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STANDPOINT of the WEEK:

The China syndrome of Russian modernization

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The *RJ* editorial staff presents readers two alternative standpoints with respect to the Chinese version of modernisation and the discussion that has unfolded around this topic both within the country and abroad

Evgeny Yasin

CHINA IS NOT A MODEL FOR RUSSIA'S MODERNISATION!

China is often given as an example of successful modernisation. China has certainly succeeded in making great achievements, and they are indeed well deserved. In the country's past, there are



almost three thousand years of continual development of the Chinese civilisation, which has experienced a state of stagnation and decay for only the most recent five hundred years. At the present moment, China occupies a position that, to a great degree, corresponds to its role in world history.

The key question arising for the Russians is connected to the fact that modernisation is required. Specifically, **can China possibly be a model pattern for Russia's modernization? My position is no, China cannot be serve as a model for Russia.**

To be continued p. 4

Mikhail Delyagin

CHINESE PATH FOR RUSSIA: «A NEO-STALINISM»

It has become a truism that there is only one alternative for modernisation in Russia; it is death. What is often forgotten is that idle talk about modernisation, which has occurred for more than a quarter of a century (since Andropov's 'experiment'), also leads to death, not to modernisation.

An optimal program of Russian modernisation must be a kind of 'neo-Stalinism'. This can be described as the concentration of resources under state stimulation, a concentration of intellectual research activity combined with an expedient and widespread implementation of the results. When a state's administration is strict and uses democratic institutions that are not



borrowed but inherent to the national culture, it does not contradict either intellectual activity (as in the examples of Japan and Singapore), or success in terms of modern global competitiveness and technological progress (such as in China).

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CHINA IS NOT A MODEL FOR RUSSIA'S MODERNISATION!

Evgeny Yasin



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The reason for this assertion is very simple. Namely, these two countries are currently at different stages of development. Nevertheless, it still might be worth it for Russia to adopt certain appropriate and suitable findings or best practices and examples from China's experience with modernisation. The modernisation of Russia must definitely take place, and the modernisation process should not be limited to only the economy and technology-related fields, for instance. This is an objective challenge for the country, which is mostly caused by the necessity to adjust its whole system of institutions and val-

ues so that they better accord with the conditions of the twenty-first century and, first and foremost, with the formation of innovative economics and measures to ensure the country's competitiveness. For Russia to be able to adapt to such conditions, this would require certain changes in its culture.

The advantages posed by India and China are temporary

Russia passed through the process of industrialisation a long time ago, with the beginning of that process occurring back in the 1880s. The countries of the 'second echelon', primarily Russia and Japan, tried to 'catch up' on the modernisation path taken by the more advanced European countries, which accomplished industrialisation in two separate waves.

But throughout that entire period, China underwent no similar transformations. It was only after Mao Zedong died in 1976 and after all his most orthodox devotees were removed from power that reforms began and China finally reached the stage of late industrialisation. Of course, China had carried out industrialisation earlier at the instigation of the Soviet Union and according to the Soviet pattern of development. While there was no significant success in this regard, there was room for such barbarian methods like the 'big jump', the construction of blast furnaces in every peasant's yard, the shooting of sparrows, etc.

The actual industrialisation of China got underway in 1978. It turned out that, in comparison to many other countries, the People's Republic of China offered great competitive advantages, i.e. a huge market, an extremely cheap labour force, a massive population with very low social needs. Apart from that, **China was highly attractive in terms of foreign investment in connection with the relative stability of its political regime.** Foreign companies strived to occupy the domestic Chinese market, on the one hand, in order to sell their own products. On the other hand, they tried to take advantage of the fact that

the country has a cheap labour force. All of these factors brought about good results, and China started to intensify its production rate.

At the same time, a peculiarity of modern-day civilisation is that **today's most advanced countries are now reaching an innovative stage in their respective development.** They have to constantly produce not only goods, but also innovations, so they must constantly devise and introduce novelties. It is only in this case, providing their constant expansion of the technical limits of their production capabilities, that they can manage to maintain their leading position on the market. **The competitive advantages that China and India currently offer are temporary,** while there still exists the reserves of late industrialisation. Once they are used up, these countries are going to face the obstacle of their own cultural barriers. It is evident that they will not be able to generate innovations with the same results as the more advanced countries of Europe and North America, or those of Japan ... or at least not immediately. As of yet, China still retains a certain reserve. For instance, it has a surplus agricultural population that is estimated at 150 to 160 million people. While these people are gradually relocating to towns, China will be able to retain its temporary advantage in terms of costs and to corner the world's markets with its products.

