

ENGELSE TAAL EN CULTUUR

Teacher who will receive this document: Dr. Jorrit van den Berk

Title of document: Thesis North-American Studies

Name of course: BA Thesis

Date of submission: June 15, 2016

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The post-Washington consensus era? How the Beijing- and the Washington consensus differently impact developmental trajectories of Latin-American and African countries.



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Bachelor Thesis North-American Studies
June 12, 2016

Abstract

The Washington consensus is the manifestation of neoliberal ideas on economics around the 1990s. The consensus revolves around ideas such as trade liberalization, a market oriented economy and a minimal state. Its Chinese counterpart, the Beijing consensus, is primarily based on perceptions of the Chinese system and revolves around concepts such as self-determination, authoritarianism, pragmatism and flexibility. It is not a blueprint and therefore has a rather informal nature. The Washington consensus has generally been unable to generate growth in developing countries and is therefore perceived as a failure and a mere manifestation of western arrogance. The Beijing consensus continues to perform better, yet especially the aspect of non-interference receives withering critique from the West because it dismisses human rights. Also the fact that the Chinese model is rather informal raises questions regarding its validity since it slowly moves toward a more market oriented economy, which contradicts with authoritarianism. The Beijing consensus can therefore best be approached as a symbol for the end of unipolarity, and an alternative to supposed western superiority.

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Introduction

The rise and fall of economic and political systems implies a continual process of change. This intuitively suggests an inherent static nature of political and economic systems which are, at a certain point in time, simply antiquated (Boschma 2002). This evolution of global dynamics has entered a new phase because the world is increasingly shaped by developments in the East. The diminishing unipolarity of the West is expected to affect our lives as well, be it on an economic, or on a cultural level. The opportunity to write about history in the making, was therefore irresistible. Cullen Murphy (2007), for example, even compared the diminishing influence of the United States to the collapse of the Roman Empire: “Both Rome and America created global structures – administrative, economic, military, cultural- that the rest of the world and their own citizens came to take for granted” (Murphy, 14). The goal of this thesis, however, is not just to provide an analysis of the implications of changing global dynamics, but more so to analyze its correlating influence on developing countries. More precisely, to what extent developmental trajectories are affected by the emergence of a new superpower. After all, “it is impossible to study the economic growth of the developing countries in modern times without considering the mutual interactions between these economies and those of the advanced countries” (Akamatsu 3).

The Western geo-political, as well as its economic, sphere of influence encompasses the entire globe in the 21th century (Zubok 2009). This Western influence was, before the first and second world war, embodied in European countries such as Germany, Great-Britain, France and by Spain and the Netherlands in the previous centuries (Jacques 2009). These countries, generated by industrialism, colonized large parts of the world for over two centuries and by doing so continually expanded their reach (Jacques 2009). After the second world war, however, the epicenter of power shifted from Europe to the United States (Zubok 2009). While the European economies were exhausted after a devastating war, the United States experienced unprecedented growth and used this position to enhance their ties with Europe by creating cross-Atlantic institutions and providing aid (Jacques 2009). The United States, however, were challenged in ideological as well as militaristic terms by the other victor of the second world war, the Soviet Union.

The subsequent years were defined by a cold war and a U.S. expansion which included the creation of ever more institutions and multinationals, and an expansion of their arsenal as a reaction to the Soviet Union (Zubok 2009). Again, the United States prevailed. The system and particularly the economy of the U.S.S.R were exhausted after the internal pressure on

Gorbachev increased and militaristic investments by far transcended their income (Zubok 2009). The collapse of the Soviet Union initiated another power shift or more precisely, an increase in the concentration of power since the United States were the last one standing: “Never before, not even in the heyday of the British empire, had a nation’s power enjoyed such wide reach” (Jacques 1).

The U.S. victory, however, did not only eliminate an adversary of the Western world, it also held great symbolic meaning. After all, democracy and capitalism prevailed over communism. The Western ideas on certain economic and state structures had proven their superiority and became indisputable, which in turn caused practically every country from the former communist bloc to turn to the West (Zubok 2009). The Western confidence in democracy and a market oriented economy was not only reflected in the post-cold war eastward expansion, but even more so in the manifestation of a neoliberal consensus: the Washington consensus. This model was a codification of the Western economy, a roadmap which in its essence describes the preconditions a country should adhere to if it is to grow (Rodrik 2006). Naturally, this model became extremely popular among developing countries which had been unable to trigger growth throughout the twentieth century. The subsequent implementation of the Washington consensus in Latin-America, and later in Africa, was therefore expected to provide these continents with the much needed leap to markets and growth rates (Rodrik 2006).

Around the same time, however, the eastern dragon began to stir. China initiated large scale reforms after the death of Mao Zedong and the subsequent years were marked by what is nowadays referred to as the Chinese miracle (Feng et al. 2011). The almost incomprehensible development of China drastically changed its domestic environment by reducing poverty and created a stable middleclass (Feng et al. 2011). The explosive rise, however, initiated another unprecedented development. The first world monopoly on basically everything, is for the first time in history challenged by a developing country (Jacques, 2009). Ironically, only a decade ago, an American scholar argued that “China was still a developing country and therefore no serious challenge to the United States” (Brzezinski qtd. in Gu 2007). The ever-increasing presence of China further crystallized by its entrance into the IMF, the enhancement of ties with other nations, its vast regional influence and most important, by the fact that the Chinese economy now holds the second largest in the world (Barboza 2010). Jing Gu (2007) discusses the implications of China’s rise and emphasizes that “this global power shift will be one of the most important transformations in international politics in modern history” (Gu 1). Not only does this diminish the direct influence of the

Western world, equally important could be its symbolic meaning. The Western confidence, by developing nations and China often seen as mere arrogance, was based on the simple fact that the Western system had proven to be superior over others. The superiority of democracy and capitalism, which make up the core components of this model, are subsequently reflected in the high overall living standards and wealth of Western nations.

The Chinese development, however, does not only challenge the actual Western power, it also challenges Western ideas about democracy and capitalism. After all, China deviated from 'the only option' after it did not implement democracy and a market oriented economy yet still generated growth (Ramo 2004). China created its own path toward growth which intuitively suggests that China holds the key to also accelerating growth in other developing countries. More important, it suggests that the Washington consensus and the Western way is not the only one. The Chinese system and constructions which accounted for this growth are manifested in the Beijing consensus, the Chinese counterpart of the Washington consensus.

The mere existence of two development models implies that there are several ways to accelerate growth in nations. Since these models are based on different theories, both the Washington consensus and Beijing consensus are expected to have a differentiating impact on developing countries. This assumption leads to the following research question which defines the central goal of this thesis: how do the Washington consensus and Beijing consensus differently impact developmental trajectories of Latin-American and African nations?

In order to answer this question as comprehensively as possible, the historic context in which both the Washington consensus and Beijing consensus originated have to be thoroughly analyzed. Gaining an insight into the time in which both models originated will subsequently provide a framework to account for possible change sequences with respect to development theory. After an extensive explanation of both models based on the available literature, the implications of both models will be analyzed throughout Africa and Latin-America. This could, however, pose some problems regarding developmental trajectories. After all, since the Washington consensus and Beijing consensus are based on different constructs, this is likely to have consequences regarding *perceptions* of development. Growth patterns in Latin-American and African countries rates must therefore be balanced against the outline of both models. In order to account for the individual impact of both models, the origin and impact of the Washington consensus in Latin-America and Africa will, based on the available literature, first be discussed. The origin and impact of the Beijing consensus on Latin-America and Africa, based on the available literature and concrete data provided by the IMF and OECD, will thereafter be discussed.

