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DANIEL FUCHS, FRIDO WENTEN

Development Models and Environmental Governance under Xi Jinping

This issue of the Austrian Journal of Development Studies marks the second instalment of our thematic focus on China's political economy under Xi Jinping. In our previous issue (JEP 4-2019), we pointed out that Xi's ascendance to become General Secretary of the Chinese Communist Party (CCP) and President of the People's Republic of China (PRC) in 2012 and 2013 respectively, has been widely interpreted as a major turning point in China's recent history. Such an interpretation in terms of a significant caesura has gained further prominence both within and outside of China, after the CCP itself had proclaimed the beginning of a 'new era' in 2017 (Fuchs/Wenten 2019). With a view to assessing this trope of rupture and to contribute to a critical understanding of China's current political economic challenges, the articles in this issue include a somewhat provocative re-interpretation of China's development model, as well as two in-depth studies on the characteristics of environmental governance under the Xi administration.

The ambiguous relationship between state and market has created headaches for academics who attempt to capture the nature of China's political economy in a neat concept and to explain the driving forces behind its unprecedented growth rates. Some have characterised China's economic model as a variant of "neoliberalism" (Wang 2004). Others have defined it as "state-permeated capitalism" (Ten Brink 2019), simply "state capitalism" (Liebman/Milhaupt, 2015; Wemheuer 2019), "bureaucratic capitalism" (Au 2012), or "Sino-Capitalism" (McNally 2019). Still others speak more cautiously of a "mixed economy" (Kroeber 2016). In contrast, world systems theorists, such as Arrighi, see the principles of a market economy at work, yet claim that it is not capitalist because the state

has not been subordinated to capitalist class interest (Arrighi 2008). Such terminological battle lines indicate not only differences in defining what makes an economy capitalist (or not), but also have an impact on interpretations of the empirical realities of China's developmental trajectory. Has it been defined by an expansion of market principles and an unleashing of entrepreneurial spirit against the state sector (Huang 2008); the dominance of state planning in the economy (Long/Herrera/Andréani 2018); or institutional adaptation and reconfiguration (Fligstein/Zhang 2011; Heilmann 2008)? The resurgence of tightened state control over civil society, combined with Keynesian-style economic steering and increasing liberalisation of the economy under Xi gives these debates renewed relevance.

In this issue, Michael Roberts provocatively re-interprets the unusual and sometimes paradoxical political economic forces behind China's growth model. Roberts compares three models for an explanation of China's developmental success, models that he characterises as neoclassical, Keynesian and Marxist. The neoclassical model suggests that China's rapid post-reform growth was the result of a shift from market-distorting investments in heavy industry to a focus on its comparative advantage of cheap labour. Keynesians would, on the contrary, focus on sustained high investment, anticyclical public management, and investment through the state-owned banking sector. A Marxist model, Roberts suggests, should instead base its explanation on the restriction of the law of value, which cushioned China from the dominance of foreign capital and financial crises. Such restriction, Roberts argues, stems from public ownership: taking a broad definition of "state-owned", about half of China's output can be attributed to the public sector; and state-dependence (financially or bureaucratically) is still widespread, even within the private sector. This has implications for developmental strategy. Roberts argues that neoclassical economists are wrong to propagate a rebalancing from investment to private consumption – which would entail the downsizing of public ownership and investment. On the one hand, real consumption has never been suppressed but has in fact steadily grown. On the other hand, while investment-fuelled growth has led to a secular decline in the rate of profit, this is not China's key challenge – as, in Roberts' definition, a large section of the economy operates outside such restraints. The issue is low total factor productivity. Instead of market liberalisation, China therefore requires advances in innovation and

technological development to boost productivity growth, which, Roberts argues, the Xi administration is tackling with initiatives such as “Made in China 2025”. While we do not agree with Roberts’ interpretation of China’s political economy, especially with the presented assessment of the public sector, his article is an important contribution to contested debates on the characteristics of China’s development model.

In the PRC and globally, the dominant economic growth-driven development models are environmentally unsustainable. Over the past decades, China’s GDP growth rates have been accompanied by a tremendous increase in fossil fuel consumption and greenhouse gas emissions (Economy 2010; Andrews-Speed 2012). Faced with deadly levels of air, water and soil pollution, and confronted with growing public discontent (Deng/Yang 2013; Steinhardt/Wu 2016), the policy priorities of the party-state’s leadership have gradually started to shift since the early 2000s (Mol/Carter 2006). As Sternfeld (2017: 1) puts it: “Environmental degradation and the impact of environmental pollution on health are nowadays issues of greatest concern for the Chinese public and the government.” By reducing coal’s share of China’s primary energy mix from 72 percent in 2005 to 59 percent in 2018 (Ma 2019), by becoming a world leader in renewable energies, and by demonstrating its commitment to multilateral approaches in combatting the global environmental crisis, the party-state has indeed made some major achievements and contributed to “China’s new green image” on the international stage (Kostka/Zhang 2018). In most recent years, striving to realize an “Ecological Civilization”, the Xi administration has substantially strengthened the legal framework for environmental protection and re-centralised China’s environmental governance (*ibid.*). However, the nature and effectiveness of these and further reform measures remain subject to empirical analyses and controversial academic debates (e.g. Kostka/Nahm 2017; Eaton/Kostka 2017; Ran 2017).

Contributing to these debates, Julia Marinaccio, in this issue, argues that China’s recent ban on all commercial logging forms part of a wider “organisational ideology” that consolidates the legitimacy of the Xi administration. Encompassing also the largest state-owned logging enterprises, the ban was rolled out nationwide in 2017, backed up by financial resources to cushion its economic impact. Despite reasonable doubt amongst forestry experts about its efficacy, feasibility and desirability, it possesses an impor-

tant environmental symbolism, Marinaccio argues. It exemplifies how the CCP uses imagery, selective use of data and programmatic language to create a metanarrative of past, present and future developmental continuity and correct policy choices, stretching across changing leaderships and culminating in the visions of the Xi administration. Nevertheless, weaving concrete policies tightly into wider regime legitimacy requires (imagined) successes. Marinaccio raises important questions about the ecological and economic sustainability of the ban in the future – and how potential failure could challenge Xi Jinping’s overall narrative of building an “Ecological Civilization” and a “Beautiful China”.

In his article on waste management in China, Benjamin Steuer deploys an evolutionary institutionalist approach to unravel the interplay of a top-down formalisation drive and a widely established structure of informal waste picking and recycling. Tracing historical institutional variation, Steuer finds that in the 1980s and 90s authorities focused public waste management on landfills and incineration, leaving recycling to self-employed migrant workers. The effectiveness, low cost and employment opportunities of this informal approach to recycling meant that increasing central regulation in the 2000s left it untouched. Local regulations on the other hand were more restrictive in attempts to formalise and privatise urban waste management, either by mandating permits and levies or prohibiting informal practices. Such approaches proved ineffective in the light of evasive responses by waste pickers, Steuer argues. A new emphasis on household waste pre-selection and recycling under Xi Jinping has prompted a shift in the orientation and alignment of central and local approaches: informal actors are being integrated into formal urban waste management schemes with minimal regulation (on uniforms, collection points, transparent pricing, and reporting), leaving their work practices and income strategies untouched. Overall, Steuer concludes, a workable compromise between formal and informal practices has emerged that safeguards the principal interests of each domain.

This special issue moreover includes a book review on tax-related challenges resulting from cross-border operations in China’s Belt and Road Initiative. Beyond our thematic focus, the issue concludes with an interview with Gerhard Hauck, who, in conversation with Clemens Pfeffer, discusses the changes the concept of ‘development’ underwent in the

context of colonial legacies and expanding capitalist world markets. Advocating for an area-focused transdisciplinary approach to development studies, Hauck argues that today, more than ever, research and practice have to be conducted in the context of (a critique of) development being equated with global market integration. Contrasting ‘rationalities’ of the development discourse – borrowed from mainstream economics and positivist sociology – with communicative practice between core and periphery that could deliberate truth and rationality anew, Hauck forges links to postcolonial studies while discarding postmodern particularism as a viable alternative.

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MICHAEL ROBERTS

China: Three Models of Development

ABSTRACT In the past 40 years, China's growth has been phenomenal. And, since the global financial crisis and the Great Recession in the major capitalist economies, China has continued to close the output gap with the leading capitalist economies. Will China continue to catch up in the next 40 years or will it suffer the fate of the so-called 'middle income trap' experienced by other 'emerging' economies? The article considers three possible models of development as offered by, respectively neoclassical growth theory; Keynesian-style forced investment; and a Marxian model based on the law of value and profitability. The neoclassical model highlights China's comparative advantage of cheap and plentiful labour; the Keynesian model concentrates on the role of China's high investment ratio; the Marxist model emphasises China's exceptional restriction of the law of value in capitalist production: or what might be termed, 'socialism with Chinese characteristics'.

KEYWORDS *China, models, Keynes, Marx, Neoclassical*

I. Introduction

President Xi Jinping is now China's most powerful leader since Mao Zedong. Like Mao, Xi now has his own 'body of political thought' carrying his name, as added to the Communist party's constitution after the 19th party congress, at which Xi pledged to lead the world's second largest economy into a "new era" of international power and influence (Phillips 2017).

In the past 40 years, China's growth has been phenomenal. And, since the global financial crisis and the Great Recession in the major capitalist

economies, China has continued to close the output gap with the leading capitalist economies. According to World Bank data, China's industrial production in 2007 was only 60 per cent of the US level, whereas by 2011 it was 121 per cent. China's industrial production has risen from being less than two-thirds of the US to overtaking the US by a substantial margin. In those six years China's industrial output almost doubled, while industrial production in the US, Europe and Japan did not even regain pre-crisis levels (Ross 2013).

No country has ever grown so fast and been so large (with 18 per cent of the world's population) – only India, with 17.5 per cent of the world's people, is close. Back in the early 1980s, three-quarters of the world's population were better off than the average Chinese. Now only 31 per cent are. In 2010, 87 countries had a higher per capita GDP than China, yet 83 were lower (World Bank 2020). This is an achievement without precedent.

Even if China's average real economic growth were to slow from now on to about 6 per cent a year instead of the double-digit expansion of the last decade, the gap with the G7 economies would continue to narrow. China's working population has now peaked, but there are still hundreds of millions of rural workers and peasants to be incorporated into the industrial machine; meanwhile, China is still sucking up as much of the world's raw materials as it needs to sustain its expansion.

There is no other way to describe it: China is exceptional in the history of economic development over the last 250 years, surpassing even the earlier economic miracles of Asian economies such as Japan or Korea. China's share of global income has increased from less than 3 per cent in 1968 to nearly 15 per cent in 2016, with most of that increase occurring only after 2002. Indeed, the change in China's share alone accounts for 87 per cent of the entire decline in the share of the advanced economies in the period 1980 – 2015. India is nowhere compared to China.

As a result of this exceptional growth in output and incomes, over 800 million Chinese have been taken out of poverty, as defined by the World Bank, while other huge 'developing' economies have made little progress.

What explains this miracle? There are several explanations that have been offered. This paper aims at analysing these explanations as though they were models of development. In this way, the explanations for China's economic explosion and its prospects for the future are better drawn out.

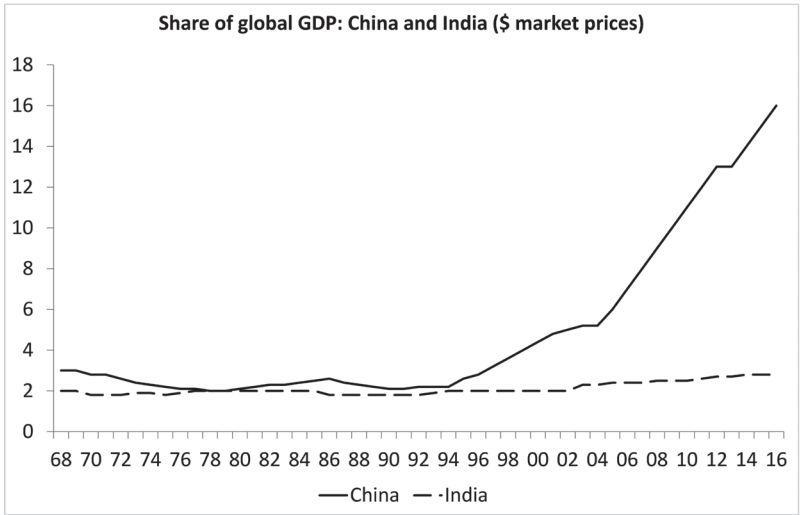


Figure 1: Share of global GDP: China and India (\$ market prices).
 Source: World Bank, Author's calculations

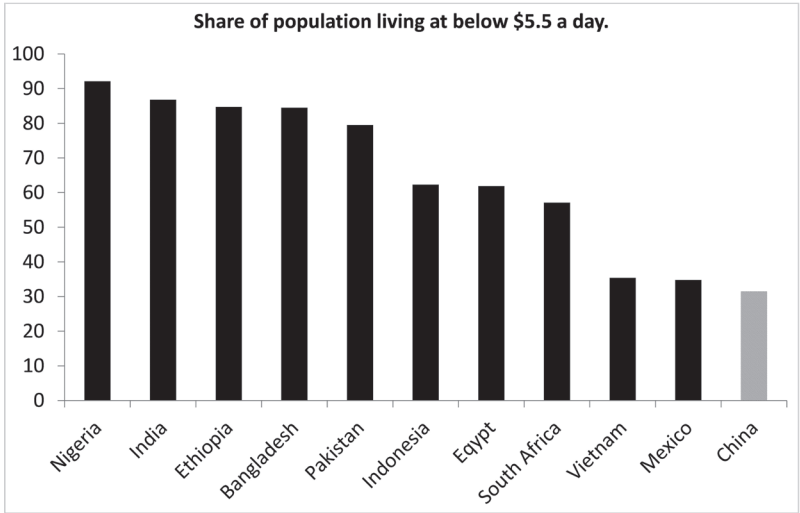


Figure 2: Share of population living at below \$5.50 a day
 Source: World Bank

2. The neoclassical ‘comparative advantage’ model

The consensus view is based on the neoclassical model of growth. World Bank economist Lin (2012) argues that China’s miracle is down to a switch in economic policy under Deng Xiaoping in the late 1970s away from what he calls a comparative advantage defying strategy (CAD) towards a comparative advantage following strategy (CAF). By this he means that China’s leaders realised that the bias in state intervention towards developing heavy industry at the expense of agriculture, or increasing capital inputs instead of using the plentiful supplies of cheap labour, eventually created distortions in the prices of products, weakened agricultural prices and rural incomes relative to industry, kept consumption too low, and generated over-accumulation with low capital productivity. This led to a range of ‘unviable’ industries that could not compete in world markets. However, under Deng, China took advantage of its real comparative advantage, namely a plentiful labour force. Economic growth took off and China competed successfully in world markets through a powerful combination of foreign investment and cheap labour.

According to this view, Mao had previously pursued a wrong strategy. Under Mao, lack of industrialisation, especially the creation of large heavy industries that supported military strength, was seen as the root cause of China’s backwardness. China under Mao gave firms monopoly power in heavy industry sectors and subsidised them with lower-priced inputs, often creating shortages. It allowed China to establish modern industries, test nuclear bombs in the 1960s and launch satellites in the 1970s. But labour-intensive sectors were not stimulated and yet this was where it held a comparative advantage. Thus, efficiency was low and growth prior to 1979 was driven mainly by increased inputs, not productivity.

Then under Deng, the argument goes, China embarked on a ‘dual-track system’, introducing reforms in some areas while maintaining the status-quo in others. Farmers were one of the first beneficiaries. They were allowed to own their land again (collective farms were broken up) and could set prices for selling their production that exceeded quota obligations sold to the state at fixed prices. Meanwhile, private enterprises, joint ventures and foreign investment into labour-intensive sectors were allowed.

According to Lin (2012), you can construct a ‘technological choice index’ based on the capital intensity of the manufacturing sector to measure a country’s choice of development strategy. This index can be used to measure how much the economy is distorted by government ‘intervention’. Given the development stage of a country, the higher this index is, the more an economy is distorted. That’s because government-induced development would the collection of heavy explicit taxes from the economic sectors that were generating a surplus, while directing financial subsidies for the non-viable industries.

Developing capital-intensive heavy industries was extremely costly and such industries could not hope to be viable in an open, free market economy. Thus, the government had to had to intervene and direct the economic institutions and nationalise resources, so as to sustain non-viable industries. According to Lin (2012) and others following this explanation, this was a flawed development strategy responsible for the increasing disparities in economic development among the provinces in China.

Making capital-intensive industries the priority under this strategy was inconsistent with the comparative advantage determined by the factor endowments in those provinces. So Mao’s ‘leap-forward’ strategy retarded the functions of market, impeded capital accumulation, and hindered technology and productivity progress in the provinces.

Therefore, it was imperative to replace the comparative advantage-defying (CAD) strategy with a comparative advantage-following (CAF) strategy. The key criterion for development must be ‘viability’ in the capitalist market. Lin (2012: 193) defined ‘viability’ as “if, without any external subsidies or protections, a normally managed enterprise is expected to earn a socially acceptable profit in a free, open, and competitive market, the enterprise is viable. Otherwise, the enterprise is non-viable.” If an enterprise in the long term does not expect to earn a socially acceptable profit, the enterprise should not be set up or should be driven out of the competitive market. This criterion was ignored in Mao’s CAD strategy, eventually generating a crisis of production.

But is this neoclassical model a convincing explanation for the take-off of China from the 1980s onwards? First, China’s economic growth prior to the Deng ‘reforms’ was not poor. As Lin (2012) himself admits, China’s real GDP increased at an annual average of 6.1 per cent from 1952-78.

According to the World Bank, China's economic growth rate was 6.8 per cent between 1970 and 1979, i.e., more than double that of the US during the same period. If we exclude the very first years of the People's Republic from 1952 to 1962 – i.e., between the completion of the unification of the continental territory and the period of the break with the Soviet Union – there was a recorded average 8.1 per cent growth rate in 1963–78, reflecting very rapid growth even during the Cultural Revolution (World Bank 2013a). The momentum of the Chinese economy was established before Deng.

Second, is the law of comparative advantage useful as a model for development? The law unrealistically assumes perfect mobility of labour. Furthermore, even defining comparative advantage is problematic. How do you measure the *quality* of labour or capital? For example, how can we decide whether the US is a capital-intensive or labour-intensive economy, without taking the quality of those inputs into account?

Third, we need market prices to measure comparative advantage. However, supposed comparative advantages are linked to other economic factors. Comparative advantages are affected by trade. In turn, gains from trade come from other mechanisms, including specialisation, increasing returns, or the generation of commercial networks that can lead to a transmission of ideas and technologies.

Indeed, applying the law of comparative advantage does not mean a smooth equalisation of incomes and prices between regions within China or between economies through international trade, as Lin claims. Instead, it can lead to crises, and indeed it is crises that even out the differentials in costs and deliver industries or regions that are 'unviable'. In other words, CAF could generate even more volatility and fluctuations in output and prices unless checked by CAD policy.

3. The Keynesian investment model

There is a Keynesian explanation, as an alternative to the neoclassical market model. In this model, the key factor in China's development was not a switch to a policy of 'comparative advantage' under Deng. In this model, it was not a switch to using cheap labour and allowing a rise in agri-

cultural prices that allowed China to ‘take off’, but rather increased investment in machinery and technology, i.e. greater capital inputs.

In Keynesian macro theory, total savings equals total investment in an economy. So a rising proportion of national savings therefore necessarily means a rising proportion of investment. The Harrod-Domar (Harrod 1939, Domar 1946) growth model, later developed as the ‘endogenous growth model’, argues that growth depends on the quantity of capital input; so that more investment leads to capital accumulation, which generates economic growth.

In China, this model had relevance. Average growth rates of capital stock in China (excluding housing) rose 9.7 per cent a year from 1952-78 and 10.9 per cent a year in the post-Deng period (Long/Herrera 2016). Including inventories, the rate was even higher pre-Deng. It is this sustained accumulation, enabled in particular by surplus transfers from rural areas, that explains the success of industrialisation and, to a large extent, the robust rate of GDP growth.

Nevertheless, the Harrod-Domar model has a caveat. An increasing proportion of the economy devoted to investment means that any downturn in capital formation can have destabilising consequences. Thus, it was necessary to revise China’s economic policy under Deng to reduce the impact of these destabilising influences. The Deng revolution was not to adopt CAF, as Lin claims, but to end administrative control of investment and replace it with Keynesian-style stimulus and management that would boost private sector investment.

