

ECONOMIC LIBERALISATION IS ACHIEVABLE WITHOUT A POLITICAL ONE

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RJ *Dear Mr. Karabell, do you think that modernisation is one of the key challenges of modern-day Russia? If yes, which model of comprehensive modernisation, in your opinion, is most suitable for Russia's social, cultural and political environment?*

China's experience proves that economic liberalisation is quite possible without any political liberalisation and even without any political reforms. Economical liberalisation, however, will be successful if one important condition is met: the state must not interfere with entrepreneurial activities. The state must provide for political and legal stability so that the population can engage in private business

in the field of industry, without having to worry about the corruption and absolute power of the bureaucratic machinery. These very circumstances are the challenge that Russia is facing today. It is namely corruption that prevents people from doing business, and prevents business from being successful. Another critical challenge that Russia is facing is the absence of substantial investments, not only in terms of infrastructure (i.e. roads, power plants, etc.) but also the required investments into education. **Russia lacks investment in its own future.**

RJ *In your opinion, would you say that China's modernisation has been successful on the whole? If yes, how do you explain this success? What factors do you think influenced it?*

Huge state investments into the development of infrastructure touch on power plants and the building of entire cities. In recent years, there has been large-scale growth in foreign investments made into China's economy. This involves a tremendous amount of foreign investment.

RJ *And what about if we look at this situation, not only from the point of view of economics? What role has been played by such factors as the current political system of China or, for instance, Chinese national traditions, such as Confucianism? This question is important for Russia because, at present, different models of modernisation are being discussed in Russia, as well as what path of development to pursue.*

I am not sure that Confucianism very much influences the success of China's modernisation. **Every country has its national traditions rooted in a lengthy history, but they do not tend to play a crucial role in the process of public transformation in the present day.** Another question regards the level of erudition of society and the level of enlight-

enment of the country's elites. This is what matters greatly for successful reforms to occur, both socially and economically. Sometimes it is useful to limit manifestations of democracy when conducting such reforms; it often contributes to their success. By the way, history offers one more extremely successful model of modernisation – the American model of social and economic transformation, which was quite successfully realised in the US. The conditions for the success of modernisation, which I have mentioned, also existed there. Of course, any model of development should be adapted to definite local factors. It is impossible not to take them into account. But Russia and China learn from the experience of other countries, how to the best advantage to build cities, develop infrastructure, communications, the Internet, telephone lines. They adopt the experience of others, adapting it for themselves and taking into account the factors that will help these states take an important place within the existing world order. This is why, to my opinion, the Chinese model of development is suitable only for their own country – China has managed to take quite definite positions in the sphere of global economics, and it is unlikely that there is place there for somebody else.

RJ *How was the success of China's modernisation influenced by the fact that, one day, the USA entirely opened its markets to Chinese imports and that, today, the USA is the main trading partner of China?*

I think that this factor has been very important, but, in my opinion, **China was more interested in the development of its own economy than in America's investments.** The most likely scenario is that they were more important for the WTO. In other words, if we talk about the modernisation process as a whole.

For example, there also exists an Indian model of modernisation, which is mostly directed at developing the domestic market than its export potential. India was able to get rid of bureaucratic schemes in the political sphere and to realise a more effective management of its economy. However, India's success is by no means connected with exports to the US market.

RJ *Do you think that China actually wants Russia to undergo modernisation?*

For China, Russia is an extremely important source of natural gas, oil and metal, and other raw materials that it needs very much. **China is interested in the political stability of Russia.**

RJ *Are there any negative sides to China's economic growth that you can point out?*

At present, there already exists a lot of negative consequences of this growth. And in a couple of decades, China will face serious **ecological problems**. I think the situation has already significantly deteriorated and, at some point, China will realise that these prob-



lems are preventing the country from further development. Serious problems with fresh water and problems with health that are caused by the constant smog hanging over the megalopolises – this is China's reality today. China will become more and more dependant on natural resources, which is the reason why it should immediately start developing alternative sources of energy. The same holds true with respect to Russia.

RJ *In your opinion, do you think that, in the near future, China will be able to become a leader, not only of the industrial world, but also of the postindustrial one?*

Yes, if China invests in the development of alternative sources of energy. They will have to invent something to replace oil, as well as develop new high-tech “smart” automobiles. ■

Zackary Karabell was speaking with Nikita Kurkin and Yulia Netesova

THE CONQUISTADOR OF 'CHIMERICA'

Zachary Karabell. Superfusion: How China and America Became One Economy and Why the World's Prosperity Depends on It. (New York, 2009).

A few years ago, in the articles and books authored by historians, sociologists, economists, and individuals who, in one way or another, had studied the dynamics of the relationship between the United States of America and the People's Republic of China, a there appeared a strange word combination first appeared to describe this relationship. This unique term, coined by the famous British historian Niall Ferguson, is '**Chimerica**'. This word was used to define a symbiosis between the economies of the world's largest consumer and the largest producer in the world, these being the USA and the China respectively.

Only a few actually managed to reveal the secret depth of Chimerica, since research typically study the economic and political systems of independent nation states separately, exclusive of one another. However, sociologist **Zachary Karabell** succeeded in exploring the concept of Chimerica. In his new book “Superfusion: How China and America Became One Economy and Why the World's

Prosperity Depends on It”, this American researcher and scholar makes a viable attempt to define those historical events that ended up turning the economies of these two countries, separated by an ocean, into an integrated economic system.

In the opinion espoused by Karabell, the process by which this merger took place was initiated when China acceded to the World Trade Organisation. This enabled large American enterprises such as Avon, Nike, etc. to use the cheap labour market presented by China to produce their goods and, consequently, maximise their own profits. This, however, had negative consequences for the USA itself in relation to its foreign trade balance deficit and the gradual accumulation of U.S. debt on the part of China. On the other hand, the amount of U.S. bonds belonging to the People's Republic of China has essentially made this country directly dependant on the USA since any default on the part of the USA would also do much harm to the treasury of the Celestial Empire. Hence, according to Karabell, after many years of mutual integration, **the United States and the PRC are virtually inseparable from each other**. Nevertheless, the prejudice that is growing in both countries, in opposition to their interdependence may serve to destabilise the relative order that these countries enjoy today.