Chapter I: The Birth and Integration of Neo-Liberalism.

Neoliberalism has become mainstream theory in Western economic and political circles (Brenner & Theodore 2002). However, it has not always been so. This changing of the guard is a recurrent phenomenon and underlines the evolutionary nature of political and economic systems, a constantly changing context requires adaptability or radically different systems (Boschma 2002). Neoliberalism became, according to David Harvey (2005), mainstream theory in U.S. political circles around the 1980s and gradually gained dominance throughout the rest of Western civilization. The dominant global position of the West, according to Akamatsu (1962), implies that neoliberal theory significantly influences developmental trajectories of developing countries. The fact that neoliberalism occurred in the 1980s also implies that there has been another dominant theory prior to neoliberal thought, which raises questions as to how neoliberalism became mainstream theory, and to what extent it influences developing countries.

The post world war II system, reinforced state authority to ensure cross-Atlantic tranquility and to prevent another crisis (Harvey 2005). The western world converged in the aftermath of the second world war in terms of ideological, as well as political and economic systems. Control mechanisms such as the IMF, World Bank and the United Nations were installed to ensure stability and were aimed at preventing opportunistic behavior of the various actors (Harvey, 2005). To further accelerate 'Western convergence', free trade was encouraged, yet also controlled through a system of fixed exchange rates in which the dollar served as global currency (Harvey 2005). The role of the state in this era is particularly interesting since its primary focus was on the citizen's welfare, economic growth, employment, and setting standards for social wages. In times of recession, for example, the currency got devaluated, the state increased its spending, or taxes were lowered. State spending was subsequently limited in times of prosperity and taxes were raised (Boschma 2002). The active role of the state was aimed at creating a socially desirable economic environment and the system was dubbed 'Keynesian economics'. The initially successful system, however, was not built to last and the end of the Keynesian paradigm, according to Alan S. Blinder (1988) was caused by its calculative shortcomings which made it very vulnerable to external shocks and in turn caused extreme debt accumulation, inflation and unemployment (Blinder, 1988; Harvey 2005). The recession following this crisis of the 1970s allowed for socialist and communist groups to rapidly gain ground in Europe and the United States. Calls for a more equal distribution of wealth echoed across Europe and the United

States while value assets of the elite and ruling classes were collapsing (Harvey 2005). Drastic state interventions were initially advocated to restore stability and growth rates. Ironically, this turned out to be the exact opposite of neoliberalism.

New developments in Chile, however, offered an alternative and possibly more profitable solution to the problem of the upper class. A coup by Pinochet in 1973, backed by the U.S., can according to Harvey (2005) be seen as the first experiment regarding neoliberalism. While the country's economy was left in ruins after the bloody takeover, a group of economists called 'the Chicago boys' was appointed by the U.S. government to reconstruct the Chilean system (Harvey 2005). The initial purpose of this group was to counter the rise of left-wing thought in Latin-American countries. Pinochet, however, incorporated their thought (and some of its members) into his new system to gain access to the IMF and to open up to foreign investment. This resulted in an export based economy and large foreign investments which rapidly increased capital accumulation and overall growth. The system, however, collapsed during the Latin-American debt crisis in 1982 and became more pragmatic while retaining its neoliberal core (Harvey 2005). Overall, the experiment (including its pragmatism) was deemed successful and was incorporated by Thatcher (UK), and Reagan (US) in the 1980s.

Neoliberalism consequently gradually gained dominance throughout the 1980s in the West yet defining neoliberalism poses, according to Stephan Lee Mudge (2006), a problem in itself due to the variety of interpretations. Dag Einar Thorsen & Amund Lie (2010) tackled this terminological problem and stated that the literature unanimously approaches it as "the return and spread of one specific aspect of the liberal tradition, namely economic liberalism" (Thorsen & Lie 189). When assuming this line of thought to be the core idea of neoliberalism, David Harvey's (2005) definition appears to be most comprehensive: "Neo-Liberalism is in the first instance a theory of political economic practices which proposes that human well-being can best be advanced by the maximization of entrepreneurial freedoms within an institutional framework, characterized by private property rights, individual liberty, free markets, and free trade" (Harvey 145). Neoliberalism describes the role of the state as being a market-oriented optimizer which dissolves obstacles or constraints impeding the liberalization of markets (Boschma 2002). States should, however, finance universities and schools in order to ensure a long-term knowledge infrastructure. Companies will refrain to do so because of the limited commercial applicability of knowledge (Boschma 2002). The state largely withdrew from economic intervention and believed inherent market mechanisms to be the key to growth (Harvey 2005). These inherent market mechanisms could subsequently only be

‘activated’ if they are not restrained by government meddling. In other words, a market should be able to naturally evolve and adapt because of inherent economic uncertainty (Boschma 2002). A general tendency toward more liberalization resulted in large scale deregulations and privatizations which consequently maximized entrepreneurial freedoms. The switch to neoliberalism resulted in excessive overall growth rates, and was gradually adapted by other European countries.

Development programs before the 1970s are generally referred to as ‘mainstream development programs’ (Gore 2000). Mainstream development theory was, according to Gore (2000), first aimed at explaining the lack of growth through certain national factors which constrained development. Development policies and theorem from 1950 to 1970 included the concept of ‘historicism’. Historicism revolved around the idea that the western transition from a rural society toward an industrial society could be copied in developing countries if placed in the right institutional context (Gore 2000). When connecting this policy to the development of third world countries, one would initially expect it to be beneficial for developing countries due its state-led social and moral core (Gore 2000). It becomes clear, however, that the western relation with developing countries in Africa and Latin-America was rather biased. Most parts of Africa just gained freedom and were reluctant toward western intervention or aid programs. Moreover, both African and Latin-American countries were primarily pawns in the ideological chess game of the East and the West, both trying to draw these countries to their side. The economics of development in this time were, according to Austin (2010), focused on state intervention yet the economies experienced limited growth due to a lack of political stability and macroeconomic uncertainty in third world countries.

The neoliberal turn initiated an a-historical approach regarding development theory and evolved around the concept of ‘performance’ (Gore 2000). The concept of performance ranges from economic and industrial performance to human development performance and poverty performance. The main focus shifted from a people oriented one, toward spatial economic integration through the liberalization of markets. The idea was that economies of developing countries could only increase their ‘performance’ and experience growth if their markets would open up and integrate in the global economy. This neoliberal development theory was embodied in the Washington consensus: a term coined by economist John Williamson who thought of this set of rules as a paradigm for developing countries, yet also claimed that it adhered to the inherent nature of economics and development (Gore 2000). Williamson’s ten points are all referring to policies which were deemed necessary for *Latin-American* development. While Charles Gore stresses its universal nature, the Washington

consensus originated as a rather region specific set of rules which were 'universalized' later on. Williamson's ten points for development on which the Washington consensus is based are as following: (1) Fiscal discipline, which refers to the role of the government in maintaining 'smooth' transactions. (2) Reordering public expenditure priorities, referring to indiscriminate governmental subsidies and spending. (3) Tax reform, aimed a broad tax base which combined moderate marginal taxes. (4) Liberalizing interest rates, giving more freedom to banks to set interest rates. (5) A competitive exchange rate, to increase export competition. (6) Trade liberalization, broadening the range of goods which subsequently lowers prices for consumers. (7) Liberalization of inward foreign direct investment, which was aimed at boosting the productivity of domestic firms. (8) Privatizations, to increase competitiveness. (9) Deregulation, to ease the entry or exit of firms in industries. (10) Property rights, aimed at offering the option to gain property rights (Williamson 2009). Above rules are said to conform to the common and core rules of economic logic, therefore suggesting that applying these rules in developing countries most certainly accelerates development and stability (Gore 2000).