In this interpretation of the Chinese model of development, ‘socialism with Chinese characteristics’ is in reality a radical version of Keynesianism, according to Ross (2014). It is different to Keynesian policies in the US and Europe, where budget deficits have been utilised, low central bank interest rates have been pursued and some forms of quantitative easing, driving down long term interest rates through central bank purchases of debt, have been applied. “In China, in contrast, relatively limited budget deficits have been combined with low interest rates, a state-owned banking system [...] and a huge state investment programme. While the West’s economic recovery programme has been timid, China has pursued full blooded policies of the type recognisable from Keynes



Figure 3: Investment to GDP (%) 1980-2018

Source: IMF, author's calculations

General Theory as well as its own ‘socialism with Chinese characteristics’” (Ross 2014). Ross argues that it was Deng’s lack of ideology or commitment to either a market or state-led economic model (Deng: “I don’t care if the cat is black or white, so long as it catches mice”) that was the reason for China’s economic success.¹

4. The Marxist value model

A third model of development can be constructed from Marxist theory. Most Marxist analyses of China consider that China is now capitalist (Harvey 2005; Arrighi 2009; Panitch/Gindin 2013). However, others reckon that the Chinese economic model has components distinct from capitalism (Wen 2001; Amin 2013).² In the Marxist model presented here, China’s economic development is gauged from by its ability to avoid the unstable impact of the law of value, while also recognising its inexorable power. A Marxist model of China’s economic development does not start

from looking at the comparative advantage of factors of production and or at the rate of savings or investment in an economy. Marxist theory starts from the law of value.³

The neoclassical alternative for economies that, like China (and the Soviet Union), had restricted the law of value to the barest minimum through central planning, state ownership of industry and collectivisation of agriculture, was ‘shock therapy’. This solution was imposed in Russia and Eastern Europe; meaning a switch from a centrally planned economy, heavily industrialised and nationalised overnight into a market economy, with foreign investment and privatisation, with disastrous consequences.

Lin (2012) does not advocate ‘shock therapy’ for China, recognising the need for a ‘gradual’ switch from CAD to CAF policies, which he considers Deng did. Yet, in the Marxist model, this means a gradual increase in the influence of the law of value in the Chinese economy: namely a bigger private sector, the accumulation of capital for profit, with prices determined by markets and not by a plan; and, finally, the opening up of ‘free trade’, foreign investment, and the ending of capital controls with a floating currency. This is what Lin and the World Bank advocate for China in the next decade.

In contrast, the Marxist model recognises that it is not the absence of competition that produces imbalances and crises, with development alongside underdevelopment, wealth alongside poverty, employment alongside unemployment; it is competition itself. The problem with the neoclassical model is that there is confusion between the theory of *comparative cost* advantage and *comparative factor* advantage (Shaikh 2016). It is one thing to note that China has or had plentiful supplies of labour to develop (comparative factor advantage); it is another to conclude that not investing in heavy industry, but just using light industry and cheap labour can deliver economic growth and a comparative cost advantage in global markets. China’s exceptional growth would not have been achieved by relying just on the ‘comparative advantages’ of cheap labour and agriculture, combined with foreign investment.

Indeed, there is a growing contradiction between the expansion of industry and trade on world markets for China using its comparative factor advantages, and the pressure of the law of value exerted through trade and

foreign investment. The effects of foreign investment have a double impact. On the one hand, in the absence of foreign investment, China, like many other developing economies, would have had a structural trade deficit and foreign debt, or an import level restricted to the level supportable by a reduced export sector. However, the risk is that large-scale domestic industry would become dominated by foreign capital, side by side with backward industries in which local capital predominates. This might help the trade balance but would accelerate the devastation of local (capitalist and non-capitalist) production and act as a powerful blocking mechanism against the development of the indigenous forces of production. The destruction of native industry would displace more workers than could be newly employed in the relatively new hi-tech industries. This was the story of many new capitalist economies in the late 19th century onwards, as developed by imperialist economies. It remains the story of most of Africa, much of Latin America, and parts of Asia.

China remains the glaring exception. Why? Because, as the Marxist model explains, the law of value which operates in capitalist markets, foreign trade and investment was at first totally blocked and later controlled by a large state-owned sector, central planning and macro policy, as well as by the restricted foreign ownership of new industries and controls on the flow of capital in and out of the country.⁴

As leading Chinese economist Yu Yongding put it: “China has to maintain its capital controls in the foreseeable future. If China were to lose control over its cross-border capital flows, a panic could break out so that capital outflows will turn into an avalanche and eventually bring down the whole financial system” (Yu 2014). It was these very restrictions that up to now have enabled China to expand investment and technology, employ swathes of labour and generally avoid control of its destiny by multinational combines.

The neoclassical model now advocated for China by most mainstream economists, by many within the Chinese leadership and by outside international agencies, deliberately fails to recognise the success of restricting the influence of the law of value in China’s development. The Keynesian analysis correctly looks at savings and investment as the key drivers of China’s development. Yet it also misses a key ingredient of economic devel-

opment, the productivity of labour. And, in so far as there is a private sector in a developing economy and world markets, then profitability is the other key indicator.

The Marxist model argues that the level of productivity will decide economic growth because it reduces the cost of production and enables a developing nation to compete in world markets. However, in a capitalist economy where the law of value and markets operate, there is a contradiction: profitability. In the Marxist model, there is a long-term inverse relationship between productivity and profitability (Roberts 2018a). As the former accelerates, the latter slows. Profitability comes into conflict with productivity growth in a capitalist economy and so will result in regular occurrences of crises in production. A developing economy needs to restrict this conflict to a minimum.

In a comparative study of models of economic growth, Vu Minh Khuong (Vu 2013) looked at productivity growth in developing economies. Productivity growth can be achieved by either increased capital and labour inputs, or from raising the quality of existing capital and labour. Productivity accruing from ‘innovation’ is termed total factor productivity (TFP) in mainstream economics (Solow 1957).

Vu (2013: 242) claims that his analysis shows that “the secret of the Asian growth model lies not in achieving high TFP growth but in sustaining reasonable TFP growth”. According to Vu, capital investment inputs accounted for 54 per cent of the growth lead of developing Asian economies over the Western industrialised economies and for 62 per cent of developing Asia’s lead over other developing economies. High capital investment was almost twice as important as productivity achieved from TFP increases in explaining Asia’s growth lead over advanced economies. Indeed, as a country moves towards being an advanced economy, the role played by investment in its growth increases.

However, the IMF found that higher TFP explained 1.5 per cent points of the 1.75 per cent points of higher average growth rate in developing economies in the 2000s prior to 2008 as compared to the 1990s (Dabla-Norris et al. 2013). TFP growth turned positive in developing economies across all regions after declining in both Latin America and the Middle

East and North Africa (MENA) region in the 1990s, although factor inputs still remained the main driver of output growth in developing economies throughout the 2000s.

So, even if China's rapid growth was originally founded on a very high ratio of capital investment, as well as on cheap labour, it may be a different story from now on. Gross investment has averaged over 47 per cent of GDP since 2009. However, real GDP growth has been slowing. Thus, China's return on new investment (or the productivity of capital input) is declining. Since 2007, the incremental capital-output ratio (ICOR) in China has tripled from 3 to 9, while the growth rate of GDP has fallen by half (Chow 2018).

In the Marxist model of capitalist development, productivity growth must be weighed against the contradiction of the law of the tendency of the rate of profit to fall (LTRPF) as capital is accumulated. In so far as China's private capitalist sector increases its contribution to the overall economy and the public sector's role is reduced, then the profitability in the overall economy becomes relatively more important and the contradiction between productivity growth and profitability intensifies. Both the neoclassical and Keynesian models of development ignore this contradiction.

There have been various attempts to estimate the rate of profit in China (Bai et al. 2006; Roberts 2009; Qu et al. 2013; Herrera/Long 2014; Gaulard 2018; Maito 2018; Qi 2018). The empirical evidence reveals three phases of profitability in China. Between 1978 and 1990, there was an upswing in profitability as production expanded from the Deng reforms and with the opening up of foreign trade. Nevertheless, from 1990 to the end of that decade, there was a fall, as over-investment gathered pace and other economies, particularly in the developing world, went through a series of crises (Mexico 1994, Asia 1997-8, Latin America 1998-01). The falling rate of profit then in that period was accompanied by a slowing in the rate of GDP growth, as the Marxist model would predict. However, from about 2001 onwards, there was a rise in profitability, which also saw a significant rise in the rate of economic growth (as the world (in general) too expanded at a credit-fuelled pace).

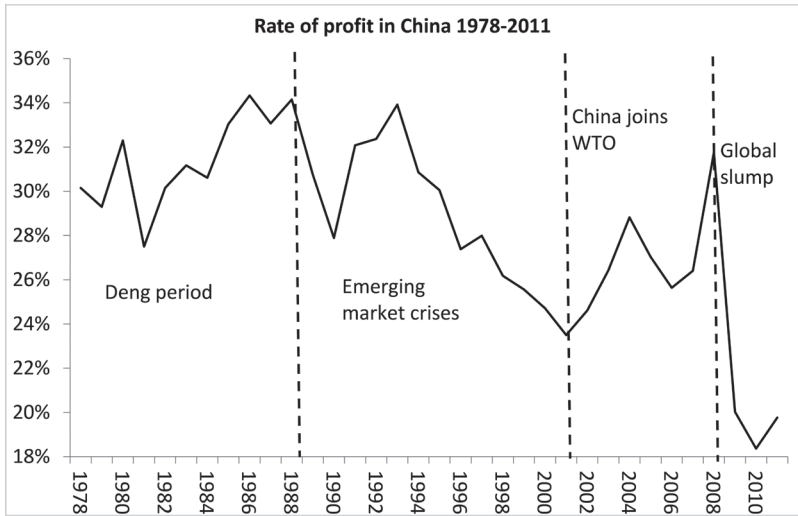


Figure 4 : The rate of profit on capital in China (%), 1978-2011
 Source: Bai et al. (2006) and Qu et al. (2013), author's calculations

All of these studies find that the driving factor behind the decline in China's rate of profit on capital was a rising organic composition of capital, which is the Marxist term for the ratio of capital input (constant capital in Marxist terms) over labour input (variable capital). Increased exploitation of labour helped to counteract this long-term decline in profitability, particularly in the 2000s, but has not done so since the end of the Great Recession in 2009.

Nevertheless, Marx's LTRPF and law of value have not operated with the same intensity and impact in China as in the major capitalist economies. The Great Recession and the subsequent Long Depression in the major capitalist economies confirm that. China's real GDP growth and investment have outperformed all other G20 economies in the last 10 years (including India, if its GDP is measured accurately).

In China's "socialism with Chinese characteristics", there has been a significant expansion of privately-owned companies, both foreign and domestic, over the last 30 years, with the establishment of a stock market and other financial institutions. Indeed, most observers, using official data,

reckon that private sector enterprises now constitute around 60-70 per cent of GDP and assets (Xinhua 2018).

Nonetheless, this is misleading. Szamosszegi and Kyle (2011), for the U.S.-China Economic and Security Review Commission, analysed the influence of the state sector in China. They defined the state sector as consisting of three main components: state-owned enterprises (SOEs) fully owned by the state through the State-owned Assets and Supervision and Administration Commission (SASAC); SOEs that are majority owners of enterprises that are not officially considered SOEs but are effectively controlled by their SOE owners; and entities, owned and controlled indirectly through SOE subsidiaries based both inside and outside of China (SHEs). Urban collective enterprises and government-owned township and village enterprises (TVEs) also belong to the state sector but are not considered SOEs. The authors commented:

“A common mistake is to assume that any entity that is not an SOE belongs to the private sector. There is a state sector, which consists of SOEs, and a non-state sector, which consists of firms with other forms of ownership, including pure private ownership by domestic and foreign natural persons and mixed ownership entities in which SOEs are part owners and/or controlling. For the vast majority of these listed firms, the largest shareholders are SOEs.” (Szamosszegi/Kyle 2011: 10)

They further argued: “When data are analyzed by sector, it becomes clear that SOEs and SHEs account for the majority of investments in many sectors in the Chinese economy (ibid.: 16), with a weighted average of 48% in 2007. They stated: “SOEs and SHEs were responsible for 40 percent of China’s GDP and 45 percent of non-agricultural GDP in 2007” (ibid.: 21). Szamosszegi/Kyle went on:

“Given additional information on the prevalence of SOE ownership in China’s capital markets, anecdotal and observed data on the prevalence of SOE ownership among LLCs [limited liability corporations] and other ownership categories, and the SOE role in round-tripped FDI, it is reasonable to conclude that by 2009 nearly half of China’s economic output could be attributable to either

SOEs, SHEs, and other types of enterprises controlled by the SOEs indirectly. If the output of urban collective enterprises and the government-run proportion of TVEs are considered, the broadly defined state sector likely approximates 50 percent. This conclusion goes beyond all the published estimates we have reviewed, but is consistent with the opinions of knowledgeable individuals currently dealing with Chinese enterprises in policy and business settings.” (ibid.: 25).

More recently, Laurie Belsie of the NBER, commenting on a study by Hsieh and Song (2015), concluded that “the transformation of China’s industrial sector that began in the late 1990s was not simply a resource shift from the public to the private sector. It also involved policy changes that transformed the remaining state-owned firms and created new ones” (Belsie 2020).

Instead of using the official definitions of the state sector, the authors used another approach to identify state ownership that included ownership by ‘a legal person’. More than two-thirds of these companies were directly or indirectly controlled by SASAC but legally registered as private. When these private companies are redesignated as state-controlled, then SOEs still make up a substantial part of the national economy – controlling roughly 30 percent of the total secondary and tertiary assets, or over 50 percent of total industrial assets. The average size of SOEs is much bigger than their non-SOE peers, with average assets of the former accounting for over 13 times of the latter (Gao Xu 2010).

Moreover, a report by Stratfor Worldview (2018) found that

“[...] 80-90% of SOEs are concentrated in vital or high-profit industries such as finance, power, energy, telecommunications and defence manufacturing. And these enterprises — particularly the roughly 100 centrally administered SOEs — have grown much bigger. By 2017, the assets of these enterprises alone had reached 72 trillion yuan (\$10.4 trillion), up more than tenfold from 2003 and almost equivalent to China’s total GDP for that year. [...]. Since 2013, SOEs have received more than 60 percent of all new loans in China each year, peaking at 78 percent in 2016.”

In another survey by Milhaupt and Zheng (2016) for the Paulson Institute, of government or party affiliations of the founders or de facto

controllers of China's 100 largest private firms (by revenue) as ranked by the China National Association of Industry and Commerce, as well as China's top ten private internet firms (by revenue), as ranked by the China Internet Association, 95 out of the top 100 private firms and eight out of the top 10 internet firms had a founder or de facto controller who was currently or formerly a member of central or local political organisations such as People's Congresses and People's Political Consultative Conferences. "One recent survey by the Central Organisation Department, the party's personnel body, found that 68 per cent of China's private companies had party bodies by 2016, and that 70 per cent of foreign enterprises had." (McGregor 2019).

For example, Huawei, China's largest telecommunications equipment maker shares are held by its employees, in particular, the state-controlled trade union – although it is argued that the union has no say in corporate governance (Li 2019). Also, state-controlled industrial associations actively supervise the operations of private firms in their respective industries and have retained much, if not all, of the power exercised by their state predecessors. Private firms are prodded or even forced to participate in state-led industrial restructuring efforts. The right of to corporate ownership must yield to the state's plans for restructuring an industry (Milhaupt/Zheng 2015).

Thus, it can be argued that even now much of employment and investment is still undertaken by publicly-owned companies or by institutions that are under the direction and control of the Communist party.⁵ The biggest part of China's world-beating industry is not foreign-owned multinationals, but Chinese state-owned enterprises. The major banks are state-owned and their lending and deposit policies are directed by the government (much to the chagrin of China's central bank and other pro-capitalist elements). There is no free flow of foreign capital into and out of China. Capital controls are imposed and enforced, and the currency's value is fixed in a narrow band to set economic targets (much to the annoyance of the US Congress).

The size and influence of the state sector in China is not replicated in any other economy. The IMF public sector database (IMF 2017) shows that public sector stock to GDP stands at 150 per cent; this is well ahead of that other Asian miracle of the past, Japan, and three times larger than in India

or the US. Public sector assets are over three times larger than the private sector, while in every other major economy, private sector assets are larger. Public investment in China is annually 16 per cent of GDP compared to less than 4 per cent in the US or the UK. China is home to 109 corporations listed on the Fortune Global 500 – but only 15 per cent of those are privately owned (Guluzade 2019).

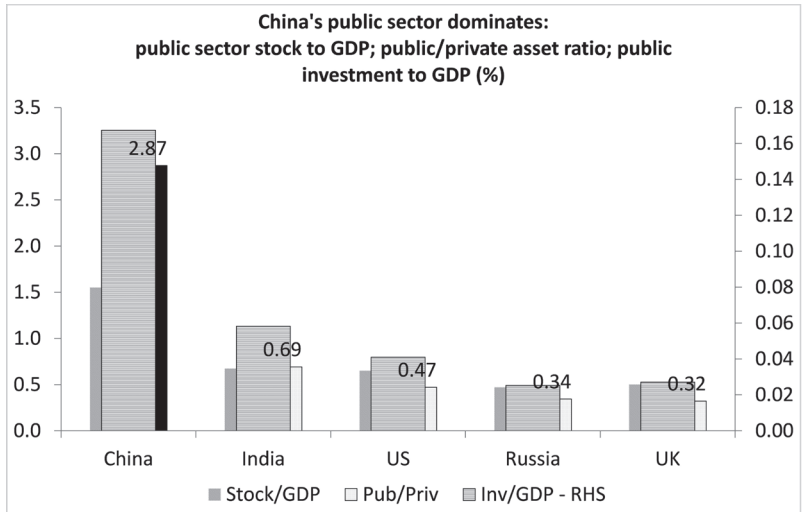


Figure 5: Public sector stock to GDP; public/private asset ratio and public investment to GDP

Source: IMF (2017), *Investment and Capital Stock database*, author's calculations. Averages for period 2010-14.

At the same time, the single party state machine infiltrates all levels of industry and activity in China. According to an analysis by Joseph Fan and others (Fan et al. 2011:1),

“the Chinese Communist Party (CCP), by controlling the career advancement of all senior personnel in all regulatory agencies, all state-owned enterprises (SOEs), and virtually all major financial institutions state-owned enterprises (SOEs) and senior Party positions in all but the smallest non-SOE enterprises, retains sole possession of Lenin’s Commanding Heights.”

Fan et al reckon that the CCP Organization Department (CCP OD) manages all senior promotions in all major banks, regulators, government ministries and agencies, SOEs, and even many officially-designated non-SOE enterprises. And through this mechanism the Party promotes people through banks, regulatory agencies, enterprises, governments, and Party organs.

In listed companies, each enterprise also has a Communist Party Committee, headed by a Communist Party Secretary. These advise the CEO on critical decisions and are kept informed throughout the enterprise by Party cells that also monitor the implementation of party policies. Indeed, the Party Secretary plays a leading role in major decisions and can overrule or bypass the CEO and board if necessary (Fan et al. 2011).

According to the Financial Times, companies have communist cells embedded in their operations and top executives spend much of their time dealing with government officials on policy and other issues. Fraser Howie, co-author of the book *Red Capitalism* (Walter/Fraser 2011) is quoted in saying that the move highlighted how ostensibly private companies are “state overseen enterprises”. “All Chinese corporates are effectively either state owned enterprises or state overseen enterprises,” he said. “And there seems to be no move to get away from that and indeed more and more effort to make it very clear the private sector are beholden to the Party.”⁶

5. The future of China’s development

But what of the future? Let us consider what the three models suggest. If Lin (2012) and others of the neoclassical CAF school are correct, then China needs drastic restructuring of its economic model. The argument goes that China is now a ‘middle-income’ (capitalist) economy and unless it allows the market to rule, it will not close the gap in productivity and income per head with the older, advanced capitalist economies.

