where the government provided mixed signals regarding multiple policy objectives. While the central government was more interested in meeting international commitments, local governments chose to ignore sustainable development goals to pursue economic growth since GDP was the main basis for performance reviews. It was only after the central government explicitly made clear that the assessment results for the energy saving targets would "be handed over to the competent department of cadres as an important basis for the comprehensive assessment and evaluation of the leadership

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[24] Jeffrey J. Brulle, *The Climate Lobby: A Sectoral Analysis of Lobbying Spending on Climate Change*, 149 Climate Change 289 (2018); Joo-Cheong Tham, *How to Deal with Fossil Fuel Lobbying and Its Growing Influence in Australian Politics*, The Conversation (Australia), August 18, 2022.

[25] Philip Keefer, 'Clientelism, Credibility, and the Policy Choices of Young Democracies' (2007) 51 American Journal of Political Science 804 (addressing the challenges of "young democracies," leading to "clientelist policies").

[26] Mark Beeson, 'The Coming of Environmental Authoritarianism' (2010) 19 Environmental Politics 276, 289.

[27] Brian Spegele, 'China's Legislature Ratifies Paris Agreement on Climate Ahead of G-20 Meeting', *The Wall Street Journal* (19 September 2016) <https://www.wsj.com/articles/chinas-legislature-ratifies-paris-agreement-on-climate-ahead-of-g-20-meeting-1472872781> accessed 15 January 2024.

[28] China Global Television Network, 'Full Text: Xi Jinping's Speech at the General Debate of the 75th Session of the United Nations General Assembly' (2020) <https://news.cgtn.com/news/2020-09-23/Full-text-Xi-Jinping-s-speech-at-General-Debate-of-UNGA-U07X2dn8Ag/index.html> accessed 15 January 2024.

[29] Yujie Xue, 'China's Approvals for New Coal Plants Rebound Amid Renewed Focus on Energy Security After Last Year's Power Crisis', *South China Morning Post* (20 July 2022) <https://www.scmp.com/business/article/3185844/chinas-approvals-new-coal-plants-rebound-amid-renewed-focus-energy> accessed 15 January 2024.

[30] Gao & Zhou, supra note 23, at 811-814.

team and leading cadres of the Provincial Government"[31] that local governments, especially those with the worst record in meeting climate mitigation goals, sprang into action, resorting to "blunt force regulation"[32] and abruptly limiting power usages.[33]

The second reason was the lack of well-functioning market mechanisms that respond well to market signals. China traditionally set its power prices through government intervention because of energy's critical role for economic development and social stability. In 2004, to promote market reform, China introduced a coal and electricity price linkage mechanism that tied power prices to coal prices. Since mid-2016, coal prices rose rapidly and stayed at high levels.[34] According to the formula in the coal and electricity price linkage mechanism, electricity prices were supposed to be adjusted upwards. However, the government opted to reduce electricity prices by 10% in 2018 and another 10% in 2019 to support businesses when China's annual GDP waned. Consequently, power plants suffered losses, with the State Grid reporting a significant deficit in its power generation business for the first time in 2020. This trend continued in 2021, with coal prices rising by as much as 300%,[35] and all state-owned coal power plants reportedly losing 101.7 billion Yuan that year.[36]

The government could have leveraged the situation to further speed the shift away from China's coal power dependence, prioritizing climate adaptation while at the same time maintaining the low energy prices that powered the rest of the economy. Instead, recognizing its immediate energy needs, the Party-State changed course, permitting upward price adjustments and providing subsidies to the coal industry. Right after the nation-wide power shortages, China's National Development and Reform Commission issued a "Notice on further deepening market-oriented reform of on-grid electricity price for coal-fired power generation," which expanded the upper price fluctuations limit from 10% to 20% to all users except high energy-consuming enterprises.[37] In May 2022, the central government agreed to provide state-owned coal power

[31] National Development and Reform Commission, 'Improving the Plan of the Dual-Control of the Intensity and Quantity of Energy Consumption (关于印发《完善能源消费强度和总量双控制度方案》的通知)' (16 September 2021) <https://www.ndrc.gov.cn/xwdt/tzgg/202109/t20210916_1296857.html?code=&state=123> accessed 15 January 2024.

[32] Denise Van Der Kamp, *Clean Air at What Cost?: The Rise of Blunt Force Regulation in China* (Cambridge University Press 2023) 1–27.