Chapter II: The Impact of the Washington Consensus on Developmental Trajectories of African and Latin-American countries

The most notable case studies to account for the impact of development programs are, logically, developing countries. Latin-America was doing quite well after the second world war, GDP per capita increased from 60% in Venezuela, to around 240% in Brazil (Kuczynski & Williamson 2003). There were, however, increasingly more doubts regarding the sustainability of the system after rapid inflation and debt accumulation because of foreign borrowing. The economic downturn of Latin-America which initiated in the 1970s had tragic consequences for the ever growing population and deteriorated living conditions. The dominant economic policy of the pre neoliberal era in Latin America was based on state interference and import substitutions yet became outdated because of globalization and the correlating global economic convergence (Kuczynski & Williamson 2003). The important and active role of the state in Latin-American countries received ever more critique after the Chilean economy, which was based on neoliberalism, appeared to be doing rather well in the mid 1980s. The Washington consensus was, as mentioned above, consequently constructed in order to come up with a paradigm for the remaining Latin-American countries. The tendency toward liberalization, openness, and privatization became dominant in Latin-American political circles and proved rather fruitful since the regional economy grew by 4.2% till the mid 1990s (Kuczynski & Williamson 2003). Initially, the system seemed to increase overall growth and subsequently improve the living standards of the people. In the mid 1990s, however, the newly found confidence in Mexico (caused by the current account deficit) caused a currency devaluation and proved fatal to Mexican banks and capital markets (Kuczynski & Williamson 2003). Similar problems occurred in Brazil and after the two largest economies of the region were unable to maintain themselves, the rest of the region soon followed.

Neoliberalism also significantly impacted African countries and Trevor A. Manuel (2003) found that it had rather differentiating effects. Some countries, such Nigeria or South-Africa, experienced relatively high overall growth rates whereas others are still far behind. This again raises questions whether the Washington consensus per se provides the necessary fundamentals, or whether there are other underlying mechanisms influencing developmental trajectories. In order to account for growth rates, Artadi et al (2003) did research on growth rates per capita. Their findings show that before the 1970s, African annual growth rates fluctuated around a positive 2%. After 1970, however, the growth rate turned negative and

around the 1990s it reached an all time low of -1.5%. GDP growth rates are, according to Artadi et al (2003), believed to be stimulated by personal consumption, government spending, import and export, and foreign investment. These components generally have a positive impact on an economy because they create jobs, improve the quality and variety of products, increase wages, and replace declining sectors. While the application of the Washington consensus opened Africa up for external investment after the 1970s, actual investors hardly found their way to Africa due to uncertainty created by constant policy reversals (Artadi et al, 2003). Public projects funded by the government turned into failures and export portfolios remained rather narrow (Artadi et al, 2003). The absence of investments and the inability to create jobs even lowered consumer spending which subsequently caused the living circumstances of the sub-Saharan people to rapidly deteriorate. The answer for Africa's failed integration can, according to Artadi et al (2003), also be found in political and macroeconomic instability. Uncertainty is inherent to investment and for foreign companies to invest, a stable political and macroeconomic context is crucial.

The neoliberal tendency to assume that global economic integration increases investments, which subsequently boosts growth rates and consumer spending, is rather logical yet ignores the underlying prerequisites on which investments and large scale projects are dependent: stability and certainty (Stiglitz 2008). Stiglitz agrees that markets should ideally be liberalized, yet only after a certain (undefined) threshold is crossed. An economic context created by the government, normally serving as a control mechanism, might in early stages of an economy be more efficient because they can obtain and exploit more information. Gradual liberalization will subsequently give entrepreneurs the freedom to pursue more profitable markets (Stiglitz 2008). The main problem regarding liberalization in early stages is the fact that markets in early stages tend to be very diversified (Boschma 2002). Neoliberal thought believes this diversification to gradually diminish due to the occurrence of dominant industries and sectors. The problem herein, however, is the assumption that entrepreneurs are perceived as having full rationale and being able to successfully exploit all information needed for growth (Boschma 2002). This very absence of 'guidance' in the early stages of African economies caused the export focus in many sub-Saharan countries to be on a rather static comparative advantage such as agricultural export (Artadi et al 2003). This would not have been a problem, had it not been for the fact that the export portfolios of surrounding African countries were exactly the same. A static and unstable sector oriented policy which completely denied the evolutionary nature of market dynamics and furthermore discarded the surrounding industrial environment, created a static and even backward-looking economy.

More important, the focus on declining sectors, along with little investments, which can all be seen as a result of little political stability and an uncertain macroeconomic context, caused sub-Saharan countries to experience even more economic misfortune.

In order to unravel the mechanisms behind the economic misfortune of Latin-America and Africa, Stiglitz (2008) analyzed the implementation of the Washington consensus rather than the consensus per se. Economic liberalization and openness are inescapable constructs in a globalized world yet these concepts have to be handled carefully (Stiglitz 2008). The countries with the largest economies in Latin-America and Africa were unable to create and sustain a stable macroeconomic environment. This caused the surrounding smaller economies which were largely dependent on the larger economies, to experience little to zero growth as well (Stiglitz 2008). Fiscal and monetary discipline, along with stable exchange rates are key components of the Washington consensus yet were not adhered to because of political instability and corruption (Kuczynski & Williamson 2003). Furthermore, the human tendency to focus on short term solutions caused policy makers to spend disproportionate amounts of money in more prosperous times without regard for future recessions or external shocks. The Washington consensus, however, could also have been wrongly applied due to its simplicity (Williamson 2002). The idea of neoliberal shock therapy to rearrange a country's economy is rather attractive for policy makers, especially when taking into account that (democratically elected) policy makers are best served by short term success (Boschma 2002). The largest obstacle regarding economic growth, however, is exactly this strive for short term success. Moises Naim (2000) describes the countries which received 'neoliberal shock therapy' as needing less shock, and more therapy. The rapid implementation of new systems, especially systems regarding liberalization and privatization, are unlikely to succeed in countries marred by corruption. In fact, liberalizing markets in already corrupted countries is more likely to even increase corruption since there is less institutional control (Naim 2000). Moises Naim does not necessarily reject the consensus, yet believes that the neoliberal ideals transcended its practical applicability: "The 1990s began with the widespread expectation that achieving sound, market oriented, macroeconomic fundamentals was the ticket for the prosperity that had long eluded poor countries. The decade is ending with the more frustrating but also more realistic understanding that sound macroeconomics is not a goal but just a precondition" (Naim 523)

The western economic structures and foundations are, according to Stiglitz (2008) and Naim (2000), taken for granted and a priori assumed to exist in developing countries as well when implementing the Washington consensus. Free market structures neglect institutional

intervention and therefore rely on the capability of market mechanisms to ‘naturally’ create efficient outcomes. Stiglitz (2008) and Naim (2003), however, stress how the focus on mere market liberalization and privatization in African and Latin American countries caused regional policy makers to overlook the prerequisites that are needed for efficient liberalization such as credit availability, infrastructure and functioning input and output markets.

