



February 18, 2007

## Made in China

By JAGDISH BHAGWATI

It is only 20 years since Japan was getting under the skin of many Americans. They feared that the 21st century would be Japan's, as the 19th had been Britain's and the 20th America's. And just as Great Britain had reacted with a loss of nerve at the rise of Germany and the United States at the end of the 19th century, America near the end of the 20th seemed to be in the grip of what I have called a "diminished giant syndrome." These worries appear astonishing now. For well over a decade Japan has been deeply mired in macroeconomic failure, its feared dominance having dissolved into dreary ordinariness.

Is China now poised to turn the 21st century into its century? Or will it, despite its phenomenal nearly two-digit annual growth over the past 15 years, rejoin the human race with a slower economy? Or is it possible that its powerful locomotive will, as Japan's did, shift into reverse gear?

Certainly, any number of popular writers believe China will only continue to go up and up, turning into a gigantic power. Some economists, like Richard Freeman and Alan Blinder, agree. Will Hutton, the former economics editor of the left-leaning British newspaper *The Guardian*, calls this the prevailing view, and in his interesting book "The Writing on the Wall," he seeks to overturn it.

He is hardly the only one. Nearly all Sinologists have been debating the question of China's future for quite some time, and many of them have raised the likelihood of potholes down the Chinese road.

Signs of looming difficulties are not hard to find. Standard economic analyses indicate that China is likely to face problems with its exchange-rate policy, its financial sector and the inefficiency of its state-owned enterprises. Hutton certainly knows his economics, and any reader can profit from what he has to say about many of these issues. But his central thesis is that China's main problem is not the inadequacy of its capitalist economics, but the limitations of its Communist politics.

Indeed, it's true, as Hutton shows in great detail, that China faces a number of critical economic difficulties that are directly traceable to its lack of democracy. He mentions the Sinologist Elizabeth Economy, for example, who has documented how indiscriminate environmental destruction is turning the Chinese landscape into a wasteland. Should this damage be factored into the statistics on the Chinese economy, the result could well be to reduce China's estimated growth rate below its current levels. More important, the

### THE WRITING ON THE WALL

**Why We Must Embrace China as a Partner or Face It as an Enemy.**

By Will Hutton.

421 pp. Free Press. \$28.

Chinese experience shows dramatically, as the Russian experience did, that environmental damage is likely to become ever more crippling in the future because there are no democratic institutions like public opposition and a free press to countervail and contain it.

Similarly, because China has an authoritarian regime, it cannot fully profit from the information revolution, thus inhibiting the technology that is at the heart of growth today. The PC (personal computer) is incompatible with the C.P. (Communist Party). So India, with its robust and chaotic democracy — what V. S. Naipaul has called a “million mutinies” — has moved dramatically ahead of China in computer technology. Hutton points out that from 1981 to 1995 China had 537 scientists and engineers doing research and development per one million people while India had only 151, and that China had three times as many personal computers as India and a 4-to-1 lead in Internet usage. Yet by 2001, India was producing one-fourth more software, and exporting most of it. “So despite massive investment,” Hutton writes, China “trailed far behind India.” He points out, too, that China damages itself by seeking to control and stifle what its citizens can learn and disseminate. “Yahoo, Microsoft and Google are part of the cultural yeast of globalization,” he says, “yet each has been at the receiving end of China’s Internet firewall of censorship.”

And it’s not just growth prospects that are handicapped. China’s authoritarianism creates political uncertainties that are equally problematic. Democratic governments facilitate orderly change; Communist regimes do not. Marxists may claim to believe in historical determinism, leaving no room for the randomness of events, but they are no less affected by the contingencies of history than anyone else. Asked many years ago by the economist Robert Heilbroner how China would evolve, the Sovietologist Padma Desai answered: It all depends on whether Mao Zedong or Zhou Enlai dies first.

What’s more, China’s authoritarianism is a breeding ground for corruption. As Hutton says, “The morality of revolution — that the end justifies the means — becomes a morality that justifies corruption.” Consider how the phenomenon of “takings” — commissars and their cronies appropriating land from peasants — has led to numerous disruptions. In a political system lacking the essential attributes of a functioning democracy, social groups can’t turn to a free press to take up their cause, or an independent judiciary to appeal to, or opposition parties to embrace their complaints. Revolts are what they have left.

All of these are problems within China. But the lack of freedom is likely to affect its trade strategy as well. As its flood of exports leads to ever increasing fears of job loss and reduced wages in the United States, there will be a strong temptation on the part of the American government to exploit human rights violations as a way of rolling back Chinese goods. When Japan was the perceived threat, those who feared competition, like the carmakers in Detroit and the chip manufacturers in Silicon Valley, had no convenient basis for their complaints and were forced simply to demonize Japan as a wicked trader. In China’s case, the protectionist critics can credibly assail its lack of democracy and human rights abuses.

The question, then, is whether, the Chinese Communists will be able to make the necessary accommodations, justifying the optimism of those Sinologists who have been predicting a “resilient authoritarianism.” Or will China’s leaders dig in their heels, suppressing dissent and opposition and possibly precipitating political and economic chaos? It’s anybody’s guess; and Hutton is not particularly helpful on this matter.

He does think, however, that the West can actively help the Chinese make the wiser choice, and a major

part of his book, as his subtitle suggests, is devoted to arguing for engagement rather than confrontation. So he supports China's participation in the [World Trade Organization](#) and opposes protectionism. But the question, frankly, is: How does one make an 800-pound gorilla move in the right direction? Offering it Jessica Lange isn't going to make any difference; and kicking it in the rear, a course Hutton rightly counsels against, will not accomplish much either.

In the end, no matter what the West does, China is going to make its own choices, the way it did when, after nearly three decades of really bad economics, it turned to reforms under [Deng Xiaoping](#). The giant everyone had expected to rise up in the 1950s continued snoring until the 1980s. Now it has awakened, and all the rest of us can do is watch as it takes its own faltering steps.

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