The argument of the Sinology ‘experts’ of mainstream economics is that only ‘turning to the market’ will enable China to escape from the so-called ‘middle income trap’.⁷ They mean that, to begin with, ‘emerging economies’ can grow fast with big capital investment and exports using cheap labour and new technology – the Chinese model. Yet less than a fifth

of the 180 countries in the world have succeeded in becoming advanced economies. Of the 101 countries that were ‘middle-income’ in 1960, only 13 had managed to break from the pack to become advanced economies by 2008 (World Bank 2013a).

One reason why countries get stuck in this ‘middle-income trap’ is that they reach what is known as the ‘Lewis Point’, after the leftist economist of the 1950s, Arthur Lewis (Lewis 1954). Put simply, this is the point at which a developing country stops being able to achieve rapid growth relatively easily, which is initially achieved by taking rural workers doing unproductive farm labour and putting them to work in factories and cities instead. At a certain point, this ‘reserve army of labour’ is exhausted, urban wages rise, incomes reach a certain level and a ‘middle-class’ emerges. Leaning on Lewis’ theory, mainstream economics asserts that then there must be a switch to boosting domestic consumption that a state-led economy cannot do (McGregor 2010).

A World Bank report, taking up Lin’s and other neoclassical views and published in conjunction with China’s advisory body, the Development Research Center of China’s State Council, argued that there would be an economic crisis in China unless state-run firms were scaled back. The report said the answer was to set up ‘asset-management firms’ to sell off state industries, overhaul local government finances and promote “competition and entrepreneurship” (World Bank 2013b).

Yet is this scenario of the ‘middle-income’ trap really due to the loss of ‘comparative advantage’ in cheap labour, Lewis-style? Or is it due to the failure of developing capitalist economies to raise productivity and sustain investment in technology and human capital in the face of cycles of falling profitability and global crises, often engendered in the mature capitalist economies and thus outside the control of individual national economies?

It is no accident that only two large developing capitalist economies have succeeded in becoming part of the rich capitalist club in the last 50 years. Measured in GDP per capita and starting at \$3000 per head (PPP real) 40 years ago, Taiwan and Korea now have per capita GDPs over \$25,000. In the same period, no other Asian (large) tiger or Latin American economy has risen above \$13,000 – still within the World Bank’s middle income range (Agénor et al. 2012).

Taiwan was a special client state of the US and also benefited hugely from China's own expansion and from Japanese trade. Korea also had a special trade agreement with US. Both economies had large state holding companies, military regimes that restricted 'free markets', and were oriented to investment in heavy industry and technology – not the neoclassical model. Interestingly, at its current stage in this process, China's per capita GDP is higher and growing much faster than even Taiwan and Korea were at their take-offs.

In a recent monumental study of the 'Asian economic miracle', Reda Cherif and Fuad Hasanov of the IMF concluded that "high sustained growth" was the result of what they called "True Industrial Policy" (TIP) where "the state set ambitious goals, managed to adapt fast, and imposed accountability for its support to industries and firms. We argue that [...] TIP was based on the state intervention to facilitate the move of domestic firms into sophisticated sectors beyond the existing comparative advantage" (Cherif/Hasanov 2019: 63). The IMF economists' conclusion directly contradicts the neoclassical model of comparative advantage that promotes "import substitution industrialization strategies, prevalent until the late 1980s among developing economies" because "that led to inefficiencies, lack of innovation, and persistent dependence on key imported inputs" (ibid.).

The development challenge ahead for China is not 'rebalancing' the economy away from investment towards consumption, but to raise productivity growth through innovation in a new period of an ageing and diminishing working population. Growth comes either from increasing capital and labour inputs or from higher productivity. And it is through the latter that China must deliver. In this area, China has a long way to go, but it is catching up.

Almost half of China's gross domestic product (GDP) growth since 1978 was from (capital deepening) i.e. more of the same technology; about a third was from productivity, measured by total factor productivity (TFP), and the rest was from an expanding labour force and investments in human capital (World Bank 2019). Consistent with the recent slow-down in TFP growth, China's labour productivity growth has also been declining.



Figure 6: Comparative ratio of productivity of labour China-US (%)
Source: OECD, World Bank; author's calculations

China's average productivity level is just 20 per cent of that of the US. And the US economy remains highly productive even compared to other advanced economies. While the US share of global research and development (R&D) has declined, in part due to a rapid increase in China's share, the US remains the global R&D leader, accounting for nearly 30 per cent of the world total. Data on patents granted – either of the total or specifically foreign – show that the US share has held roughly steady at around 20 per cent. China's share of total patents granted has risen very rapidly over the last decade to over 20 per cent, but most patents granted to Chinese innovators have come from the domestic patent office, with far fewer granted abroad (Roberts 2018b).

Knowledge and technology intensive (KTI) industries make up 38 per cent of US GDP, the highest of any major economy. But China is not far behind at 35 per cent, unusually high for a developing economy. While the US is the largest producer of high-tech goods, its share of world exports has shrunk considerably while China's share has grown. China's R&D intensity, measured by R&D spending as a percentage of GDP, was 2.1 per cent

of GDP versus 2.8 per cent for the US. Indeed, China has seen an almost 160 per cent increase in intellectual property receipts from other countries in the past decade, compared with an 11 per cent increase for the US over the same time frame, which indicates China's increased knowledge diffusion throughout the world (Santacreu/Peake 2019).

China's recent policies have focused on fostering discovery and new technologies. China remains, on average, quite distant from the global technology frontier and thus has substantial remaining potential for catching-up. According to the World Bank, China could double its GDP simply by catching up with OECD countries in its TFP (World Bank 2013b).

The global innovation index – developed by the World Intellectual Property Organization (WIPO), INSEAD, and Cornell University – shows that China's innovation capacity has been improving steadily. China is moving up in cross-country rankings, from 29 in 2011 to 17 in 2018, and is the highest-ranking middle-income country and the first middle-income country to join the 20 most innovative (WIPO 2019).

The biggest threat to US hegemony in R&D and innovation technology is Beijing's plan to replicate foreign technologies and foster national champions that can take them global. A program launched in 2015, called 'Made in China 2025', aims to make the country competitive within a decade in 10 industries, including aircraft, new energy vehicles, and biotechnology. China, under Xi, aims not just to be the manufacturing centre of the global economy, but also to take a lead in innovation and technology that will rival that of the US and other advanced capitalist economies within a generation. Beijing aims to boost the share of domestically made robots to more than 50 per cent of total sales by 2020, from 31 per cent in 2018. (China Briefing 2018).

Under Xi, China has also redoubled efforts to build its own semiconductor industry. The country buys about 59 per cent of the chips sold around the world, but in-country manufacturers account for only 16 per cent of the industry's global sales revenue, according to PwC (Bloomberg 2018). To rectify that, Made in China 2025 earmarks \$150 billion in spending over ten years. These moves by China are at the heart of the trade war hotting up with the US. US Commerce Secretary Wilbur Ross has described the Made in China plan as an "attack" on "American genius" (Woodward

2017). Then there is China's Belt and Road Initiative, a global development strategy involving infrastructure development and investments in 152 countries and international organisations.⁸

China's exports have soared in dollar terms – 17 per cent annually in the past two decades – and its export market shares for both gross trade and added value have risen significantly. The contribution of China's exports to its growth has been falling with the slowdown in global trade since the global financial crisis of 2008, but its share of global trade has been rising. China's share of global exports of goods increased from only 3.9 per cent in 2000 to 14.6 per cent in 2017 (World Trade Organization 2019).

Foreign investments have been critical of China's export growth and international competitiveness. Foreign-invested enterprises contributed to nearly half of China's imports and exports, one-fourth of industrial output, and one-fifth of tax revenue in 2017. China was the second-largest destination for FDI in the world, after the United States, in 2018. According to the World Investment Report 2017 (UNCTAD 2017), multinational firms consider China the second-most-preferred destination for cross-border investment in the world. China evolved from being a net importer of FDI to a net exporter in 2016. Despite experiencing a sharp decline in 2017, China's outbound investments were the third largest in the world. China's FDI and ODI still have room to grow.

China's drive under Xi for technological equality and higher productivity through innovation does not follow the neoclassical school development model that is 'consumption-led' and dominated by markets. Nevertheless, the supporters of this model dominate the development discussion. The neoclassical model remains full of holes. It is not true that the Chinese economy has restricted consumption. Consumption may have fallen as a share of GDP during the fast pace of the investment expansion and urbanisation of the last 40 years, but real consumption in China has been growing at 8.8 per cent annually for over two decades – the highest of any major economy.⁹

What has happened with the relative 'liberalisation' of the economy, the expansion of the private sector, global trade and investment is the encroachment of the law of value into new areas of the economy, and with it, a huge rise in the inequality of wealth and income. China's gini coef-

ficient, an index of income inequality, rose, according to Xie and Zhou (2014) from 0.30 in 1978, when the Communist Party began to open the economy to market forces, to 0.49 by 2008. This rise was partly the result of the urbanisation of the economy as rural peasants move to the cities. Urban wages in the sweatshops and factories are increasingly leaving peasant incomes behind (not that those urban wages are anything to write home about when workers assembling Apple iPads are paid under \$2 an hour). Yet it is also partly the result of the elite controlling the levers of power, while allowing some Chinese billionaires to flourish. Urbanisation has slowed since the Great Recession, from a peak annual rate of 3.75 per cent before to just 1.3 per cent after (NBSC 2017), and so has economic growth. China's gini inequality index is still at a high level, even though it has fallen back a little since 2008.¹⁰

The debate within the leadership will continue about which way to take China: towards a full market economy open to the winds of global capitalism, or to stay as it is. The Chinese Communist Party's Third Plenum of the 18th Congress in 2013 did not really commit to anything like 'free market' capitalism. There was no change in the general philosophy of 'socialism with Chinese characteristics' and thus the maintenance of the dominance of the state sector. Also, there would be no move towards 'democracy' or control of even local legal systems and decisions by the people. On the contrary, the leadership has set up even more repressive state security services to monitor and control the population and curb any dissidence (Xinhua 2013).

This trade and technology trade war that is intensifying with the US will set the parameters for China's development over the next decades. China's development over the last 40 years through state-directed and controlled planning and enterprises, combined with an expansion of the private sector, has been unique in its formation. The next stage is one where the development model must be directed towards productivity growth in an environment where the falling profitability of capital could be a serious obstacle to investment. And now there is the added risk of growing economic and political confrontation with the hegemonic power of the US, which seeks to clip the wings of the Chinese crane – the symbol of happiness and prosperity.

- 1 “Because in the US and Europe, of course, it is held that the colour of the cat matters very much. Only the private sector coloured cat is good, the state sector coloured cat is bad. Therefore, even if the private sector cat is catching insufficient mice, that is the economy is in severe recession, the state sector cat must not be used to catch them. In China, both cats have been let loose – and therefore far more mice are caught” (Ross 2014).
- 2 For a discussion of the different views, see Long et al. (2018).
- 3 Marx’s law of value argues that, under capitalism, production is not to meet consumer needs alone but primarily to obtain profit. Value can only be created by the exertion of human labour, and surplus value (or profit) thus emerges when capitalist producers sell goods and services on a market for commodities for a price that is higher than the costs of production. That is possible because the value created by labour power is more than the value paid to labour power. Human labour is exploited in this way. For more on Marx’s law of value, see Roberts (2018a).
- 4 Joseph Stiglitz, Nobel Prize winner in economics, concluded, reviewing the history of financial crises: “I believe that capital account liberalization *was the single most important factor leading to the crisis*. I have come to this conclusion not just by carefully looking at what happened in the [Asian] region, but by looking at what happened in the almost one hundred other economic crises of the last quarter century. [...] It has also become increasingly clear that all too often capital account liberalization represents risk without a reward” (Stiglitz 2017: 20).
- 5 Again, the employment share depends on what you consider is the private sector in China. The usual typical statistics reckon that the state sector has accounts for only one-third of the urban workforce. However, breaking down the private sector into companies that have state minority stakes and depend on state funding shows that ‘state sector’ employment is higher.
- 6 As quoted in the Financial Times, 23 September, 2019, <https://www.ft.com/content/055a1864-ddd3-11e9-b112-9624ec9edc59>, 24.2.2020.
- 7 Two prominent and recent narratives along these lines are by Nicholas Lardy (2019) and George Magnus (2018).
- 8 “Belt” refers to the overland routes for road and rail transportation, called the “Silk Road Economic Belt”, whereas “road” refers to the sea routes, or the “21st Century Maritime Silk Road”.
- 9 Author’s calculation from World Bank Development Indicators 1995-2018.
- 10 China National Statistical Bureau

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ABSTRACT China verzeichnete in den vergangenen 40 Jahren ein höchst bemerkenswertes wirtschaftliches Wachstum, und seit der globalen Finanzkrise und der großen Rezession hat sich Chinas Abstand zu den führenden kapitalistischen Volkswirtschaften weiter verringert. Wird es China gelingen, diese Volkswirtschaften in den kommenden 40 Jahren einzuholen, oder wird es, wie auch andere ‚Schwellenländer‘ zuvor, das Schicksal der so genannten ‚Falle der mittleren Einkommen‘ erleiden? Dieser Artikel diskutiert drei Entwicklungsmodelle, die jeweils auf unterschiedlichen Ansätzen beruhen: der neoklassischen Wachstumstheorie, einem keynesianischen Investitionsmodell, und einem marxistischen Modell basierend auf dem Wert- und Profitgesetz. Das neoklassische Modell unterstreicht Chinas komparativen Vorteil der billigen sowie reichlich verfügbaren Arbeitskraft und das keynesiansche Modell fokussiert auf die Rolle von Chinas hoher Investitionsrate, während das marxistische Modell das außergewöhnlich beschränkte Wirken des kapitalistischen Wertgesetzes – den „Sozialismus chinesischer Prägung“ – betont.

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**Banning Logging, Conserving Legitimacy:
Large-Scale Ecological Restoration under Xi Jinping**

ABSTRACT “Organizational ideology” (Schurmann 1968) continues to be constitutive in contemporary Chinese politics. The issue of the urgency of coherence between values and action shapes decision-making and how the leadership conveys its decisions to the public. The case study of the recent logging ban in natural forests shows that the policy sends symbolic messages of political will and regime capacity to reconcile conflicting interests of development. The official propaganda turns it into a signature policy of Xi Jinping while constructing the path-dependency of party-rule and attempts to substantiate future projections with empirical data from the past. Nevertheless, the policy is contested among experts and also bears political risks.

KEYWORDS China, legitimacy, forestry, logging ban, Xi Jinping

1. Introduction

In March 2014, the Chinese government announced its plans to impose a ban on commercial logging in China’s natural forests. After two years of trials in Northeastern state-owned forests, the provision was rolled out nationally in 2017. The ban, technically an extension of the Natural Forest Protection Program (NFPP) that had been initiated in 1998, forces state-owned forest enterprises to shift their focus from timber harvest to forest management and develop alternative industries to create income opportunities for laid-off workers and forest-dependent communities. It is expected to give almost 60 percent of China’s forests the possibility to

recover from over-logging and help restore their ecological functions and resistance (Sun et al. 2016: 1). By launching the policy in Heilongjiang, the central government, under the leadership of Xi Jinping, sent a strong symbolic message, as Heilongjiang's Longjiang Forestry Company used to be the historical powerhouse of China's forest sector. Chinese (state) media heralded the policy as being groundbreaking due to its expected environmental impacts (Han 2014).

However, the policy is not uncontested. Many forest experts in China and abroad do not regard the ban to be an "optimum solution" (Yang 2017: 113) and, informally, profess that the policy is doomed to fail, due to the resistance of local governments and the limited reach of state authority into the collective forests. Some even predict that, if the ban holds, the government risks causing more harm than good, as aging forests might create severe environmental problems in the future, such as increased risk of forest fires (Fieldwork conversations August 2019). Private small and medium-sized forest enterprises that have so far relied on domestic timber resources have to enhance their global competitiveness and find extraction bases abroad (Sun et al. 2016; Yang 2017; Ke 2018). International observers concerned with transnational flows of commodities worry that decreased domestic timber supply will cause harm to the environments of those countries that serve as extraction bases for China (Laurence 2011; Sun et al. 2016; Viña et al. 2016; Liu 2018; Long 2018; Macqueen 2018; Ong/Carver 2019).

Ever since the early 2000s, the question of how to substantially improve both economic and environmental outcomes has become a vital issue in the public and political discourse in China. The implementation and outcomes of such policies are now critical performance standards against which local governments are being evaluated – not only by higher state-levels, but also by the broader public. Thus, the operationalisation of the normative goal of sustainable development has emerged as a critical factor for regime legitimacy in contemporary China. Conducting a context-sensitive reading of Chinese government documents and state media publications, I address two research questions in this article. Firstly, what is the relevance of the policy in the current leadership's legitimation strategy? Secondly, given the controversy about the policy, how does the government convey the policy to the public in such a way as to make it conducive to regime legitimacy?

In order to answer my research questions, I draw on the notion of “organizational ideology” (Schurmann 1968: 19) and theories of symbolic legitimation (Holbig 2018; Wang 2018). Regime legitimacy in China is grounded on the Chinese Communist Party’s (CCP) capacity to turn propagated values into coherent action that responds to the current challenges of development. However, performance is not tangible but experienced through “schemata of interpretation” (Holbig 2018: 360). Also, most citizens base their judgment of their leaders’ performance on symbols rather than facts (Wang 2018) that they “hear, read, or see through media” (Van Zuydam/Metze 2016: 62). I argue that organisational ideology continues to shape political decision-making and the way in which regime performance is conveyed via public channels. With this article, I aim to contribute to debates about political ecology and regime legitimation in China, with a particular focus on the era of Xi Jinping.

In the remainder of this article, I introduce the theoretical framework and then present the findings of my analysis. I close with a discussion of the anticipated outcomes of the policy and concluding remarks about its impacts on regime legitimacy.

2. Legitimacy, ideology, and storytelling

David Beetham (1991: 16) claims that power is legitimate when the rulers conform to established rules, the rules are based on shared beliefs, and there is evidence that the subordinates consent to the power relations. While in democratic countries, political parties compete with their visions and values for popular votes, in the Chinese party-state, the CCP does not allow any rival ideology to emerge in the political system. Despite not standing for elections, the CCP is as much dependent on popular support as governments and political parties in democratic countries. To maintain legitimacy, the CCP has to actively justify its claim and seek the consent of the Chinese people.

Zhu Yuchao (2011: 124f.) finds that the Chinese party-state has shifted from a “mobilization mode of legitimacy” to a “performance-based legitimacy”. While legitimacy originally came from the popular support of the Chinese revolution and ideology, the leadership was compelled to shift

the sources of its legitimacy to the provision of economic growth, social stability, national unity, and institutional reform after the Cultural Revolution (Zhu 2011: 130). Despite the paradigmatic shift described by Zhu, recent research acknowledges that ideology remains constitutive to political processes in contemporary China and regime legitimation (Noessel 2017; Holbig 2018; Marinelli 2018).

In his seminal book *Ideology and Organization in Communist China*, Franz Schurmann (1968: 19) defines ideology as “a systematic set of ideas which is used to create its own organization and to achieve its goals”. Focusing his analysis on the CCP’s “organizational ideology” (1968: 19), Schurmann distinguishes between two dimensions: pure ideology communicates values and conceptions, whereas practical ideology sets norms and rules that “prescribe behavior and thus are expected to have direct action consequences” (Schurmann 1968: 38f.). The ideas of practical ideology, so he explains, would have no legitimacy without pure ideology; at the same time, the party could not transform its *Weltanschauung* into consistent action without relying on practical ideology (Schurmann 1968: 23). Put in other words, consistency between values and action is key to the legitimacy of one-party rule in China.

Consequently, the CCP must convince the broader public that it can turn the general and abstract labels of ideology into correspondent concrete political action. However, performance is not entirely tangible but rather a socially constructed reality: public perceptions of performance are experienced through “schemata of interpretations” (Holbig 2018: 360), such as statistics, government reports, and news reports, and build on political symbols that reassure the people of the functioning of the state (Edelman in Wang 2018: 711). Symbolic legitimation is, therefore, an act of political communication.

Today, politicians operate in environments in which citizens base their judgment of their leaders’ performance on “what they hear, read, or see through media” (Van Zuydam/Metze 2016: 62). Hence, governments seek public support via a series of public channels, such as newspapers, television, websites, and social media, where they strategically frame issues. Yet political communication is not only about the selection of “some aspects of a perceived reality [...for making] them more salient in a communicating context” (Entman 1993: 52); it is, rather, about telling stories. Since “narra-

tives help people understand and communicate information by organizing information in a way that is conducive to human cognition” (Johnes/Peterson 2017), “the story is part of the success” (Fagin in Buonocuore 2019) of any (political) issue in a media-driven political environment. The difference between China and other political contexts is how the story is told, so as to become a compelling narrative that can support regime legitimacy.