Williamson (2002) argues that the largest flaw of the Washington consensus is its interpretability and the assumption that it based on neoliberalism. Williamson admits that his terminology has become inextricably interwoven with neoliberalism, yet states that it was intended to simply summarize generalities regarding economic models. Latin-American and African countries that applied the consensus often included policies such as capital account liberalization, monetarism, supply-side economics, and a minimal state (Williamson 2002). These neoliberal notions, however, were intentionally eliminated from the Washington consensus by Williamson yet *were* interpreted by Latin-American policy makers and Williamson’s critics as inextricably being a part of his consensus. Most critics, according to Williamson (2002), might not reject the consensus per se yet simply reject the way *they* interpret the concept by assuming a priori that the consensus is based on neoliberalism. Furthermore, policy makers applied the consensus in times of recession whereas his consensus was not aimed at avoiding or solving a crisis. John Williamson does not ignore the disappointing impact of the consensus, yet blames the generalization and the narrow interpretation of the consensus as being the main forces behind the absence of growth: “for a policymaker to imagine that s/he can stop thinking and simply follow a set of policies that someone else has concocted is irresponsible” (Williamson 3). In addition, he argues that the macroeconomic and political reforms in developing countries were too incomplete for liberalization to take place, yet this is according to Joe Stiglitz the very reason it did not work since the consensus implies an “oversimplified rendition of policies” (Stiglitz 41). After all, rushing the implementation of certain policies in countries which were simply not ready for such policies could never have had positive outcomes (Stiglitz 2008).

Joe Stiglitz (2008), Artadi et al (2003), and Naim (2003) along with many other scholars, criticized John Williamson because his consensus was implemented throughout the developing world yet it did not achieve what was promised or expected. Williamson, in turn, argues that the actual implementation in developing countries was rather different than his own interpretation. The fine line between original intent and interpretation may have caused the consensus to be wrongly implemented, which resulted in fluctuating growth rates. The critiques, however, seem to encompass specific features of the consensus, not its core liberal

ideals such as openness, market liberalization, and macroeconomic discipline. Williamson (2002) rightly admits that the final interpretation and subsequent implementation of the consensus did not contribute to growth in developing countries (on the contrary). The general tendency toward global economic integration and openness of markets, however, are widely agreed to be irreversible since it would mean that western countries must again focus on, for example, manufacturing. The idea of having a liberalized global economy in times of global economic convergence was rather logical. The idea that developing countries will experience growth if they also open up, too is rather logical. The actual implementation of the consensus for developing countries, however, proved to be far more complex than for local policy makers to rigidly and blindly adhere to a foreign constructed concept. Still, the critiques on the consensus seem rather valid simply because the consensus did not have the expected effect on developing countries. On the other hand, the implementation of the Washington consensus was, according to Williamson, different than its original intent.

Chapter III – The Birth and Integration of the Beijing Consensus.

The death of Mao Zedong in 1976 initiated a turning point in Chinese history, China refrained from a policy based on isolationism and started a new era of reform and opening under Deng Xiaoping (Dittmer & Yu 2010). The consequent development of China, which occurred within only one generation created a superpower (even though China refuses to use this term) which rivals the West in many aspects (Ramo 2004). The rise of China did not only drastically change its domestic environment, 300 to 400 million people were lifted from poverty, yet also continues to shake the international balance of power because China is becoming increasingly dominant on the global stage (Lammers 2006). The fact that China's development occurred without external adjustment programs also implies that it undermines the western model of development: "By presenting a 'different' approach to development, China styles itself as leader of the global South and champion of a progressive international order" (Lammers 17). The development of China deviated from western development models and its outline is embodied in 'the Beijing consensus', which is (in ideological terms) the counterpart of the Washington consensus. The question remains, however, how the Beijing consensus came to be, to what extent it actually differs from the Washington consensus and more important, to what extent it influences developmental trajectories of third world countries.

The post-Mao reform period (1976-1989) was aimed at creating a peaceful industrial environment in China to benefit the common citizen by improving equality (Dittmer & Yu 2010). Whereas Mao's policies were based on a strategic assumption of war and peace, Deng Xiaoping tried to avoid conflict in order to ensure growth and development (Ramo 2004). The sudden changes in China's foreign policy were aimed at creating an independent and autonomous system which (for the first time) included multilateralism, therefore guaranteeing support from the international community (Dittmer & Yu 2010). In addition, China re-installed the policy of 'the five principles of peaceful coexistence' as being the starting point in their foreign policy. The five principles include, according to van Eekelen (1967), mutual respect for each other's territorial integrity and sovereignty, mutual non-aggression, mutual non-interference in international affairs, equality and mutual benefit, and peaceful coexistence. These principles crystallized in several actions such as support of the UN Charter and processes, and membership in the IMF and the World Bank. By joining these institutions, China automatically opened up for foreign investment and gradually integrated in the global trading structures (Dittmer & Yu 2010). It also reflects the changing perception of China

toward the West since hostility and isolation got replaced by integration and participation (Dittmer & Yu 2010). The principles of peaceful coexistence furthermore resulted in a more general acceptance that the world was one entity constructed of several systems: nations should cooperate yet at the same time make sure that it does not jeopardize their own integrity. In other words, accepting “globalization of the world economy, but with national interests rather than global integration still determining the policies of states” (Dittmer & Yu 19). Deng Xiaoping believed that national security through economic stability could not be achieved by isolationism because of the increasing global economic convergence, and that a nation can only keep up with the rest of the world if it is actively part of it (Dittmer & Yu 2010). Deng Xiaoping also recognized the necessities that were needed in order to realize development, the first of which was, as mentioned above, tightening East-West relations. The second necessity was reinforcing North-South relations and it is especially this latter aspect in which China’s recognized the important role of Third World nations (Dittmer & Yu 2010). Whereas reinforcing the relation between the East and the West were aimed at creating a stable macroeconomic and political context, the latter one was based on the idea that developed countries can only continue their development, if Third World countries also grow (Dittmer & Yu 2010).

The recognition of the importance of third world countries can be perceived in China’s general attitude toward developing countries, which was manifested in a speech by Deng Xiaoping: “China is a major country as well as a minor one [...] China is one of the permanent members of the Security Council of the United Nations. Its vote belongs firmly to the Third World, to the underdeveloped countries. We have said more than once that China belongs to the Third World. It will still belong to the Third World even in the future, after it is developed. China will never become a superpower” (Deng Xiaoping qtd. in Dittmer & Yu 18). Whereas the western attitude toward developing countries is rather pedantic, China presents itself as being equal and emphasizes their shared history of western oppression (Dittmer & Yu 2010). Western aid programs are, as mentioned above, coordinated by institutions such as the IMF and the World Bank. These institutions demand that countries, among others, privatize firms, lower tariffs and cut state subsidies in order to gain access to western assistance. These prerequisites are furthermore believed, and expected, to lead to democratization and the implementation of human rights (Dittmer & Yu 2010). The aspect of ‘meeting certain criteria’ in order to get assistance, is firmly rejected by China. More precisely, China’s policy toward developing countries is “guided by a proclaimed noninterference in the affairs of other states (specifically, their civil wars and human-rights

violations), support of state centered development, and removal of conditionality from trade, aid, and investment policies” (Dittmer & Yu 21). China does not make any moral demands toward developing countries if they want to receive aid or enhance trade relations since, for example, perceptions on human rights are (from China’s point of view) a matter of perspective (Dittmer & Yu 2010).