[33] 'Jiangsu/Shandong and Many Other Places Have Begun Power Rationing! List of Recent Power Restriction Policies in Various Regions (江苏/山东等多地开始限电！近期各地区限电政策一览-北极星售电网)' (22 September 2021) <https://news.bjx.com.cn/html/20210922/1177922.shtml> accessed 15 January 2024.

[34] National Bureau of Statistics, 'Coal Production Increased in Rehabilitation, and the Industrial Layout Was Optimized in Adjustment' (19 March 2018) <https://www.stats.gov.cn/tjsj/zxfb/201803/t20180319_1588745.html> accessed 15 January 2024.

[35] Xiaoxing Liu, 'Whether The Dual-Control Policy Of Energy Consumption Should Be Responsible For Power Rationing?' (8 October 2021) <http://epaper.cenews.com.cn/html/2021-10/08/content_70284.htm> accessed 15 January 2024.

[36] 'The State Council Information Office Held a News Conference on the Economic Operation of Central Enterprises in the First Quarter of 2022 (国务院新闻办就 2022 年一季度中央企业经济运行情况举行发布会)' (20 April 2022) <https://www.gov.cn/xinwen/2022-04/20/content_5686227.htm> accessed 15 January 2024.

[37] National Development and Reform Commission, 'Notice On Deepening The Marketization Reform Of The On-Grid Price Generated By Coal-Fired Power (关于进一步深化燃煤发电上网电价市场化改革的通知)' (11 October 2021) <https://www.ndrc.gov.cn/xxgk/zcfb/tz/202110/t20211012_1299461.html> accessed 15 January 2024.

plants with a subsidy package totalling 100 billion Yuan, along with 30 billion Yuan of additional capital injection,[38] as well as approval for them to issue 200 billion Yuan of special bonds to ensure energy supply.[39]

Given the central government's policy reversal, China's recent experience with climate change and energy transition could be used to highlight the limits and tribulations of Party-State authoritarianism. However, it is also possible to highlight Chinese adaptation in light of experience. Only time can tell if China's recent backtracking will be viewed positively as enabling the sustainability of climate adaptation measures in the long-run, or negatively as prolonging a much-needed energy transition away from coal.

VI. The Challenges for Developing Countries Adopting a 'China Model'

The concept of a 'China model' could be of interest to developing countries in assessing their development options and strategies. However, modelling a country's development path on China's successes should not mean replicating China's different route since 1978. Mirroring China's development trajectory in this way would assume the wrong 'lesson', be challenging, and in most cases, ill-advised.

Of critical importance are the many differences of the context that developing countries face today compared to when China's rapid development began. When China embraced an investment-led development model in the 1980s, Western companies were injecting capital into major markets, shifting production overseas and outsourcing operations to companies in markets with low labor costs. During this period and the following decade, China suppressed consumption and increased its savings as a percentage of GDP to unprecedented levels. This concentration of savings in the domestic banking system enabled China to lend heavily, injecting vast amounts of capital into the economy without relying on the capital of Bretton Woods institutions. Additionally, China pursued export-driven growth as East Asian tigers faced rising wages due to improvements in human capital, and as these countries' aspirations to climb up the value chain consolidated. These shifts reduced the East Asian tigers' comparative advantage in low-wage manufacturing. As a result, during the most critical stages of development, the conditions were ripe for China to step into the global (low-wage manufacturing) production gap left open by East Asian tigers, all while accumulating capital needed to secure its structural transformation.

The reality for most developing countries today is significantly different. In the West, nationalist sentiments, and accusations that other governments are not playing "fairly," have resurged, triggering a particularly strong push in the United States for U.S. companies to redirect investment domestically. Global economic relations are increasingly marked by

[38] Li Zhi, 'Standing Committee of the State Council: Another 50 Billion Yuan of Renewable Energy Subsidies Will Be Allocated to Central Power Generation Enterprises (国常会：再向中央发电企业拨付 500 亿元可再生能源补贴' (11 May 2022) <https://www.yicai.com/news/101409372.html> accessed 15 January 2024.

