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Building a New Development Theory from the Global South

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The Praxis of Development in the Global South

We live in an interregnum. The neoliberal order that reorganised global production and thought from the 1980s onward has lost its legitimacy, even among its architects. The Washington Consensus – fiscal austerity, trade liberalisation, privatisation, the subordination of the state to market 'discipline' – has been repudiated not only by the statistics of stagnation across Africa and Latin America, but by the behaviour of the Global North itself, which now openly pursues industrial policy and protectionism, while forbidding the same to the Global South.

Yet the interregnum is precisely what makes the present moment so dangerous: the old order decays without dying, and the new order cannot yet be born. The Global South finds itself navigating a conjuncture in which the rules of the game are being rewritten by the same powers that wrote them the first time – except now with openly coercive instruments, from 'reciprocal tariffs' to new unequal treaties to sanctions and decapitation strikes.

It is against this conjuncture that the four texts in this issue of *Wenhua Zongheng* must be read. Taken together, they form an emerging Chinese contribution to the theory and practice of modernisation in the Global South. The thread that binds them is neither cultural nor ideological in the narrow sense. It is resolutely material: each text is preoccupied with the concrete question of how states build productive capacity, secure the conditions of their own reproduction, and resist subordination to an international order designed for their permanent underdevelopment.

Qin Beichen and Jing Jun's 'Constructing a New Development Theory from the Global South' provides the theoretical scaffolding for the entire issue. The Washington Consensus, they demonstrate, was never merely a set of economic

prescriptions; it was an ideological formation that successfully conflated the freedom of capital with freedom itself, delegitimising any state action that threatened the profit margins of multinational corporations while weaponising international institutions – the IMF, the World Bank, and the dispute settlement mechanisms embedded in trade agreements – against the autonomous development strategies of the South. The consequences are documented with precision: premature deindustrialisation across Africa and Latin America, the accumulation of labour in low-productivity service sectors, the hollowing of state capacity, and the foreclosing of the historical path that every currently industrialised economy actually followed. The authors rightly insist that this was not a failure of neoliberalism but its achievement – the systematic underdevelopment of the peripheral countries is the precondition, not the unfortunate byproduct, of accumulation in the core countries.

What is especially valuable in Qin and Jing's contribution is their identification of the three structural obstacles confronting post-neoliberal catch-up: digital technology's labour-saving tendencies in manufacturing; the oligopolistic grip of multinational corporations over intangible assets (patents, data, brand equity, supply chain protocols); and the intensification of great-power geopolitical competition that compresses the policy space available to Southern governments. These are not separate crises but a unified system of constraint. The task they set for the Global South is accordingly ambitious: not the correction of neoliberal excesses within an existing framework, but the construction of an entirely new theoretical paradigm, rooted in Southern experience, centred on production and employment rather than exchange efficiency, and honest about the constitutive role of the state in any historically successful industrialisation.

It is precisely this theoretical demand – for a grounded, materialised account of how states develop productive forces – that Li Xiang's 'China and the Electrification of the Global South: The Case of Pakistan' attempts to answer at the level of practice. Pakistan is not an abstract case study but a diagnostic site. Here, the colonial inheritance is unusually legible: British infrastructural investment was explicitly designed to connect ports to raw material hinterlands rather than to build an integrated domestic economy. The railways that made British India the world's fourth-largest railway network were colonial trade corridors, not national development infrastructure. Pakistan inherited this point-to-line logic, including its political consequences – a power grid

that concentrates distribution in major cities and military centres while leaving peripheral regions underserved.

What China's experience and capabilities brings to this situation is not merely electricity, but the material reorganisation of state-society relations. Li Xiang is at his most penetrating when he distinguishes between 'despotic power' and 'infrastructural power' – the former characterising hierarchical top-down authority, the latter the networked, negotiated penetration of the state through society at the level of the household and the village. Large dams and hydropower stations embody despotic power; grids, and above all distributed photovoltaics, constitute infrastructural power. The insight that PV panels are now replacing diesel generators in Lahore's informal settlements, enabling farmers to power irrigation with solar panels, and making grid-independent microgrids available to communities bypassed by formal electricity services, is not a story about clean energy. It is a story about the material expansion of state capacity from below, the extension of the infrastructural reach of the Pakistani state into social spaces that colonialism deliberately left unintegrated.

The strategic lesson here generalises powerfully. The combination of large-scale centralised infrastructure (which concentrates state power and drives industrial demand) with decentralised distributed technology (which democratises access and builds the social fabric of development) offers a two-track model of state capacity building that speaks directly to the fragmented, colonial-inheritance conditions of much of sub-Saharan Africa, South and Southeast Asia, and parts of Latin America. The China-Pakistan Economic Corridor is, from this perspective, not merely a bilateral investment relationship but a laboratory for a new mode of South-South development cooperation – one that explicitly aims to strengthen state capacity rather than erode it, as the conditionalities of Northern multilateral lending historically have done.

Feng Chao's 'Silk Road Manufacturing: An Alternative Path to Globalisation' examines a complementary dimension of the same problematic: not the infrastructure of energy but the architecture of industrial production. The Silk Road Manufacturing model that Feng proposes – Chinese firms constructing transnational manufacturing networks in Vietnam through foreign direct investment, technology transfer, and industrial chain integration – is presented as a response to the crisis of deglobalisation and the systematic attempt by the United States to use technological hegemony, intellectual property regimes, and tariff barriers to freeze China's industrial development. These are not trade

measures in any neutral sense. They are instruments of hyper-imperialist containment, designed to prevent the emergence of transnational production networks that could offer Southern countries an alternative to dependence on Northern corporate value chains.

Feng's most significant contribution is the concept of the 'mobile country of origin' – the idea that Chinese firms can build deeply localised ecosystems in Vietnam (and by extension, across ASEAN and beyond), achieving genuine value-addition, technology transfer, workforce development, and industrial upgrading, rather than simply relocating labour-intensive assembly to exploit tariff arbitrage. The argument is that the BRI can function as a framework for genuine productive integration, one that serves the industrialisation strategies of receiving countries rather than subordinating them to the export demands of the investing country.

The question of whether Chinese industrial expansion in Vietnam and elsewhere replicates the extractive logic of previous waves of foreign investment, or genuinely transfers productive capacity and technological capability to host economies, is precisely the question that distinguishes South-South cooperation from a new variant of dependency. Feng's answer is not conclusive, but the analytical framework he offers – centred on localisation depth, domestic value-addition ratios, workforce development, and the cultivation of locally embedded supply clusters – provides the criteria by which the progressive or regressive character of any specific investment relationship can be evaluated. For movements and governments across the Global South, this is practically valuable.

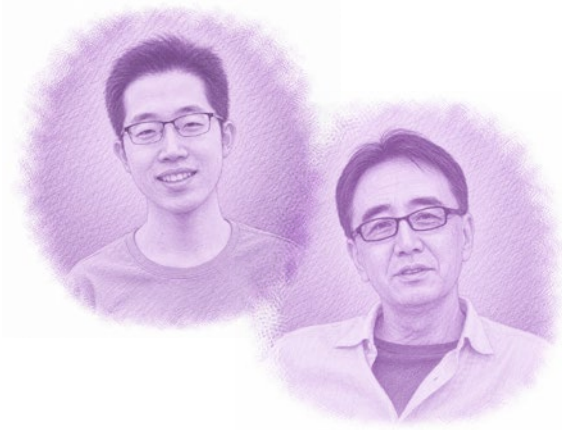
Finally, Wang Li's review of Qiu Shijie's intellectual biography of Taiwanese economist Liu Shinkei illuminates the historical depth of these debates in unexpected ways. Liu's intellectual trajectory – from Japanese Marxist theories of 'non-transition,' through encounters with dependency theory and world-systems analysis, and ultimately back toward endogenous development theory and economic nationalism – is not merely an episode in the history of ideas. It is a compressed map of the theoretical dilemmas that still confront the Global South. What Wang Li recovers from this trajectory is the productive tension itself: the insistence that understanding any particular economy requires both the rigour of internal class analysis and the honesty about its integration into a

structurally unequal world system. Neither endogenism nor world-systemism alone is sufficient. The dialectical synthesis – a theory of how endogenous class forces interact with the structures of global accumulation – remains the unfinished project.

Across all four texts, a convergent argument emerges with increasing clarity. The construction of a new development theory for the Global South requires, simultaneously: a theoretical break from Northern epistemic frameworks that naturalise the subordination of Southern states; the active deployment of state power to develop productive forces, with manufacturing at the centre; the strategic use of South-South cooperation as a vehicle for building state capacity rather than creating new dependency; and the recovery of the intellectual traditions of the Global South itself, as resources for a genuinely Southern theory of development.

The texts assembled here do not offer a complete programme. But they offer the tools for thinking through the problem in its full complexity. Whether the question is the theoretical de-ideologisation of development economics, the relationship between large infrastructure and state capacity, the conditions under which transnational industrial cooperation serves or undermines host-country development, or the long history of Marxist engagement with the problem of late development – the contributors to this issue are engaged in the construction of a theoretical commons that belongs, by right of experience and necessity, to the Global South.

