

Review Essay

“Of Silk Roads and Global Transformations: China’s Rise and its Impact on the Developing World”

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How China is Reshaping the Global Economy: Development Impacts in Africa and Latin America, Rhys Jenkins. Oxford University Press, 2019. 407 pp. ISBN: 978-0-19-873851-0. \$80.00

Going Beyond Aid: Development Cooperation for Structural Cooperation Justin Yifu Lin and Yan Wang. Cambridge University Press, 2017. 216 pp. ISBN: 978-1-107-15329-5 (hardback). 087-1-316-60715-2 (paper).

China and the Islamic World: How the New Silk Road is Transforming Global Politics Robert R. Bianchi. Oxford University Press, 2019. 284 pp. ISBN: 978-0-19-091528-2

On a random Tuesday in May 2019, I found myself in Shanghai’s Pudong International airport, waiting in a fortunately short and quickly moving immigration line prior to a return flight home. Just to the right of my line was an immigration desk with what appeared to be a new sign: a “Belt-and-Road” channel [一帶一路通道]. There was no one behind the BRI desk. Intrigued by this, but of course not daring to take a photograph of the sign in a restricted zone, twenty minutes later, an attempted log on from the airline lounge ended in failure. The two-step process now involved a passport scan, the receipt of a registration number that required inputting an (overseas) mobile number and receiving SMS verification with further password. (My mobile was for reasons unknown only irregularly receiving texts). The juxtaposition of the fast track but empty BRI immigration desk and the electronic double verification process to get on line at all seemed to encapsulate much China’s current position in the world.

What are we to make of these seemingly contradictory impulses? Puzzlement over China is, of course, nothing new, given the different strands that comprise China’s “rise”: high rates of economic growth for decades in combination with scale, enormous foreign reserves, a model of development still appear to confound a range of neo-liberal expectations, and a decidedly illiberal and non-opaque political system that claims in the same breath to be freeing and developing the productive forces through continued economic reform and opening up, a moderately prosperous society, the eventual realization of communism.¹ These are the kinds of claims that send the Western punditocracy into fits. Thirty years ago, it was common to point to the disjuncture between economic and political reform as producing irreconcilable tensions that would likely

¹ Xi Jinping, “Study, Disseminate and Implement the Guiding Principles of the 18th CNP National Congress”, November 17m 2012, in Xi Jinping, *The Governance of China* (Beijing: Foreign Languages Press, 2014), pp. 6-22

result in the demise of the entire system, as indeed transpired in Eastern Europe and eventually the Soviet Union itself. Thirty years on, not only has the system survived, but it has presided over the single longest span of economic growth ever recorded, lifted hundreds of millions out of absolute poverty, emerged as the “workshop of the world”, become the world’s most important supplier of manufactured goods, an important creditor and investor, and an increasingly assertive presence on the world stage, behind such new multilateral fora as the BRICS summits [from 2009], triennial FOCAC summits [from 2000], and permanent institutions such as the Asian Infrastructure Investment Bank [2016].

Each of these three volumes grapples with the big questions for the developing world that accompany these visible signs of China’s rise. They focus on different scales, different levels of analysis, and different regions. But they all share in an attempt to grapple with four large interrelated questions about China and its contemporary international presence: 1) *what* is “rising China” actually doing regionally, transnationally and as an international development actor?, 2) *how* is China doing what it is doing, 3) *why* is China doing what it is doing, and 4) what are the *reactions* to what China is doing in the countries in which China is doing whatever it is doing? The transitive verb is important: if China simply proclaimed without “doing”, it could be set to the side as a curiosity (admittedly a curiosity of some importance simply by virtue of its scale in population and territory). But the enormous transformation in China’s world position, and its actions in the past twenty years have real life consequences for everything from global economic prosperity, to international development, to trade regimes, to (at least potentially) climate change. And as such we would do well to better understand both the transformation and its effects.

