

China, India and Europe: Finding the path to sustainable growth – common challenges and responsibilities
(Lin Chun, 13 November 2006)

China and sustainable development

1. Macroeconomic basics

China is huge and hugely diverse: It has 1.3 billion people. It is the world's 4th largest economy and 3rd largest trading nation. It is *also* the world's 2nd largest consumer of oil, and it consumes 20% of global mineral resources, producing 15% of global emissions along the way.

2. What explains growth in China?

The so-called China miracle is yet to be satisfactorily explained. Debates have focused on globalisation, foreign investment and trade, privatisation; or China's partial resistance against the "Washington consensus". But perhaps more importantly are such factors as state capacity and social infrastructure.

The pivotal role of these factors is manifested in China in the Indian mirror. India enjoys vital developmental advantages over China, especially in its IT and knowledge-centred industries. And it has better legal and financial institutions. India, wisely, has not taken a path of low-wage manufacturing at the low end of a global supply chain. India's disadvantage, on the other hand, is its slow coming developmental state and its lack of quality labour in a mass scale. In contrast, China's workforce, thanks to the pre-reform tradition of investment in human capital, is mostly healthy, educated, and disciplined. Despite serious decline in public goods provision in recent years, China remains ahead of India in every single index of human development. This is where and why public policies in social security, education and health care demand urgent adjustment in both countries.

3. Developmental pattern to change

Growth in China has been costly, in both social and environmental terms. Rising inequalities and other social problems are matched by ecological degradation. The Chinese growth pattern is therefore recognised inside China as unsustainable. Signs of major shift are in sight, pointing to a departure from blind developmentalism of high investment, high resource consumption, high pollution, high exploitation and high degree of foreign dependency. Instead China aspires to create a need-driven, energy-efficient, and eco-social friendly economy centred in its domestic market.

Given the needed political will catalysed by mounting socio-economic pressures, China can take actions immediately, tackling poverty recurrence, polarisation and corruption on one front, and cutting greenhouse gases as well as seeking renewable energy resources on the other. Green GDP is on the agenda. A set of energy security policies have been proposed, along with special funds allocated for relevant research, subsidies and tax incentives. Many green NGOs are in close collaboration with government agencies. As a signatory of the Kyoto Protocol China supports the effort

to bring the developing world under emission control which is certainly of China's own long-term socio-economic interest.

4. Global energy crisis and technological transfer

After all, global competition for resources is a game simply too dangerous to play (again). And Africa is no solution to China. At issue are not so much fair trade and honest aid (where China can claim moral credits in African eyes despite uneven performance of its companies) or controversial human rights concerns as the horrifying prospect of turning the last relatively clean continent into yet another site of industrial pollution. The developing countries ought to avoid repeating what the industrialised countries have done to the globe and its ecosystem. What China *can* do well is rather to show the world the alternative means to overcome poverty and backwardness (e.g. bypassing conventional urbanisation).

Sustainability is thus not a mere economic matter but intensely political in the face of powerful vested interests. China has no choice but to achieve better energy policies and green technologies. As it failed in the past to insist on the requirements on technological transfers for foreign entrance into the Chinese market, it is now time to amend that missed opportunity. Such transfers, furthermore, would help upgrade China's investment and construction work in Africa and elsewhere, allowing more developing countries obtain needed technologies.

5. The attraction of Europe

Here comes a priority dimension of the multi-facet attraction of Europe to China: partnership in science and technology, and related educational and training programmes. China's national R&D and industrial upgrading will surely benefit from such programs. Europe and China share more common ground than it may appear: social commitment in public welfare, ecological concerns over climate change, opposition to American unilateralism.

As to trade and its enormous mutual benefits, there is one telling incidence to be noted. EU-imposed anti-dumping tariffs hurt Chinese producers. Labour standards are often used to justify such imposition, correctly. Yet in April this year, during the process of public consultation for China's provisional Labour Contract Law, the EU Commercial Association, representing a large number of European companies operating in China, (along with the Shanghai US Commercial Association) formally objected almost all the proposed provisions for Chinese workers. The two associations threatened to withdraw investment and business if the law was to be implemented, saying that rising wages and labour cost would force them to move elsewhere where labour is cheaper. Is not this hypocritical?

Yet, the more far-reaching attraction of Europe to China is beyond trade and commerce in a great vision, a big idea, of the European social model and social democracy. Let's hope Europe can live up to that model and China will pass the new labour law, and together they may alter this terrible global race to the bottom.

6. Innovation for the future

The current contradictions of the Chinese political economy are not really free market versus authoritarianism in terms of state control. Historical examples of *authoritarian* capitalism are plenty. The main contradiction is rather between the weakening of state and public policy capacities especially over provincial power and the need of such capacities to rectify an uneven, imbalanced and non-sustainable development.

Reorientation of the Chinese reform as part of an open-ended global transformation is a battle for ideas. China is simply too big and too culturally burdened to not search for alternatives to our modern predicaments. Its ambition is by no means destined for regional or global hegemony, but much more likely confined to its truly significant “socialist market” undertaking. For such an undertaking to make sense, the Chinese people will also invent their own institutional forms of democracy.

Meanwhile, China must ally with India and other developing countries – as they did earlier in Bandung and lately in Cancun and Doha – in their common pursuit of development as freedom. In so doing they challenge and may eventually change those rules of globalisation which have sustained global inequality and injustice.