Constructing a New Development Theory from the Global South



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Development theories not only explain human economic activities but also shape them by influencing public expectations and policymaking. Neoliberal economic theories from the Global North once dominated development narratives, but their policy prescriptions significantly delayed the economic modernisation and catch-up efforts of the Global South. In recent years, the theoretical foundations of neoliberalism (market fundamentalism) and its policy prescriptions (the Washington Consensus) have lost credibility, prompting the Global South to explore state-led development paths. However, summarising neoliberalism's failures, addressing post-neoliberal challenges, and seeking alternatives remain crucial for the Global South to economically catch-up with the Global North. In this endeavour, it is imperative to avoid dependence on 'Northern theories' and develop 'Southern theories' that are rooted in the Global South's own practices and experiences.[1]

[1] Southern theories generally adopt a stance ranging from revision or questioning to critique or negation towards 'Northern theories' generated in Western countries. For details, see Jing Jun: 'What is Southern Theory?' [什么是南部理论？], *Sociological Review* [社会学评论], no. 4 (2023): 28–52.

The Rise and Fall of Neoliberalism

The precise definition of neoliberalism is debatable but its core principles are uncontested: 'more market (less state) brings prosperity'.[2] Neoliberalism's foundation lies in economics theories with market-fundamentalist traits; these theories assert that the free flow of goods, capital, and labour yields greater efficiency and welfare. At a national level, this implies that minimising all forms of state intervention in the market should automatically increase economic growth rates; internationally, neoliberalism posits that globalisation (increased economic integration among nations) is a win-win strategy for countries in both the Global South and the Global North. Neoliberalism's policy prescription is the Washington Consensus, which confines the state's role to providing basic infrastructure, education, and protection of property rights. Concretely, domestic economic policies should prioritise deregulation (reducing government distortions across sectors to let the market and price signals function effectively), while external economic policies should focus on liberalisation (lowering investment barriers and eliminating tariff and non-tariff obstacles to free trade).

In the 1980s, neoliberalism was propelled into mainstream development narratives through an alliance between US business groups and the then-marginalised neoliberal school. During the Third World debt crisis in 1982, the World Bank and International Monetary Fund (IMF) introduced Structural Adjustment Programmes (SAPs) as loan conditions, mandating recipient nations to implement fiscal austerity, trade liberalisation, economic deregulation, and privatisation. Subsequently, SAPs were widely imposed across Asia and Africa, effectively becoming 'a campaign to shrink the state' in the Global South.[3] Additionally, the US spearheaded numerous multilateral and bilateral investment and intellectual property agreements that asymmetrically safeguarded the interests of US (and other developed countries') multinational corporations vis-à-vis Global South nations. Concurrently, the notion that 'more market (less state) brings prosperity' gained ideological legitimacy as a consensus view. Reports from international organisations dismissed industrial policy as ineffective, reducing the success of state-led industrialisation in East

[2] Rajesh Venugopal, 'Neoliberalism as Concept', *Economy and Society* 44, no. 2 (2015): 165–187.

[3] Atul Kohli, *Imperialism and the Developing World: How Britain and the United States Shaped the Global Periphery* (Oxford University Press, 2019).

Asia to simplistic explanations like marketisation or trade liberalisation. In 2002, the *New York Times* even declared, 'Countries that open their economies and minimise government roles will inevitably achieve faster economic growth and rising income levels'.[4]

However, neoliberalism has failed to deliver the prosperity it promised. Global South countries that adopted Washington Consensus-style policy prescriptions – whether voluntarily or through coercion – have experienced pronounced economic volatility, decelerated growth, surging unemployment, and worsening social inequality. More critically, the Global South has been unable to economically catch-up with the Global North under neoliberalism. Since the 1990s, only a handful of economies successfully transitioned to high-income status, while the vast majority of Global South countries remain trapped in middle- or low-income status.[5] As for the Global North, core states like the United States and United Kingdom have aggressively pursued domestic privatisation and labour market deregulation since the late 20th century. The resulting rise in income and wealth inequality has fuelled social discontent and political instability. But in recent years, the Global North has witnessed a revival of industrial policy – evidenced by the US Inflation Reduction Act and the use of 'reciprocal tariffs', and the European Union's strategic interventions in the electric vehicle and semiconductor industries. In sum, the experiences of both Northern and Southern states have substantially eroded the theoretical foundations and policy appeal of neoliberalism.

While the neoliberal order has faced increasing scepticism since the global financial crisis, mainstream economists have begun using the concept of market failure to justify industrial policies that support the development of strategic industries (representative scholars include Joseph Stiglitz and Dani Rodrik). These arguments have garnered widespread attention and discussion within mainstream economics – a scenario that would have been unimaginable in

[4] L. Uchitelle, 'Challenging the Dogmas of Free Trade', *New York Times*, 9 February 2002.

[5] In fact, the catch-up growth of these countries (regions) has little to do with the neoliberal global development order: among them are South Korea, Taiwan Province, and the Chinese mainland, which achieved rapid state-led industrialisation and were already very close to the high-income threshold by the late 1990s; Poland and the Czech Republic, which grew due to EU integration and spillover effects; and Saudi Arabia and Oman, which reaped oligopoly profits from oil and gas resources. Among the trapped countries, less than one-tenth of middle-income countries still have the potential for catch-up growth (i.e., maintaining per capita income steadily above two-thirds of the threshold level). However, apart from China, this group tends to be prone to falling into the 'middle-income trap'.

the 1990s. In terms of policy practice, countries in the Global South have actively begun exploring state-led, domestically-tailored paths for economic catch-up. Many leaders in the Global South have explicitly rejected Washington Consensus-style policy arrangements and publicly advocated for an active governmental role in areas such as income distribution, foreign investment, and industrial planning.[6]

State-Led Industrialisation Remains Essential

Neoliberalism's failures underscore that state-led industrialisation is indispensable for the Global South's economic catch-up. Market mechanisms alone cannot overcome domestic and international barriers; proactive governments are vital for growing the manufacturing sector. The failure of economic catch-up in the neoliberal era has three key lessons:

The irreplaceable role of manufacturing. The pessimistic outlook for economic catch-up under the influence of neoliberalism largely stems from the stagnation of manufacturing in the Global South. Historically, the global economic North-South divide was a result of disparities in industrialisation. Industrialisation has served as the foundation for the vast majority of successful economic catch-ups. Under the neoliberal order, Africa and Latin America – regions with poor catch-up performance – are also those most severely affected by premature deindustrialisation. In many countries within these regions, labour has consequently accumulated in low-end service sectors characterised by low value-addition and a high proportion of informal employment, while capital has been channelled into rent-seeking or speculative activities in areas such as natural resources, finance, and real estate. These nations may experience rapid growth when global commodity prices are high and interest rates are low, but they quickly fall into crisis when aggregate demand in developed countries is insufficient or major central banks raise interest rates. It is this highly volatile growth pattern that prevents these countries from achieving sustained convergence with the income levels of industrialised countries.[7] In contrast, China – the most promising example of economic catch-up over the past four

[6] The Economist, 'Chile's new president promises to bury neoliberalism', *The Economist* (20 December 2021).

[7] Shekhar Aiyar, Romain Duval, Damien Puy, Yiqun Wu, and Longmei Zhang, 'Growth Slowdowns and the Middle-Income Trap', *Japan and the World Economy* 48 (2018): 22–37.

decades – is characterised by a manufacturing sector that has continuously expanded in scale and upgraded technologically. Some argue that in the age of digital technology, the service sector can replace manufacturing as the driver of economic catch-up – a view seemingly corroborated by the rapid growth of services in countries like India, the Philippines, Rwanda, and Kenya. Nevertheless, high value-added services (e.g., research and development, production management, and e-warehousing) remain intrinsically linked to manufacturing, making it difficult for them to achieve large-scale expansion in isolation. Moreover, there are no historical precedents of successful economic catch-up driven solely by the service sector.[8]

The need for state-led industrial policy. The neoliberal order limited the governments' willingness and ability to support industrial development, leading to the stagnation of industrialisation in the Global South. In the wake of economic and financial crises, many nations were pushed into Washington Consensus-style reforms: vital state-owned enterprises were privatised, controls on cross-border capital and exchange rates were lifted, tariffs were slashed, and policy tools like import quotas or mandatory technology transfers were outlawed. For example, India's weighted tariff rate on manufacturing products dropped sharply from 42% in 1992 to 12.7% in 2005, and economic liberalisation gave rise to oligarchic and rent-seeking enterprises in sectors such as mining, telecommunications, and energy. This left India's government with neither the resources nor the will to continuously support the development of manufacturing sectors like automobiles and pharmaceuticals.[9] However, behind almost all successful economic catch-ups in history, the state has used industrial policy to mobilise various and guide resources into the manufacturing sector. Southern countries lacking proactive state action have experienced insufficient investment in manufacturing (for example, due to high uncertainty for private enterprises) and conflicts of interest surrounding manufacturing (for example, elites from the financial and mineral sectors often obstruct manufacturing development).

[8] There are misinterpretations in some discussions about the 'service economy'. For example, according to data from the United Nations Industrial Development Organisation (UNIDO), the countries with the highest per capita manufacturing output in the world are Switzerland and Singapore (often regarded as service economies), both of which still maintain world-leading positions in manufacturing sectors such as machinery, electronics, precision equipment, or industrial chemicals.

[9] Adnan Naseemullah, *Development After Statism* (Cambridge University Press, 2017).

