Title: The rise of the China post-crisis: a discursive analysis of the financial crisis of 2008 as condition of possibility of contra-power through a Beijing Consensus as international economics mainstream

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Abstract: In 1999, when the United States was the “Lonely Superpower”, a text entitled “Does China Matter?”, published in the Foreign Affairs, translated the position of China in the international scene, as an overrated country, peripheral to the U.S. foreign policy. In the 2000s, China increasing economics importance led it to become a major player, “one of the emerging economies”. This vocation to lead was consolidated in 2008, when the financial crisis gave condition of possibility to the rise of a Beijing Consensus as a new economics model capable of exercise soft power in the international system. Practically immune to the crisis, its economy became a paradigm able to transform not only transactions but social interactions, being the 21st century success case. For that reason, we will study all the articles related to China in the Think Tank Foreign Affairs from 1990 to 2014 aiming to make an discursive analysis of the rise of the China as a superpower, from the insignificance of the 1990s in a Washington Consensus context to the 2013 “Anglo-America and its Discontents: Sinicization and the Rise of China”, possibilting the country to insert itself as contra-power of the U.S. within a micro-physics structure.

Key-words: Rise of China, Beijing Consensus, Financial Crisis

1. Introduction

Since the XVI century the economic practice have codified as precept and moral, intending founding, rationalize and justify itself in a theory of wealth and production. As scientific method, its biggest mutations can be read as apparition of new forms of will of true, put into practice when it supports itself in a base with an institutional distribution, exercising under the other discourses pression and coaction power. Therefore, the discourse is not simply what translates fights or domination systems (MARX e ENGELS, 1992.), but through and for what we fight, that power one want to exercise (FOUCAULT, 2008:23). This discourse, in form of violence that is exercised under the things, or put into practice, is also the place where we find its regularity principle.
Considering the discipline as a game of control of true of the scientific discourses, that imposes its rules through constant update, the economics method rationalized, a priori, an ideological commitment to society, establishing social practices that goes beyond its exchange character, capable of influence actions. In this sense, there is a parallel between between the ascension of the keynesianism after the 1929 Great Depression, delegitimizing the liberal order and of the neoliberal discourse since 1971, when the gold-dollar convertibility comes to an end, incentivizing the finance globalization, leading to the abandonment of keynesianism, with the financial crisis of 2008, when, after a shock scene that affected the global economy, we can reconsider new theories and economics practices able to transform the scientific status quo, that impacts in society.

The present work will analyze, from the Foucauldian discursive category, all papers published in the Think Tank Foreign Affairs regarding China, from 1991, when the Cold War logic officially comes to an end till 2014, when China surpassed the U.S. as the biggest global trader, consolidating its position as relevant player in the world scene, to determine the change of discourse regarding to China, from the insignificance to paradigm to be followed, emphasizing the period post-2008 to see if there is an impact of contra-discourse directly, when the chaos furthers the search for new models.

2. The Chinese Rise

In 1990s the U.S. foreign policy towards China was at least irrelevant. Both countries were neither “friends or fouls” and the Chinese were considered peripheral to U.S. interests, only a middle power, what translated the idea that both countries did not have ideological, security or political reasons to justify the cooperation. In a context of “institutions matter” and with the victory of the capitalism, it was considered that China, as any other emerging economy, should emphasize in market liberation and efficient governance to achieve growth, at the time the U.S. enjoyed the liberal order built in Bretton Woods. There was no space to heterodox discourses and the successive crisis lived in the 1990s- Mexico, Asia, Russia- were seen as structural problems to adopt the capitalist system rather than a problem in the model.

In this sense, China and its economy still heavily intervened by the State was seen as something aberrant, an anomaly that would be the next to suffer a crisis or would adopt the Washington Consensus “consignes”, integrating to the world market. Although China was
no model of economics policies, its exponential growth impacted worldwide, resulting in a higher interdependence between U.S. and the Chinese yet in the 1990s.