I argue that organizational ideology, as described by Schurmann (1968), continues to be constitutive in today’s politics in China. The issue of the urgency of coherence between values and actions not only shapes political decision-making but also how the leadership conveys these decisions to the public. Based on this theoretical framework, I explain, in the following sections, how the logging ban relates to Xi Jinping’s political agenda and strategy of regime legitimation, and demonstrate how the principles of organizational ideology shape the construction of its performance narrative.

3. Sustainability as a political project: ideological and governance reform

Over the past two decades, observers have witnessed the Chinese central government’s efforts to gradually shift its economic growth-driven model of development to a model that aims at the reconciliation of economic, social, and environmental interests. A driving factor behind this transformation has been the conceptualisation of an ideology of sustainability sparked by challenges in socio-economic development. At the turn of the century, it became an irrefutable fact that China’s one-sided development model had brought prosperity only for a few, while it had left behind a significant share of China’s population and put a damaging toll on the country’s natural resources and environment. Being confronted with yawning regional disparities, social inequalities, and aggravating environmental concerns (Zheng/Tok 2007: 6f.), the leadership started to promote an ideological reform that drew on these undesired developments and aimed to overcome them. Since then, central leaders and party ideologues have been conceptualising a Chinese ideology of sustainability constituted by several new key ideological constructs.

Beginning with their tenure in 2002, Hu Jintao and Wen Jiabao endorsed two new ideological guidelines that testified to their political intention to tackle the detrimental effects China's previous development model had brought about. Scientific Development Outlook and Harmonious Socialist Society promised the adoption of a more comprehensive approach of development that would not pursue economic growth at the expense of social equity and environmental soundness anymore (Fewsmith 2004; Holbig 2005). Yet, while at the ideational level, the leadership officially recognised these problems as well as the need for change, efforts in the operational realm did not match with the officially promoted values.

The Hu-Wen administration decentralised the structures of governance and opened governance processes to new actors, particularly NGOs (Mol/Carter 2006), but the environment kept on deteriorating (Ran 2017). Arguably, the outcomes of policies varied across regions and policy fields and were determined by a complex interaction of "intervening variables" (Heberer/Schubert 2012). However, the drawbacks revealed the party-state's incapacity to reconcile economic and environmental interests in the operational realm. Consequently, citizens increasingly voiced their frustrations and dissatisfaction with their government's (environmental) performance (Landesa 2012; Forbes 2014; Yang/Deng 2014). Although recent studies question the exact number of protests and their effective impact on social stability (Whyte 2012; Göbel 2019), the central government undoubtedly remains deeply concerned about social unrest and its potential consequences for political stability and, therefore, also about the political risks of a perceived dissonance between values and action.

When the fifth leadership generation rose to power in late 2012, it was well aware that it had to tackle environmental degradation and solve the clash between economic and environmental interests. At the 18th Party Congress and in the aftermath, China's new leaders made observers take notice of their strong rhetoric that placed great emphasis on the issue of safeguarding China's natural resources and environment. Statements and slogans, such as Li Keqiang's notorious "war on pollution" (Yu 2014), were of unprecedented vigour and conveyed a sense of urgency. On a more conceptual level, Xi Jinping started promoting his signature ideology of the Chinese Dream, a metanarrative that embodies his ambition to achieving "the great rejuvenation of the Chinese nation" (Xinhua 2017). The metan-

arrative attaches importance to the concepts of Ecological Civilization and Beautiful China – both referring to a strategy and vision of sustainable development – and so stresses the relevance of environmental protection for national construction (Ran 2017: 648f.). In parallel, the quest for a better environment resonates in the construct of New Normal, another of Xi’s key concepts that not only warranted economic slowdown (Noesselt 2017; Holbig 2018), but also prepared the country and cadres for changing political priorities and performance standards by which local governments would be measured henceforth (China Daily 2013).

In addition to further strengthening the position of environmental protection as a central value in CCP ideology, the central government also set out to reform environmental governance. Key to these efforts has been the centralisation of regulatory and control mechanisms in a host of environmental fields (Kostka/Nahm 2017; van Rooij et al. 2017; Kostka/Zhang 2018; Weigelin-Schwiedrzik 2018). By doing so, the leadership hopes to break China’s fragmented governance structure and cope with local implementation gaps that characterised the Hu-Wen administration (Kostka/Nahm 2017). At the same time, reforming governance structures is a means to demonstrate responsiveness and political resolve to the wider public. It is, therefore, a feature of symbolic legitimation.

4. Operationalising sustainable development

4.1 Protecting forests: implementation management

Forests are a multifunctional natural resource, as they are an essential source of income generation for many people and deliver a series of ecological services. Conflicts of interests emerge in three areas: the improvement of livelihoods in rural areas, the rehabilitation and conservation of environmental services, and the increase of economic output of those sectors that are dependent on timber production (Robbins/Harrell 2014). While the economic function of forests has always been of vital interest to the Chinese state and a core concern of its rulers (Elvin 2008), their management is a relatively recent phenomenon.

The protection of natural forests in the People’s Republic of China (PRC) looks back on a history of “twists and turns in the political and economic decisions of the leadership” (Demurgér et al. 2005: 2). It gath-

ered real pace at the end of the 1990s when the government launched five large-scale ecological restorations and protection programmes after a series of natural calamities, which had caused substantial human losses and economic damages in 1997 and 1998 (Yeh 2009: 886; Liang/Mol 2013: 65-66). The National Forest Protection Program (NFPP) was initially designed to last for 10 years (2000-2010) but was later extended for another 10 (2011-2020). The total investment of Phase I amounted to 111.9 billion RMB¹, plus 18 billion RMB during the first two years of trial implementation (1998-2000) (Yang 2017: 113f.).

In Phase II, the central government doubled its investments to reach 219.5 billion RMB, and an additional 24.5 billion RMB was provided by provincial governments (Yang 2017: 116). Phase II enlarged the area under protection, including 11 new counties around the Danjiangkuo Reservoir of Hubei and Henan (Yang 2017: 116). According to official projections, 35,000 forest protection stations will be established, the total forests within the NFPP will increase by 5.2 million ha, the growing stock by 1.1 billion m³, and carbon storage by 416 million tons; the total area of forests under the NFPP will increase by 15 million ha and forest tending by 17.6 million ha (Shi et al. 2016: 2; Yang 2017: 116). By the year 2020, the programme will create 648,500 jobs (Ke 2018).

Phase II was well into its implementation when the former State Forestry Administration (SFA) and the Ministry of Finance (MoF) announced a halt of commercial logging in natural forests on 1 April, 2014. The central government rolled out the policy in a three-steps-scheme: during the first year, it was trialed in state-owned forests in Heilongjiang that are managed by two of China's most prominent and influential state-owned logging enterprises, Longjiang Forest Industry and Greater Daxing Anling Forestry Company (Zhang 2014). Together they own 18.45 million hectares of forests, accounting for almost 40 percent of the entire province's forests (Liu 2014). Following this, experimentation was extended to forest farms in Heilongjiang, Jilin, Inner Mongolia, and Hebei (SFA 2016). In March 2017, the policy was finally rolled out nationally, including also natural forests managed by collectives and individual households (Zhao 2014; Xiao 2017).

To ensure smooth implementation, the Chinese government draws on a set of familiar regulatory and control measures: the adaptation of the responsibility and performance evaluation system (Zhao 2014); the moni-

toring of the protection of forests under a cooperation-scheme of low-level government authorities and forest organisations; the use of three S technologies (GIS, GS, and GPS) and other new information and communication technologies (Yu 2017); and the establishment of a contract management responsibility system between forest farms and worker families that regulate the access to non-timber forest products (Liu/Xu 2019). Finally, the central government guarantees the provision of significant financial assistance for strengthening local administrative capacities, earmarking some 2.35 billion RMB per year (until 2020) for the support of local forestry authorities to cover forest workers' living expenses (Liu 2014; Sun et al. 2016).

By initiating experimentation in key state-owned forests in Heilongjiang and tackling reforms in the state-owned forest sector first, the leadership sent a strong symbolic message. Heilongjiang and its two forest enterprises used to play a critical role in China's forest industry and national development, as they had provided half of the domestic timber supply between the 1950s and 1980 (Liu/Xu 2019: 46). Before the year 2013/14, reforms in the forest sector had predominantly focused on collectively and individually managed forests, whereas state-owned forest enterprises had remained virtually untouched by the political efforts to foster sustainable forest management practices (Liu 2014). However, in recent years, centrally managed state-owned enterprises have come under growing criticism for their appalling ecological footprint, a problem that Sarah Eaton and Genia Kostka explain in terms of "central protectionism" (2017). Timber harvest had also been decreasing in state-owned forests before the ban due to incessant over-exploitation (Sun et al. 2016: 1; SFA 2018).

By shifting its focus on the state-owned forest sector, the leadership signals its will to tackle overdue reforms in the management of state assets. Also, the perception of controllability is not an irrelevant factor. While reforms in collective forests proved to be much more complex, and outcomes varied across regions and even villages (Dermurgér et al. 2005; Cao 2008; Zhai et al. 2014; Xie et al. 2016), early reforms of state-owned forest farms were comparatively successful (Zhang 2010: 13). Hence, the institutional conditions and earlier successes in this sector may positively affect public perceptions of regime performance under the current leadership.

4.2 Protecting forests: storytelling

As the CCP's ideology is an organisational ideology, official narratives associate policies with their originators and the core ideas of their originators. To underscore the critical role of Xi Jinping, state and media publications depict the General Party Secretary as the originator of the thrust to enforce a logging ban in all of China's natural forests. According to these accounts, Xi announced the plan to ban commercial logging in natural forests at the 5th meeting of the financial and economic central leading group in March 2014 as follows:

“Since the end of the 1990s, we have been implementing the NFPP at the upper streams of the Yangtze River, the lower and middle streams of the Yellow River, as well as in the Northeast and Inner Mongolia. The effects [of the programme] are obvious. We will now investigate into a nationwide extension the NFPP and strive for the protection of all natural forests [in China]. Currently, we are increasing financial spending, as maybe [the policy] will slightly decrease GDP, but in the long run, it will bring great benefits for the country.” (Shi/He 2018)

The quote is reproduced in several reports and documents, and thus becomes a central aspect of the story. In his speech, Xi admits that the policy will inevitably bring about adverse economic effects on the forest sector and local economies. He refers to what later would be encapsulated in the term New Normal – an ideological concept which affirms that China's economy has entered a new phase of medium to high speed growth. At the same time, New Normal is also a request that local governments shift from quantitative to qualitative development, giving higher importance to environmental protection. ‘Great benefits for the country’ addresses both the environmental and the economic realm.

In the first place, the policy is promoted as a measure to protect China's natural resources and, as such, as the operationalisation of the ideological construct of Ecological Civilisation.

“The [goal of the] overall ban on commercial logging in natural forests is the good protection of our country's precious natural forest resources. [The policy] advances the urgent need for the construction of an ecological civilization.” (Zhao 2014)

Nevertheless, forest protection is not merely a measure for the sake of environmental protection. The policy also reflects a decision to safeguard a bioeconomic resource that provides the raw material for a series of industries (e.g., forestry, pulp and paper, construction, etc.) and a source of income for many people. Consequently, the official narrative also emphasises that the policy will help forests to recover, and once recovered, these industries will be less dependent on exports (Han 2014). As such, the policy becomes part of Xi Jinping's vision of a powerful and prosperous China which is captured in the construct of National Rejuvenation.

Undoubtedly, associating the logging ban with Xi Jinping in person and his central ideological concepts is a deliberate strategy to turn the policy into a signature policy of Xi Jinping that seeks to bolster his image as that of a visionary leader. Each intermediate goal that is achieved will automatically be converted into a success that can be directly attributed to Xi in person: namely, his personal contribution to the country's wellbeing and the CCP's problem-solving capacities under his leadership. Eventual drawbacks can be easily blamed on local government authorities (Ran 2017).

Ideological constructs – such as National Rejuvenation – form an “essential part of China's official language” (Davies 2014: 150), as they define the goals of the party and its leaders. They are part of the CCP's legitimation strategy and that of its rulers, hence also in the construction of official narratives. Davis explains further that new or refined constructs aim to demonstrate the current leaders' ability to respond to newly emerging challenges in socio-economic development; whereas, by retaining formulas of their predecessors, new leaders underscore the continuity of the CCP's one-party-rule (Davis 2014: 150).

Ecological Civilization had initially been introduced by Hu Jintao in 2007, but gained real political momentum at the 18th Party Congress. Hu placed the concept in a prominent place in his last speech, and so left his successor with the “unaccomplished task” (Marinelli 2018: 376) of resolving the issue of environmental pollution and natural resource degradation. By retaining, yet refining, the concept of Ecological Civilization, Xi has created an “imagined path-dependency” (Noesselt 2017: 345) on the ideas and quests of his predecessor and officially accepted this mission bestowed on him. The logging ban, among a series of other policies, is

thought to help realise this mission. It is an operationalisation of Ecological Civilization and a contribution to Building a Beautiful China.

The pursuit of “imagined path-dependency” (Noesselt 2017: 345) is not confined to the ideological sphere but also applies to issue-based ideas that link incumbent leaders with their predecessors. Official documents and state media use the NFPP as the central point of reference – a policy that was introduced under the leadership of Jiang Zemin in 1998 and continued during Hu-Wen administration. By doing so, the narrative tells a story of the historical continuity of visionary state leaders who have been striving to achieve sustainability. The logging ban becomes historical evidence of how the party-state has *already* solved the fundamental question of how to substantially improve both economic and environmental outcomes; at the same time, it projects past achievements into the future.

“The ecology must be protected; the economy must be developed. How to progress green development based on the good protection of the ecology and walk on a path where economic, social, and ecological interests complement each other, bring out the best in each other? Let’s make a practical exploration of the NFPP and the road it has constructed for 20 years.” (Shi et al. 2018)

Marinelli (2018: 368) sees a critical linguistic strategy of ideological concepts in their “projective temporality” or “future perfect tense”; official documents contain “recurring projections of perfection into an allegedly perfect future.” The narrative of the logging ban adopts a similar linguistic strategy and projects the glorious outcomes of the policy in a not too distant future of 10-20 years. Publications rhapsodise about forests that will be rich in China’s most precious tree species, clean water, and abundant biodiversity (Shi et al. 2018). They undergird this projection with images of lush forests that appear to be virtually pristine and untouched by any human activity. In this perfect future, people are happily living together in peace and harmony with nature; their livelihoods are prosperous, as nature provides them with the necessary resources to make a living (e.g., forest guards, owners of eco-hostels), and local industries flourish due to the sale of alternative (non-timber) high-quality products (Xie 2018; Ke 2018).

To make these projections more convincing, the success story of the logging ban is substantiated with ‘facts’ that, in theory, can be studied and

analysed. Here, the NFPP turns out to be a perfect showcase for symbolic legitimation. As the NFPP has been implemented for almost two decades, state authorities and renowned research institutions have collected vast amounts of scientific data on its outcomes. Building on the strategy of “doing things with numbers” (Weigelin-Schwiedrzik 2018), the official narrative is fed with data that describe changes on the aggregate level, including forest cover, biodiversity, and rural livelihoods (Shi et al. 2018). In other words, numbers become witnesses of the leadership’s capacity to think and *act* in new directions. Needless to say, the reports spare all the pitfalls of measurement, as well as variations across regions and forest management regimes that are salient issues and extensively discussed in the academic literature.

Finally, the political communication of the logging ban features a series of methods that aim to increase the policy’s visibility and signal political relevance. Since 2014, the policy has been mentioned in several high-level documents and speeches, *including Document No. 1* of 2015 (Zhongfa 2015), *Opinions on Advancing the Construction of Ecological Civilization* in 2015 (Zhongfa 2015), and in Xi Jinping’s reports at the 19th Party Congress on 18 October 2017. In China, the number of times an issue or a person is mentioned in central documents and speeches serves as a yardstick against which observers and the public estimate the relevance or weight of a policy in the current agenda. Besides that, its occurrence in speeches and documents is also part of the story being told.

5. Discussion and conclusions

The article began by introducing the argument that the principles of the CCP’s organizational ideology, as coined by Schurmann in 1968, continue to shape political decision-making and the way in which regime performance is conveyed to the public in contemporary China. Taking the recent ban on commercial logging in natural forests as a case study, I show that the policy epitomises the leadership’s political endeavor to reconcile environmental and economic interests in development. The decision and the governance approach send symbolic messages of political will and capacity to translate values into action. Official propaganda turns the ban

into a signature policy of Xi Jinping, thus bolstering his image as a capable leader; at the same time, it also constructs a path-dependency of party-rule by creating a strong association with the NFPP. Twenty years of documented results open a window of opportunity, not only to project visions about the ban's future outcomes, but also to feed them with actual experiences and (selective) verifiable data. In doing so, the narrative helps to anticipate the accomplishment of sustainability.

Governance reform sends a strong symbolic message in much the same way as the political narrative has significant discursive power. However, the important question is whether perceived performance matches reality on the ground. Looking into the scholarly debate, it becomes evident that the way forest protection is carried out is highly contested. The outcomes of political efforts to reconcile the salient conflicts in forest management vary across regions and depend on institutional, social, and economic circumstances, as well as a host of factors that are outside the domain of policy (Cao 2008; Zhai et al. 2014; Ren et al. 2015; Xie et al. 2016). One of the major issues in forestry is the lack of technical know-how of local foresters and farmers (Xu 2011: 371). Although it is a known fact that those actors who “translate the words of policy statements [...] into action” (Kaufman 2006: 4) lack the necessary technical expertise, China's forestry training system does not provide sufficient remedies (Marinaccio 2018, 2019). Another problem is that China's Forest Law was formulated when China was transitioning from a planned economy to marketisation; it has been amended only once since its initial enactment in 1985. For this reason, the law has a strong focus on the regulation of logging quotas (Zeng 2008) but does not sufficiently incorporate the idea of resource protection and fails to tackle issues of protection and damage control (Sun 2015).

Currently, the area of natural forests takes up 64 percent of national forestland (121.84 million ha), covering mainly provinces in China's Northeast and Southwest (NFGA 2018). Natural forests play a crucial role in biodiversity protection and are a repository for highly valued tree species that are not available for the time being in plantations in the Southeast and South (Sun et al. 2016: 4). Although experts have been lobbying for strengthened protection of China's natural forests under a policy framework that promotes natural recovery and the recreation of natural ecosys-

tems (Cao 2008; Xu 2011; Wang 2018), the recent ban is not regarded as an “optimum solution” (Yang 2017: 117).

During my last visit to Beijing in August 2019, I talked to several forestry experts, asking their opinions about the policy and its expected outcomes. Behind closed doors, they revealed strong critical stances towards the policy and expressed their doubts regarding the anticipated environmental benefits. If forests are not subjected to active management, challenges, such as aging forests (which increase the risk of forest fires), will emerge. An official from the National Administration of Forestry and Grassland objected that logging was not entirely banned, as thinning for forest management purposes was still allowed. However, many experts complained that logging quotas had already been too low to guarantee sustainable forest management before the ban was extended. Another problem they pointed out was that local governments would most probably shirk implementation, and the enforcement of the ban in collective forests would be even more complex, as farmers had to actively consent to ecological compensation schemes. Due to these issues, the policy would likely be changed in the coming years, so claimed one of my informants.

The above-outlined begs the following question: To which extent and under which conditions would bad performance attract the wider public’s attention? Would implementation failure or environmental damage have any impact on the public perceptions of regime performance? Arguably, bad policy-making in forestry has not led to noteworthy contentious actions similar to those we have observed in the cases of air pollution. Yet, as outlined above, aging forests increase the risk of forest fires, which in turn jeopardise human lives and can lead to considerable property damage. Both the risk of forest fires and their occurrences have grown alarmingly over the past years. Once forest fires become an imminent threat, people might start put into question the respective political decisions. As Xi has made forests symbols of green development, clean environment, and improved livelihoods (Gao/Yan 2012), Chinese people might, sooner or later, take the government at its word with regard to forest management, to the same extent as they are now taking it at its word with respect to pollution control.