Foreign dependency hinders upgrading. The international division of labour within the neoliberal order is based on fragmented production. Southern countries are therefore easily locked into low value-added production activities. Southern countries participating in the international division of labour heavily rely on imported intermediate products and machinery, and are unable to obtain the necessary capital and technology for upgrading. For example, the local parts utilisation rate in South America's export processing zones is only between 3–9% (in the Dominican Republic, it is 0.0001%).[10] The reason for this situation is the unwillingness of international investors to upgrade: their incentive is to allocate investment regionally or even globally to reduce costs, and they have no intention of helping Southern countries raise their technological level. If a firm from a Southern country threatens their high value-added production activities (such as research and development, capital goods manufacturing, supply chain management, product marketing, etc.), multinational corporations use various means to limit the potential for upgrading, such as restricting the supply of capital goods and components, sharply increasing prices, or suing through the investor-state dispute settlement mechanisms. In fact, successful economic catch-ups in history have all been based on domestic enterprises with their core production activities located within their own country. Domestic enterprises naturally have the incentive to earn higher profits by upgrading to higher value-added production activities. For example, in South Korea, Taiwan Province, and the Chinese mainland, local companies in industries such as electronics have participated in transnational production through lower value-added activities while gradually moving up the industrial chain to increase domestic value-addition. At the same time, there is no case of achieving economic catch-up solely by relying on foreign investors.[11] Therefore, governments should actively provide domestic enterprises with resources and opportunities for manufacturing upgrades through industrial policies.

[10] Jostein Hauge, 'Should the African Lion Learn from the Asian Tigers? A Comparative-Historical Study of FDI-Oriented Industrial Policy in Ethiopia, South Korea and Taiwan', *Third World Quarterly* 40, no. 11 (2019): 2071–2091.

[11] Adnan Naseemullah, 'The International Political Economy of the Middle-income Trap', *The Journal of Development Studies* 58, no. 10 (2022): 2154–2171.

Challenges to Economic Catch-up in the Post-Neoliberal Era

Policymakers in the Global South have begun to recognise the limitations of neoliberal theory and practice, and have turned to promoting state-led industrialisation. However, achieving this goal in the post-neoliberal era is not easy. Southern countries face at least three interconnected obstacles: digital technology, oligarchic enterprises, and great power competition. The interaction between these three factors places extremely high demands on the governments in the Global South for resource investment, making the difficulty for each country to independently advance its economic catch-up significantly greater.

Digital technology reduces the labour absorbed by manufacturing. Technology in manufacturing has a clear labour-saving tendency. For example, during their period of rapid industrialisation, the manufacturing sector's share of employment in Europe and the US was close to 40%, whereas currently in Vietnam (a country with a relatively outstanding industrial performance), it is only 18%.[12] This trend will produce a series of chain reactions. Historically, industrialisation often created a large number of stable employment opportunities, thereby cultivating social groups that supported manufacturing expansion. However, the development of digital technology is gradually reducing the size of this beneficiary group, and correspondingly increasing the difficulty for the state to obtain support for industrial policy from various social groups.[13] Internationally, the investor appeal of cheap labour in Southern countries may be significantly weakened, which could lead to intense competition and further suppress the value-addition that Southern countries can obtain.

Moreover, digital technology increases the investment required for upgrading. The productivity enhancement mechanism of the Fourth Industrial Revolution comes from the interconnection of numerous domains; digital islands in isolated domains (regardless of their level of technological advancement) make it difficult for Southern countries to truly enjoy the dividends of new technologies. In other words, discussing the Internet of Things, artificial intelligence, and big data analytics in an economy that has not set up the internet

[12] Qin Beichen and Hu Shulei, 'Neoliberalism and Premature Deindustrialisation in Global South Countries' [新自由主义与全球南方国家的过早去工业化], *Beijing Cultural Review* [文化纵横], no. 2 (2023): 28–37.

[13] Dani Rodrik, 'Prospects for Global Economic Convergence Under New Technologies', in David Autor, Kaushik Basu, Zia Qureshi, and Dani Rodrik, eds., *An Inclusive Future? Technology, New Dynamics, and Policy Challenges* (Brookings, 2022).

or popularised sensors is meaningless. However, the popularisation of sensors, network connectivity, and digital skills training in a general sense all require proactive action from the governments of Southern countries. Therefore, the advancement of digital technology makes the task of promoting basic interconnectivity in the Global South increasingly urgent.

Oligarchic enterprises squeeze the profit margins of Southern countries. Under the neoliberal order, the governments of developed countries, led by the US, were keen to sign bilateral and multilateral free trade agreements with Southern countries. But these agreements established the oligopolistic or even monopolistic status of multinational corporations. Currently, the revenue of oligarchic enterprises from industrialised countries is already comparable to the gross domestic product of many Southern countries; these enterprises have achieved dominance over global value chains through product design, manufacturing standards, process management, and market logistics, and are thus able to squeeze the profit margins of Southern countries. Apple Inc. is representative of this trend: Apple, which does not engage in any manufacturing activities, earns 58% of its final product's value, while the share earned by labour-intensive production activities is only 1.8%.[14] In the post-neoliberal era, the asymmetrical profits of multinational corporations are very likely to continue to rise. A prominent feature of manufacturing activities in the digital age is the increase in the density of intangible assets.[15] Compared to tangible assets, multinational corporations have an even stronger monopoly over intangible assets. Currently, the Gini coefficient of patent holdings among different countries is close to 0.85 (far exceeding the level of income inequality in any country), and the vast majority of data storage centres and almost all influential trademarks are also located in industrialised countries. Multinational corporations are able to earn excess profits by relying on their monopoly over intangible assets. For example, in 2021, the patent royalty income of developed countries was more than twenty times that of the Southern countries, being $405.5 billion for the

[14] Donald A. Clelland, 'The Core of the Apple: Degrees of Monopoly and Dark Value in Global Commodity Chains', *Journal of World-Systems Research* 20, no. 1 (2014): 82–111.

[15] Intangible assets refer to non-physical knowledge-based resources that encompass: 1. value-adding intellectual properties (e.g. patents, copyrights, trade secrets), 2. knowledge embedded in digital information systems (e.g. datasets, software algorithms), and 3. operational knowledge institutionalised in business practices (e.g. supply chain protocols, brand equity management).

former and only $20 billion for the latter. Against this backdrop of multinational corporate oligopoly, it is very difficult for Southern countries to develop their manufacturing sector.

Geopolitics increases the uncertainty of economic catch-up. First, great power competition creates the risk of further 'modularisation' of the world economy, i.e., the division of the world into different modules of ideology, technical standards, payment systems, reserve currencies, and trade systems. This division means that Southern countries may need to purchase higher-priced intermediate and capital goods, and at the same time find it more difficult to access downstream markets to support their domestic production. These adverse conditions require more government support (for example, by subsidising machinery imports and product exports). Second, the probability of economic and financial turmoil has sharply increased. The Russia-Ukraine conflict and the ensuing sanctions caused global wheat prices to suddenly rise by 37% in 2022, triggering food crises in some countries in North Africa and South Asia.[16] Meanwhile, trade-related administrative bans have surged from fewer than a thousand in 2019 to nearly three thousand in 2022.[17] Such events require the state to have sufficient financial reserves to avoid the collapse of the domestic economy. These uncertainties reduce the volume of resources that Southern states can invest in manufacturing development because more resources must be set aside to respond to external shocks. Third, while there are views that 'decoupling' and 'de-risking' could bring opportunities for industrial transfer to some Southern countries, these transfers are still concentrated in labour-intensive production activities. The growth of Southern countries' trade with the US has already triggered hostile actions from the Trump administration; in other words, the benefits that industrial transfer can bring may also be relatively limited.[18]

[16] AP, 'Wheat, Corn Prices Surge Deepening Consumer Pain', *Al Jazeera*, March 2022.

[17] Kristalina Georgieva, 'The Price of Fragmentation: Why the Global Economy Isn't Ready for the Shocks Ahead', *Foreign Affairs*, September/October 2023.

[18] Qin Beichen and Wang Yong, 'China-Southeast Asia Industrial Transfer in the Context of U.S.-China Decoupling' [中美脱钩背景下的中国—东南亚产业转移], *Journal of Boundary and Ocean Studies* [边界与海洋研究], no. 3 (2025): 3–26.

Towards a Southern Theory of Economic Modernisation

As economist Dani Rodrik notes, 'Today we are in the midst of a transition away from neoliberalism, but what will replace it is highly uncertain.'[19] The simple neoliberal narrative that 'more market (less government) brings prosperity' is losing its appeal and credibility in the Global South, but a new theory has yet to mature. To economically catch-up in the post-neoliberal era, the Global South must avoid uncritical reliance on and wholesale adoption of economic theories from the Global North. It is imperative to formulate a Southern theory of economic modernisation grounded in the practices and wisdom of the Global South itself.[20] The experience of China – a member of the Global South with the most rapid record of economic catch-up – can serve as a crucial point of reference. Specifically, such an inquiry should entail at least three dimensions of effort.

First, it is imperative to advocate for the de-ideologisation of development theory. The evolution of social sciences in the US has always been deeply intertwined with the social values of individualism, liberalism, and universalism.[21] Proponents and beneficiaries of the neoliberal order have successfully conflated its theoretical foundations with these social values. Consequently, those who oppose free trade, free investment, or free markets are typically cast as either spokespersons for rent-seeking interests or as heretics deviating from orthodoxy. However, as Karl Polanyi famously argued, '*laissez-faire* was planned'.[22] The 'freedom' in such theories refers only to the unrestricted freedom of capitalists in trade, investment, and transactions; conversely, it entails a restriction on the freedoms of workers and the broader peoples of the Global South. For instance, the free mobility of capital is, in practice, achieved by curtailing the freedoms of numerous other actors, such as workers.[23] Likewise, lowering trade and investment barriers effectively constrains the freedom of Southern coun-

[19] Dani Rodrik, 'The New Productivism Paradigm?', *Project Syndicate* 5, no. 7 (2022): 1–3.

[20] For more systematic practices regarding the exploration and discussion of Southern Theory, see Jing Jun and Gao Liangmin (eds.), *Southern Theory: The Other's Contribution to Humanities and Social Sciences Thought* [南部理论 人文社科思想的他者建树] (China Social Sciences Press, 2024).