By withdrawing conditions from foreign policy and merely focusing on pragmatism and sovereignty, the core of Chinese (foreign) policy is to a certain extent based on Joseph S. Nye’s concept of ‘soft power’. Nye (2004) emphasizes ideas of legitimacy and having moral authority as being core components of ‘soft power’. These concepts can be observed in contemporary China and its foreign policy, but are also deeply rooted in Chinese history. Legitimacy and having moral authority both refer to an idea that the existing institutions have a ‘right’ to rule because of past (and contemporary) prosperity (Zhao 2009). When these institutions fail to deliver, they must be replaced. This performance-based authority is part of an ancient Chinese tradition revolving around the ‘mandate of heaven’. The devastating famine under Mao and the absence of economic growth, for example, undermined his legitimacy and ended his mandate. According to Zhao (2009), the main reason Mao retained his power (apart from his tendency to kill dissidents), was because of a blind belief that he would still transform society into an earthly paradise. Overall growth and improved living conditions after Mao’s death, however, opened the eyes of millions, confirmed the legitimacy of the new ruling class, and reinforced the idea that “politics has become a contest of credibility” (Nye 100). As long as the ruling class is capable of improving the nation’s economy and overall living standards, they will keep their mandate and receive widespread support throughout China (Zhao 2009). The mandate of heaven in the reform period, was therefore defined (and continues to do so) by growth rates of the economy.

The subsequent economic reform after Mao’s death to retain the mandate, according to Barry Naughton (1994), consisted of restructuring the industry. This resulted in a more just allocation of resources which improved living standards and reinforced the position of the ruling party. The restructuring also consisted, according to Naughton (1994), of rural reforms which increased both the agricultural output and efficiency. It furthermore became possible for entrepreneurs to enter markets which were previously reserved for the government. In addition, a dual price system created a ‘plan price’, and the actual ‘market price’ (Naughton 1994). Entrepreneurs consequently ensured higher returns since the market price was always higher than the within-plan price (Naughton 1994). Overall, the system was based on achieving certain pre-defined goals which were strictly planned, yet entrepreneurs were

allowed to deviate from the actual course in order to increase returns. 'Beneficiality' became in that sense more important than plan-fulfillment. This economic reform continued to adhere to the communist principle of a planned economy, yet systematically allowed entrepreneurs to build up a free-market system next to it (Naughton 1994). The dominant communist concept of state authoritarianism implies a rigid construct, yet ignores China's pattern to gradually liberalize within an authoritarian context: "Beijing provides a compelling demonstration of how to liberalize economically without surrendering to liberal politics" (Halper 7). Several key principles such as self-determination, human development, experimentation and adaptability are at the very core of this development (Prasad & Rajan 2006). Experimentation and adaptability can be perceived in, for example, the fact that China is moving from a state led economy, to a more privatized economy: policy making is pragmatic in that it adapts to the contemporary context (Ramo 2004). According to Halper (2010), China embraced the cold war lesson learned by the Soviet Union, that the narrow focus of the Soviet Union on primarily being able to counter the U.S. (both in ideological and militaristic aspect), caused their system to be exhausted. Despite ideological differences with the West, China emphasizes the importance of good global relations in order to create their own path toward growth. Most important, China pursues multipolarity and an end of the contemporary unipolarity through asymmetric development, an approach which is (again) very similar to an idea by Joe Nye: "it is not whose army wins, it's whose story wins" (Halper 12).

China's approach in domestic matters, automatically answers questions regarding China's foreign policy and their relation with third world countries. After all, concepts such as the 'five principles of peaceful cooperation', flexibility, adaptability and pragmatism apply both to their domestic policy and their view of the world, they are therefore expected to be automatically integrated in the Beijing consensus. A peculiarity regarding the Beijing consensus, however, is the fact that it did not originate in China, but in the United States. Joshua Cooper Ramo (2004), an American, wrote a paper on the rise of China and the implications of a new superpower in the global arena. He emphasizes that the symbolic message of China, the fact that it is possible to asymmetrically develop, might have more impact on the U.S. hegemony than the actual rise of China. The Beijing consensus, as stated by Ramo (2004), "replaces the widely-discredited Washington Consensus, an economic theory made famous in the 1990s for its prescriptive, Washington-knows-best approach to telling other nations how to run themselves." (Ramo 4). China's development was, according to Ramo (2004), based on innovation, economic success measured by sustainability, and the level of equality (instead of per capita GDP growth). It furthermore includes concepts such as

self-determination (not being dependent on the United States) and asymmetric development. The role of the state is also different from the neoliberal model since it refrained from the western idea of a minimal state. China's economy is based on authoritarian capitalism, in which the state functions as a coordinator (Ramo 2004). Growth rates could subsequently only be realized by creating an environment which stimulated gradual but constant renewal and innovation. Instead of using neoliberal shock therapy, China's development was based on Deng Xiaoping's philosophy of 'crossing the river by touching the stones' (Dittmer & Yu 2010). Long term sustainable development can only be realized by thoroughly analyzing a specific context and subsequently adapting to this context through trial and error.

Although Joshua Cooper Ramo received withering critiques regarding his idea of a Beijing consensus, these are mainly about certain components of the Beijing consensus such as whether or not China was actually innovative, or whether or not China's political and economic experiments were actually unique. Scott Kennedy, for example, dismisses Ramo's description of the Beijing consensus as a "manifesto to trumpet China's success and challenge the normative authority of the WC" (Kennedy 467). On the other hand, he does recognize China's flexible approach in domestic and foreign matters. Yasheng Huang (2008) also disagreed with certain components of the Beijing consensus as described by Joshua Coope Ramo yet at the same time recognized its core ideas regarding pragmatism and adaptability: "My disagreement with the Beijing Consensus interpretation is not with its reasoning but rather with its characterization of facts." (Huang 23). The paradox of the Beijing consensus, which sparks such widespread disagreement whether Ramo's description is correct, is the fact that it is not an actual consensus since it turns out to be extremely difficult to identify core components (Breslin 2010). This intuitively raises questions regarding the outline of the Beijing consensus because it seems to lack a clear blueprint. It is, however, exactly this lack of clarity which defines the Beijing consensus: China approaches foreign nations based on mutual interest and possibilities, these partnerships cannot be defined a priori since they are dependent on national and even regional specificity. "China's economic rise becomes an example of not doing things the Western way, and instead doing what works best given the unique set of conditions that all countries face" (Breslin 57). The complexity and the lack of specificity in the Beijing consensus makes it consequently difficult to examine its possible effect on developing countries. It is, after all, difficult to simply claim that a nation has become more innovative and self-determinant. However, in order to account for the alternative model, Chinese involvement in Africa and Latin America will be balanced against

the general ideas of the Beijing consensus such as pragmatism, flexibility, innovation, self-determination, and the pursuit of more equality.

