



## **China has discovered its own economic consensus** **Joshua Cooper Ramo**

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In 1990, John Williamson, a World Bank economist, exhausted from decades of Latin American debt workouts, penned a list of virtues for emerging economies. They should be open to capital flows, he argued, while moving towards transparency, privatisation and liberalisation.

Mr Williamson's ideas were promptly shuffled into a doctrine - proscriptive and western-based - that became known as the "Washington Consensus". Mixed with mismanagement and corrupt governance, the Washington Consensus managed to undermine a dozen economies in a decade. Countries like Argentina and Indonesia found that the speed and greed of modern finance was a pipeline for every sort of instability.

The two countries that most pointedly ignored pressure from development giants such as the International Monetary Fund and World Bank to obey the Washington Consensus now have records that speak for themselves: China and India. Though fraught with contradictions and riddled with problems, China's model is now seducing leaders in countries as different as Brazil (which is sending study teams to Beijing) and Vietnam (now probing the philosophy of Jiang Zemin, the former Chinese president, for business tips). As Ramgopal Agarwala, an Indian sociologist, observed, "China's experiment should be the most admired in human history. China has its own path."

I have labelled that path the "Beijing Consensus", a development approach driven not by a desire to make bankers happy, but by the more fundamental urge for equitable, high-quality growth - because no other formula can keep China from exploding. Tactically speaking, the Beijing Consensus demands that ideas such as privatisation and free trade be approached with incredible caution. It is defined by a ruthless willingness to innovate and experiment (see China's special economic zones); a lively defence of national borders and interests (see

Taiwan); and by the increasingly thoughtful accumulation of tools of asymmetric power (see the Dollars 400bn of US currency reserves). The goal: growing while holding on to independence. Though much of the thinking reflected in the Beijing Consensus was under discussion in Chinese think tanks and government centres after the Asian crisis of the late 1990s, it has manifested itself in policy and doctrine only in the past 12 months.

Elizabeth House  
Mezzanine Floor  
39 York Road  
London  
SE1 7NQ

T +44 (020) 7401 5350  
F +44 (020) 7401 5351  
E [info@fpc.org.uk](mailto:info@fpc.org.uk)

**Director**  
Mark Leonard

**Patron**  
Rt Hon Tony Blair MP

**President**  
Rt Hon Robin Cook MP

**Advisory Council**  
Sir Michael Butler  
Professor Fred Halliday  
Baroness Kennedy QC  
Lord Levy  
Adam Lury  
John Lloyd  
Lord Paul  
Baroness Ramsay



The idea underpins what Wen Jiabao, China's prime minister, has been saying on his current European trip. Mr Wen's catchphrase is "co-ordinated development", a focus not simply on gross domestic product growth, the sine qua non of Washington Consensus success, but also on growth that is both environmentally friendly and corruption-free. At the recent National Party Congress, Mr Wen hammered home the need to make the party an instrument of quality growth.

Deng Xiaoping's charming defence of capitalism - "It doesn't matter if it's a black cat or a white cat, as long as it catches mice" - is history. China now wants a cat that is green; a cat that is transparent. When Ma Kai, the conservative development minister, spoke recently to a small gathering in Beijing, he strained with unusual emotion as he talked of the urgency of "transforming" China's growth model into something more sustainable, open and equitable. When Jiang Zemin famously used the word "new" 90 times in his farewell speech 18 months ago, he was pointing at the only thing that can possibly keep China's experiment from ending in tragic failure: innovation and more innovation.

The goal of all of this is to allow China to experience what Mr Wen has called a "peaceful rise". The Beijing Consensus is a tool of this rise. China has a great deal of work ahead to make this project succeed. It must resolve the contradictions of reform, reshape its political culture and transform the way the world regards the country.

China's peaceful rise strategy is not intended as a challenge to the US. But what Mr Wen brings to Europe this week is not simply the energy of a booming Chinese economy; it is the power of a model for global development that is attracting adherents at almost the same speed the US model is repelling them. Washington seems barely aware such a power shift is under way. It spends too much time evaluating Beijing on old-style metrics of GDP or how many aircraft carriers it has. As other nations are drawn into China's orbit by its economic power and the appeal of Beijing Consensus development, you can probably guess which way most of the world may lean.

***The writer, former foreign editor of Time magazine, now lives and works largely in China; his paper, The Beijing Consensus, is published this week by the Foreign Policy Centre in London***

Elizabeth House  
Mezzanine Floor  
39 York Road  
London  
SE1 7NQ

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