[21] Dorothy Ross, *The Origins of American Social Science* (Cambridge University Press, 1991).

[22] Karl Polanyi, *The Great Transformation* (Farrar & Rinehart, 1944): 147.

[23] This is because the freedom of capitalists to transfer their capital between countries or regions can only be achieved on the premise that dismissing employees in a particular location does not incur prohibitively high additional costs.

tries to formulate economic policies suited to their own national contexts.[24] Therefore, theoretical research on economic catch-up must be decoupled from ideological elements specific to the US. Instead, research should be grounded in a scientific examination of relevant historical experiences, particularly the state-led industrialisation of China and other East Asian economies.

Second, research should be focused on issues of production and employment. Since the 1970s, mainstream Western economics has increasingly centred on exchange efficiency and constructed theory on the micro-foundations of consumer utility maximisation. In doing so, it has neglected the intrinsic differences between production activities, beyond the requisite input ratios of production factors.[25] While this focus was valuable for rethinking the inefficiencies of some import-substitution strategies, it was instrumentalised by the proponents and beneficiaries of neoliberalism to ignore production and employment. For example, rapid privatisation or stringent fiscal discipline could cause large-scale unemployment in the short term (while simultaneously benefiting creditors in developed nations), yet such policy initiatives were successfully implemented in the name of efficiency. Similarly, in international trade, a focus on primary commodity exports and labour-intensive production could lead Southern countries to lose their existing industrial base and struggle with technological upgrading in manufacturing (a situation that benefits multinational corporations headquartered in industrialised countries). A mechanistic interpretation of the theory of comparative advantage lent these policies the legitimacy of 'enhancing trade efficiency'. In contrast, China, throughout its process of reform, has consistently focused on expanding the scale and technological sophistication of its manufacturing sector and has always placed employment at the core of its policymaking. If a new theoretical framework centred on production and employment can be developed based on the Chinese experience, it would undoubtedly be more conducive to establishing the legitimacy of actions taken by Southern countries to support their domestic manufacturing sectors.

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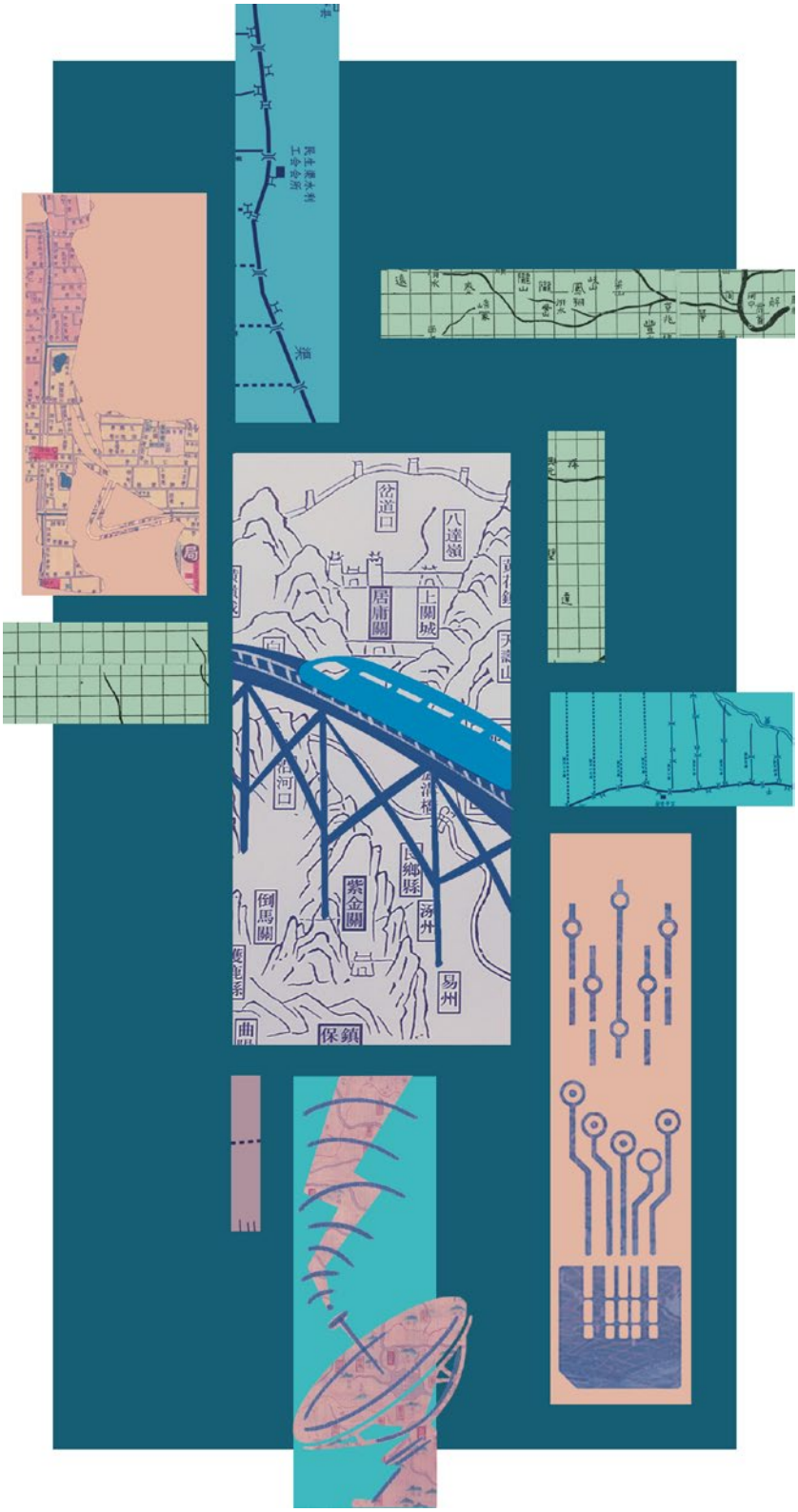
[24] A prominent example of this contradiction is the European integration process, which, under the banner of 'free flow of resources', even deprived member states of the common market of the freedom to decide the length of their baguettes. See Joseph E. Stiglitz, *The Euro: How a Common Currency Threatens the Future of Europe* (W. W. Norton & Company, 2016).

[25] Alice H. Amsden, 'Bringing Production Back In – Understanding Government's Economic Role in Late Industrialisation', *World Development* 25, no. 4 (1997): 469–480.

Third, the role of the state must be re-evaluated and subjected to systematic inquiry. The research paradigm of mainstream Western economics conceives of the market as a sphere entirely separate from society, governed by its own inherent laws and insusceptible to interference from government or other social groups. Within this framework, intervention by non-market factors is posited as the primary reason why efficiency is constrained and the 'invisible hand' fails to function. Consequently, the state is typically perceived as an impediment to development and limited government is presented as a universally beneficial direction for reform.[26] However, in Southern countries where market institutions are not yet consolidated, constraining state action is prone to generating a series of problems such as the rise of oligarchic monopolies, the erosion of the industrial base, and the prevalence of illicit activities. For example, during the initial phase of its reform and opening-up, China did not pursue the 'limited government' model prescribed by mainstream theory. Instead, it leveraged its existing institutional advantages, mobilising the proactiveness of government officials at all levels to engage in investment promotion activities.[27] While such an institutional arrangement would be proscribed by the mainstream, it achieved performance far superior to that of the Eastern European countries which undertook reforms to limit government. In reality, the perfect market of the mainstream paradigm may not exist at all; market activities are necessarily embedded in social relations and cannot operate independently of them. The more meaningful question, therefore, is not 'whether government', but 'what kind of government'. Abandoning preconceived notions about the role of the state and engaging in a systematic discussion of its function in economic development is productive for theoretical reorientation.

[26] In fact, after the failure of the more radical 'Washington Consensus' reforms, international organisations represented by the World Bank came to believe that a backward institutional environment (or 'bad governance') was key to the inability of Southern countries to benefit from these reforms. See M. Doornbos, 'Good Governance: The Rise and Decline of a Policy Metaphor?' *Journal of Development Studies* 37, no. 6 (2001): 93–108.

[27] Yuen Yuen Ang, *How China Escaped the Poverty Trap* (Cornell University Press, 2018).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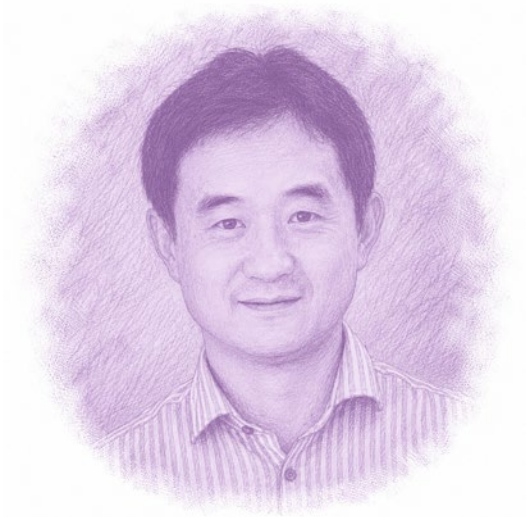
China and the Electrification of the Global South: The Case of Pakistan



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In May 2025, Pakistan and India experienced one of the most intense regional conflicts of this century.[1] India responded by suspending the Indus Waters Treaty (IWT), which had been in effect for 65 years. The IWT was signed in 1960, after nine years of negotiations. Brokered by the World Bank, the treaty is regarded as a successful example of international mediation during the Cold War. Then US President Dwight D. Eisenhower called it 'a bright spot in a discouraging world situation'.