1 Renminbi is the official Chinese currency.

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ABSTRACT Aufbauend auf Schurmanns (1968) Konzept der „Organisationsideologie“ zeigt der Artikel, dass politische Prozesse in China auch heute noch von der Notwendigkeit geprägt sind, eine wahrnehmbare Kohärenz zwischen offiziell propagierten Werten und politischen Handlungen zu schaffen. Diese Notwendigkeit prägt nicht nur politische Entscheidungsprozesse, sondern auch wie diese der Öffentlichkeit vermittelt werden. Mittels einer Fallstudie erörtert der Artikel das jüngst verhängte Abholzverbot in Naturwäldern (2014). Während die politische Maßnahme selbst die Bemühungen der chinesischen Regierung, Umwelt- und Wirtschaftsinteressen in Einklang zu bringen, versinnbildlichen soll, ist die Art und Weise ihrer Umsetzung eine symbolische Bekundung von politischem Willen und Staatskapazitäten. Die offizielle Narrative betont die entscheidende Rolle Xi Jinpings im jüngsten Entscheidungsprozess, gleichzeitig konstruiert sie rhetorisch die Pfadabhängigkeit der Einparteiherrschaft der KPCh. Sie projiziert eine positive Vision in die Zukunft, die sie mit (selektiven) empirischen Daten und individuellen Erfahrungen aus der Vergangenheit untermauert. Unter ExpertInnen ist das Abholzverbot umstritten und es birgt auch ein politisches Risiko.

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**Governing China's Informal Waste Collectors under
Xi Jinping: Aligning Interests to Yield Effective Outcomes**

ABSTRACT The present article analyses the changing relationship between the Chinese government on the one hand and informal waste collectors and pre-processors on the other. Over time, the modes of engagement have varied considerably, and since Xi Jinping's tenure as president, the approach of central and local governments has taken a surprising turn: instead of forcefully incorporating informal actors, new collection schemes appear to provide more latitude to informal actors. While the schemes feature formal characteristics, e.g. uniform logos, attire and machinery, daily operations are individually organised by informal actors. Based on a model of institutional evolution, this article argues that the hereby improved effectiveness in the domain of waste collection results from formal institutional solutions that sufficiently address the interests of all involved stakeholders.

KEYWORDS China, circular economy, informal recycling, institutions, Xi Jinping

1. Informal recycling, Xi Jinping and the new role of waste management in China's environmental policy-making

Discussions of China's policy-making often centre on the topic of economic growth and the endeavour of the Chinese Communist Party to safeguard its legitimacy to rule the country (Chen/Naughton 2017; Zhao 2017: 1-3). This governance rationale is frequently addressed by debates on the China model, its central elements and key mechanisms (see Zhao 2017: 3-7). Following Delman and Odgaard (2014), the present article asserts

an ongoing shift within China's model, which renders it less focused on economic growth, but more on the aspect of environmental sustainability and on how to strike a balance between both policy objectives. Indications in favour of such an appraisal can be traced back to the early 1990s, when the Chinese central government first demonstrated a responsiveness to issues of environmental pollution, sustainable development and ecological conservation (Hofem 2010: 9; Yi/Liu 2015:13). Key concepts such as the Scientific Development Perspective (*kexue fazhan guan*), Green GDP (*lüse GDP*), Cleaner Production (*qingjie shengchan*) and Circular Economy (*xunhuan jingji*, CE) have received increasing emphasis in five year plans and legal texts since the early 2000s (Steuer 2017: 416f; Geall/Ely 2018: 1175ff). This, by implication attests to their significance as parts of the official development strategy. At present, there are two significant concepts that appear to substantially reshape the Chinese development model. Firstly, the CE, which has been gradually introduced to China since the early 2000s, suggests closing material and energy flows within the economy so as to use resources in a more sustainable manner. As part of this waste management (WM) and the notions of reduction, reuse and recycling occupy a central position (Steuer 2018). Secondly, the concept of Ecological Civilisation (*shengtai wenming*, EC), which has experienced a revival under the Xi-Li administration¹, is emerging as the new umbrella term for promoting environmental protection, emission reduction and sustainable growth. Moreover, with Xi taking office, the overall legislative framework behind environmental protection, pollution control, energy conservation and resource development has been gradually strengthened (Zhang/Li 2018: 248). As it turns out, this step is part of an ongoing trend under his tenure, where WM in particular has attracted the president's attention. Since December 2016, Xi has personally, so the narrative goes, initiated the launch of a nationwide campaign to improve the sorting and separation of household waste, an initiative which he deems pivotal for realising a modern civilisation (Feng 2017; Song 2019).

The very recent, top-down induced push to manage household waste collides with a system that had emerged from the very opposite direction and practically dominated household waste recovery for four decades. This system refers to the organised from the bottom-up informal recy-

cling sector (IRS), which in its current form emerged in the 1980s. Rural labour migrants entered urban areas in search of work and quickly seized the vast profit opportunities to be made from recycling household waste recyclables and later, e-waste. Among Chinese academics, research on the IRS was initially neglected or rejected, as it was and often enough still is, stigmatised as a contributor to the urban waste problem (Schulz 2015: 45, 2019: 41). Such perspectives were often translated into restrictive policy making, and this trend is by no means unique to China. Globally, public policy approaches towards the IRS often feature dismissive and even repressive elements, despite the sector's contribution to resource recovery and economic welfare (Wilson et al. 2006). Likewise, attempts to privatise WM activities or to force the IRS to integrate, such as in Cairo and Delhi, have entailed adverse and livelihood-threatening implications for this group (Sandhu et al. 2017).

However, recent publications from mainland China in the field of WM indicate a change of mind as research have begun to highlight the capacity, role and possible ways of integrating the IRS into the overall WM system (Fei et al. 2016; Xue et al 2019). However, the most insightful findings, especially in order to explain the reasons behind performance, organisational flexibility and resilience, have been produced by scholars employing multidisciplinary approaches and ethnographic field research. Schulz (2015, 2018, 2019) and Schulz/Lora-Wainwright (2019) highlighted the CE capacity of the IRS in China's e-waste management. Inverardi-Ferri (2017, 2018) underscored how the collection and treatment of waste recyclables shape the livelihood of actors in the informal sector. Research by Li (2002), Tao et al. (2014), Tong/Tao (2016) and Goldstein (2017) effectively mapped the organisational and self-structuring institutional mechanisms that the IRS has adopted over time in response to external threats.

In its entirety, the findings of secondary research demonstrate the IRS' resourcefulness in operating a network of waste recovery and feed-stock provision, which in its own sense can be interpreted as the informal realm of China's CE. While not explicitly permitted, the government has acquiesced to these developments over several decades because of the direct benefits for urban WM and migrant labour employment (Li 2002; Tong/Tao 2016; Schulz 2018; Steuer et al. 2018). However, since the mid- and

late-2000s, the stance of the government has indicated a clear shift towards exerting pressure on the IRS to conform to official benchmarks. As a consequence of the CE and the EC, formalisation efforts increased and centred on IRS activities in final processing, e.g. the hydro- and pyrometallurgical treatment of e-waste as well as plastic smelting and pelletisation (Goldstein 2017; Schulz/Steuer 2017), while it exempted upstream activities such as the collection, pre-processing (separation, sorting, cleaning, balling, material extraction) and transport of waste recyclables. Yet, with the very recent launch of the household waste separation campaign spearheaded by Xi himself, it appears that the state now also strives to formalise these upstream activities. This new development increases the chances of opposition and contest, which in turn raises the probability of an outright struggle between the state and the IRS for dominance over the collection and pre-processing of waste recyclables from households.

Against this backdrop, and Xi Jinping's strong emphasis on environmental governance and his role in the waste separation campaign, the paper addresses the crucial question regarding the future of the IRS in collection and pre-processing: will it be forced to formalise and become subject to administrative coordination or is there sufficient regulatory leeway that allows for a continuation of its market-based operations?

In search of an answer to this question, this article employs a framework that centres on institutions, i.e. the systems of rules which state and non-state actors employ to realise their respective interests. This approach is inspired by field research findings of the author during 2013-2019. Initial research in Beijing, Shenzhen, Guangzhou and Shanghai was focused on assessing the quantitative recovery capacities of the formal and informal domains. However, initial investigations showed that achieving effectiveness in waste recovery can be traced back to the practice of particular rules and routines (Steuer, 2016; Steuer et al. 2017, 2018). Given the IRS' high effectiveness in this field, local and central governments have understandably attempted to incorporate the sector into the formal system. However, as the following paragraphs show, such approaches may fail to yield effective outcomes if formalisation ignores the interests of the IRS and how their informal rule systems operate.

2. An institutional model for capturing comprehending the dynamics between the state and the IRS in urban WM

Analysing the institutional interactivities and dynamics raised by the research question calls for a model that considers a multitude of factors. Firstly, urban China's WM features a particular constellation of actors with respective interests and correspondingly employed practices. Secondly, the operations of each actor group are not conducted in isolation from, but in response to, the opposite side's activities. Thirdly, both sides have over the past decades accumulated experience regarding waste recycling as well as how the opposite side operates. Learning from such information feedbacks induces changes to in the operational practices of each side over time. Fourthly, the evolutionary dynamic that leads to ever new institutional outputs is propelled by (1) the continuous emergence of waste related challenges, (2) the contest between involved actor groups with different interests, and (3) the learning from information feedbacks derived from preceding solution outputs.

In order to process these elements methodologically, the present article applies a framework that centres on institutions, i.e. systems of rules that structure the behaviour and interaction of actors, and which are used for the realisation of interests (Groenewegen et al. 2010: 372). Using institutions for the analysis of China's socio-economic transformation by no means constitutes a novelty in the context of China studies: Barry Naughton (2009) has highlighted how the interaction between formal and informal rule systems generated interest compromises and, subsequently, effective political economic reforms in China. In a similar fashion, Heilmann (2008) demonstrated how institutional experimentation and hereof resulting learning guided the PRC's gradual reform process. The present article, however, intends to go beyond these approaches by offering an evolutionary model of institutional change. Previously applied to the context of the Chinese CE, the model helps explain how the interplay between opposing institutional domains and the emergence of socio-economic challenges determine evolutionary change (Steuer 2018). Given a challenge-specific context, the model identifies repetitive institutional

patterns and in turn enables a limited prediction of a system's future development trajectory.

The basic setup of the framework starts with the functional role of institutions. These systems of rules constitute an analytical proxy, an abstract representation that captures actor-group specific behaviour patterns. Human actors use and implement these patterns, i.e. institutions, to resolve conflicts, overcome challenges and handle problems they encounter in the context of everyday interaction (Groenewegen et al. 2010: 372; Mantzavinos 2001: 7). This perspective determines the scope of analysis: instead of being centred on interactions between actor groups, the model focuses on interactions between institutional domains. These encompass the respective institutional outputs from actors and simultaneously operate as mechanisms that generate new solution outputs. The analysis in this way differentiates between a formal domain, in which codified institutions such as laws, regulations and directives constitute the primary means of problem solution, and an informal domain, where habits, routines and norms are the dominant components. Doing so implies the reductionist assumption that the state and all formalised actors mostly, yet not exclusively, resort to formal rules for solving encountered problems and thus operate within the formal domain. On the other hand, the actors of the IRS are the representative decision-makers of the informal domain, as they use informal rules to achieve their objectives. Whether the solution outputs of both domains are oppositional and conflicting or rather congruent and compatible in their execution, very much depends on the interests that respective actors pursue in the solution-finding process. By implication, both domains are shaped and defined on the basis of the interests that their respective actor groups promote. This aspect will be further discussed at the end of the section.

The interplay between the two institutional domains constitutes part and parcel of the evolutionary dynamic that propels institutional change. In the first instance, institutional evolution results from the incessant cyclical sequence of problem emergence, a responsive creation and implementation of institutional solutions from both domains and the subsequent emergence of a new problem. In the second instance, institutional evolution is also driven by the responsive interaction between the two domains. In other words, the solution finding and implementation process of one domain does not only respond to the problem or challenge per

se. Indeed, it is informed and influenced by the solutions created by the opposing domain, particularly by the interests expressed in the opposing side's institutional output. As both sides create and subsequently put institutional solutions into practice, they in turn trigger the third evolutionary process, which is the emergence of information and learning feedbacks. These instances of feedback essentially convey how effectively an implemented rule solution solves the problem and promotes the specific interest of actors belonging to the rule-issuing domain. As a further consequence, such feedback generates a long-term effect, as it enhances the capacity of domain-specific actors to engage in solving a related problem in the future. In summary, the model captures institutional evolution as unfolding over two incessantly repeating sequences: firstly, the emergence of a challenge or problem, which induces solution-finding and respective implementation by both domains (Figure 1), and secondly the information feedback process, which informs domain related actors about how well the institution has performed in solving the problem and realising respective interests (Figure 2).

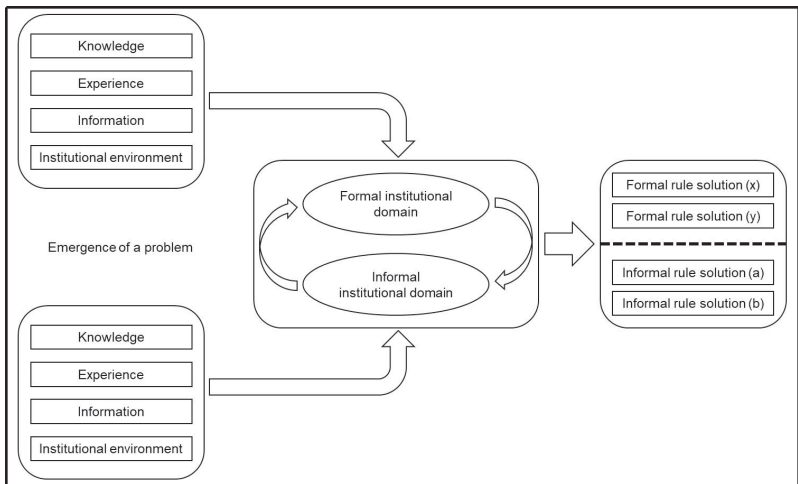


Figure 1: The first sequence – Problem emergence, solution finding and implementation

Source: Steuer 2018

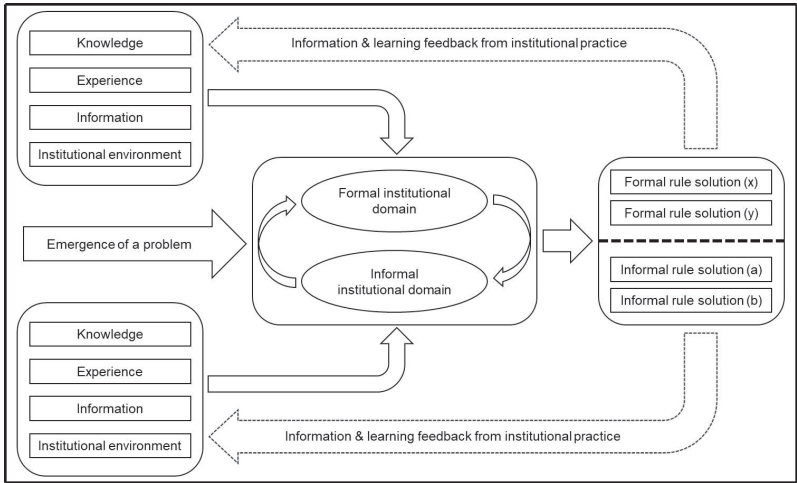


Figure 2: The second sequence – Information feedback from institutional practice
 Source: Steuer 2018

The decision to centre the analysis on institutions instead of actors has specific implications regarding how the reality of power structures is depicted. It involves a shift away from measuring power in conventional terms, e.g. evaluating power structures based on discretionary pecuniary means held by a specific actor group. Rather, the institutional perspective enables the assessment of power relations based on institutional presence and durability, which relate to the emergence, transformation and abolishment of institutional practices. In the context of this model, power relations are to a significant extent also expressed in institutional effectiveness. Comparatively more effective institutions will be imitated by ever more actors up to a point at which they become the dominant practice. On a general level, institutional effectiveness is indicated by (1) the length of time that an institution remains in place unchanged, and (2) *simultaneously*, by the continued use of the very institution by related actors. More specifically, however, institutions need to fulfil two essential premises to become truly effective problem solving mechanisms: Firstly, they need to be technically effective. In the context of this article, we can, for example, consider routines or regulations as technically effective if they ensure the

collection and recovery of discarded materials. Technical effectiveness is essentially a quantitatively measurable quality. The secondly order of effectiveness relates to the degree of interest inclusiveness. This means that an institution practiced and implemented to serve the interests of one group has to the largest possible degree take the interests of the opposing actor group into account. For example, a formal regulation on collection has to consider all involved stakeholders and offer some leeway for the realisation of their respective interests, e.g. faction-specific preferences and the profit calculations of private collectors. Upon fulfilment of these two preconditions an institution is more likely to garner the acceptance of all involved actor groups, which in turn guarantees its practice over a sustained period. Falling short of these premises would instead lead to a challenge of the institution by alternative institutions from the opposite side. In the sense of institutional dynamics, the so initiated process of contest could further lead to broader institutional change and subsequently to changes in the Broader socio-economic power relations.

A crucial determinant in this conceptualisation relates to the definition of the various interests that are held by actors of the two domains. In regard to the applied context, the model conflates existing differences between central and local government actors, which dominate the formal domain, and identifies their interests as primarily environmental-economic: environmental in the sense that the government actors strive to realise the EC; simultaneously, interests in the formal domain feature a strong economic element, as official sustainability efforts are also linked to the CE, which is an essentially economic concept in the PRC (Steuer 2018). The informal domain, on the other hand, is exclusively driven by economic interests, expressed through individual goals of achieving an improved livelihood (Tong/Tao 2016; Steuer et al. 2018). The latent congruences in interests between both sides lay the foundations for interest inclusive and thus effective rule solution outputs.

Bearing the theoretical viability for achieving effective institutions in mind, the following sections focus on answering the research question and therefore trace the degree of IRS formalisation vis-à-vis the retention of its institutional independence. While the former implies subordinating the informal domain under administrative guidance with informal solution-finding limited by formal institutional constraints, the latter refers to the

continuation of informal institutional innovation and practice based on the coordinating forces of the market. In the following paragraphs, the article will first provide a short introduction to how the current constellation between the two domains came into being, and then highlight how the formal-informal dynamic unfolded over the past decades. The subsequent section will juxtapose these developments with the more recent patterns of institutional interaction that have taken place since Xi's tenure began. The conclusion then highlights the novelty of top-down approaches under Xi, how reconciliation between both domains can be achieved, and what the future holds for the formal-informal relationship.

3. The two domains in China's urban waste management: Emergence and cooperation

The origins of the two domains can be traced back to broader historical developments within the socio-economic and political environment in mainland China (see Schulz 2019: 37ff). Most significantly for the analysis in this article, is the shift from a formal dominance in waste recycling to a by and large informally dominated one. This transformation started when the state abandoned its well-developed public waste recovery system in the 1970s due to budget concerns and the focus on economic growth. At about the same time, rural decollectivisation prompted a surge in the number of migrant labourers, who entered the cities in search of employment. Some of these actors became unregistered entrepreneurs in their very own right, as they realised the untapped potential of collecting ubiquitously available household waste recyclables and sold them to manufacturing industry. With the domestic economy on the rise in the 1980s, the demand for feedstock among the export-oriented industry was as yet unsaturated and extremely high, which in turn benefitted these entrepreneurs and helped to form the modern foundations of the IRS. Moreover, the activities of waste collecting and trading actors were promoted by national and local governments during the early reform period. The former issued two significant regulations – one demanding local governments to provide private entrepreneurs (*getihu*) of the IRS with permits

for waste recyclable recovery (MOC et al. 1985), the other permitting the purchase and trade of waste recyclables through the market (SC 1991). Local governments furthermore acquiesced with the IRS, as their operations helped reduce municipal budget expenditures for WM² (Li 2002). These developments clearly exhibit a high degree of institutional effectiveness, as both domains devise institutional solutions that address the very same problem and feature highly compatible interests. The relatively large margin of latitude conceded by the formal to the informal domain corresponds to the moderately liberal *zeitgeist* in Chinese politics at the outset of reforms. Formalisation measures merely aimed to register and legally bolster informal activities, but refrained from impeding the IRS' interests of profit realisation.