[39] 'Today is the First Day of the Lunar New Year, Getting Rid of the Old and Welcoming the New, I Wish You Great Success "Rabbit"! (今天大年初一，除旧迎新，祝大展宏"兔"！)' (22 January 2023) <https://www.gov.cn/xinwen/2023-01/22/content_5738440.htm> accessed 15 January 2024.

geopolitical tensions, unpredictable interest rates, and other uncertainties affecting the business environment. Concurrently, China continues to dominate a significant portion of manufacturing, but itself is facing severe economic risks, while most developing countries grapple with savings challenges amid entrenched inequalities and prolonged de-industrialization trends. More generally, technological advances are reducing development opportunities through investment in low-wage manufacturing.[40]

These developments make it difficult for countries to emulate the types of policies China pursued, and they increase the likelihood that major economic players like the United States and Europe will take action to counter any perceived "coercive" or "unfair" policies. Additionally, these challenges render it harder for developing countries to achieve the levels of investment seen in China, such that they will need to resort to foreign borrowing for investment to move up the value chain. Yet, the strict prescriptions of Bretton Woods institutions, which might not provide sufficient policy space for the type of experimentation that led to China's success, coupled with the U.S.-dollar denomination of foreign indebtedness, which has made developing countries overly susceptible to the adverse effects of U.S. monetary policy, suggests that overly relying on foreign borrowing in foreign-denominated currency such as the U.S. dollar is more likely to lead to a fiscal crisis than sustained economic growth.

It is not only the changing times that matter but also inherent differences between developing countries and China. Their smaller markets, fewer and weaker state-owned enterprises, and less capable bureaucracies, alongside their complicated histories with democracy, authoritarianism, and civil strife, pose significant hurdles to any attempt to mimic China's economic success. China's geographic and demographic size have been crucial factors for its development, providing abundant resources, a massive labor force, and a huge internal market. The country's vast landmass and diverse geographical features facilitated various economic activities, from agriculture to industrial production. Its large population attracted foreign investment, kept wage costs relatively low, and supported economies of scale, contributing to overall industrial growth. Furthermore, while the key driver to success in China was high investment and not internal consumption (given its economy's export orientation), its large market did provide considerable space for firms to fiercely compete with one another. Most developing-country markets, with the notable exception of India's, are too small to accommodate such levels of competition, and these countries lack the internal resource and labor endowments that were central to China's development.

China's single-party, authoritarian discipline is often credited with endowing the country with the institutional capacity and social and political cohesion and stability necessary for strategic planning, effective execution, and rapid adaptation to changing circumstances. From this vantage, such discipline, in conjunction with deep connections between the Party-state and state-owned enterprises, provided the government with the power to exert effective steering in implementing policy—including through industrial policy. In contrast, many developing countries struggle with democratic, multi-party decision making, coupled with the lack of

[40] Dani Rodrik and Joseph E. Stiglitz, A New Growth Strategy for Developing Countries, at https://drodrik.scholar.harvard.edu/publications/new-growth-strategy-developing-nations.

administrative capacity, leading to clientelism, which make it difficult to implement policies effectively. Demands for inclusivity, social justice, and respect for human rights, coupled with very high inequality and a lack of social and political cohesion, could lead to internal conflicts, hindering the long-term stability that helped to sustain China's economic growth. Given these fundamental internal governance differences, blindly replicating China's development path would likely be both impractical and unwise. As many Chinese officials stated, the main takeaway from China's experience is that a successful development path is one that is locally tailored.[41]

VII. An Ironic Turn: Chinese Promotion of its "Model" under Xi

The degree to which China's developmental trajectory has been conceptualized and exported as a 'model' has evolved over the years. Initially emerging in the 1990s, the notion of a distinct 'China model' became widely recognized in the mid-2000s, especially as the concept became increasingly associated with the "Beijing Consensus." It was more prevalent in the West at first, but the idea of a Chinese alternative to Western development models eventually gained traction within China as well. The global financial crisis of 2008 provided the backdrop for a more in-depth discussion of a unique China model within the mainland, although its popularity waned shortly thereafter. However, after Xi Jinping assumed power in 2012, the concept regained prominence, making an appearance in his inauguration speech.[42]

Today, nationalist Chinese intellectuals and government officials advocate the China model, and it has been transformed into a symbol of national pride. With China's expanding global influence, exemplified by initiatives like the Belt and Road Initiative,[43] the belief that China's unique developmental experience constitutes a successful model has solidified. This conviction presents itself in various forms, from the establishment of the "China Development Model Research Center" in Shanghai to the proliferation of books and studies on the subject.[44] This trend is especially manifest in Sino-African relations, where references to emulating China's distinctive path abound.[45]