Unfortunately, Russia has no reserves of this kind. As we know, the urban population accounts for three quarters of the country's entire population. The main part of the population is tied not to the agricultural sector, as is the case in China, but to the industrial and service sectors. We are currently faced with tremendous challenges, but they are completely different from those of China. First of all, it needs to master the best technologies and develop an industry built on innovations. All of this, in its turn, requires the development of science and education. China is also trying to address such problems, but on a much lower scale and pace compared to Russia.

The Chinese-American balance-beam

The reforms carried out in China after 1978 coincided with the country's shift from the Soviet pattern of development to the Japanese pattern of 'catch-up' development. The core of the Japanese pattern is to acquire and master technologies, while at the same time increasing exports to open markets characterised by a high level of solvency. That includes the markets of America, Europe, and today, a number of other countries that have a higher level of costs for goods production than is the case in China, primarily in relation to the low cost of the labour force in China.

The main weapon of the Chinese economy is the fact that the Chinese outflow their products, including high technology products, to America. These products are manufactured at enterprises that have been built using American capital and using American technologies, under American name brands. American companies are essentially their lobbyists on their domestic market. As a result, Chinese goods have won a considerable share of the American market. In using the profits of this trade, the Chinese increase their monetary reserves, purchasing United States government bonds, and they, thereby, account for a sufficient portion of the American budget deficit.

It is this pattern that works nowadays. I call it a **Chinese-American cross-beam: the goods go one way, the profits come back the same way, with the latter being invested in reserves.** These same dollar profits are then used to purchase American securities. By that same token, China maintains an understated yuan rate, which further boosts the competitiveness of Chinese goods. And this pattern is a rather significant factor of global instability. Of course, this not only touches on the U.S., but has resulted in the fact that U.S.-China relations now represent the core of the global economy.

Stagnation a la Beijing

Of course, in some respects, China has even outperformed Russia, as it has more up-to-date enterprises, more up-to-date equipment and, at this point, it even has a better trained labour force.



For the last twenty years, a vast number of Chinese students have been trained in the USA, and their number is several times more than the number of students from Russia studying there. Nevertheless, **China is hardly going to be among the leaders of the post-industrial world in the near future.**

The key question hampering everything can be framed like this: **does the present culture existing in China actually help to develop an innovative economy and to produce innovations?** The Chinese are good at adopting and copying of high tech goods, but they are not known as market leaders in terms of inventions, innovations, or discoveries. Why is that?

Will they be able to rapidly see a breakthrough in this field? My answer to this is no, they will not. This is the case because **the political system that today favours the success of China, at the same time prevents innovations.** This system is traditionally bureaucratic in its core. China destroyed its feudalistic system in the year five hundred B.C. and since then, the country has been ruled under a bureaucratic system. The philosophy of Confucianism is, in large part, the ideology of the Chinese bureaucracy. **The present quiet life for the Communist Party of China is the revival of the Chinese bureaucracy under another guise,** which was greatly undermined during the age of revolutions and in the period of Mao Zedong's rule.

According to Chinese tradition, bureaucrats are considered to be sages and scientists at the same time. And this approach differs markedly from the Russian one. In China, it is unacceptable to scold bureaucrats, as is commonly done in Russia. Moreover, **centralisation means a weakening of**

competitiveness. All these factors create significant obstacles for the development of an economy of innovation in the PRC.

However, China still has time to pick up momentum on its take-off, while Russia does not.

Russia needs to be modernised on the basis of Western culture

Nevertheless, it is most likely that **what is in store for Russia in the near future is a period of rather calm development,** although some turbulence will obviously be taking place in the economic field.

On that note, China hardly constitutes a danger for Russia, at least from a security standpoint. The history of China shows that it has almost never instigated attacks on anybody. Notwithstanding its colossal power, massive population and other factors, it has even managed to endure the assaults of nomads from the North, who conquered China but very soon became Chinese themselves.

The main danger for Russia is that the advanced countries are moving further and further away from us in their development, and we are caught up with trifles, instead of clearly realising the challenge that faces us. We require a more active approach to international co-operation and development of an innovative economy, as well as the **modernisation of the country on the basis of Western culture,** which is far closer to us than that of China. Besides, it is only in the West today that we can find an advanced innovative economy, science, and education that are so vital for us. ■

Exclusively for RJ