As a consequence of this essentially market-oriented phase of the institutional dynamic, two systemic particularities evolved in China's WM structure. Firstly, the unimpeded practice of market-oriented institutions in the informal domain enabled the IRS to emerge as the dominant force in household waste recovery and recycling. This achievement is reflected in the sector's waste recyclable collection and recovery performance, which ranges around 17-38 per cent (Linzner/Salhofer 2014: 903), but in individual cases may reach 90 per cent, as shown by field research in one of Beijing's subdistricts (Steuer et al. 2018: 62). For the specific category of e-waste, a secondary literature survey by the author indicated that informal collection recovers 60-80 per cent of the quantities generated by urban households (Steuer 2016: 292). These achievements are in large part the result of the IRS' specific institutional arrangements: the division of labour, and resulting specialisations such as collector groups, transporters, intermediary buyers and pre-processors (Steuer et al. 2017); spatially adjusted waste trading points and markets (Li 2002; Tong/Tao 2016; Steuer et al. 2017) that operate as local nodes for transregional networks all over China (Goldstein 2017; Schulz/Lora-Wainwright 2019); and methods for preserving material value as well as communication techniques to establish and maintain contact with waste recyclable generators. Essentially, the key to the success of the IRS lies in its decentralised approach to institutional solution finding: internal information exchange and communication, learning by doing, demand-oriented fraction recovery, network manage-

ment, imitation of successful solutions, and the high degree of flexibility constitute institutional elements that can be observed among IRS practitioners all over China (Steuer 2018). While these institutional innovations have emerged in the specific context of urban China, their origins can be traced back to historical developments in rural areas where the IRS actors were socialised. According to Rawski (2008: 11ff), political pressures and the struggle for survival in 1950-1970 cultivated a strong entrepreneurial spirit among individuals and equipped them with an “unusually rich and flexible portfolio of organisational skills...to pursue economic advantage”. Given the IRS’ success in the cities, it appears that the institutional practices in the city by and large constitute a replication of institutional mechanisms that have proved effective in the past. Secondly, the public sector, after having granted substantial leeway to the IRS, side-lined its own recycling operations and focussed on landfilling and incineration from the late 1980s. The latest figures published by the government in 2017 show that the proportion of recycled MSW constituted a mere 3.5 per cent, while landfilling (57 per cent) and incineration (40 per cent) continue to be the dominant treatment practices of the public sector (MOHURD 2017).

As a result of these waste treatment preferences, the WM strategy of the government has led to a highly unsustainable performance. Its results may partially explain the motivation behind official efforts to initiate a turnaround towards enhanced sustainability in WM. Earlier related measures aimed at incorporating sustainable policy concepts such as the CE (since the early 2000s in legal documents) and the Ecological Civilisation (EC) (as a topic of the 12th Five-year plan in 2011) into China’s development model. This gradual shift towards sustainability modified the interest alignment within the formal domain and in turn affected the balance of interests between both domains. By implication, the purely profit-oriented rule solutions of the informal domain became increasingly incompatible with the formal domain’s shift in interests toward strengthening environmental sustainability. As a result, the institutional dynamic between both sides took a turn towards an increasingly oppositional and contesting institutional dynamic in the mid-2000s.

4. Diverging interests and local formal pushback against the IRS in the mid-2000s

After having by and large ceded recyclable waste collection and pre-processing to the informal domain during the 1980s and 1990s, the mid 2000s featured a substantial change in methods within the formal domain. In this regard, the two instances of central and local government have to be distinguished. Firstly, the central government significantly strengthened the institutionalisation of urban WM via the issuing of major laws during the early and mid-2000s (Steuer 2017). Interestingly, none of these legal documents did in any way address or prohibit the activities of the IRS. Rather, when reading between the lines, key national regulations are found to have provided significant leeway for the IRS to pursue its activities. For example, the first revision of the Solid Waste Law in 2004 contributed significantly to clarifying tasks and duties in waste collection. A central feature, newly amended in this version, is the outsourcing of waste collection as a former public responsibility to private entities that hold the necessary permits. While privatisation of WM might have been the primary goal, acquiescence and indirect support of IRS activities were the direct effect of this legal latitude (ibidem: 420). Similar trends are exhibited in other legislative measures of the central government, such as the Circular Economy Promotion Law and the China WEEE Directive. Both texts emphasise the process of collection, yet again without providing any restrictions on IRS practices (Steuer 2018: 325, 329). Rather, in recognition of informal dominance, central legislators added a clause that permits ‘multi-channel’ collection (*duoyuan qudao huishou*), which tempts us to interpret the law as being supportive of, or at least indifferent to, the IRS (Steuer 2016; Schulz/Steuer 2017). Thus, from the analytical perspective of this model, the relevant institutional output of the central government can be understood as effective in both instances: central regulations were conducive for waste recyclable collection and for nurturing the CE, which implied addressing perceived challenges and interests of the formal domain that substantially differed from previous decades. Simultaneously, these

and other measures did not impede informal activities, but via providing loopholes rather helped realise the profit-centred interests of the informal domain. The common denominator, it seems, is the IRS' contribution to the CE and the reduction of unemployment, which is compatible with sustainability and the economy-related interests of the central government.

Local governments, on the other hand, which are tasked with refining central regulations and implementing these, have exhibited considerable variation in their approaches towards the IRS. Their overall institutional output on informal collection and recovery over recent years (Figure 3) offers some telling insights. Firstly, measures calling for a prohibition or formalisation of the sector predominate over those in favour of IRS support or acceptance. Secondly, the overall number of issued regulations is extremely low. This comes as somewhat of a surprise given China's vast population, the visible dominance of the IRS and the strong policy impetus behind the promotion of WM since the early 2000s (Steuer 2017). Thirdly, annual regulatory output appears to have peaked in 2008, after which it declined steadily. The reasons for this development are difficult to pinpoint. On the one hand, they may comprise particular local developments, such as the preparation for the Beijing Olympics, which entailed exceptionally rigid urban planning and safety measures that also affected the IRS (Tong/Tao 2016: 14). On the other hand, the quantitative spikes in issued regulations for 2008 and 2010 may also stem from imitative measures at the local level. These tend to emerge in response to central government provisions, with the aim of fulfilling top-down conveyed, yet only vaguely specified, expectations (Schulz/Steuer 2017; Steuer 2018). In this sense, the intensity of local regulatory responses in 2008 and 2010 can be interpreted as attempts to align local measures with central requests. In 2006, 2007 and 2009, the central government published several strategy guidelines on waste recycling, which also promoted tightening control and oversight over the WM system. While this did not imply a crack-down on the IRS, local governments in some instances seem to have deemed harsh approaches as necessary for complying with the national agenda (Tong/Tao 2016: 14).

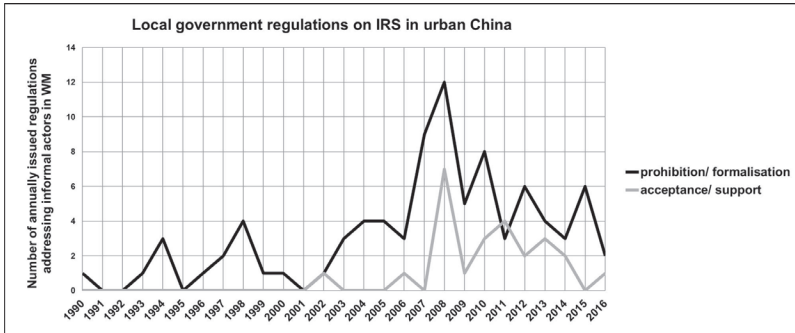


Figure 3: The regulatory approach of local governments towards the IRS
Source: adapted from Steuer et al. 2018

When evaluated in the context of this model, the regulatory approach of the formal domain at the local level appears to have fallen short of achieving effectiveness. This official failure to improve recycling is amply demonstrated by some of the few documented cases of local governments engaging with the IRS. In Beijing, attempts to incorporate 90 per cent of active collectors into a scheme with specifically designated workplaces failed due to insufficient profit incentives and more lucrative income options offered by the informal domain (Zhong 2010: 53f; Tong/Tao 2016: 14). Additionally, closures of informal markets for waste recyclable trade were thwarted, as these vital nodes of the IRS infrastructure simply relocated once regulators expelled them from their original location (Tong/Tao 2016). Again, these institutions appear to have remained in operation due to their contribution in creating value for the IRS. Similar examples were documented for the cities of Guangzhou, Hangzhou and Wen'an. The former two cases illustrate attempts by the government to absorb actors of the IRS into public-private partnerships for waste collection and recovery. While initially deemed successful, particularly in terms of achieving a compromise with conflicting interests, local administrators at one point began to levy comparatively high fees from participating collectors. In the face of losing a substantial proportion of their incomes, actors of the IRS

left the schemes and returned to engaging in unfettered, market-based waste trading (Steuer 2018: 364f). In Wen'an, local authorities attempted to disperse informal waste plastic reprocessing structures by conducting an enforced relocation into the newly constructed local industrial park. Due to high fees, expectations of low profit margins and rigid regulations, informal reprocessors simply left Wen'an and relocated elsewhere (Goldstein 2017).

Notwithstanding the IRS' contribution to waste reduction, recycling, and reducing municipal expenditures on WM (Steuer et al. 2018), the above cases are indicative of the local governments' prohibitive and expulsive approach towards the IRS. These institutional trends have however demonstrated little effectiveness, as measures of expulsion, forced integration and formalisation were in general met with evasion and subsequent relocation by informal collectors. Previous research by the author indicates that such responsive patterns have been institutionalised, i.e. repeatedly applied by the IRS, and practised in various regions in China (Steuer 2016, 2018: 362-370). The root of these shortcomings can be traced back to incompatible interests between local governments and the IRS. The aim to control and monitor, possibly in pre-emptive obedience to central expectations, paired with the intention to levy revenues from informal collectors, gave rise to formal solutions that infringed the core interests of the IRS. By implication, the institutional output of both domains during this period resembled a contest between market and administrative approaches, which developed in favour of the former. It is difficult to trace if and how the formal domain at local and central levels gained instances of learning feedback from this contest. Yet, the developments in the formal domain since the begin of Xi Jinping's tenure in 2012 show that the problem has been considered important enough to induce a change into the institutional dynamic.

5. A new formal approach towards the IRS under Xi Jinping

The alteration in the formal domain that in turn led to a substantial modification of the interplay between both sides is fundamentally linked to Xi Jinping's strong emphasis on environmental protection. This

core theme of Xi's presidency helped to reshape the interest orientation of the entire formal domain, as it picked up on and enhanced previously promoted sustainability concepts in China's policy making. Xi not only used his 'Chinese Dream' and 'Beautiful China' visions as vehicles to reposition the EC as a key concept for realising green growth and a sustainable economy (Schulz 2018: 33). He furthermore appeared to have incorporated WM and recycling as important pillars of the EC, which play an ever-growing role in the narrative. In China's war on pollution from waste the 2013 waste import control measure 'Green Fence' (*lü li*) and the 2018 'National Sword' import ban (*guomen lijian*) constitute two flagship operations tightly associated with Xi's 'Beautiful China' vision (Schulz 2018: 136; Boteler 2018). On the domestic front, Xi hailed CE businesses as an industry on the rise (Zhou 2016), and has on multiple occasions expressed a firm determination to improve waste separation and recycling, particularly those streams generated at the household level (Feng 2017; Song 2019).

With the president's agenda increasingly centred on household waste pre-processing and recycling, significant actors within the formal domain began to underscore this element of interest by means of related institutional outputs. At the central level, the Ministry of Commerce issued an opinion on upgrading the secondary resource recovery industry and therein stated the necessity to make full use of waste pickers (*sic!*) and informal businesses (MOC et al. 2016: art.6). Secondly, the Ministry of Industry and Information produced a strategic guideline on the secondary resource industry to safeguard the advancement of the EC (MIIT et al. 2016: art. 1). Finally, the State Council followed up on this line, issuing a measure for a household waste sorting scheme, which stipulated that new waste collection and separation models be derived from local pilot schemes (SC 2017). This alignment of interests within the formal domain is particularly notable, as ministerial actors with economic portfolios, in particular, decided to display substantial fervour in advancing Xi's environmental agenda. Possibly even more unusual is the strong response at the local level to the impetus from within the central government. Local governments eagerly aligned with Xi Jinping's newly promulgated interests, and soon after the beginning of his campaigns in 2016/17, legislators from all over China launched a plethora of regulations on household waste separation (*shenghuo laji fenlei*) (see Figure 4).

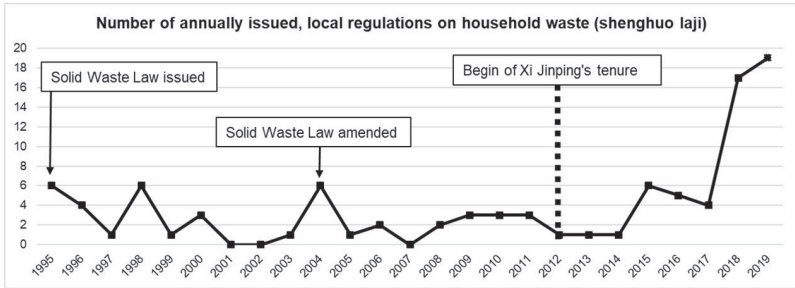


Figure 4: Number of annually issued regulations on household waste separation
 Source: own elaboration; Peking University law database based on <http://www.pkulaw.cn>

When compared with previous local regulations, these new institutional solutions feature substantial modifications, as they provide leeway for, and to some extent even incorporate, IRS practices. For example, the cities of Fuzhou (SCPCF 2019: art. 36) and Guangzhou (SCPCG 2018: art. 39) have allowed multi-channel collection, which implies the inclusion of informal collectors. Changchun (SCPCC 2019: art. 23/4) and Taiyuan (SCPCT 2019: art. 25/1) have authorised the selling of waste materials to collectors, which is again indicative of IRS practices. Ningbo (SCPCN 2019: art. 30) and Wuxi (SCPCW 2019: art. 44) have suggested the implementation of collection points and doorstep collection systems using standardised prices, which in their nature resemble previous institutional arrangements used by the IRS (Li 2002; Steuer et al. 2018). As can be discerned from these extracts, the new institutional environment of the local formal domain is shaped in such a way that it enables informal interest realisation rather than prohibiting it.

The origin of these significant legal modifications can be traced back to preceding local pilot policy schemes, which in themselves constituted a response to the central government's emphasis on household waste sorting and recovery. In two key documents, which coincided with Xi Jinping's campaigns on the subject matter, the State Council and the Ministry of Commerce underscored the need to conduct policy trials in order to solve

the particular challenge (MOC, 2016; SC 2017). The details of some of these local schemes reveal a striking difference from earlier WM pilots. In essence, previous practices of designating specific targets on informal actor integration or allocating work duties to the IRS (Steuer 2018: 332ff) have been abandoned in the novel pilots. In what seems to be a more relaxed approach, the new schemes are confined to a few structural guidelines: the use of uniform clothing and company logos, the provision of transparency on material prices, offering online platforms that facilitate service arrangements with households, and the documentation of recovered quantities. Moreover, participating IRS actors appear not to be subject to any levies to local state entities, nor are they bound to change their operational routines (DDD 2017). This is particularly important, as it does not infringe on the core interests of the IRS. One of the schemes, visited by the author, is Changchun city's Ant Recycling (*mayi huishou*), which constitutes an officially sanctioned project of the local Resource Recycling Association. The Association, itself established by stakeholders formerly belonging to the IRS, came to an agreement with the municipal government to initiate a pilot scheme for household waste sorting, collection and transport. The basic requirements set forth by the formal domain centred on setting standards for work attire, collection truck size, duty hours, cleanliness, as well as documentation of recovered quantities. However, the aspects of price-setting, initial location choice, and most significantly income, were entirely left to decision-making procedures within the Association. Evidently, this soft approach towards formalisation strikes an effective balance of interests between the formal and the informal domain. Field observations at designated collection sites further confirmed the impression that the local government simply allowed the formerly informal system to upgrade into a relatively more formal context (Figure 5): The head of one collection point stated that the present way of operations in essence adhered to the routines he practised during his time in the IRS. Only now, do people seem to be even more willing to transfer materials to his station, as they feel it conveys the impression of conforming to official norms (Personal communication with Mr Wang, Changchun, Lüyuan district, Zhengyang Street, 8 April 2019).



Figure 5: Formalised waste collection point of Ant Recovery in Changchun
 Source: Steuer 2019

6. Conclusion

Urban WM is one of the institutionally most dynamic and simultaneously least discussed topics in the research on China's environmental policy. However, this shortcoming may be prone to change due to the

particular impetus of Xi Jinping's environmental governance. Not only did the waste import bans in 2013 and 2017/18 rattle international waste trading networks (Schulz 2019), his domestic campaign moreover reshaped the relationship between formal and informal institutional domains in WM and, by extension, environmental governance. For the first time, it seems, various localities have found a *modus vivendi* of integrating the IRS without demanding either side to sacrifice much.

How did both sides arrive at this stage and how stable is this outcome? In this regard, the following aspects are worth pondering. Firstly, the most significant novelty in this new approach, which Xi's campaign had triggered, is that the formal domain issued institutional solutions that refrain from infringing informal interests. While these regulatory outputs avoid excessively highlighting the IRS and its role, the practical implementation via pilot schemes shows that formal institutional solutions have taken the opposing domain into account and provide due leeway for its operation. From the perspective of the analytical model, these institutions can be perceived as effective, since they address the challenge of waste collection and separation while simultaneously considering the interests of the informal domain. Secondly, and this comes as a bit of a surprise, the preceding institutional lock-in on how to engage with the IRS within the formal domain was dissolved by Xi's campaign and his resoluteness regarding household waste separation. As discussed above, these developments not only induced a shift in interests among the central state, and subsequently also local state, actors. Moreover, Xi's authority and the concentration of political power amassed in his person apparently generated the necessary momentum to break the previous deadlock. Interestingly, the choice within the formal domain, possibly informed by information and learning feedback from previous interactions with the IRS, was to put less emphasis on administrative management, but to allow for more market coordination of informal waste collection practices. As demonstrated in the very recent pilot schemes on household waste collection, the respective response from actors within the informal domain is to opt for a middle ground. Previously informal operators, such as in Changchun, maintain their old routines and practices, yet at the same time they provide government with better insight and monitoring, e.g. via documenting recovered quantities. This constellation directly leads to the third

and final aspect, which relates to the future of the current formal-informal relationship. With regards to market coordination, the Xi administration has since its beginnings called for allowing the former to take a “determining role in resource allocation” and to experiment with ‘negative lists’ that permit any economic activity that is not explicitly limited (Chen/Naughton 2017: 31). While this governance approach appears to bear much in favour of the IRS in terms of waste collection and recovery, it should be taken with a grain of salt. Yvan Schulz, for example, argues that China’s modernisation in WM is a highly exclusionary undertaking that leaves little room for actors outside of the formal realm. Taking a deep dive into the intricacies of the official ideology, he shows how the state uses the ritual of institutionalisation (*zhiduhua*), rule conformity (*hegui*), and formalisation (*zhengguihua*) to absorb segments outside of the official system. Once fundamental incorporation and control are realised, the subsequent steps then aim to coordinate these new systemic components in accordance with the needs and objectives of the formal domain (Schulz 2019: 35-39). Indeed, the current pilot schemes request the IRS to register and provide operative data. Doing so in turn enhances the government’s capacity to monitor and, if necessary, enhance control over these semi-formalised activities. As both sides now stand at the crossroads, the dynamic perspective suggests that any new measure from either side will unbalance the current balance of interest realisation and reignite new sequences of institutional evolution.

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- 1 Originally, the term was coined in the Soviet Union in the early 1980s, translated into Chinese in 1986, and scientifically discussed by agricultural economist Ye Qianji, who, amongst others, described it as an accomplishment in harmonising the human and the natural environment (see http://www.zghjgl.com/ch/reader/create_pdf.aspx?file_no=20150827007&year_id=2015&quarter_id=4&falg=1). On

the political stage, the EC firstly appeared in a speech by then president Hu Jintao, citing it as a new strategic element with which to guide China's development (Geall/Ely 2018: 1183)

- 2 Note, for example, the statement by Wang Weiping, a notable scholar on China's CE, who worked at the Beijing Department for Environment and Hygiene in the mid-1980s. In this function he formally permitted the IRS access to landfills in the hope their services would reduce public WM expenditure (see <http://huanbao.bjx.com.cn/news/20190915/1007057.shtml>).