Chapter IV: The Impact of the Beijing Consensus on Latin-American and African Developmental Trajectories

President Jiang Zemin presented his ‘five points proposal’ to define China’s relations with developing countries in 1996. These points all evolved around establishing reliable friendships, sovereign equality, non intervention, mutually beneficial development and international cooperation (Alden 2005). These concepts are very similar to the five points of peaceful cooperation and in sharp contrast with the pre-reform period when China’s relation with, for example, Africa was defined by ideological interests. China also enhanced its relations with Latin-America. The incentive to reinforce these relations, however, found its origin in China’s growth itself since a lack of domestic resources forced China to look abroad (Alden 2005). The explosive economic growth of China turned it into the second largest consumer of oil around 2005 and created a desperate need of large amounts of minerals, metals and other primary resources to meet the ever increasing domestic demand (Ellis 2009). The relatively unexploited resources of some African and Latin-American countries were consequently believed to be a promising source to sustain China’s development (Alden 2005). In order to ensure a stable inflow of these resources, Chinese state oil companies systematically made large investments to built and sustain partnerships in many SSA- and Latin-American countries which, preferably, had an anti-U.S. sentiment. The anti-western sentiment was a crucial aspect since it generally means that these countries had little contact with the West, which therefore allowed Chinese companies to fill the gaps (Lee & Mulder 2007).

Since, as mentioned above, China’s five points include the aspect of a mutual beneficial relationship, China offered financial assistance, delivered weapons, and initiated large prestige construction projects in African and Latin-American countries (Lee & Mulder 2007). Financial assistance is an important element in aid programs yet also a sensitive one and is (from a Chinese point of view) often regarded as being ‘immoral’ because it contradicts to the aspect of a mutual beneficial relationship, precise numbers are consequently rarely publicized (Grimm et al 2014). The most graspable accounts of financial assistance, however, are the interest-free loans provided by China for developing countries, cancelling large debts repayment, and low or zero trade-tariff agreements (Wenping 2007). Also, the FDI (foreign direct investment) flows to Africa are a clear indicator of China’s presence and have increased from 12 billion USD in 2005 to 75 billion USD in 2011 (Brautigam 2013). Latin-America also benefitted from China’s urge to invest and received nearly half of China’s foreign

investments by 2004 (Jenkins & Peters 2004). Finance for export, overseas constructs and aid have also significantly increased yet, as mentioned before, exact numbers are hard to analyze since the since the data is often not publicized and Chinese companies often invest through offshore subsidiaries (Brautigam 2013). Providing weaponry to certain governments has also been crucial in establishing foreign relations and is expected to reinforce the position of the existing government, which secures future collaboration (Muekalia 2004). Large scale projects in African and Latin American countries include building infrastructure, textile factories, schools, sports stadiums, and hospitals (Wenping 2007). All of these projects are aimed at creating an environment which is beneficial for both parties by pursuing self-determination through the creation of revenue (Alden 2005).

Chinese aid does generally not include mere 'charity' but principally aims for long-term growth and creating structures to sustain this growth. This is an important aspect and a great difference between the western and eastern perception toward developing countries: China's relation with Africa and Latin-America is pragmatic in such way that it is one developing country helping another by presenting itself as being similar. Also, the strategy as to how China secures and reinforces these relations differs from the West. Chinese companies can, for example, often outbid western companies (if present) in large construction projects in developing countries simply by using lower costs (Alden 2005). Furthermore, state controlled companies focus on vertical integration by buying equity shares instead of the Western strategy to buy rights for future exploration (Alden 2005). By vertically integrating, Chinese state owned companies obtain ownership of production facilities which allows them to sell oil domestically below the international market price. This is a crucial element for China's development since Chinese companies and individual consumers within China generally have less capital than their western counterparts. By going below the international market price, the relative amount of oil that can be used by companies and individuals in China drastically increases (Alden 2005). Oil, however, was not the only important product which had to be imported to meet domestic demand. Having the largest population in the world also created an increasing concern for a stable food supply, especially when taking into account future prospects of continual population growth and the fact that China's rapid urbanization contributes to a loss of fertile agricultural ground. China consequently invests heavily in genetically modified crops, agriculture, fishing, and production companies in Africa and Latin America (Alden 2005). China furthermore buys, or leases, land in Africa for agricultural purposes. This results in many Chinese farmers migrating to Africa because of superior land prospects and consequently bolsters the Chinese presence and the diffusion of technology and

skills in developing countries (van Dijk 2009).

The largest difference between western and Chinese interference in developing countries, however, is not the exact amount of certain products that are being imported and exported, the number of projects, or the exact amount of financial assistance. After all, the United States, Europe and (Western) institutions also continue to make oil investments in Africa and Latin America, built schools and the amount of U.S. financial aid still surpasses China's (Lee & Mulder 2007). There are two decisive aspects which allowed China to gain such a strong foothold in Africa and Latin-America. The first of which is the simple fact that China offers a welcome alternative to Western influence, the second aspect is China's 'five points proposal' (Alden 2005). Specifically, the element of non-interference.

The West and institutions such as the IMF exert their influence, based on having superior cards at the negotiation table, to force countries which seek loans to adhere to certain moral obligations (Lee & Mulder 2007). Authoritarian states in developing countries are by the West often described as, 'axes of evil', 'rogue states' and 'arcs of extremism', these countries are intuitively not the most suitable states to receive western aid (Lee & Mulder 2007). Angola, for example, was flooded by corruption after a civil war and in desperate need of funding to rebuild the economy. The IMF consequently stepped forward as potential donor yet at the same time pressed for transparency to minimize corruption (Lee & Mulder 2007). However, just as an agreement between the two parties seemed to be imminent, the Angolan government backed out. It seemed that Angola received a fruitful offering by China, namely a 2 billion dollar loan deal which had to be repaid in 17 years with a 1.5% interest. Characterizing for the Chinese strategy in Africa was a 'side issue' of gaining access to Angola's oil industry in which non-Chinese suppliers were excluded, thus ensuring a Chinese monopoly in the Angolan oil business through above mentioned vertical integration (Lee & Mulder 2007). Practically the same occurred in Sudan, where western oil companies were forced out because of human rights violations around the turn of the century. China stepped in, provided the government with weapons to win a civil war and by doing so secured the Sudanese oil industry (Lee & Mulder 2007).

Despite the seemingly immoral decision of China to invest in war-ridden countries, it does align to their policy of non-interference. It is also a characteristic example of how China approaches and seizes new opportunities: isolated countries such as Sudan provide the best possible setting for China to invest in since there is little competition, it holds vast untapped resources and it is in desperate need of new allies (Large 2008). The following years were characterized by building all-weather infrastructure, airfields, and production facilities which

turned Sudan (for a brief period) into China's most important trading partner (Large 2008). Consequently, China now holds 15% of Africa's export shares and the available revenues in (especially) Sudan and Angola, as a direct result from their new export oriented economies, are at an all-time high. Furthermore, around 2000 Chinese enterprises have so far settled in Africa and contribute to the diffusion of knowledge and skills (Large 2008). The apparent success of the Chinese relations with developing countries aligns, according to Augustin Kwasi Fosu (1990), with one of the most important aspects of development theory: creating a stable export based economy in developing countries. This subsequently allows the exporting country to concentrate investments in those sectors in which they hold a comparative advantage. Furthermore, increasing worldwide competition is expected to increase the efficiency of the exploitation of resources, a more smooth transition toward better technology, and a more stable macroeconomic context in the exporting country (Fosu 1990). In addition, the increasing revenues as a direct result of the large export base allows countries to diversify into new export products (Fosu 1990). By focusing on improving the production facilities and other necessities such as infrastructure to maximize output efficiency, China simply laid (for those nations with which they enhanced ties) the groundwork on which future development depends.