Although, the reforms started in the 1970s, had led to one of the highest growth rates in modern history and the country fast acquired the function of world stabilizer, importing commodities and high technology products and exporting manufactures. Its size, the advance of a consumption market, now seen as target and not as cost, and the production structure transformed China in one of the emerging economies that would lead growth by 2050.

China's growth was based on a cheap labor force, copying technology and the manufacturing industry–common to other fast growing economies in the XX century– but due to internal conditions, such as currency control and strong State intervention to direct investments, these conditions made the country accumulate capital, or in other words, sell present consumption to buy a future one. This strategy gave advantages to the country, as it had more margin to negotiate and manoeuvre. Added to its scale economy, which was relevant to its world trade due to the size of both its territory and population, the Asian power saw its negotiation and capacity to impose standards increase in concert with its economic importance because like it or not, you would buy or sell to China.

In 2008 the world financial crisis led to the delegitimisation of the neoliberal discourse, and because of its strong State intervention in the economy, China was not deeply affected internally. It had already developed an endogenous consumer market and the banking system was not exposed to the globalized market. In a world that looked for models that lead to economic development or could counteract a crisis, the Chinese model, practically immune to the crisis and with an excess of capital, became attractive to the world community.

It was these relative differences in growth that also accelerated the process of China becoming the number one economy in the world five years in advance of the economists’ predictions. The chaos created by the financial crisis served as catalyst to China position itself and assert that international institutions must also serve their own interests. Although its current position in trade and economic institutions matter, the tensions between Chinese and worldwide interests can lead to a new game of power.

3. The Beijing Consensus as discourse

After decades of a discrete foreign policy, the chinese leaders realized that to keep growth and domestic political stability, they should act beyond its borders. Allied to the new legitimacy of its political-economics, Beijing has started an aggressive strategy, that could
be interpreted as destined to remold the global institutions, because with the rise of the Chinese economic, it will exercise a growing influence in the international scene, creating conditions to chinese dominance in the global market, impulsing its gains in the realpolitik.

Thats why in the past decade, the power and influence of China regarding other States overcame expectations. Based on this new position, the Chinese behaviour became steady more assertive, what is demonstrated by the following event chain occurred in 2010: the Washington decision to sell weapons to Taiwan, military exercises of U.S troops with South Koreans in the Yellow Sea and the japanese detention of a chinese marine rescued under disputed waters. Under the presidency of Hu Jintao, Beijing has developed a social polity oriented towards fast economics growth, while uses the good governance to improve the safety net, the environment and furthering the independent innovation aiming to reduce social tensions and perfect the finance system to stimulate the internal consumption.

Because the Chinese exports suffered with the 2008 crisis, the need for these transformation became more urgent. With this in mind, Chinese leaders redefined its Foreign Policy. In July, 2009, Hu Jintao has announced that the chinese diplomacy must safeguard the interests of sovereignty, security and development. Another transformation lies in its diplomacy: it is becoming more multilateral as it gains international importance. The chinese leaders have spent the biggest part of its recent history asserting that they are not interested in mold the international institutions, but with the chaos created in the system in 2008, it arose the condition of possibility to China design it according its own interests what can be translated through the pression of the Chinese to move towards an international currency basket, leaving the dollar behind.

Although there is no a Beijing Consensus in the sense it was not a Washington Consensus, as China legitimates as economics policy maker, the country acquires advantages when it exercises power within this discourse, because to fulfill the domestic needs, it needs a more active global strategy. Moreover, to guarantee the supply of natural resources does not require only a complex trade agenda, but also an expansive military strategy. The degree in which the development is changing China is important, but it impacts more outside China, because it opens opportunity to countries worldwide to insert themselves internationally in way that can have relative independence, protecting its lifestyle and political choices in a world that had one unique gravity center. Thus, the emergence of China in economy, due its State capitalism model, brought attention to developing economies that look for successful recipes to attain growth, making the Beijing Consensus attractive in theory as precedent that you do not need to play the “hegemonic rules” and is possible to develop an endogenous economics model and in practice when it opened the
doors to these players negotiate, sell and expand their markets through directly negotiations with the “periphery”, the strategy used by countries as Brazil that anchored its economic growth in the 2000s through the commodities exports to China, subsiding and acquiring market scale, production that was redirected from the traditional European and U.S. destiny, that was heavily protected.