India's recent decision to suspend the IWT brought new crises to Indo-Pakistani relations. Apart from diplomatic appeals, what concrete measures can a relatively disadvantaged country like Pakistan take? River development is an essential part of nation building for any modern state. If India leverag-

[1] Editor's note: In April 2025, 26 civilians were killed in a terror attack in Indian-administered Jammu and Kashmir. In response, India launched Operation Sindoor, launching missile strikes into alleged terrorist bases in Pakistan.

es its geographical advantage to develop the Indus River, how should Pakistan respond?[2]

The Indus River originates in Xizang (Tibet), China, and flows into the sea through Pakistan. Although the name 'India' comes from the Indus River, the river's main basin lies in today's Pakistani Punjab and Sindh provinces. According to the IWT, India controls the three rivers towards the east (Sutlej, Beas, and Ravi), while Pakistan controls the three rivers towards the west (Indus, Jhelum, and Chenab). Pakistan pays India management fees and India guarantees Pakistan's water rights over the three western rivers. Pakistan receives 80% of the annual runoff from the main tributaries of the Indus River, while India receives 20%. The treaty acknowledges India's right to develop hydropower on the three western rivers but restricts it to run-of-the-river hydropower stations to ensure downstream water supply for Pakistan.

The IWT is not only a water rights allocation agreement but also an international cooperative pact for river development. After the agreement was reached in 1960, the World Bank coordinated an international consortium – including the United States, United Kingdom, Canada, and Australia – which provided Pakistan with approximately $895 million in aid to support the construction of irrigation facilities. These included the Tarbela Dam, the Mangla Dam, and a system of link canals. India, on the other hand, used domestic funds to develop its eastern rivers.[3]

As a symbol of successful mediation between the two countries, the treaty remained unshaken during subsequent Indo-Pakistani conflicts. However, six decades later, the regional situation has dramatically changed – the volume of the Indus River has declined due to climate change, while the population in the upper reaches has increased. Additionally, the power imbalance between India and Pakistan has become more pronounced. When the treaty was signed, both countries had just gained independence and could accept cooperative development under the auspices of international organisations. But over the past 30 years, India's rapid economic growth has widened the gap between the two countries – Pakistan's gross domestic product is only one-tenth that of India's.

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[2] US Department of State, *Foreign Relations of the United States, 1958–1960, South and Southeast Asia, Vol. XV*, US Government Printing Office (1992).

[3] India and Pakistan (1960). *The Indus Waters Treaty (IWT)*.

Whether driven by the need for its own economic development or the long-standing pursuit of regional dominance, India has actively sought to amend the treaty. Since 2009, India has repeatedly proposed amending the treaty and has taken an increasingly tougher stance.[4] The recent attack in India-administered Kashmir and the subsequent Indo-Pakistani conflict merely provided India with a pretext for direct action. The development of the Indus River is entering a new phase regardless of how the two sides negotiate.

From the Tennessee Model to the Three Gorges Model

Faced with an assertive India, Pakistan must adjust its strategy and independently develop its rivers. In the 1960s, the World Bank-supported Indus River development projects focused on irrigation to stabilise the newly established Pakistani state. However, the critical challenge for today's Pakistan is to develop its rivers to serve urbanisation, industrialisation, and overall modernisation.

For a modern nation, to manage rivers is to manage the nation; to develop rivers is to develop the country. The most typical example is the Tennessee Valley development project in the United States during the 1930s. At the time, the Roosevelt administration built cascading hydropower stations on the Tennessee River and established the Tennessee Valley Authority (TVA) to directly manage the entire river basin's water infrastructure, transforming the region into the fastest-growing economic area in the United States. TVA director David Lilienthal summarised the authority's mission as 'making the river serve the people'.[5] Lilienthal later coordinated and promoted the IWT, and both India and Pakistan's Indus River development efforts were modelled after the Tennessee experience.

Large-scale water conservancy projects can comprehensively enhance state capacity, which is crucial for a country with a weak infrastructural base like Pakistan. The achievements of water conservancy are evident in Pakistan: the Lahore metropolitan area is surrounded by a narrow irrigation canal, and

[4] Sadaf Taimur, 'India, Pakistan, and the Coming Climate-Induced Scramble for Water', *Salzburg Global* (15 October 2020).

[5] David Lilienthal, *Democracy on the March: The Story of the Tennessee Valley Authority* 《民主与大坝：美国田纳西河流域管理局实录》, translated by Xu Zhonghang, (Shanghai Academy of Social Sciences Press, 2016): 9.

Punjab province has eight similar canals, forming the famous Green Pakistan Initiative. These canals, with a total length of 622 kilometres, 400 auxiliary structures, and a total water delivery capacity of 300 cubic metres per second, irrigate 2 million hectares of land.

The canals have contributed to Pakistan's agricultural base, demonstrating the value of the Tennessee model. But Pakistan's needs have evolved from irrigation to energy – specifically, electricity. According to a 2022 report by China Three Gorges Corporation (CTG), Pakistan's per capita electricity consumption in the 2020–2021 fiscal year was 584 kilowatt-hours – ranking among the lowest in the world. Importantly, 24% of Pakistan's population still lacks access to electricity. Even at Lahore's iconic Wagah Border, where the famous daily Beating Retreat ceremony takes place, the restroom at customs lacks power and has only one functioning faucet.

Increasing hydropower supply has become a priority in Pakistan's river development. In the 1930s, the TVA was renowned for significantly boosting electricity supply to the central agricultural states of the United States, thereby driving industrial development in the basin. In this century, China's Three Gorges Dam project is by far the most exemplary case study. Since the first unit began generating electricity in 2003, the Three Gorges Dam has cumulatively produced over 1.7 trillion kilowatt-hours of electricity, setting a world record of 111.8 billion kilowatt-hours of clean energy produced in a single year in 2020.

The CTG's experience and capabilities align well with Pakistan's needs for Indus River development. The Karot Hydropower Station, developed under the CTG's leadership, became the first project funded by the Silk Road Fund and one of the key initiatives in the China-Pakistan Economic Corridor (CPEC). According to the plan, the CTG will carry out cascade development on the Jhelum River, one of the three western rivers. From south to north, three hydropower stations – Karot, Mar, and Kahala – will be constructed. The now-completed Karot Hydropower Station is Pakistan's fifth-largest, with a main dam height of 95.5 metres, an installed capacity of 720 megawatts, and peak monthly output of 400 million kilowatt-hours during the wet season – capable of supplying electricity to five million people.

Reorganising Social Relations through River Development

Large-scale infrastructure projects like hydropower stations require substantial investment and long-term management. Human factors are as critical as favourable timing and geographic conditions for transnational hydroelectric projects. This requires both personnel training and organisational restructuring.

Pakistan has a population of 240 million people and a long tradition of agrarian labour. However, Pakistan has yet to fully benefit from its labour supply. Pakistani workers are spread globally; official statistics show that in 2024–2025, one million Pakistanis left the country to work abroad. Many Pakistanis believe there are few job opportunities in their own country. The traditional society, rooted in kinship, village ties, and ethnicity, has strong social and economic units dominated by specific clans or ethnic groups. Within this structure, joining the military (or inheriting a family business) was the only way to break free from traditional constraints.

In such a social context, hydropower stations can offer new opportunities. The construction of large-scale infrastructure projects requires a kind of centralisation of power. This process requires integrating societal sectors, selecting talent across strata, and establishing organisations with mobility. Simultaneously, the CTG's hydropower development in Pakistan – from dam construction to operation and management – involves comprehensive workforce training, which gradually aligns local labourers' agrarian work ethic with modern work industrial ethics.

First, the CTG's human resource development in Pakistan breaks geographical barriers by providing widespread employment opportunities. At the Pakistani branch of the Three Gorges Asia-Africa Company, over half the staff are Pakistani, while the Islamabad office is entirely staffed by locals. Pakistan is often seen as a Punjabi-dominated nation, but Three Gorges employees come from all regions: Punjab, Sindh, Peshawar, and even Pakistan-administered Kashmir.

Second, workforce training breaks kinship-based professional monopolies by cultivating a new generation of professionals, some of whom receive training in China and are hired by Chinese energy companies operating in Pakistan.

Third, training brings about job opportunities for women. Due to patriarchal and religiously conservative tendencies, Pakistani women have few job opportunities despite relatively high education levels. The CTG, through its hiring standards based on fairness and inclusiveness, recruits female employees and trains female senior engineers.

From human resource development to organisational restructuring, the CTG's investments in Pakistan have created conditions for Pakistan's talents to contribute to the nation's development. The significance of this contribution surpasses electricity generation.

Infrastructure as a Form of National Power

US sociologist Charles Tilly summarised European modernisation through the lens of war, proclaiming that 'war makes the state, and the state makes war'.[6] From the perspective of historical sociology, war can both construct a state's 'despotic power' and profoundly develop its 'infrastructural power'. For Western nations, war was the path to building nation states and achieving modernisation, which rapidly and effectively enhanced state power. However, there are contradictions between despotic power and infrastructural power – the former emphasises hierarchical bureaucratic structures and top-down authority while the latter stresses interaction, negotiation, and integration between the state and society, requiring a networked power system. For early European nation states, war drove the growth of both power systems, making it a convenient path for national construction.

Underdeveloped countries in the Global South must reject the European road due to fundamentally different international environments. Therefore, large-scale national infrastructure projects such as transportation, water conservancy, and electricity have become the primary means for underdeveloped countries to build state power. Nationwide infrastructure can establish direct connections between central governments and grassroots authorities, fostering social networks through universal access and creating cohesive societal ties to balance both power types. For example, the South Korean government's

[6] Charles Tilly, 'War Making and State Making as Organised Crime', in *Bringing the State Back In*, ed. Peter Evans, Dietrich Rueschemeyer, and Theda Skocpol (Cambridge University Press, 1985).

construction of the Seoul to Busan highway in the 1960s became the starting point for economic take-off and a key node in rapid modernisation.