Paradoxically, under Xi's leadership, despite a sense that China succeeded because of its pragmatism and the uniqueness of its development path, there has been a resurgence of dogmatic positions.[46] Comparisons between Xi and Mao Zedong, and their personalist form of leadership, are now commonplace, with Maoist ideology experiencing a revival.[47] This Maoist

[41] Zhao (n 6) 26–27.
[42] ibid 21–29.
[43] Gregory Shaffer and Henry Gao, 'A New Chinese Economic Order? (2020) 23 J Int'l Econ L 607.
[44] For some representative examples, see David Daokui Li, *Economic Lessons from China's Forty Years of Reform and Opening-Up* (Springer Nature Singapore 2022); Justin Yifu Lin and others, *The China Miracle: Development Strategy and Economic Reform* (Chinese University Press 2003).
[45] 'China Wants to Be the Leader of the Global South', The Economist (2023).
[46] Evan Osnos, 'China's Age of Malaise,' The New Yorker (2023).
[47] Wendy Leutert, 'Firm Control. Governing the State-Owned Economy Under Xi Jinping' (2018) 2018 China Perspectives 1–2, 27, 27.

revival is marked by a shift toward a more centralized, top-down rule,[48] calls for strict adherence to the Party's directives, the reinstatement of the mass line culture, emphasis on a unified national ideal embodied in the "China Dream," and increased control over public expression based on national security concerns.[49]

In the context of Xi's increased emphasis on national security and self-sufficiency, dogmatic rhetoric is more pronounced. While the perspective linking development and security has been present in China since at least 2003, it has gained more prominence, especially in the discourse on China-Africa relations. For instance, during the 2015 Forum on China-Africa Cooperation Action Plan, Xi referred to the development-security nexus, emphasizing that "development holds the key to solving all problems."[50]

This more dogmatic, personalist form of leadership poses a potential threat to the pragmatist ethos that characterized China's development model. Here, Deng Xiaoping's advice serves as a cautionary reminder for developing countries. As he told a young Ghanaian leader in 1985, "Please don't try to copy our model. If there is any experience on our part, it is to formulate policies in light of one's own national conditions. Seek truth from facts."[51] Developing countries might heed this counsel, maintaining a pragmatist approach tailored to their unique circumstances.

VIII. Conclusion

Our examination of the 'China model' unveils its potential as a framework for the Global South. Its unique blend of pragmatist experimentalism, state intervention, and market forces, coupled with high investments driving exports has underpinned China's extraordinary economic success. While this success is prompting an increasing number of developing countries to turn to China for inspiration, countries might recall China's "you do you" philosophy, which stands in contrast to the prescriptive logic often associated with Western development models, as well as the ways China learned from and adapted the successful approaches of its East Asian neighbours. In formulating its development path, China drew on lessons from East Asian experiences, adapting them to its unique context. Instead of blindly replicating every move of the East Asian tigers and adopting a one-size-fits-all approach, China adopted reforms in light of specific conditions, provided space for entrepreneurial innovation, invested in infrastructure and industrial policy, and adjusted course in response to new developments. When the Global

[48] Sangkuk Lee, 'An Institutional Analysis of Xi Jinping's Centralization of Power' (2017) 26 J Cont China 325, 325–236; See, also Anna L Ahlers, 'Introduction: Chinese Governance in the Era of "Top-Level Design"' (2018) 3 Journal of Chinese Governance 263 (and the accompanying special issue).
[49] Zhao (n 6) 33.
[50] 'Address by President Xi Jinping at the Opening Ceremony of the Johannesburg Summit of the Forum on China-Africa Cooperation' (4 December 2015) <https://govt.chinadaily.com.cn/s/201512/05/WS5c0627d6498eefb3fe46e132/open-a-new-era-of-china-africa-win-win-cooperation-and-common-development.html> accessed 15 January 2024.
[51] Statement reproduced in Fantu Cheru and Arkebe Oqubay, 'Catalysing China–Africa Ties for Africa's Structural Transformation: Lessons from Ethiopia' in Arkebe Oqubay and Justin Yifu Lin (eds), *China-Africa and an Economic Transformation China-Africa and an Economic Transformation* (Oxford University Press 2019) 302–03.

South looks to China, it might draw inspiration from China's ability to blend market and state institutional interventions, maintaining a pragmatic stance that incorporates experimental, context-specific approaches to development.

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