China's expansion in developing countries, however, is by the West often dismissed as being immoral and selfish since, as mentioned above, it only aids those countries which have many resources. The innovative, self-determinant, and equality constructs which make up the core of the Beijing consensus can, according to Margaret C. Lee & Henning Mulder(2007) simply be dismissed as a disguise for what is in fact a resource hunt: "ultimately, Chinese foreign policy in Africa and elsewhere is, like all other countries' foreign policies, self-serving and based on economic and strategic considerations" (Lee & Mulder 24). They go even further by implying an underlying hypocrisy which Beijing uses to justify their expansion in Africa: "Beijing is an actor in Africa that does provide a discourse that effectively legitimizes human rights abuses and undemocratic practices under the guise of state sovereignty and "non-interference" (Lee & Mulder 24). Beijing's policy in Africa has, in their line of argumentation, absolutely zero to do with China's ideology. The urgent quest for resources, according to Lee & Mulder (2007), simply outweighs the importance of certain principles and China's interference in Africa is nothing more than a twenty-first century 'scramble' for Africa. On the other hand, it also appears to be a matter of perspective. Li Anshan (2007) agrees that China's meddling in Africa, especially the aspect of non-interference, causes friction since it creates an image of just another global power on a

ruthless quest for resources. Anshan (2007), however, also notes that the Chinese policy of non-interference has not always worked to their advantage. Margaret C. Lee & Henning Mulder (2007) agree that China is flexible and pragmatic but only because it serves them best. They do, on the other hand, not mention the fact that China has, in its 50 years of African and Latin-American involvement, never used its aid programs or investments as a means to pressure governments, even when their policy of non-interference works to their disadvantage (Anshan 2007). For example, when a Canadian oil company left Sudan because of their violation of human rights, the China National Petroleum Corporation stepped forward to claim the Canadian share. Sudan, however, sold it to India instead of China, a decision which China reluctantly accepted without interfering, even though it is extremely likely that they would have obtained it when using political pressure (Anshan 2007).

The idea that China would not be in Africa and Latin-America if they did not need its resources, and that this relation is by far more profitable for China than Africa and Latin-America, makes absolute sense. Li Anshan (2007), however, points out that this is simply the nature of business since the more powerful nations make the rules. Still, Anshan (2007) disagrees with the idea that Beijing is just another superpower whose foreign policy is exclusively defined by national interests by using concrete examples of China's policy in Africa and Latin-America: China cancelled debt repayments for 31 African countries, China's construction projects attract further foreign investment, China cooperates with Africa on matters of technology and science (to which the West has been very reluctant), and aims to achieve long-term development through building infrastructure and by creating and stimulating revenue (Anshan 2007). Furthermore, the effect of the changing global dynamics on developing countries is not only evident through 'hard facts' such as the ever increasing Chinese investments and construction projects, but also through the perception of developing countries toward China: "Unlike Belgium, which built roads solely for the extraction of resources in the Democratic Republic of Congo, China is constructing or improving roads that are suitable not only for the transport of resources but which citizens can also use to travel."(Anshan 79).

When analyzing the growth rates of SSA countries and Latin-American countries of the past decade, however, some contradictions and unexpected figures appear. The trade rates, following the revived relation between China and SSA (sub-Saharan African) countries, exploded between 1990 and 2013 and contributed to an increase in GDP and an annual growth rate in SSA countries of around 5% (Pigato & Tang 2015). From 2013 onward, however, the growth rates of oil exporting countries have been fluctuating around 3% due to a

sharp decline in Chinese demand for oil. On the other hand, the non-exporting countries *were* able to maintain their growth rates which implies ever more diversification, resilience and self-determination of African economies (IMF 2015). Furthermore, living conditions have significantly improved because of stronger public institutions and a more responsible macroeconomic context in Africa (Pigato & Tang 2015). Jorge Arbach & John Page (2007), however, note that this African growth cannot be explained by the commodity export alone. Just as important is the contemporary political stability which continues to attract large investments and by doing so stabilizes other sector such as transportation, agriculture, manufacturing and telecommunications. Consequently, a stable macroeconomic and political context and continued investments due to diminishing inflation allows African countries to slowly diversify their export portfolios, which is one of the prerequisites of long-term development and self-determination (IMF, 2015).

Jutta Bolt and Dirk Benzemer (2010) add the aspects of improved educational facilities, trade liberalization, the explosive population growth, and increasing privatization which have boosted African growth. Another important aspect which is easily taken for granted, is infrastructure. A study by Gelb (2009) found that the factories in China and Africa show similar productivity, but that the overall costs are much higher in Africa because of its poor infrastructure which subsequently reduces the competitive advantage on the world market. This aspect of Chinese financed infrastructure seems to have laid important groundwork for future development and diversification: “roads, ports and power stations – can be used to support national and regional economic diversification and to boost supply chains.” (OECD 22). Overall, Africa is doing rather well, and even though there are still many challenges to overcome such as poverty, high infant mortality, and diseases, the future prospects are cautiously positive. It is, however, debatable as to what extent this growth was merely the result of China’s focus on Africa, especially when taking into account that Bolt & Benzemer (2010) deem privatizations and trade liberalizations to be the decisive aspects, which do not correlate with China’s policy. According to a report by the Institute for Security Studies in 2014, the international community agreed in 1990 that Africa’s extreme poverty had to be halved in 2015. This deadline was met in 2010. More important, according to Sara Turner et al. (2014), this was “largely through the remarkable progress made in China” (Turner et al. 1). Still, claiming that China *alone* caused the African economic growth is unfounded since there are many other crucial elements (such as increased U.S. and European investments, relative peace, stability, and more openness) which aided the newfound continental growth and confidence. It is, however, undeniable that China has played a major, if not the largest, role in

making sure that the 21st century will unlikely be stained by another African tragedy.

In Latin-America, growth rates have been more precarious. According to the IMF's annual report in 2015, Latin-America experienced relatively steady annual growth rates of around 5% until 2008. From 2010 onward, growth rates have been less prosperous as a direct result of the falling prices of resources which caused growth rates to fluctuate around 1.6% (IMF 2015). The labor market in Latin-American also weakened which could be a direct result of their export based economy and the inability to diversify. After all, a focus on primary products creates little employment and requires high skills, therefore leaving the majority of the low-skilled workers unemployed (Jenkins 2007). The causes of the absence of Latin-American growth is to a large extent due to corrupted officials since the booming export revenues generally ended up in the pockets of policy makers (IMF 2015). Lacking political stability seems therefore to be an important element in explaining the contemporary absence of growth.

