

BARBARIAN MODERNISATION

Oded Shenkar



ODED SHENKAR

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as being very successful. The Chinese economy has demonstrated growth rates over decades, and its GDP has been measured by two-digit numbers; it is dramatic success.

If you include an ecological dimension to the notion of modernisation, meaning that development has to minimise pollution, it is quite the opposite; in this context, China's modernisation is more of a disaster.

If you look at it from a political perspective, the results are not very good either. In the Chinese political system, there are hardly any elements of democracy, even of what was previously referred to as "proletarian democracy."

If you look at the social situation, there are a lot of unsolved problems: there is a huge gap between the rich sea inland region and the hinterland, and there is a lot of resentment. So, it really depends on what you want to achieve. **If it is economic growth at almost any price, disregarding social issues and pollution, and this is what you call modernisation, then the Chinese model will be the most successful one.**

RJ Dear Mr. Shenkar, would you agree with the opinion that says that China is one of the most successful examples of a society undergoing modernisation? If you agree, which success factors would you point out? Do they include the political system, low social demands of the population, rupture with the national (Confucian) traditions or continued adherence to these traditions? Can you estimate the role of each of these factors in the process of China's modernisation?

It is important to understand what we mean by modernisation. There is a long debate about this word. If you look strictly from an economic perspective, it is meant

Some forms of capitalism existed until the middle of the 1950s, so when China began its economic reforms at the end of the 1970s, there was still a generation of people who knew how the free market worked. Remember also that **China had Taiwan and Hong-Kong with quite different social and economic systems; I do not see an exact equivalent in Russia.** As this was very important for their economic development, perhaps the Chinese had an easier time than the Russians have.

RJ Can you point out vulnerable sides of Chinese economic growth? Which of them depend on external factors? How sustainable is China's social stratum?

The only external threats to China are trade sanctions. I think that their main threat is internal. **It is an economy that must grow in order to survive, there are no options.** China needs economic growth of at least 8 percent a year, just to keep their employment stable. This is not about growth to create new jobs, this is about growth just to avoid new unemployment. This is a very queer situation.

In the US and in the West as a whole, people often misunderstand China and say, "it is a dictatorship, the government does not care about what the peoples' feelings are." And that is absolutely not true. The truth is that the Chinese government cares about what the people feel more than the American government does. If social resentment in China leads to mass protests and challenges to the regime, it amounts to much more than just a lost election. In the US, you can lose elections and regain power in four or eight years with a new programme. In China it is impossible. That is why the government understands that they need to be very sensitive

RJ Do you consider a modernised China a resource or a threat for Russia's modernisation?

Nowadays, I think, Russia considers it a possibility to follow the example of China rather than follow a US or European model; maybe there is a Chinese model. People think that if it worked in China, it could work in Russia as well. People see some similarities, for example the tradition of having a strong ruler. At the same time, however, there are still many differences between Russia and China.

Russia had many decades of communism, almost seventy years. In China, the communist regime was established in 1949.

to what is happening in the society. China's leaders try to keep stable employment and as a result they have a substantial surplus of industrial capacity. At the time, it is a part of their anti-crisis programme, but China has also done it before. The problem is that by doing this they not only risk themselves, but they create a potential danger for the entire world.

My nightmare scenario is that China will float the world markets with extra cheap goods that will really depress prices on the markets everywhere, and the Chinese may even sell them at a loss, just to keep the factories going. This is a scenario of the beginning of a global catastrophe with unpredictable results. And this is not impossible. At first, I was confident that the Chinese would be more successful than America in the global crisis, but now I am becoming increasingly worried: how far is it ready to go to save its economy?

RJ Do you think that in the near future China can become a leader not only of the industrial world, but also of the postindustrial one?



China is doing its best to to achieve this, making huge investment in overcoming what is one of its main vulnerabilities, its ability to innovate. Actually, I think Russia looks better in this context, at least as far as their potential for innovation. But the Chinese are working very hard to improve. The government in Russia is beginning to think in this direction as well, trying to attract people back to Russia who emigrated and studied abroad and have accumulated experience in major enterprises. And this is the right approach.

China is very much interested in becoming a part, and then leader of the postindustrial world. Whether this will be successful or not remains to be seen, because innovation is not something that you do through central planning. This is a big challenge to Beijing. I am not sure it will be able to meet the challenge, but it certainly understands it very well. ■

Oded Shenkar was speaking with Nikita Kurkin and Yulia Netesova

THE WORLD IN THE SHADOW OF THE CELESTIAL EMPIRE

Oded Shenkar is the author of the book "The Chinese Century: The Rising Chinese Economy and Its Impact on the Global Economy, the Balance of Power, and Your Job". Published in 2006, this book has already become a best-seller in the USA.

In his book, Oded Shenkar demonstrates that China (which, at present, ranks second in the world in terms of the size of GDP) shall be occupying the leading position in the world by the year 2015. China has succeeded in reviving its imperial power, and using the advantages of modern technologies and the market economy (not limiting itself to simply stealing others' technologies). At the same time, China will also not be rejecting the authoritarian system where the predominant role is played by the bureaucracy of the Communist Party of China. And this is, according to Shenkar, the crucial difference between the People's Republic of China, on the one hand, and such countries as Japan, India, and

Mexico, on the other. The very fact that China will be moving upwards to assume the leading position in the world will drastically affect the balance of powers in the global economy, as well as resulting in a basic revision of the rules associated with competitive struggles.

On that note, the USA, which still happens to be the world's leading power for the time being, will become the state that is most vulnerable in the wake of the impending Chinese threat. As Shenkar concludes, "what kind of world our children will be inheriting in future" is only dependent on what emergency measures will be taken today to prevent and oppose such a threat.