Therefore, the set of measures that led China to growth can be understood as a Consensus and is flexible enough to be classified as a doctrine. Its pragmatic and ideological at same time, a reflex of Chinese ancient philosophy that does not make a strong distinction among theory and practice. This Consensus is based on three theorems about how to organize the place of a development country in the world. The first theorem consists on the argument that development economies do not need to start with basic technology, insisting in the need for innovation to reduce the friction losses that will be brought by the reform.

The second theorem is that since chaos is impossible to control from above, there is need a new set of tools- and new measures that go beyond GDP per capita are considered- focusing on life quality, the only massive form to manoeuvre the contradiction of the Chinese model. This theorem demands a development model where equity and sustainability are first order articles because the Chinese society is unstable. Thats why the sociology and crisis management are subjects so in vogue among the Chinese thinking in the moment. The third theorem is self determination, using leveraging to lead with hegemonic powers. The country that has practiced communism with chinese characteristics now intends to practice globalization with chinese characteristics. (RAMO, 2004).

4. The applicability of the Beijing Consensus as economics theory and its impact in the finance-economic world system: Does China Matter?

The opening and reform process that begun by the end of the 1970s produced a serie of reforms in the past three decades that led to a revolutionary change. The economics institutions, its social mobility pattern and even the Communist Party were transformed. This process also produced one of the of biggest economics success of the past century. China became the first trading nation in the world. in 2013. Through the increase in the exports, a steady capital influx and the management of its currency, the Chinese State Banks holds today the highest international currency reserve in the world. In less than 30 years, more than 350 million chinese were lifted out of poverty. Thousands of companies operates in the development world, re-youthing almost dead economies with Chinese investments. What happens in China today serves not only as model to the country, but also
impacts internationally, because the country is developing its own technology and standards to products, using multilateral forums to impose its domestic pattern.

Also, the country has taken initiatives to protect its strategic resources, making foreign companies manufacture in China, process through the Chinese mined the international trade norms, as in the case of exports restriction to rare lands. The world got used to the global impact of chinese revolution, because it is already a superpower in investments, trade, a big holder of american debt, both the biggest commodities and high technology buyer and the biggest world manufacture. As precedent, China serves as paradigm to nations that felt the neoliberalism institutions led them to a deep crisis and reduced their choice options, aligning goals with another emerging economies to reduce dependency on the multilateral system. This is showed by the effort of the chinese government since 2008 to modify the US dollar as world reserve currency.

The central idea that China could control its development policies and path and that its success is a form of “anti-imperialism” makes its model attractive to developing economies worldwide. Furthermore, when the successive 1990s crisis are atributed to the early adoption of the “neoliberal” model and the 2008 financial crisis attributed to a series of liberalising and loose control within the center, gives legitimacy to intervenient governments to exercise power through an existing model. In this sense, when you already have strong intervened economies in Africa, Asia and Latin America, continent that had twisted to the left in the past decade, to be Chinese allied fulfills programatic policies at the same time that allows the permanence in the power. , causing, as consequence, the erosion of the U.S. hegemony.

Although, the fact that China is currently the largest economy still doesn’t mean that it will replace the U.S. as the global leader because there is a long path follow. At the same time, the U.S. has been the biggest superpower, the US built an entire ideology and a discourse that is still in vogue. The United States not only created an economic discourse, but also represented the production system dialogue, reflecting in its position as the largest economy since the end of the World War I[9]. The U.S. participation in the discussions to keep the peace and in all conflicts during the XX century also must be considered as a differential. This differential can not be considered about China’s policy as China does not seem interested about spread an ideological discourse till now.

