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**Learning from China**

Modern China is in many ways a remarkable success: within a generation it has become a moderately high-income country from a low-income one. It has eliminated poverty, and expanded the capability of its citizens with decisiveness and skill.

China has also become the mightiest economy, in terms of purchasing power parity. Its children are top performers in mathematics, science and reading, and it produces the largest amount of scientific literature – all telltale signs of more future progress.

China’s hope of realizing ‘Zhongguo Meng’ (the Chinese dream) and overtaking the West in living standards no longer seems a distant one. Through investments in education and healthcare, it keeps enhancing living standards and labor productivity at faster rates than in any other country.

And so, its 14th five-year development plan, published recently, promises another round of economic and social transformation, another leap towards giving practical content to Zhongguo Meng.

Though admitting that industrial greatness is still 30 years ahead, the plan aims to make China the world leader in ten industries, including aviation, and critical technologies such as semiconductors. It will also build a navigation system to rival the US’s GPS, expand the already impressive network of high-speed rails, power grids and much more. As a result, growth this year could be a whopping nine percent.

China’s development is a good example to follow. Its emphasis on expanding human capability both as a goal in itself and an integral element of achieving growth is an effective way to eliminate poverty and rapidly improve living standards of the people. The lesson here is: there are enormous returns from bettering human lives.

Rather than adopting laissez faire or the path of Western style deregulated capitalism, China follows one of active economic management. The Chinese call this ‘capitalism with Chinese characteristics.’ It means opening the economy to competition. But rather than letting the market rule economic life, the state governs the market, controls assets and income streams. It mobilizes funds for investment, shapes the economy and economic outcomes through its five-year development plans. And, far from retreating, the state throws its weight behind its enterprises, enabling some to become world leaders in their respective areas of business.

The lesson here is: China uses capitalism well, but it practises state-led capitalism rejecting Western-style laissez faire ideology.

Our socio-economic underperformance could be traced to a failure to learn from China’s example of bettering human lives and from the example of its state’s active role in the process. Yet, Western pundits and our very own China experts are quick to tell you that capitalism with Chinese characteristics works ‘because of the capitalism, and not the characteristics.’ Hence their conclusion that China and we need more capitalism. So, they tell us, sell more of your profitable state enterprises, reduce the state’s role in the economy so that, guided by their ‘animal spirits,’ Pakistani businessmen can do everything efficiently.

Binyamin Appelbaum’s book ‘The Economists’ Hour: False Prophets, Free Markets and the Fracture of Society’ tells us how such economists dominated policymaking in Washington and ‘seriously misled the nation, helping to disrupt and divide it socially with a false sense of scientific certainty about the wonders of free markets.’

Still, there’s a grain of truth, only a grain, in the pundits’ claim concerning the role of capitalism in China’s development, but it is far from the whole story. And you can’t understand China’s story without recalling the follies of its encounter with capitalism a century ago. At the time, China was a country of addicts. For fifty years, the East India Company was exporting opium to China from Bengal to pay for Chinese tea which the British drank copiously, as now. Annual opium exports to China were over nine hundred tons, which turned millions of Chinese into addicts but cleared up Britain’s trade deficit.

So, quite naturally, Britain was outraged when the Chinese finally clamped down on the harmful drug in 1839. Britain’s naval flotilla seized Canton killing thousands, which the British foreign minister said was essential to protect ‘free trade,’ a fundamental principle of capitalism. Britain annexed Hong Kong and wrested twenty million silver pieces (more than half a billion dollars in today’s currency) in war reparations. Fifteen years later, also in the service of free trade, France, Russia and the US joined Britain to wage another ‘opium’ war on China. In its aftermath, they extracted more reparations and legalized opium trade.

The Chinese call these years their ‘century of humiliation.’ During this time they say ‘foreigners dismembered China, poisoned it with opium, butchered our people and looted our treasures.’ The Qing dynasty collapsed; civil war and revolution led to Mao’s Long March in which 90,000 red army soldiers died. Yet, the communists recovered. They beat the much superior Japanese army and the nationalists. Twenty million Chinese died in the struggle. It is a feat more heroic and remarkable than the mythological Chinese Titan Pan Gu splitting the sky and earth from primordial chaos with his axe.

And so, today, no one pushes China around. It is on a roll, showing the rest of the world the enormous benefits of central planning and collective behavior without which humanity can no longer manage itself.

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