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ABSTRACT Der vorliegende Artikel untersucht die Beziehung zwischen chinesischer Regierung und informellen Abfallsammlern. Im Laufe der Zeit haben sich die jeweiligen Interaktionsformen mehrmals geändert, aber erst unter Xi Jinpings Führung hat sich ein neues Verhältnis bis dato unbekannter Ausprägung herausgebildet: Entgegen der Annahme der Staat würde die Integration des informellen Sektors weiter forcieren, erlauben gegenwärtig praktizierte Modelle der Abfallsammlung informellen Akteuren einen großen operativen Freiraum. Auf Grundlage eines evolutionsökonomischen Modells argumentiert dieser Beitrag, dass institutionelle Lösungen in der Abfallsammlung dann effektiv sind, wenn sie den Interessen aller involvierten Akteure ausreichend Rechnung tragen.

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Interview

GERHARD HAUCK

„Was der Entwicklungsforschung als Gegenstand noch bleibt ...“

Der Sozialwissenschaftler Gerhard Hauck (*1939) studierte Ethnologie und Soziologie in Heidelberg und beschäftigt sich seit den frühen 1960er-Jahren mit entwicklungstheoretischen Fragen. Im deutschen Sprachraum zählt er seit vielen Jahrzehnten zum Kreis der wichtigsten KritikerInnen des dominanten Entwicklungsparadigmas. Als transdisziplinärer Grenzgänger überschreitet er konsequent die Schranken institutionalisierter Fachrichtungen und gewinnt etablierten Themengebieten neue Facetten ab. Im Interview schildert Hauck, was ihn ursprünglich zu einer kritischen Beschäftigung mit Entwicklungsfragen bewegte, wie er die Zukunft der Entwicklungsforschung sieht und welche Rolle die Verhandlung von Gerechtigkeits- und Wahrheitsfragen in seinen Werken spielt.

Das Gespräch führte Clemens Pfeffer.¹

Clemens Pfeffer (C.P.): Herr Hauck, als studierter Soziologe und Ethnologe beschäftigten Sie sich in den letzten Jahrzehnten mit einer Fülle an Themen aus den Bereichen der allgemeinen soziologischen Theorie, der Ethnosoziologie und der Kolonialismusforschung. Begreifen Sie sich auch als Entwicklungsforscher?

Gerhard Hauck (G.H.): Ja, halb als Entwicklungsforscher, halb als Ethnosoziologe bzw. Ethnologe.

C.P.: Ab wann haben Sie sich für Fragen von ‚Entwicklung‘ interessiert und wie ist es dazu gekommen?

G.H.: Ich habe in den frühen 1960er-Jahren Ethnologie und Soziologie in Heidelberg studiert und war damals sehr an ‚der Praxis‘ interessiert. Ich dachte mir, mit Ethnologie und Soziologie kann ich ‚denen‘ in den Entwicklungsländern helfen, damit kann ich etwas bewirken. So ein bisschen naives Engagement war damals bei meiner Studienwahl dabei. Ich dachte mir, ich könnte die Ethnologie und Soziologie verbinden und mich in der Entwicklungshilfe engagieren.

C.P.: Wie wurde in den 1960er-Jahren an der Universität Heidelberg über ‚Entwicklung‘ im Globalen Süden gelehrt?

G.H.: Generell war das Klima an den deutschen Universitäten – speziell in Heidelberg – ein stark neopositivistisches. Man ging davon aus, dass allgemeine soziologische Gesetzmäßigkeiten entdeckt und dazu benutzt werden könnten, um Strategien für ‚Entwicklung‘ in ‚Entwicklungsländern‘ zu entwerfen. Das halte ich heute für sehr naiv, aber das war das Klima, in dem ich angefangen habe, mich für Entwicklungsfragen zu interessieren. Als ich Mitte der 1960er-Jahre in meiner Dissertation² mit der Rolle der politischen Führungsschichten in den neuen unabhängigen afrikanischen Staaten beschäftigte, versuchte ich die ganzen Werke der damals neu entstandenen ‚Entwicklungssoziologie‘ zu rezipieren. Ich studierte vor allem die amerikanische soziologische Literatur: Bert F. Hoselitz, Wilbert E. Moore, Walt Whitman Rostow usw. Von Kritik am Entwicklungsparadigma war damals noch keine Rede, und auch die enge Verbindung zwischen ‚Entwicklung‘ und Kolonialismus war mir zu jener Zeit nicht bewusst.

C.P.: Ab wann haben sie angefangen, das Entwicklungsparadigma zu hinterfragen? Wodurch wurde ihre kritische Beschäftigung befördert?

G.H.: Die Protestbewegungen der späten 1960er-Jahre waren natürlich entscheidend, um von der technokratischen Wissenschaftsauffassung wegzukommen und ein kritisches Bewusstsein zu bilden. Ich war dann 1968 für einen Forschungsaufenthalt ein halbes Jahr in Indien und beschäftigte mich dort mit der posthumen Bedeutung Mahatma Gandhis

für die indische Gesellschaft. Zusammen mit einem indischen Freund, der auch in Heidelberg studiert hatte, organisierte ich Umfragen und Diskussionsrunden. In diesem Zusammenhang habe ich viel gelernt und angefangen, über koloniale Verhältnisse nachzudenken.³ Inzwischen ist völlig klar, dass man einen der entscheidenden Bestimmungsfaktoren für kapitalistische Entwicklung und ‚Unterentwicklung‘ vergisst, wenn man in diesem Zusammenhang nicht von Kolonialismus spricht.

C.P.: Wie hat sich ihre Perspektive auf ‚Entwicklung‘ damals konkret verändert?

G.H.: Lange Zeit war es so, dass EntwicklungsforscherInnen dachten, sie hätten isolierte Einheiten vor sich – Dörfer, Regionen, Staaten –, in denen man ‚Entwicklung‘ durch externen Einfluss ‚induzieren‘ könne. Fortschritt wurde mit ‚Entwicklung‘ gleichgesetzt. Vergessen wurde dabei, dass es diese isolierten Einheiten gar nicht gibt. Dass das einzige System, um mit Immanuel Wallerstein zu sprechen, das wir heute isolieren können, die Weltgesellschaft ist, und dass das, was auf einzelgesellschaftlichen, regionalen, nationalen Ebenen passiert, niemals isoliert von Weltmarktzusammenhängen betrachtet werden kann. Ich denke, dass EntwicklungsforscherInnen immer in Weltmarktzusammenhängen denken sollten.

C.P.: Ist es sinnvoll, am Begriff ‚Entwicklung‘ festzuhalten? KritikerInnen aus dem Feld der Post-Development-Studies fordern u.a. einen radikalen Bruch mit dem Entwicklungsbegriff.

G.H.: Was der Entwicklungsforschung als Gegenstand noch bleibt, ist in erster Linie – wie ich kürzlich in einem Beitrag zum *Handbuch Entwicklungsforschung*⁴ ausgeführt habe – eine Auseinandersetzung mit dem in immer neuen Gewändern auftretenden Entwicklungsbegriff. Dieser wird in unterschiedlichen Zusammenhängen unterschiedlich benutzt. Er wird aber auch dazu verwendet, Illusionen zu wecken. Der Entwicklungsbegriff dient häufig dazu, das gegenwärtige Weltsystem zu legitimieren, ein System, das von einem starken Wert- und Reichtumstransfer von der Peripherie in die Metropolen, von peripheren in die metropolitanen Wirtschaftssektoren bestimmt ist. Das Paradigma besagt: ‚Entwicklung muss

sein!‘, ‚Ihr müsst euch entwickeln!‘. Dabei ist klar, dass unter ‚Entwicklung‘ die totale Integration in den Weltmarkt verstanden wird. Die Menschen im Globalen Süden sollen Teil des Weltmarktes werden und als *homines oeconomici*⁵ ihre Lebensweise dem westlichen Vorbild anpassen. Eine solche Vorstellung impliziert, dass alle Produktions- und Lebensweisen, die nicht weltmarktkonform sind, unter dem Vorzeichen der ‚Entwicklung‘ verschwinden müssen. Das betrifft beispielsweise die Subsistenzproduktion. Insofern haben der Entwicklungsbegriff und seine allgemeine Verbreitung wesentlich dazu beigetragen, dass die auf dem Weltmarkt herrschenden Mächte, die auf stetige Ausweitung der Marktproduktion angewiesen sind, in ihrer Position gestärkt wurden.

C.P.: Warum war Ihnen die Überwindung disziplinärer Grenzen in der Forschung so wichtig? Welche Vorteile bringt ein interdisziplinärer Zugang in der Entwicklungsforschung aus ihrer Sicht?

G.H.: Die reine Ökonomie hat es nicht gebracht! Eine Zeit lang war der Gedanke von der totalen Weltmarktintegration auch in der Wissenschaft sehr dominant. Dabei wurden häufig die ökonomischen und politischen Machtverhältnisse ausgeklammert. Eine Entwicklungsforschung, die Herrschaftsverhältnisse – auf globaler und lokaler Ebene – nicht behandelt, hat keinen Realitätsbezug. Gerade in Hinblick auf die Analyse von Herrschaftsverhältnissen ist die Überwindung der disziplinären Grenzen notwendig. Die Beschäftigung mit den Marktgesetzen ist die eine Seite. Auf der anderen Seite darf nicht vergessen werden, dass der Weltmarkt und alle anderen Märkte auch enorm machtdurchsetzt sind. Diese Machtdurchsetzung muss in erster Linie analysiert und dechiffriert werden, wenn man eine Besserung im Globalen Süden erzielen will.

C.P.: Welchen Stellenwert hat regionale Forschung in der Entwicklungsforschung und welchen sollte sie Ihrer Meinung nach haben? Wie wichtig ist die Verbindung von regionaler Spezialisierung und theoretischer Beschäftigung mit Entwicklungsfragen?

G.H.: In den Anfängen der Entwicklungssoziologie bzw. Entwicklungsforschung wurden sehr viele Theorien über die ‚Entwicklung‘ von

Gesellschaften aufgestellt, während kein oder nur wenig Wissen über außereuropäische Gesellschaften vorhanden war. Dieser Zugang war zum Scheitern verurteilt. Auf Basis einer rein theoretischen Beschäftigung können keine Erkenntnisse über notwendige Entwicklungsprozesse oder Verbesserungen im Globalen Süden gewonnen werden. Das regionalspezifische Wissen ist mindestens so wichtig wie das theoretische Wissen.

C.P.: Wie sollte Entwicklungsforschung aus ihrer Sicht institutionell organisiert sein? Mit Blick auf die Wissenschaftsarchitektur: Soll Entwicklungsforschung eine eigene Disziplin werden?

G.H.: Ja, natürlich. Also in meiner Vorstellung wären das dann Institute mit einem bestimmten regionalen Fokus, wie beispielsweise das Lateinamerika-Institut in Berlin. Dort arbeiten sozialwissenschaftliche und ökonomische TheoretikerInnen, PolitologInnen, EthnologInnen und ÖkonomInnen mit RegionalwissenschaftlerInnen zusammen. Was sie verbindet, ist ein bestimmter regionaler Schwerpunkt. In regional fokussierten Instituten – diese Erfahrung habe ich auch am Institut für Ethnologie und Afrikastudien in Mainz gemacht – funktioniert die transdisziplinäre Zusammenarbeit am ehesten. Besser jedenfalls als in irgendwelchen isolierten Theorieinstituten. Ich denke, mit transdisziplinär ausgerichteten, aber regional fokussierten Instituten könnte die Entwicklungsforschung große Fortschritte machen.

C.P.: Sie sprechen im bereits erwähnten *Handbuch Entwicklungsforschung* (2016) davon, dass zwischen der theoretisch und der empirisch geleiteten Entwicklungsforschung ein gewisses Spannungs- und Konkurrenzverhältnis besteht. Wie erklären Sie sich dieses?

G.H.: EthnosoziologInnen und EntwicklungssoziologInnen beschäftigten sich früher häufig mit kleinen gesellschaftlichen Einheiten. Jede/r hatte ihr/sein Fachgebiet. Wenn ich von übergreifenden Phänomenen sprach, dann kam häufig die Antwort: ‚Ja, aber für meine Gruppe trifft das nicht zu.‘ Im Bereich der Ethnosoziologie gab es also eine Abwehrhaltung gegenüber gesellschaftsübergreifenden Fragestellungen. KollegInnen, die Feldforschung betrieben, hatten einen sehr spezifischen, abgesteckten

Bereich – ‚ihre Gruppe‘, ‚ihr Dorf‘, ‚ihre Gesellschaft‘. Alles andere war nicht von Interesse. Die AllgemeinthoretikerInnen wussten im Gegenzug wenig von konkreten Gesellschaften und hatten nur Theorien im Kopf. So entstand aus meiner Sicht das Konkurrenzverhältnis.

C.P.: Wie schätzen Sie die Situation heute ein? Gibt es mehr Austausch zwischen der theoretisch und der empirisch geleiteten Entwicklungsforschung?

G.H.: Heute gibt es deutlich mehr Austausch. Es gilt zu bedenken, dass sich die Welt in den letzten vierzig Jahren deutlich verändert hat. Wer heute als Ethnosoziologe/in eine bestimmte – vermeintlich abgeschiedene – Gruppe beforcht, muss damit rechnen, dass diese über moderne Fazilitäten der Technik wie u.a. Mobiltelefone, Kameras o.Ä. verfügt. Durch diese technischen Instrumente hat der kulturelle Einfluss von außen zugenommen – nicht nur von Seiten der USA, sondern auch aus anderen Regionen der Welt. Ich denke hier beispielsweise an den kulturellen Einfluss Bollywoods auf rurale Gebiete Afrikas. Die beforchten Dörfer sind keine isolierten Einheiten mehr – sie waren es zwar nie vollständig, aber vor vierzig Jahren doch in stärkerem Ausmaß als heute. Deswegen können sich EthnosozioologInnen auch nicht mehr mit ‚ihren Dörfern‘, ‚ihren Gesellschaften‘ identifizieren und die umgebende Welt vergessen.

C.P.: Die ethnologische Forschung war historisch gesehen eng verflochten mit dem Kolonialismus. Von welchen kolonialen Fragestellungen war die Beforschung der außereuropäischen ‚Anderen‘ in der Ethnosozioologie geleitet?

G.H.: Die Ethnologie war natürlich eine koloniale Wissenschaft! Besonders die theoretisch organisierte Ethnologie des frühen 20. Jahrhunderts ließ sich in ihren Fragestellungen von kolonialen Interessen leiten. Eine zentrale Fragestellung lautete: Wie können Afrikaner zu ‚effektiven Arbeitern‘ für koloniale Unternehmen gemacht werden? Diese Frage schien den Ethnologen – ich denke hier beispielsweise an Leo Frobenius – besonders relevant, denn viele Afrikaner verweigerten die Arbeit am Ausbau der Eisenbahnstrecken oder auf kolonialen Plantagen. Die Ethno-

logen bedienten sich dann des rassistischen Konstrukts, Afrikaner seien von Natur aus faul und müssten erst zur Arbeit erzogen werden. Formen der Subsistenzökonomie, Jagen und Sammeln wurden in den ethnologischen Studien nicht als Arbeit gewertet. Für Ethnologen wie Frobenius galt nur die Arbeit in kolonialen Unternehmen als Arbeit, und die sogenannte ‚Erziehung zur Arbeit‘ würde dann auch Fortschritt und Zivilisation bringen.

Auch bei dem österreichischen Ethnologen Richard Thurnwald wird dieser enge Zusammenhang von Ethnologie und Kolonialismus deutlich. Ihn beschäftigte nicht nur die Frage, wie die Versorgung kolonialer Unternehmen mit Arbeitern gewährleistet, sondern zugleich auch der kulturelle Transfer sowie die ‚Vermischung‘ zwischen europäischen Kolonialisten und afrikanischen Arbeitern minimal gehalten werden könnte. Sein Buch *Koloniale Gestaltung. Methoden und Probleme überseeischer Ausdehnung* (1939) liest sich wie eine Blaupause für das spätere Apartheidsregime.

C.P.: Inwiefern wurde dieser koloniale Zugang in der zweiten Hälfte des 20. Jahrhunderts fortgeschrieben?

G.H.: Hier ist eine deutliche Verschiebung festzustellen, die mit den äußeren kolonialen Gewaltverhältnissen zusammenhängt. Die Frage nach der sogenannten ‚Erziehung zur Arbeit‘ und die wissenschaftliche Legitimation des Arbeitszwangs waren für EthnologInnen relevant, solange AfrikanerInnen einer Subsistenzökonomie nachgingen und noch nicht in die Geldökonomie integriert waren. Nach und nach veränderte sich aber die koloniale Situation, und das gesteigerte Bedürfnis nach Weltmarktprodukten beeinflusste auch die Arbeitssituation. Streichhölzer, Plastikbecher, Kerosin oder Fahrräder wurden zu Waren des täglichen Bedarfs – und um diese beziehen zu können, mussten sich AfrikanerInnen als WanderarbeiterInnen oder Cash-Crop-ProduzentInnen betätigen. Die Zwangsarbeit wurde gewissermaßen durch einen neuen ökonomischen Zwang zur Geldwirtschaft abgelöst.

Das war der Zeitpunkt, an dem sich die ethnosozilogische Debatte veränderte und die Weltmarktintegration zu einem zentralen Thema wurde. Die Rechtfertigung des Zwangsarbeitssystems war obsolet geworden. Statt-

dessen beschäftigte sich die Forschung nun mit den Voraussetzungen einer kapitalistischen Entwicklung im Süden, die eine fortschreitende Integration peripherer Regionen und der dort lebenden Menschen in den Weltmarkt befördern könnten.⁶

C.P.: Die Frage nach den Kontinuitäten und Diskontinuitäten kolonialer Verhältnisse und Diskurse beschäftigt auch die *postkoloniale* Forschung. Beim Lesen ihrer Texte entsteht manchmal der Eindruck, dass Sie mit diesem Forschungszweig ein leicht ambivalentes Verhältnis verbindet.⁷

G.H.: In den wesentlichen Punkten stimme ich mit den Ansätzen *postkolonialer* TheoretikerInnen überein. Durch sie ist erst ins allgemeine Bewusstsein gekommen, wie der Kolonialismus unsere Gegenwart konstituiert. Bereits davor hatten dependenztheoretische Ansätze auf ungleiche Weltmarktzusammenhänge verwiesen und die Ausbeutungsverhältnisse analysiert. Aber welche Wirkmächtigkeit die koloniale Erfahrung – jenseits der ‚Situation‘ in den Kolonien – entfaltete und nach wie vor entfaltet, haben eigentlich erst die *postkolonialen* Ansätze erarbeitet. Das gilt auch für die Analyse der modernen Identitätsgewinnung in den Zentren, die erst auf Grundlage des kolonialen Verhältnisses erfolgen konnte.

Ich selbst hatte schon in den frühen 1970er-Jahren darauf aufmerksam gemacht, dass sich die europäisch-nordamerikanische Sozialwissenschaft von Anfang an über den Gegensatz zum vermeintlich ‚Anderen‘ definiert hat. Das Bild der eigenen Höherwertigkeit konnte nur durch ein abwertendes Gegenbild vom ‚primitiven Anderen‘ konstruiert werden – ‚wir‘ seien ‚modern‘ und ‚zivilisiert‘, ‚sie‘ ‚traditionell‘ und ‚unzivilisiert‘. Die westliche Identitätsgewinnung basierte auf diesem Gegensatz, und die Sozialwissenschaften, insbesondere auch die Soziologie, hatten einen gehörigen Anteil an der Perpetuierung des Bildes von ‚primitiven Gesellschaften‘. Vielleicht habe ich mir manchmal eine stärkere Rezeption meiner kritischen Arbeiten hierzu gewünscht.⁸

C.P.: Wie beurteilen Sie *postmoderne* Konzeptionen von ‚Wahrheit‘ und ‚Vernunft‘ in der *postkolonialen* Forschung? Ist hier nicht auch ein gewisser Widerspruch zu Ihren eigenen Prämissen gegeben?