While these volumes are all published by academic presses, none is what would be reckoned a conventional scholarly monograph based on the kinds of extensive research with primary sources that is the normal *sine qua non* of academic publishing. They are nonetheless readable, articulate, and engaging. By virtue of their subject matter, approaches, and the reputation of their authors, all are likely to find audiences well beyond usual suspects – that relatively narrow band of China scholars, postgraduate students, and think tank analysts. This is all to the good, both in reach and in establishing a baseline with which more deeply researched monographs can eventually engage.

Co-written by perhaps the most globally influential Chinese development economist, whose formal positions have included Chief Economist and Senior Vice President of the World Bank, Justin Yifu Lin and his collaborator Yan Wang, *Going Beyond Aid: Development Cooperation for Structural Transformation* is a short and sharp shot across the bow of the Western development aid regime. It lays out the core elements of Lin’s earlier work on the New Structural Economics (NSE), characterized by recognition of differences in comparative advantage in endowment structures, reliance on the market, and appreciation of the facilitating role played by the state in industrial transformation and structural upgrading (p.26). Unlike the Chinese government, which has studiously avoided invoking the terms “The China Model” or “The Beijing Consensus”, Lin and Wang directly link their NSE analysis and prescription to the key features of what others do call the “Chinese model” of development: structural transformation, the merging of aid and investment, here called OOF [Other Official Flows] and OOF-like loans, reliance on markets. the sustained pursuit of global comparative advantage, and a relentless focus on growth before the perfection of institutions – with an explicitly stated belief that “with rising incomes and economic freedoms, the people will push for better institutions, including political ones, and better governance” (P. 21). In eight short and readable chapters enlivened by explanatory boxes and short case studies, Lin and Wang argue tersely and persuasively that the Western DACS aid

and investment regime for the developing world has failed, that no country outside the West has developed in the way that the West prescribes, and that, based on the principles of NSE, multilateral South-South investment of the sort that China has been promoting for quite some time exemplifies the kinds of investment for development projects in Africa that ease growth bottlenecks and contribute to job creation in both its infrastructure projects and its promotion of Special Economic Zones.

Clearly written for a broad public audience and time short policy makers for whom the addition of chapter synopses is a virtue, this is an optimistic manifesto that makes no apology for its blending of description, prescription, and illustrative if slightly airbrushed examples. It lays out a set of claims, buttressed by the respectability of Lin's ideas about NSE and his years of experience in the World Bank, that in turn validate the core principles of China's earlier "Going Out" and current BRI initiatives: the dogged insistence on markets and comparative advantage, the state's early targeting and investment in potential "winners". *Going Beyond Aid* makes a set of arguments that closely parallel, or at least do not diverge in any significant way from, the Chinese government's own rhetoric. It also answers, either explicitly or implicitly, the whats, hows, and whys of China's activities in the developing world that can also be found in nearly any Chinese government official pronouncement on the subject: it aids poorer nations on the basis of self-help and investment rather than alms, it does things in a more rational, less paternalistic and ultimately better way than the Western aid regime, it does so out a mix of self-interest and a commitment to peace and world growth, and host governments and locals are on the whole happy with the employment and wealth that these activities bring on the basis of mutual benefit and "win-win". Criticism of China in South-South development cooperation does occur in the penultimate chapter on "quick wins". These are however mild critiques that propose technocratic or incremental solutions: a law governing foreign aid, some degree of non-tied aid, the need for more research on the degree to which Chinese projects generate local employment, and a ratings system of all projects that accounts for the relief of bottlenecks, renewable energy, and infrastructure projects to be concentrated in SEZs and eco-industrial parks (1952-155).

There are any number of ways in which such a broad manifesto might be challenged – this is inevitable in such an introductory primer that lays out ideas that are non-intuitive for Western audiences, and I will leave it to those trained in economics to argue about such questions as how compelling is Lin and Wang's model on revealed competitive advantage. Instead, I will focus on three interlocking issues. First is that Lin and Wang's bland pronouncement of "win-win" skates a bit too easily over vexed questions of distribution: not only in terms of who benefits financially and materially from Chinese investment, but how heavily other collective costs not easily incorporated into the monetary calculations fall, and on whom. In short *who* "wins", how skewed the results of the "wins", and how the "winning" might well result in social, political, and environmental "non-wins" for large numbers are often, even typically, not considered in either the original estimates or subsequent evaluations of project success.