Electricity infrastructure is much more impactful than roads. This is because while highways connect regions, linking central cities to secondary cities and rural areas, electricity connects individual households. The centralised control and decentralised distribution of power generation and transmission also align with the dual requirements of despotic and infrastructural power. The cycle of electricity production and charging, being both an energy commodity and a public good, reflects the dynamic transformation from state power to state capacity.

However, the uneven spatial distribution of infrastructure and the resulting unequal benefits can create crises of legitimacy. French Marxist philosopher Henri Lefebvre summarised this phenomenon as the binding of state power to space, emphasising that the state shapes social relations within spaces, with spaces forming the foundation of state power.[7] In terms of electricity supply, the production of electricity represents the starting point of state power, while the access to electricity represents the endpoint and realisation of state power. Failure to coordinate production and access can lead to power struggles.

Pakistan resembles a rectangular shape, stretching long from north to south and narrow from east to west. The north, blessed with mountains and rivers, is ideal for hydropower development. The south – with vast plains, valleys, and deserts – has rich coal reserves suitable for thermal power. During British colonial rule, two electricity supply centres were built in the north and south of Pakistan. The main power grid and most transmission and distribution lines in Pakistan are operated and managed by the National Transmission & Despatch Company (NTDC). In the southern city of Karachi and its surrounding areas, the power supply is independently operated by the Karachi Electric Supply Company. Furthermore, NTDC has established several regional distribution companies across the country to transmit electricity locally. Pakistan relies on a single north-south transmission line, while the construction of branch and feeder lines depends entirely on local capacity. Consequently, major cities with

[7] Majed Akhter, 'Infrastructure Nation State Space, Hegemony, and Hydraulic Regionalism in Pakistan', *Antipode* 47, no. 4 (2015): 849–870.

greater resources have better distribution networks, while electricity distribution remains inadequate in remote or underdeveloped areas.

Despite significant regional disparities, Pakistan's national policy adheres to the principle of fairness and uniformity in electricity consumption. Pakistan's electricity policy is based on two key principles: first, the 'joint generation' policy, which ensures that all provinces share the country's power generation resources; and second, the 'uniform tariff' policy, which requires consumers across the nation to pay the same electricity rate. To facilitate electricity sharing, Pakistan introduced private power supply companies tasked with transmitting electricity to specific regions and groups. At the same time, the Pakistani government introduced a tariff differential subsidy for certain regions and groups in order to maintain the uniform tariff, which ultimately led to a massive fiscal deficit.[8] Taking the 2010–2011 fiscal year as an example, the federal government provided subsidies amounting to 259 billion Pakistani rupees (approximately 3 billion US dollars in 2011 exchange rates) to the power sector, exceeding 10% of Pakistan's total federal budget.[9]

The failure to achieve universal access to electricity has not only placed immense pressure on Pakistan's national finances but also turned public infrastructure projects into focal points of regional and ethnic conflicts. For instance, the prolonged confrontation between Sindh and Punjab originated with the construction of the Tarbela Dam in 1974, marking the emergence of overt regionalism in Pakistan.

The Challenges of Pakistan's State Capacity

China's lessons for Pakistan extend beyond electricity generation. China has built the world's largest power grid, which is centred around the Three Gorges Dam. Pakistani experts have noted that grid expertise is the CTG's strongest asset, as most power generation companies rarely engage in grid building.

[8] Ijlal Naqvi, *Access to Power: Electricity and the Infrastructural State in Pakistan* (Oxford University Press, 2022): 30–31, 2, 78.

[9] Ibid.

Considering the relatively controllable nature of hydropower resources, flexible electromechanical equipment, and simple grid topology, hydropower stations hold advantages as grid hubs. With the advancement of the CPEC, Pakistan has constructed multiple hydropower stations and implemented cascade development on several rivers within the Indus River basin. Consequently, the transmission and distribution grid must be upgraded to avoid challenges in electricity sales. If the construction of large-scale hydropower facilities represents the concentration of resources to accomplish major tasks, then the transition from constructing power stations to building the power grid is a process of moving from the macro to the micro and linking with local units.

State power embodied in electricity infrastructure has dual attributes discussed earlier: large dams and hydropower stations exhibit despotic power, whereas grids constitute infrastructural power. British colonial rule in the subcontinent focused on establishing despotic power systems while minimising infrastructural power investments so as to preserve the traditional social structures. By 1853, British India had built a 20-mile railway test line, which expanded to 45,000 miles by 1947, making it the world's fourth-largest railway system at that time. Yet, 70% of British Indian railways connected ports to inland raw material production areas – essentially colonial trade corridors – rather than forming an interconnected domestic network.[10] This point-to-point infrastructure exemplifies the power structure of British India. Similar to India's railways, Pakistan's earliest power facilities were concentrated in major cities like Karachi and Lahore, as well as military fortresses like Rawalpindi, forming the point-to-line connections that define Pakistan's grid. Pakistan inherited the British colonial authorities' power system and its non-standardised infrastructural power features. Since its founding, Pakistan has co-opted local elites and acknowledged their traditional power networks. As for the patronage relationships widespread in Pakistani society, the approach has largely been one of assimilation rather than reform.

As previously mentioned, while Pakistan's electricity subsidies are substantial, the country also suffers from extreme power losses. Between 2005 and 2015, the average transmission and distribution loss in Pakistan's power grid was as high as 20.84%, compared to an international standard of just 7% during the

[10] Latika Chaudhary, Bishnupriya Gupta et al., *A New Economic History of Colonial India* (Routledge Press, 2016): 141–144, 27.

same period.[11] According to studies by the CTG, 50% of Pakistan's electricity consumption is attributed to non-technical losses (electricity theft), while other research estimates this figure to be 30–40%. This severely undermines the revenue of local power generation companies. As per calculations by the CTG, the highest electricity bill collection rate in Pakistan is only 85%.

Such theft rates should be viewed as structural issues rather than regulatory failures. US technological historian Thomas Parke Hughes schematised the expansion of electricity systems from 1880 to 1930 into five stages: invention, technology transfer, system growth, substantial momentum, and planning and transformation.[12] Each stage is led by different actors – for example, the first three stages were driven by inventors, engineers, entrepreneurs, and financiers, while the latter two required involvement from government or public institutions. For underdeveloped countries, the construction of electricity systems often rapidly bypasses the first three stages, failing to foster sufficient technological market momentum. Without corresponding financing mechanisms, technicians, and management expertise, large-scale construction cannot be sustained. Similarly, without robust industrial demand, massive electricity supply lacks customers, rendering scale effects unachievable. Without an expanded electricity market, the transition to public services cannot occur, thereby preventing the realisation of infrastructural state power.

When formal electricity supply fails to deliver public services, electricity theft under informal power structures becomes widespread, tolerated, or even abetted by power officials and grassroots officers – this is often intertwined with partisan and ethnic politics. In Balochistan and interior Sindh, 75% and 64% of electricity supply remains unpaid respectively – this is equivalent to an implicit federal subsidy.[13]

For Pakistan, reshaping the grid equates to rebuilding infrastructural power systems, which requires adjustments to long-standing non-standardised power structures. It is clear that a fragile energy system cannot support the electric-

[11] Ibid.

[12] Thomas Parke Hughes, *Networks of Power: Electrification in Western Society, 1880–1930* (Johns Hopkins University Press, 1988): 14–17.

[13] Ijlal Naqvi, *Access to Power: Electricity and the Infrastructural State in Pakistan* (Oxford University Press, 2022): 30–31, 2, 78.

ity demands of 240 million people. Therefore, the Pakistani government has repeatedly pursued power system reforms and attempted to abolish uniform pricing, but ensuing social protests and livelihood pressures have forced the government to stabilise tariffs. The administration of Prime Minister Shehbaz Sharif made power system reform a priority but efforts have focused on resolving the debts of private power suppliers, with no progress on nationwide grid construction.

If large-scale grid construction is not immediately feasible, are there alternative paths to support Pakistan's electricity supply and residents' electricity rights? Amid escalating geopolitical tensions, are there other avenues for accessing electricity beyond hydropower-grids?

Photovoltaics as a Means of Enhancing State Capacity

If the CTG provides a top-down pathway from river development to national power systems, China also offers Pakistan a bottom-up approach to access electricity through photovoltaics (PV).

Due to frequent power outages, affluent Pakistani households, hotels, schools, hospitals, and others typically rely on diesel generators for emergencies. However, PV panels are gradually replacing diesel generators at various levels of Pakistani society and driving the growth of the energy storage industry. In Pakistan, many affluent households and even new residential areas rely on rooftop solar installations. PVs have also been integrated into the lives of middle- and low-income Pakistanis, with solar facilities visible in informal settlements in Islamabad and Lahore. Traveling through rural Pakistan, one can see simple roadside sheds equipped with solar panels, where people can charge their mobile devices.