Furthermore, to China become a true global power, it needs to adjust world economics to its production system, making international institutions a reflection of its own. If China can be considered the economic “stabilizer”, necessary to keep the balance in macroeconomics terms, the political discourse of U.S. represents an ideology, followed as
a political model by developing countries. In the imagination of citizens of the world U.S. is still the land of opportunities, where the consumption desires come true. Democracy, freedom and rights combined with economic growth are necessary characteristics to promote development and the statistics is still in favor of U.S. A part of this, U.S. also enjoys a privileged position in the international community’s decisions, not only because of its economy but because of its technological and military power.

It is worthwhile to note that institutions in China are still exclusive, and that means that its economic growth can be limited in the long run. The country is not keeping its own rhythm and the movement of the economy is leading to a convergence of wages and costs, its traditional competitive advantage. Also, the growth of the past decades has led to the ascension of a middle class, which demands more rights and freedom; after securing welfare, freedom becomes object of will. In this sense, the situation in China today is uncertain and uncertainty does not allow efficient decisions of resource allocation. In that sense, Chinese institutions can not be replicated in the international scene because they are not consolidated internally. The China’s path to becoming a world a superpower is long, even in a multipolar world, because the production system is still based on the expansion of markets in time and space, and the situation in the long run for China, will not lead to utility maximization to entrepreneurs due to the form of calculation in a market where agents are rational without structural change.

We conclude that, although the trend towards China in “Foreign Affairs” has changed dramatically from 2001 on, and moreover after 2008, to emphasize the menace, size and capabilities of China as the new power capable of building a new world order, the “Chinese” Superpower will not replace the U.S. in the next decade without a structural change in the production system. Institutions will play an even more important role in world economics and analogous to the German model, China will be an important trade partner, but not much than that if it does not reform the production system. Thats because Germany was the world first exporter for the past 40 years, but, although an important actor, it did not influence world institutions. Of course, the size of the country, not just economic production, but also population and territory, will make China assume a posture that manages balance, or at least allows a new international dialogue, new discursive possibilities and new legitimating systems, but a “Beijing Consensus” does not yet exist, not more than a rhetoric concept. This challenges the information found in the “Foreign Affairs”: 2196 articles (including reviews, essays and links) regarding the country were published between 1991-2014 (almost half of all from 1922 till nowadays), being 1040 from 2008 onwards, with approximately 3|4 of them in this period of time regarding the new position of China, both in military, international affairs and economics- with the rest related to environment policies, human rights, history and internal policy. Before 2008, mostly papers (82%) were dedicated to the economics of the country, its specific relation to the U.S. and
when it dealt with the country rise question, it was more to disguise the Chinese as a “fragile” superpower or to explain why it was one of the emerging ones.

The information found in the media translated the importance given to China in the past decades, due its strong economics growth, capable of overcome all established economies within 4 decades, coherent with the “Rise of China”: the number of papers regarding this country increased more than 50% than other countries and topics, and this phenomenon was accelerated in the 1990s and with more intensity since 2008. There was also a qualitative change related to the subjects to define China’s position as global actor: from predominantly economics in 1990s to military and geostrategic roles after 2008, there is a concern that the country decides to play by its own rules, reshaping global order and leaving U.S. behind. But following a Foucauldian discourse line analysis, the Chinese still do not control institutions capable of influence what is spoken in an efficient way to counteract the U.S, because they do not hold an apparatus to be speak of- mostly regarding scientific method-, and they did not created a clear culture based on wealth distribution and decisions forms. Their system still can not answer why and how we should live, essential precepts of all the past popular economics theories, that became settled as political decisions, transforming the Beijing Consensus more an hypothetical situation than an established fact. Although, the trend towards the China rise in the international community is clear, and considering that from the microphysics power, the next economics theory will be set not from a structural change, but from discursive micro-fightings, the possibility conditions are given to China exercises power, just it is not ready yet.

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