Let us consider an example where, according to Lin and Wang, China has unusually strong comparative advantage: dam building. Developing countries get much needed and clean sources of power. Chinese SOEs make money. Everyone "wins". But when we actually look at a real dam in a real place, - the Bui Dam in northern Ghana- that is so glowingly described in Box 8.4 as a positive example of "leveraging Ghana's comparative advantage" where the financing worked well, electricity generation has been raised by 22%, and the dam provides for irrigation and will also improve tourism and fishing (P. 183), the reality is significantly more complex and a good deal less positive. Even the most cursory of internet searches reveals that the blithe

pronouncement of “hydropower as clean energy” that Lin and Wang present as fact (p. 111-112) only tells part of the story. After the Ghanaian government gave the contract to build a dam on the upper reaches of the Black Volta River to Sinohydro, it ran into environmental protests (the project inundated 20% of a national park, complete with two populations of rare hippos). In response, an agency called the Bui Power Association (BPA) was established by the Ghanaian government to manage relocation, compensation, and the creation of other benefits for local residents such as retraining and a further education facility in nearby Bui City. An environmental impact assessment was done, but there is no evidence that its recommendations have ever been implemented by either the BPA or the Ghanaian Environmental Protection Agency. Meanwhile, one preliminary analysis suggests that local households have only seen a 4% increase in availability of electricity, in contrast to an average 14.5% increase in urban households, and the dam appears to have negatively and severely impacted local rural community livelihoods by removing access fertile land., resettling local farmers too far away from the new lake to benefit from fishing opportunities, and retraining that was promised but never made available.² . None of this should come as a surprise: dam building throughout the world has a long history of community displacement, environmental and cultural damage, and benefit capture by elites rather than local communities.

Second is that several of Lin and Wang’s claims are, at the very least, open to alternative interpretations. They are committed – seemingly without reservation – to the principle that if used properly to upgrade and transform, then reliance on comparative advantage is a good thing: “ any low income country has the ability to pay for its infrastructure in the long run – if it develops a strategy consistent with its comparative advantages”(p109). The problems with this optimistic pronouncement are two: first, what happens when international demand and therefore prices suddenly drop for the commodities or sectors in which the LDC has comparative advantage, and second, LDCs with weak governance institutions may well be multiply disadvantaged in ways that make them *de facto* non-equal partners despite *de jure* equality. They may lack the knowledge and ability to negotiate good contracts in the first place, they may promise the use of state land that is in reality subject to customary usage, and they may, like Ghana’s BPA lack some combination of the resources, skill, and commitment to enact the policies mandated by another part of the government to ease the negative economic, social and environmental consequences of the development projects and investment that is in theory supposed to promote economic growth and overcome bottlenecks. This in turn undermines Lin and Wang’s insistence that jump-starting growth in enclaves or through infrastructural investment will lead to the rising incomes and economic freedoms that will cause the people will push for better institutions, including political ones (P. 21). While this might be the case over the long haul in some locales, there is substantial evidence that in other places such as Angola, Equatorial Guinea, and Zimbabwe, very small, often familial elites have been very astute in capturing the benefits of investment and growth, with little in the way of trickle down or improvement of governance. And, in other locations like Djibouti, where the same strong man has been in power for twenty years, there is thus far zero evidence that China’s investment of