In 2024, Pakistan imported approximately 16 gigawatts of PV components, nearly one-third of the country's total installed power generation capacity (45 gigawatts) as of June that year. Of the 16 GW, only 0.63 GW was used for centralised solar, with the rest being distributed PVs. According to a report by Pakistani think tank Renewables First, Pakistan's power generation capacity increased to 46.2 million kilowatts in 2024 with the commissioning of three

new solar power plants, raising the share of utility-scale renewable energy in the country's installed capacity from 6% to 7%. Distributed energy resources in Pakistan grew significantly, with net metering capacity doubling from 1.3 million kilowatts in 2023 to 2.5 million kilowatts in 2024, and reaching 4.9 million kilowatts by March 2025.[14]

In Pakistan, PV installations and distributed power generation have begun replacing previous electricity rationing methods. PVs offer a low-cost path to electricity access, particularly for middle- and low-income Pakistanis. Pakistan is naturally endowed with long hours of sunlight, with Punjab province averaging 6.8 hours of sunshine per day, making it ideal for the use of distributed PV systems. Electricity access becomes possible with just a solar panel and a storage battery. This pathway is made possible due to China's industrial capacity, which produces 97% of the world's PVs and accounts for 99% of Pakistan's PV imports.

Distributed PVs have significantly reduced the burden on Pakistan's official electricity services. The public power sector can focus on serving industrial and commercial clients, whose large-scale electricity demand aids the construction of Pakistan's national grid. From a national development and capacity building perspective, PVs are not just clean energy but a tool for strengthening Pakistan's infrastructural power. By lowering the threshold for accessing electricity, the Pakistani state can provide universal access to electricity and facilitate broader economic participation. In Lahore, 95% of farmland has switched to solar-powered water storage. With an average installation capacity of 5–10 kilowatts per household, this can cover an irrigation area of 2–5 hectares.[15] Emerging economic activities, such as social media content creation, also benefit from electricity.

From a technical standpoint, distributed PV power generation directly links electricity supply to end-users, enabling access to rural areas and urban informal settlements. The basic power units formed by distributed PV systems can be quickly interconnected to establish microgrids, which can then be seamlessly integrated into Pakistan's still-developing national grid framework. These foundational units of PV-based grids are not only reliable but also resilient,

[14] Renewables First, *Pakistan Electricity Review* (2025).

[15] Renewables First & Herald Analytics, *The Great Solar Rush in Pakistan* (2024).

offering the potential to transform severe rent-seeking and electricity theft issues into regulated price negotiations.

For Pakistani farmers living in traditional village communities and relying on kinship ties for economic activities, the emergence of new social relations will drive the formation of new economic networks. This new integration of space and state power is beneficial for enhancing Pakistan's state capacity.

China as Development Partner and Model

Pakistan's goal of developing the Indus River remains unchanged despite climate change and regional political-economic developments. To address these new challenges, Pakistan seeks diversified and comprehensive utilisation of the Indus River, transitioning from irrigation to integrated power development. Since its founding, Pakistan has viewed the Indus River's holistic development as a crucial tool for nation building. While the construction of large-scale infrastructure has, to some extent, enhanced the credibility of the Pakistani federation, its limited equitability created new controversies.

In the face of geopolitical pressures, Pakistan needs stronger state capacity. Without the benefits of conjunctural opportunities or geographical advantage, the country must cultivate its own social conditions. Pakistan must invest in public infrastructure for both economic development and national capacity building – this aligns with the intention of the CPEC.

China offers the Global South both development capabilities and a model for leveraging economic growth to strengthen state capacity. In the past, greater emphasis was placed on China's role in promoting large-scale public infrastructure projects in developing nations. With the establishment of China's industrial advantages, the role of new technologies in strengthening state capacity should be recognised. The diffusion of new technologies is critical for structural transformation.

The international order has undergone disruptive changes since the end of the World Anti-Fascist War, creating divergent outcomes within the Global South. The importance of state capacity building has now superseded mere

economic development, as economic growth must go hand-in-hand with good governance. Pakistan's challenges are not isolated cases, but reflective of broader trends in the Global South. The role of China's hydropower and PV sectors in addressing Pakistan's energy needs underscores the supportive role that Chinese enterprises can play in enhancing the capacities of Global South countries. Enhanced state capacity can be used to improve public welfare, and vice versa. Together, these two dimensions lead to conducive social conditions for the modernisation of nation states.

Note: *This research was supported by China Three Gorges Corporation.*


地名
四月刻石
镇遠關
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院
廣寧城
正安堡
義州城
镇守府
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院
永平府
建昌營
石門寨
太平寨
喜峰營
壹頭營
薊遼界
角山關
潘陽城
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海州城
撫順城
蓋州城
險山
復州城
金州城
南海口
姜女石
連山關
石景山
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Silk Road Manufacturing: An Alternative Path to Globalisation

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Since the Belt and Road Initiative (BRI) was proposed in 2013, China's manufacturing sector has explored international markets and integrated into the global economic cycle. Concurrently, industrialised countries like the United States have sought to maintain their economic dominance by leveraging technological hegemony, control over upstream industrial chains, and protectionist measures to impose technological blockades and trade barriers against industrialising countries like China. Against this backdrop, it is important to study how Chinese manufacturing firms have responded by going overseas, opening new markets, and reconfiguring transnational industrial chains.

Vietnam, a crucial node for the BRI, possesses natural advantages and catch-up potential for industrial and value chain restructuring, making it a hotspot for Chinese firms expanding overseas.[1] Currently, Chinese manufacturing pres-

[1] Feng Chao, 'When Chinese Manufacturing Encounters Vietnamese Đổi Mới', Fudan Business Knowledge WeChat Official Account, 10 March 2025.

ence in Vietnam manifests in the spillover of supply chain networks, which indirectly proves the growing mismatch between the spatial scope of economic activities and the rigidity of political boundaries. The relocation of Chinese factories to Vietnam does not signify the transfer of entire industries; rather, China acts as the hub of the industrial chain while Vietnam acts as a vital link to international markets, forming an important component of the 'dual circulation' structure. The manufacturing sectors of China and Vietnam have formed a highly integrated and mutually supportive relationship.[2]

Amid the crisis of deglobalisation, Chinese firms continue to engage in cross-border investment across global industrial chains and multiple national policy frameworks. In this context, this essay proposes the concept of 'Silk Road Manufacturing' (SRM) – a new model for industrial collaboration under the BRI where Chinese firms construct transnational manufacturing networks through foreign direct investment, technology transfer, and industrial chain integration. This model helps market entities engaged in transnational business to control cross-border capital flows, coordinate and restructure key economic nodes in industrial chains, share resources, promote an effective international division of labour, and maximise marginal returns.

The practice of SRM in Vietnam reflects China's need to internationalise its industrial chain while also synergising with Vietnam's strategy of utilising foreign capital to industrialise. Its strategic significance lies in integrating global industrial chains to form an intertwined production structure. This is not only expected to be an effective measure against protectionism and decoupling, but may also provide an alternative path of globalisation and the basis for a new international economic order.

The Evolution of Vietnam's Economic Diplomacy

Since the early 2000s, Vietnam has pursued a three-stage strategy for international economic integration. The first step involved proactive integration into the international economy, as proposed by the 9th National Congress of the Communist Party of Vietnam (CPV) in 2001.

[2] Shi Zhan, 'From Trade Frictions to Merchant Order – Viewing the "Dual Circulation" Structure from Sino-Vietnamese Manufacturing Relations', *Exploration and Free Views* 1 (2020).

The second step, from 2016 onwards, was comprehensive international integration. This entailed establishing trade relations with 230 countries and regions and joining diverse agreements, including the BRI and the Comprehensive and Progressive Agreement for Trans-Pacific Partnership in 2017, the Regional Comprehensive Economic Partnership (RCEP) in November 2021, and the Indo-Pacific Economic Framework in 2022. These multilateral mechanisms were leveraged for economic diplomacy and to secure Vietnam's position during the restructuring of East Asian industrial chains.

The third step was deep integration, as clarified by the 13th CPV National Congress in 2021. In 2024, Tô Lâm was elected to the position of general secretary of the CPV. In a speech at the Ministry of Foreign Affairs, he highlighted Vietnam's unprecedented integration into the world economy and demanded that the country's foreign policy 'must constantly consolidate position and strength', 'disseminate and radiate Vietnam's soft power to the world through cultural diplomacy and external information', and 'present to the world an independent, self-reliant, peaceful, cooperative, friendly, developing, prosperous, and happy Vietnam'.

The Evolution of Vietnam's Industrial Policy

In recent years, Vietnam has continued the path of international economic integration while retaining a socialist-oriented market economy, limiting reliance on external actors and ensuring independence and autonomy.

Since 2024, General Secretary Tô Lâm has proposed the 'New Era of National Rise' and introduced a series of resolutions to promote sci-tech innovation, developing the private economy, renovating legislative and law enforcement work, and deepening international integration. This was combined with an anti-corruption campaign to strengthen socialist rule of law. In addition, the constitution, dozens of laws and regulations, and free trade agreements (FTAs) were amended to meet the needs of economic development.

Measures such as provincial–municipal mergers and institutional downsizing have been used to promote tiered governance, administrative simplification, and decentralisation. Simultaneously, the government has introduced poli-

cies like tax exemptions, regulatory streamlining, administrative efficiency, and anti-monopoly rules. These efforts have helped establish a local environment compatible with international cooperation.

Vietnam currently occupies a mid- to low-end position in East Asian value chains, importing intermediate inputs from China, Japan, and South Korea and exporting finished products to Europe and the United States. Unsatisfied with this status quo, the Vietnamese government has taken a series of measures to promote high-end manufacturing development. Following the 'Socio-Economic Development Strategy 2016-2020', Vietnam increasingly prioritises developing high-tech industries, including electronic information, biopharmaceuticals, new materials, and renewable energy sectors. Guided by the 'Strategy for Science, Technology, and Innovation Development to 2030', the share of high-tech industrial products in Vietnam's manufacturing sector is expected to increase to over 45%, transforming Vietnam into a modern industrial country by 2030.