The IMF annual report in 2015, however, also emphasizes the impact of China's recent growth fluctuations as being crucial for Latin-American development. Foreign investment generally correlates with rates of commodity exports and the declining oil demand caused a decline in Chinese foreign investments. Another element which the IMF (2015) emphasizes is the lack of diversification in Latin-American export portfolio's. The inability of Latin-American policy makers to diversify, made their economies more vulnerable to external shocks, which resulted in declining overall growth rates after the demand for commodity products diminished: "The fact that LAC continues to clearly lag behind in many crucial policy areas closely associated with economic complexity (infrastructure, education, market openness) underscores the continued need to address structural deficiencies." (IMF 74). Although China also invested in infrastructure in Latin-America, the receiving countries still appear to be unable to build a diverse and resilient economy. At the root of Latin-America's inability to generate growth lies political instability throughout all South-American countries, which creates more variations in monetary policies and inflation rates than anywhere else in the world (IMF 2015). Whereas the surge in demand for resources from China provided Latin-America with unprecedented growth rates throughout the first decade of the twenty-first century, the countries appear to be lacking resilience in order to continue to grow. Margaret C. Lee & Henning Mulder (2007) stated 5 years prior to the end of Latin-America's prosperity that their focus on primary resources serves their short-term interests in the most perfect way since it drastically increases their national revenues. However, by not exploring

new markets, opportunities and most important, by not diversifying their export portfolio, the future prospects remain unfortunately rather dim.

Conclusion

The prevalence of democracy and capitalism over communism in the post-cold war period granted the United States the exclusive rights in foreign affairs. It even resulted in a paradigm shift with globalization and neoliberalism at its very core. The liberal and market oriented system, the core constructs of capitalism, proved to be superior to the exhausted communist system and were therefore assumed to be the only option. This dominance and confidence in a liberal economy was consequently manifested in the Washington consensus, a development model which supposedly summarized mere generalities regarding economics. The model was initially intended as a means to counter left-wing thought in Latin-America, it was in that line of thought primarily an ideological instrument to prevent communism from spreading. However, since it consisted of perceived 'common logic' regarding economics, it soon became an instrument to accelerate growth rates of developing countries. The Washington consensus consists of ten points which revolve around concepts such as liberalization, de-regulation, privatization and stable fiscal and monetary policies. The success of these constructs in Europe and the United States made it rather logical to implement these ideas in developing countries as well. After all, implementing a system which had proven to be successful in other parts of the world is likely to also accelerate growth rates of less developed countries.

The effect of the Washington consensus, however, was downright disastrous. Practically every country which adhered to the rules as constructed by John Williamson, experienced significant economic downturns and severe recessions which rapidly deteriorated overall living conditions. The reasons for the absence of growth are complex and cannot be reduced to one or a few reasons. The main factors, however, which seems to be recurrent, are context specificity and flexibility. The Washington consensus' rigid structure demanded states to privatize and liberalize economies which were, metaphorically, almost non-existent. Another factor were the poor conditions of Latin-American and African infrastructure. The importance of which was largely dismissed by the Washington consensus since it merely focused on economic structures. Withdrawing control mechanisms in the very early stages, or transition phases, of economies increases uncertainty and by doing so makes it increasingly less attractive for investors. The idea that economies are expected to fare best when experiencing little governmental or institutional constraint is what John Williamson refers to as 'common logic'. Although this idea is practically unanimously agreed to be true, the result of the implementation of the Washington consensus implies some nuance. The neoliberal

system was, according to Williamson, not meant as a development model and more as a means to accelerate growth of already developed countries. By a priori assuming the existence of certain (vital) political and economic structures, the most basic of all being stability, the neoliberal model lacked pragmatism. Furthermore, the interpretation of the consensus has also caused problems regarding its implementation. Williamson emphasizes that since the Washington consensus originated during the heydays of neoliberalism, neoliberal thought automatically became part of the consensus, even though that was not his intention.

“Does China Matter?” Although this question seems to be utterly irrelevant nowadays, a book published in 1999 carried this very title. It does, however, reflect the general perception of China in the 1990s as a country whose essence could not be properly defined. China’s subsequent development is nowadays often referred to as a miracle, a phenomenon which not only drastically changed its domestic environment, but also initiated an end to the post-cold war unipolar power of the West. This end of a unipolar world continues to shape changing global dynamics which consequently impacts the environments of developing countries in Africa and Latin-America. The Chinese relation with Africa and Latin-America, however, goes way back. This relation was often defined by correlating ideologies instead of economic interests. The following years of ever increasing investments, projects and tightening of foreign relations created a new Chinese development model.

This alternative model, the Beijing consensus, revolves around certain ideas on China’s growth which were based on the perceptions of Joshua Cooper Ramo, an American. Concepts such as self-determination, innovation, equality, pragmatism, flexibility and adaptability make up the core of the alternative consensus. On the other hand, president Jiang Zemin presented a ‘five points proposal’ in order to describe and determine China’s relation with developing countries, it therefore automatically became part of the Beijing consensus. This proposal consisted mainly of constructs such as, for example, a mutual beneficial relation, non-interference and respect for each other’s national sovereignty. The element of non-interference became crystallized in China’s foreign policy after enhancing relations with countries which were not eligible for western aid or investment because of, for example, violating human rights. Mutual benefit, however, is less observable since China’s incentive to enhance relations with Africa was mainly based on ensuring the inflow of vast amounts of resources. This aspect has therefore often been criticized, mainly from the West, for being anything but mutually beneficial. China reinforced its ties with developing countries because it needed resources. This does, however, not mean that it was not beneficial for African and Latin-American countries. China invested heavily in Africa and Latin-America, laid down

infrastructure which, according to African scholars, are not merely for moving resources but also for civilians. Furthermore, China helped developing countries by building schools, production facilities, and by diffusing knowledge and skills which have proven to be of the utmost importance in (especially) Africa's growth rates in the 21st century. The 'China-effect', however, is somewhat contradictory because whereas Africa has been performing exceptionally well over the last decade (even after commodity prices have declined), Latin-America continues to experience low growth rates. Studies which analyzed the different growth trajectories between these continents emphasize political and macroeconomic (in)stability, variations of inflation rates and reversals in monetary policies as being the underlying mechanism to explain the absence of growth in Latin-America. Relative political stability in Africa attracts investors which leads to privatizations and liberalizations, which in turn makes these countries less reliant on external aid and accelerates overall growth. The concepts of privatization and liberalization, however, seem to have more in common with the Washington consensus than the Beijing consensus. On the other hand, since China is also slowly moving toward a market oriented economy, it can also be interpreted as an example of China's adaptability, flexibility, pragmatism and simply as the next phase in economic evolution. This evolutionary character of the Chinese system would therefore also be an interesting topic for future research. After all, a more market oriented Chinese economy implies that it is moving toward the western model which could even herald the reincarnation of the Washington consensus or another liberal model. An interesting approach would therefore be to analyze the effect of a market oriented Chinese economy on developing countries.

Overall, the Beijing- and Washington consensus are products of their 'zeitgeist' and reflect the optimism of the countries in which they originated. The undisputed power of the West after the cold war, for example, legitimized the Washington consensus as a means to accelerate growth. A few decades and illusions later, the Washington consensus appears to have become the anti-thesis of development models and a mere embodiment of the 'West knows best' attitude of the twentieth century. Similarly, the Beijing consensus originated simultaneously with China's (re)entrance in the global arena. The consensus, however, lacks actual consensus since it revolves around ideas, opinions and perceptions. It is also subject to constant evolution because China's policies in Africa and Latin-America are shaped by specific contexts. On the other hand, it is exactly this informal nature by which it is defined: the Beijing consensus should be seen as an alternative to the West and a manifestation of

China's rise in general. The Chinese model is therefore a rejection of the western model, a symbolization of changing global dynamics as a result of the rise of China.

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