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Keyi Tang and Yingjiao Shen, “ Do China-Financed Dams in Sub-Saharan Africa Improve the Region's Social Welfare? A Case Study of the Impacts of Ghana's Bui Dam”, *China-Africa Research Initiative Working Paper*, No. 4, March 2019; Paul W. K. Yankson, Alex B. Asiedu¹, Kwadwo Owusu, Frauke Urban, and Giuseppina Siciliano, “The livelihood challenges of resettled communities of the Bui dam project in Ghana and the role of Chinese dam-builders”, *Development Policy Review* 2018, pp. 476-494. | DOI: 10.1111/dpr.12259

billions in the port at Doraleh, the rail link to Ethiopia, or the water pipeline between Ethiopia and Djibouti have resulted in any demand from the people for better governance. Djibouti continues to rank low in civil liberties and high in corruption even as its annual GDP, rate of trade to GDP, rate of tax collection, and internet usage all perform significantly higher than the regional average.³

Finally, *Going Beyond Aid* occasionally slips into language that is suspiciously reminiscent of China's officialese, thus undermining its implicit stance as evidence based, pragmatic, and unbiased. Its open promotion of BRI/ OBOR perfectly replicates Chinese officialdom's invocation of its thousands of years of uninterrupted civilization (P. 8), its revival of Confucian values (P.9 and 177-180), and an approving quotation of Xi Jinping (P. 9). If one wants to link Confucian values with China's presumptive benevolence in the present through BRI, perhaps Henry Kissinger is not quite the right person to use as a supporting quote.

Long rather than short, carefully written and thoroughly referenced rather than light on footnotes, and aimed squarely at countering misperceptions rather than offering a bold new set of principles for development, Rhys Jenkins' *How China is Reshaping the Global Economy: Development Impacts in Africa and Latin America* is stylistically the opposite of Lin and Wang's *Going Beyond Aid*: Indeed at first glance, almost the only thing that the two volumes have in common is that they were both written by trained development economists. Over thirteen densely argued chapters, *How China is Reshaping the Global Economy* is divided into three parts: First is an overview of China's own internal development strategy and the key institution and strategies by which it has become globally integrated, with attention to such phenomena as China's role as global workshop for manufacturing, its importance for commodity markets, its strategy of "going global", and its role in global finance (Chapters 1-5). The second part turns to China's varied impact on Sub-Saharan Africa, where chapters comprehensively evaluate China's expanding economic role and impacts (Chapters 6-7), and social, political and environmental impacts, (Chapter 8.) The third recaps the organization and themes of the second, but for China and Latin America (Chapters 9-11), with a conclusion that is of particular value because it does what no other scholarly work manages: a well presented and thoughtful comparison of China's activities and impact on Africa and Latin America.

Much of *How China is Reshaping the Global Economy* relies on comprehensive and considered analysis of the secondary literature on China's rise, China and Africa, and China and Latin America rather than primary research. Jenkins' own original scholarly contributions in the volume are pithy, but in combination with his review of the qualitative literature and the charts that he is able to put together from other statistical sources, they are convincing. He presents three econometric models: for the empirical determinants of Sino-SSA relations (pp. 142-143), the political determinants and effects of China's Economic Involvement with SSA (pp. 216-218), and an empirical analysis of the determinants of Sino-LAC Economic Relations (pp. 247-249). The net effect of this combination is to debunk many of the popular and journalistic misconceptions about China in Africa (and to a lesser extent, in Latin America). The balance of evidence and all of the numbers suggest that China is "motivated primarily by commercial interests and its strategic interest in supplies of raw materials, particularly oil and minerals" and, at least as importantly, that China's environmental impact in Africa is much more mixed and significantly less detrimental than is often depicted in Western press (p. 215).

³ USAID. IDEA [International Data and Economic Analysis], "Djibouti, Country Profile vs Region", <https://idea.usaid.gov/cd/djibouti?comparisonGroup=region>, accessed 28 May 2019.