G.H.: Ich würde doch einen deutlichen Unterschied zwischen *postmodernen* und *postkolonialen* Zugängen sehen. In der Postmoderne werden sämtliche Wahrheitsansprüche eingezogen. Es gibt nur noch Wahrheiten in kleinen Kreisen. Übergreifende Wahrheiten werden hingegen bestritten und das ‚Ende der großen Theorien‘ proklamiert. Die Postmodernen gehen davon aus, dass es tausende verschiedene kulturelle ‚Sprachspiele‘ gibt, die aufgrund von nicht übersetzbaren Bedeutungszusammenhängen ‚inkommensurabel‘ bleiben. Es gibt keinen Austausch zwischen den kulturellen ‚Sprachspielen‘; jedes existiert für sich, jedes hat seine eigene Vernunft, seine eigene Wahrheit.

Demgegenüber steht eine prozedurale Vernunftkonzeption. Diese geht davon aus, dass sprachübergreifende – oder sprachspielübergreifende – Kommunikation möglich ist. Menschen können sich – auch wenn sie verschiedenen kulturellen Kreisen entstammen – einander mitteilen, und durch den Austausch von Argumenten kann kulturübergreifend ‚Wahrheit‘ verhandelt werden. Als Voraussetzung dafür gilt, wie es Carlos Pereda einmal formuliert hat, dass sich die Beteiligten darauf einlassen, Vernunft an das ‚Abenteuer der Argumentation‘ zu binden.⁹

Bei vielen *postkolonialen* TheoretikerInnen liegt ein solches prozedurales Vernunftkonzept zugrunde. Nehmen wir beispielsweise Shalini Randeria's Konzept zur ‚verwobenen Moderne‘¹⁰, in dem sie von der gegenseitigen Beeinflussung und Verflechtung der westlichen und der indischen Moderne spricht. Wäre diese konstitutive Wechselwirkung denkbar, wenn die Autorin von ‚inkommensurablen‘ Sprachspielen ausginge? Ich denke nicht!

C.P.: Das führt uns direkt zum Habermas'schen Prinzip des ‚eigentlich zwanglosen Zwangs des besseren Arguments‘¹¹, dem man in ihren Arbeiten an unterschiedlichen Stellen begegnet. Wie kommt es, dass Sie diesem Prinzip eine so große Bedeutung zumessen?

G.H.: Dies hat wohl seinen Ursprung in einer von mir gehaltenen Lehrveranstaltung. Der Titel lautete etwas großspurig ‚Zur Frage der Universalität der Vernunft‘. Ich bin dabei immer wieder auf dieselbe Frage gestoßen: Gibt es eine kultur- und sprachspielübergreifende Vernunft, die

in Auseinandersetzungen zwischen verschiedenen Kulturen eine moralische Autorität behaupten kann? Wo liegen die Möglichkeiten einer kulturübergreifenden Aushandlung von moralischen Fragen? Nehmen wir beispielsweise die weibliche Genitalbeschneidung oder die Todesstrafe – wie kann hier eine übergreifende Vernunft wirksam werden? Generell würden die meisten ja von sich behaupten, dass sie eine übergreifende Vernunft vertreten, dabei universalisieren sie nur ihre je eigenen kulturellen Vorstellungen und Normen. Vor allem die westliche Kultur zeichnete sich in der Vergangenheit darin aus, ihre Vorstellungen anderen überzustülpen, ohne in einen argumentativen Dialog zu treten.

Das war also mein Ausgangspunkt. Ich kam dann darauf, dass es für die Herausbildung einer übergreifenden Vernunft keine Lösung geben kann, solange der Versuch besteht, Vernunft in einem fixen Kanon von Aussagen und Normen festzuschreiben. Wir finden diese Bestrebungen bei Religionen. So beziehen sich ChristInnen auf das apostolische Glaubensbekenntnis, frei nach dem Motto: ‚Alles was richtig und falsch ist, wurde hier festgelegt und ist von einer übergreifenden Autorität gerechtfertigt.‘ Wenn Menschen solche Vorstellungen von Vernunft haben, gibt es keine Möglichkeit, sprachspielübergreifend zu besseren Lösungen zu kommen.

Mir hat sich dann die Habermas'sche prozedurale Konzeption von Vernunft aufgedrängt – also ‚vernünftig‘ ist das, was die ‚besseren Argumente‘ für sich hat, das, was sich in einem herrschaftslosen Diskurs durchsetzt. Wenn wir in Verhandlung über Gerechtigkeits- und Wahrheitsfragen treten, dann gilt es auszuloten, ob ein Konsens zwischen verschiedenen Positionen möglich ist. Habermas geht davon aus, dass wir aufgrund des Argumentationsprozesses einen richtigen von einem falschen, trügerischen Konsens unterscheiden können. Ein richtiger Konsens ist einer, in dem nur der „eigentümlich zwanglose Zwang des besseren Arguments“ zählt und keine anderen Zwänge. Davon sollten wir in jedem Diskurs über Gerechtigkeits- und Wahrheitsfragen ausgehen. Ansonsten bleibt uns nur eine inhaltliche Konzeption von Vernunft, und diese beschränkt die Möglichkeiten einer kulturübergreifenden Aushandlung von moralischen wie auch von Sachfragen.

C.P.: Sie haben eben das apostolische Glaubensbekenntnis als Beispiel für den Versuch einer inhaltlichen Bestimmung von Vernunft erwähnt. Gibt es nicht auch in anderen gesellschaftlichen Bereichen Bestrebungen, ‚Vernunft‘ an Regelwerken festzumachen?

G.H.: Ja, ganz sicher. Man muss nicht unbedingt zu Gott und zur Theologie – oder zur Partei – gehen, um übergeordnete Autoritäten, überindividuelle und der argumentativen Diskussion enthobene Autoritäten vorzufinden. Gerade im Entwicklungsdiskurs ist es immer wieder die Wissenschaft, die als übergeordnete, unhinterfragte Autorität gilt. In der Ökonomie finden wir diese Autorität im Diktum von der totalen Marktintegration und der Konzeption des *homo oeconomicus* wieder. Aber auch in den Sozialwissenschaften gibt es dafür einige Beispiele. Ein aktuelles Beispiel wäre John W. Meyers und Brian Rowans Theorie des soziologischen Neo-Institutionalismus.¹² In dieser Theorie werden aus dem westlich-partikulären Gesellschaftsmodell vermeintlich universale Gesetzmäßigkeiten des Moralischen abgeleitet, die für alle gelten sollen. Die Autorität wird dabei über einen Rekurs auf die angeblich wissenschaftliche Verfasstheit des westlichen Gesellschaftsmodells hergestellt. Aber welcher Schluss ergibt sich aus einer solchen Theorie? Wenn unser Gesellschaftsmodell eines ist, das aus universellen, wissenschaftlich erwiesenen Gesetzmäßigkeiten heraus das alleingültige ist, dann bleibt den anderen nichts anderes übrig, als sich dem westlichen Modell zu unterwerfen. Die Formen der Herrschaft, die dieses Modell impliziert, bleiben völlig unhinterfragt.

C.P.: Ich würde zum Abschluss gerne nochmals auf die Frage nach der kulturübergreifenden Aushandlung von Wahrheits- und Gerechtigkeitsfragen zurückkommen. Der Dialog zwischen unterschiedlichen Gruppen findet selten in einem hierarchiefreien, herrschaftsfreien Kontext statt. Bleibt der ‚eigentümlich zwanglose Zwang des besseren Arguments‘ nicht letztendlich utopische Phantasie? Setzt sich nicht viel eher jenes Argument durch, hinter dem sich Macht und Kapital versammeln?

G.H.: Ich denke, die Möglichkeit zur Teilnahme am Diskurs ist hier entscheidend. Wenn große Teile der Gesellschaft keine Chance haben, an

der Verhandlung von Gerechtigkeits- und Wahrheitsfragen teilzunehmen, dann sind sie mit ihren Interessen und Vorstellungen auch nicht repräsentiert. Damit Diskurse dieser Art herrschaftsfrei geführt werden können, bedarf es gesellschaftlicher Organisation. Nur wenn diese so angelegt ist, dass alle am Diskurs teilnehmen können, bietet sich auch die Möglichkeit zur übergreifenden Aushandlung. Ich denke hier nicht nur an die juristischen Voraussetzungen, sondern auch an ganz elementare Bedingungen, wie materielle Unterversorgung, die die Teilnahme einschränken können. Es geht in der Diskussion über Wahrheit und Gerechtigkeit auch darum, kontrafaktisch vorzugreifen. Das Modell des ‚eigentümlich zwanglosen Zwangs des besseren Arguments‘ basiert auf Vorstellungen, die ein Idealbild nicht nur des Diskurses, sondern der gesellschaftlichen Organisation als Ganzer zeichnen. Eine gewaltige Reduzierung der sozioökonomischen Ungleichheit wäre die erste Voraussetzung.

Wesentliche Veröffentlichungen Gerhard Haucks: *Geschichte der soziologischen Theorie* (1984, Rowohlt), *Einführung in die Ideologiekritik* (1992, Argument-Verlag), *Evolution, Entwicklung, Unterentwicklung: gesellschaftstheoretische Abhandlungen* (1996, IKO – Verlag für Interkulturelle Kommunikation), *Gesellschaft und Staat in Afrika* (2001, Brandes & Apsel), *Die Gesellschaftstheorie und ihr Anderes* (2003, Westfälisches Dampfboot), *Kultur: zur Karriere eines sozialwissenschaftlichen Begriffs* (2006, Westfälisches Dampfboot), *Globale Vergesellschaftung und koloniale Differenz* (2012, Westfälisches Dampfboot). 2016 erschien das von ihm mitherausgegebene *Handbuch Entwicklungsforschung* (Springer).

- 1 Das Interview wurde am 15. Dezember 2016 via Telefon geführt und dabei aufgezeichnet. Die Transkription erfolgte durch Clemens Pfeffer im Herbst 2019.
- 2 Hauck, Gerhard (1965): Die politischen Führungsschichten in den neuen Staaten Schwarz-Afrikas. Dissertation. Heidelberg: Philosophische Fakultät.
- 3 Siehe hierzu Hauck, Gerhard (1975): Das Elend der bürgerlichen Entwicklungstheorie. In: Tibi, Bassam/Brandes, Volkhard (Hg.): Handbuch 2: Unterentwicklung. Frankfurt: Europäische Verlagsanstalt, 36-63.
- 4 Fischer, Karin/Hauck, Gerhard/Boatcă, Manuela (Hrsg., 2016): Handbuch Entwicklungsforschung. Wiesbaden: Springer.
- 5 Der Begriff *homo oeconomicus* stammt aus der neoklassischen Ökonomie des späten 19. Jahrhunderts und bezeichnet einen modellhaften Menschen, der von wirtschaftlichen Zweckmäßigkeitserwägungen geleitet wird.
- 6 Siehe hierzu das Buch *Gesellschaft und Staat in Afrika* (2001, Brandes & Apsel), in dem Hauck die sozialen, politischen und wirtschaftlichen Transformationsvorgänge vom vorkolonialen über das koloniale ins postkoloniale Afrika nachzeichnet und gängige politsoziologische Deutungen kritisch behandelt.
- 7 Siehe hierzu Pfeffer, Clemens (2014): Rezension zu Gerhard Hauck. 2012. Globale Vergesellschaftung und koloniale Differenz. In: Stichproben. Zeitschrift für kritische Afrikastudien 14 (27), 105-112.
- 8 Siehe hierzu Gerhard Haucks Publikationen *Evolution, Entwicklung, Unterentwicklung: Gesellschaftstheoretische Abhandlungen* (1996, IKO), *Die Gesellschaftstheorie und ihr Anderes: Wider den Eurozentrismus in den Sozialwissenschaften* (2003, Westfälisches Dampfboot), *Kultur: Zur Karriere einer sozialwissenschaftlichen Kategorie* (2006, Westfälisches Dampfboot), *Globale Vergesellschaftung und koloniale Differenz: Essays* (2012, Westfälisches Dampfboot).
- 9 Pereda, Carlos (1993): Zwei Modelle aufgeklärter Vernunft. In: Menke, Christoph/Seel, Martin (Hg.): Zur Verteidigung der Vernunft gegen ihre Liebhaber und Verächter. Frankfurt am Main: Suhrkamp, 129-148.
- 10 Randeria, Shalini (1999): Geteilte Geschichte und verwobene Moderne. In: Jegelka, Norbert/Leitgeb, Hanna/Rüsen, Jörn (Hg.): Zukunftsentwürfe: Ideen für eine Kultur der Veränderung. Frankfurt am Main: Campus, 87-96.
- 11 Siehe u.a. Habermas, Jürgen (1981): Theorie des kommunikativen Handelns. Bd. 1. Frankfurt am Main: Suhrkamp.
- 12 Meyer, John W./Rowan, Brian (1977): Institutionalized Organizations: Formal Structure as Myth and Ceremony. In: American Journal of Sociology 83, 340-363.

Michael Lang & Jeffrey Owens (eds.): Removing Tax Barriers to China's Belt and Road Initiative. Alphen aan den Rijn: Kluwer Law International B.V. 2019, 360 pages, € 136.00.

The Belt and Road Initiative (BRI), also known as One Belt One Road (OBOR), was launched by the Chinese president Xi Jinping in 2013. It aims to connect Africa, Asia and Europe by six Northern economic land corridors that are called the Silk Road Economic Belt, and by the Southern 21st Century Maritime Silk Road. Since 2018, the BRI has also expanded to Latin America. The Initiative therefore spans countries of great diversity, and at all levels of economic development.

The BRI aims to connect regions and create new markets by, amongst other measures, massive infrastructure investments. Although the Chinese government presents the initiative as a win-win partnership for all, it clearly wants to create new markets and internationalise its own (often state-owned) companies by creating new value chains. Since 2015, China is a net capital exporter. This trend will be further strengthened by the BRI. Especially less developed, lower income countries along the

route will therefore have to make sure“ that the benefits of the BRI are fairly shared between the participating countries”, as Jeffrey Owens, one of the two editors of the anthology *Removing Tax Barriers to China's Belt and Road Initiative*, points out (p. 4). This book is a product of an ongoing partnership between the WU Institute for International Taxation in Vienna and several Chinese universities, and draws from inputs at the Forum “Removing Tax Barriers to the Belt & Road Initiative (BRI)” which took place in Beijing in June 2017.

Many details of the BRI are still unclear, including which states are actually ‘BRI countries’. No official list has ever been published by the Chinese government. However, in 2015 the China International Trade Institute published a list of 64 countries (plus China) in Asia and Europe.¹ It seems that this list of countries, though nowhere mentioned, is the sample that has been chosen for analysis by the authors of the anthology. This means that, unfortunately, no sub-Saharan African or Latin American country has been included.

There can be no doubt that cross-border taxation issues will become more prominent as the BRI develops. As the title of

Michael Lang's and Jeffrey Owen's anthology suggests, the authors of the 14 articles see tax as a barrier for the development of the BRI, as national taxes (and tax systems) along the route do not interact, thereby leading to uncertainty, double taxation and cross-border tax disputes (p. 5).

Jeffrey Owens, former Director of the OECD Tax Centre, explores possible tax barriers in the form of tax disputes, ambiguous tax legislation and a lack of harmonisation of tariffs and excises. He identifies problems in the area of Value Added Taxes, an incomplete network of Double Tax Agreements, and complex transfer pricing practices, and rightfully warns that the use of tax incentives and tax exemptions in Special Economic Zones could lead to a race to the bottom that BRI countries should avoid (p. 15).

Owens opts for multilateral cooperative compliance, which basically means a close and ongoing cooperation between (large) companies and tax authorities. He, as well as J.L. Pumberton & A. Majdanska, promote "horizontal monitoring" as recipe against increasing tax disputes. However, what might be overlooked is that "(...) the close cooperation between tax administration and tax payers could lay

the groundwork for corruption" (p. 190). What R. Petruzzi et al. say about Advance Pricing Agreements (where taxpayers and authorities set prices for international inter-company transactions in advance) could also become a problem in horizontal monitoring, when implemented in countries with weak governance structures.

Double Tax Agreements (DTAs) between China and BRI countries take up a large part of the book. The article of Sathi Meyer-Nandi et al. provides a detailed comparative analysis of the DTAs that China has already completed with 52 BRI countries. Most treaties are based on the OECD or UN model, but many deviations remain. In particular, varying withholding tax rates and the virtual absence of anti-treaty shopping provisions are of concern. The authors recommend harmonisation and 'BRI-specific' treaty amendments, such as the inclusion of insurance permanent establishments to counter tax avoidance, or a common approach in the treatment of oil and gas pipelines, which are major BRI projects. Moreover, as BRI investments often rely on loans from Chinese (largely or fully) state-owned financial institutions, how interest payments are taxed becomes an

important issue. According to the OECD Model Treaty, for example, the source country can levy a withholding tax of 10 percent on interest income, but many bilateral DTAs have already exempted interest payments to state-owned entities from taxation, or offer reduced rates. Although this may lead to a loss of tax revenue for the source state, Sathi-Nandi et al. opt for a (further) reduction (p.255), while Owens even suggests reducing taxes on interest income altogether, even from private lenders (p.11). Cui Xiaojing analyses the potential of DTAs in limiting tax payments of Chinese companies which want to invest in BRI countries. DTAs overrule changes in domestic tax law, and the withholding taxes on interest, dividends and royalties in DTAs are normally lower than domestic tax rates, especially for state-owned entities. Cao Mingxing & Liu Qichao advise Chinese companies to keep their tax payments low by setting up intermediate structures in Hong Kong (or other low-tax jurisdictions), before routing them to mainland China (p. 93). Profits from intangible assets, such as software sales and licensing, rental income or technical service fees could be routed via subsidiaries

in Hong Kong, the Netherlands or Switzerland (p. 101). The advice to use profit shifting techniques for minimising tax bills highlights China's new role as a capital exporting country and its potential future behaviour of siding more with OECD countries.²

Critical remarks on the OECD and its flagship project against tax avoidance, BEPS (Base Erosion and Profit Shifting) can frequently be found in the book. Cao Mingxing criticises the OECD's adherence to the Arm's Length Principle and speaks of a "neo-liberalist mindset", and an unequal distribution of taxation rights between countries (p. 36f.). But will BRI really become a new model of globalisation in which tax revenues are fairly distributed, given the Chinese interests outlined above? Cui Xiaojing's position seems clear: "The prominent and immediate issue to be resolved concerns how to seek a balance between ensuring China's compliance with the BEPS project outputs on the one hand, and maintaining the interests of enterprises to continue to enjoy preferential treatment and facilitate their investment in Belt and Road countries on the other hand." (p. 63) She proposes reducing withholding tax rates in DTAs as much as possible,

while negotiating a derogation for China from BEPS 6 (i.e. measures against tax avoidance techniques that use loopholes in different tax treaties) (p.68). This proposal is unlikely to generate much enthusiasm among BRI countries or the OECD, as it falls behind even the (rather weak) international consensus of the BEPS initiative. R.J.S. Tavares and Jeffrey Owens criticise the international transfer pricing rules and the non-binding character of most of the BEPS measures. They fear not only a “tsunami of litigation” (p. 290), but also an increase in unilateral initiatives by which countries try to raise more tax revenues. China and India have already gone their own way by using location specific advantages when calculating transfer prices, with China focusing more on its large consumer market, while India builds on its skilled workforce.

However, the authors remain vague when it comes to providing solutions. Asian countries (including China) are advised by Tavares & Owens not to take uncontrolled anti-BEPS measures (p. 299). Harmonisation, cooperation and binding arbitration are often mentioned as ways to resolve tax conflicts. In addition, authors recommend BRI-specific agree-

ments and instruments that should be developed.

What is missing are concrete suggestions as to how source countries, especially low-income developing countries, can profit from the BRI by raising their tax revenues. Social or environmental (equity) considerations are totally absent. Hopefully future analysis may also address sustainability aspects when considering a viable tax structure for the BRI.³

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- 1 China International Trade Institute: Industrial Cooperation between Countries along the Belt and Road. Cited in: Helen Chin & Winnie He (2016): *The Belt and Road Initiative: 65 Countries and Beyond*. The Fung Business Intelligence Centre, Hong Kong.
- 2 For a detailed politico-economic analysis see M. Hearson & W. Pritchard (2018): China's challenge to international tax rules and the implication for global economic governance. *International Affairs*: 6 (2018) 1287-1307.
- 3 For BRI financing, a social and environmental framework has recently been provided by the China Development Bank and the United Nations Development Program (“Harmonizing Investment and Financing Standards towards Sustainable Development along the Belt and Road”, 2019).

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