When he turns to the part of the world he knows best – Latin America – Jenkins finds that many of the drivers for China’s economic expansion are the same as those for its expansion into Africa, but unsurprisingly given the differences in political, social and economic structures in Latin America, the effects are typically quite different; many fewer projects for big infrastructure, significantly greater competition with domestic manufacturing {particularly in Mexico and Brazil}, and heavy importation of foodstuffs as well as minerals and oil .Like Lin and Wang, Jenkins offers his own answers to the big questions to what, why, how and with what impacts China’s going global is taking place: it is pursuing market share, comparative advantage, and securing access to raw materials as all industrial powers must, it is doing so in the pursuit of profit, it uses a mix of trade, investment and aid to so do, and the local impacts are variable by region and by sector, but at least so far are not nearly as negative as many Western think tanks and journalists would have us believe.

Short in text but long in notes and bibliography, Robert Bianchi’s *China and the Islamic World: How the New Silk Road is Transforming Global Politics* is quite unlike either of the other two volumes under review. Written a political scientist whose early career was in Middle East politics, Bianchi’s prose is more colourful, anecdotal and scattershot. Over eleven short chapters, he ranges widely with varying degrees of depth. After introducing what is new in terms of what China is doing in constructing a “New Silk Road” and his notion of “megaregions and co-evolution” , he traverses far flung corners of the Islamic world, with chapters on Pakistan and the China-Pakistan Economic Corridor (Chapter Three), competition with Turkey (Chapter Four), dominance in Indonesia (Chapter Five), economic integration and political competition with Iran (Chapter Six), entanglement with support for a dysfunctional Nigerian government (Chapter Seven), and caution in investment and support for Egypt (Chapter Eight), and a final three chapters that cover a range of deep tensions: between China’s official pluralist narrative and its practices of universalism, its push for transregional market integration abroad and social engineering at home, and fundamental differences in long term interests between Chinese and Islamic civilizations. Bianchi’s greatest strength is his range and willingness to engage with not only the details of what China is doing in its Silk Road project, but how a variety of local actors in very different societies react. As he travels the Islamic world [and beyond – it is hard to see how Nigeria qualifies as “Islamic” in his analysis], he alights all too briefly where he has contacts and some degree of knowledge. Each chapter has insights worth further exploration: the rollicking depiction of Chinese officials’ stupefied reactions to the rough and tumble of democratic politics in Pakistan and his sober analysis of Egyptian attempts to lure more Chinese investment are excellent primers on these topics and deserving of deeper analysis. But his range is idiosyncratic: a volume on the “New Silk Road” that manages to avoid any direct discussion of the Central Asian state certainly has a unique framing on the concept. And it comes at a cost in frequent recourse to stereotypes (e.g. “the people in Turkey are convinced that their destiny leads far beyond their borders [p. 63]), sweeping and unprovable statements (e.g. “The Chinese are merely accidental revolutionaries whose good intentions often come back to bite them. But the Iranians are professionals, determined to shake up the status quo at every turn [p. 80]), and ideas such as “negotiating metaregions” (p. 146) that are intriguing but underdeveloped. But these quibbles do not detract from what Bianchi points to. The sweep through his chosen parts of the Islamic world enables a slightly different set of answers to the what, the how, the why, and the reactions to what China is doing in terms of its outward investment. “Gambling that it can transform the world without turning [its] own society upside down in the process” (p. 5), doing so in fits and starts with much adaptive learning along the way, and with the best of intentions,

provoking unexpected reactions from proud, old, and often noisily contentious societies that see themselves as civilizational equals.

This, it seems, is key. Aggregation that suggests that China's influence is not nearly as negative as is often portrayed is a useful corrective. Having the reasoning that undergirds China's policies as a development actor so clearly laid out establishes a welcome coherence to what is often misunderstood and misperceived. But the place the rubber meets the road lies in better understanding China's impact on the developing countries in which it is attempting to transform the world. Whether packaged as "Silk Road", "Belt and Road", or "Going Out", what Chinese actors do in developing countries will be experienced, digested, and reacted to – both positively and negatively – locally and with unpredictable effects. And it is to these local impacts and reactions, from Ecuador to Indonesia, and Pakistan to Senegal, that our attention, and with any luck, forthcoming monographs, will turn.