Against the dual backdrop of global value chain restructuring and the deepening advancement of the BRI, Vietnam – with its locational advantages, competitive costs, and active participation in regional FTAs – has become a crucial strategic hub for the internationalisation of China's manufacturing industry. As Vietnam's demographic dividend fades, it aims to create a 'technology dividend' by developing a high-quality workforce, which in turn improves technological capabilities and increases domestic value-addition.

Vietnam's Strategic Opportunities for Silk Road Manufacturing

The current conjuncture presents Vietnam with strategic opportunities for industrialisation. First, the restructuring of global value chains has pushed Chinese firms to establish a presence in Vietnam. In the textile sector, Chinese spinning companies synergise well with Vietnamese weaving, dyeing, and garment production capabilities. This allows Vietnam to attract China's upstream supply chain capabilities while Chinese firms benefit from Vietnam's preferential access to the EU market. Similarly, Vietnam's low self-sufficiency in intermediate goods in manufacturing (below 40%) creates opportunities for Chinese suppliers. For example, over 40 Chinese suppliers have set up

around Samsung's factories in Vietnam, providing packaging materials, metal components, and mold development. However, only a few Chinese-invested enterprises in Vietnam, such as Goertek and AAC Technologies, have entered Samsung's supply chain, indicating significant scope for further integration.[3]

Second, the growth of the home market creates a range of opportunities for Chinese-invested firms. With a population nearing 100 million, Vietnam's middle class and consumption patterns are rapidly expanding. This market exhibits three characteristics:

Demand is increasingly driven by young consumers, with people under the age of 35 accounting for 65% of the population. This cohort has a strong preference for cost-effective, innovatively designed electronics and small appliances, driving rapid growth in online consumption.

The expansion of Vietnam's middle class has fuelled imports of mid- to high-end consumer goods, accelerated a shift toward health-oriented consumption, and increased consumer acceptance of international brands.

Though local cultural identity remains strong, consumers are not resistant to international products. For example, Chinese company TCL launched televisions with lightning protection and enhanced signal reception in response to Vietnam's frequent thunderstorms and complex mountainous terrain. This allowed the firm to successfully enter remote rural markets in Vietnam, rapidly turn a profit, and rise to second place in market share for televisions.[4] If SRM firms place greater emphasis on designing product functionalities tailored to local conditions, they can capture substantial market opportunities.

Third, the strategic alignment between China and Vietnam provides institutional guarantees for SRM. Under the framework of the BRI and Vietnam's 'Two Corridors and One Economic Circle' plan, both sides can advance cooperation at multiple levels.

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[3] Ba Jiuling, 'Vietnam is Launching a Major Transformation Unseen in Forty Years', Zhenghe Island WeChat Official Account, 24 March 2025.

[4] Lu Jiangyong, Yang Xuecheng, 'TCL: Driving Global Development with Localization Strategy' (Case No. IB-1-20240918-327), Guanghua School of Management, Peking University, 10 October 2024.

Trade facilitation measures, such as those through the RCEP and the upgraded China-ASEAN FTA, enable enterprises in both countries to benefit from streamlined export and import procedures, thereby effectively reducing transaction and trade costs.

Infrastructure connectivity, such as the agreements for three cross-border standard-gauge railway lines (Lào Cai–Hanoi–Haiphong, Lạng Sơn–Hanoi, and Móng Cái–Hạ Long–Haiphong), are anticipated to significantly lower logistics and transportation costs.

Vietnam's industrial policies – such as the 'National Strategy for the Fourth Industrial Revolution to 2030' and 'Green Growth Strategy' – align with China's own policies for promoting the internationalisation of the digital economy. This policy convergence facilitates the implementation of cooperation projects in sectors such as photovoltaics and wind power.

Technical and vocational talent development, through platforms such as the China–ASEAN 'Chinese + Vocational Education' Alliance and the 'Luban Workshop' initiative, contribute to improving workforce skills across the region. These initiatives help foster skills formation and support industrial upgrading.

The Core Logic of Silk Road Manufacturing

With the restructuring of global supply chains, Vietnam is transforming from a location for offshoring into an industrial chain hub. Chinese firms are investing in Vietnam to build integrated industrial chains and establish end-to-end production capabilities, from raw material sourcing to final product assembly.[5] These industrial clusters – through mechanisms such as technology spillovers, labour mobility, and inter-firm collaboration – have enhanced the technological sophistication and innovative capacity of SRM, thereby contributing to Vietnam's industrialisation.

Under the backdrop of the BRI, the enterprises going overseas are not only Chinese but also include third-party partnerships and joint ventures. Despite

[5] Li Xing, 'The Changing Logic of Chinese Enterprises Investing in Vietnam: From Product Globalization to Industrial Chain Globalization', Sunrise Big Data WeChat Official Account, 16 June 2025.

the capital and technological advantages commonly held by foreign investors, Chinese enterprises relocating abroad must still undergo a transformation from labour-intensive to capital-intensive production, particularly in a global environment dominated by Western management models. This structural shift helps break the binary logic that assigns value-chain ownership exclusively to one country or firm.

At its core, SRM represents a transnational business model in which enterprises integrate local and foreign elements while expanding across industries. Under these conditions, constructing multi-layered corporate identities requires long-term exploration. Moreover, as most Chinese firms in Vietnam operate at the downstream end of local value chains, Vietnamese firms inevitably remain cautious when absorbing industrial capital from China. Consequently, multinational firms must overcome provincialised brand identity. Brand identity is the soul of product design; thus, international brand strategies are necessary for the SRM model.

For example, Haier's 2011 acquisition of Sanyo Electric's business in Southeast Asia brought the AQUA brand to the Vietnamese market.[6] Although AQUA experienced a sharp decline during the 2017 brand transition, a comprehensive strategy – product upgrades, platform replacement, factory-efficiency improvements, and expanded promotion – helped it regain the first and second positions in Vietnam's washing machine and refrigerator markets, respectively. Responding to local consumer demands, AQUA introduced refrigerators with ABT dynamic sterilisation and HCS humidity-preserving features, smart washing machines, and energy-saving products tailored to Southeast Asia's tropical climate. Through active engagement in local cultural spaces (such as social platforms and beauty pageants), AQUA successfully integrated itself into the everyday life of Vietnamese people.

The Challenges and Opportunities Posed by US Tariffs

On 2 April 2025, the US announced 'reciprocal tariffs' targeting 57 countries, including Vietnam, which was accused of using entrepôt trade to evade US

[6] Editor's note: Haier is a Chinese company focusing on home appliances and consumer electronics, and Sanyo is a Japanese company focusing on home appliances.

tariffs on China. The proposed 46% tariff on Vietnamese exports was a strategic attempt to restructure global supply chains and weaken China's industrial relocation strategies.[7] The US Customs and Border Protection (CBP) has activated a new origin-verification system, combining strict audits, extended traceability, and criminal deterrence to clamp down on entrepôt trade.

Given Vietnam's heavy export dependence, 'bamboo diplomacy', and pragmatic interests, its state media refrained from commenting when US President Donald Trump unilaterally announced the signing of an unequal 'Tariff and Trade Framework Agreement' with Vietnam on 2 July 2025.[8] During a phone call on the same day, Prime Minister Sử Lụ̣nh agreed with Trump on a 'Joint Statement on a Vietnam–U.S. Reciprocal, Fair, and Balanced Trade Agreement', and urged the US to recognise Vietnam as a market economy and lift export restrictions on Vietnamese high-tech goods. While the government adopted a cautious stance, the response from academics and businesses was mixed – some were optimistic due to lower US tariffs on Vietnamese exports while others were concerned about mixed outcomes.[9]

Although the agreement remains controversial, the punitive 40% tariff on 'entrepôt trade goods' has been confirmed. Vietnam is required to establish a three-tier traceability system – raw-material invoices, production flow charts, and energy-consumption records – with mandatory inspections for solar panels, furniture, and electronics. This drastically raises the cost of Chinese goods re-exported through Vietnam, undermining the model used by Chinese SMEs relying on labelling or simple assembly. Even without the full text of the agreement, these transshipment provisions will constrain Chinese exporters, reduce intermediate-goods shipments, and raise operational costs for Chinese firms in Vietnam. This signifies the end of the Vietnam transshipment model and poses the urgent need to build a deeply embedded SRM ecosystem.[10]

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[7] Feng Chao, 'Want to Use Vietnam as a Pivot? The US is Doomed to "Draw Water with a Bamboo Basket"', *Guancha.cn*, 30 April 2025.

[8] Editor's note: Bamboo diplomacy refers to Vietnam's flexible, resilient, and non-aligned foreign policy that balances relations with major powers while maintaining strategic autonomy.

[9] Minh Ngọc – Hoàng Quân, 'Thỏa thuận thuế quan Việt – Mỹ: Cơ hội và sức ép tái cấu trúc doanh nghiệp', *Diễn đàn Doanh nghiệp*, 8 November 2025.

[10] Liu Chenghui, 'Several Former Vietnamese National Leaders Collectively Dismissed, What Happened?', *Guancha.cn*, 21 July 2025.

Post-pandemic economic sluggishness and rising labour and environmental constraints have challenged traditional manufacturing models. Geopolitical tensions increasingly affect SRM, as political instability and trade frictions amplify cross-border operational risks. Vietnam imports around $90 billion in goods from China annually, some of which undergo simple processing before being exported as 'Made in Vietnam' to US and European markets. Apple's Vietnamese suppliers increased from 14% in 2018 to 35% in 2024.[11] Leveraging RCEP rules of origin (ROO), Vietnam has constructed an efficient model of assembling Chinese components in Vietnam and exporting finished goods globally. If future tariff regimes across China, the US, and Vietnam stabilise, SRM may exhibit fluctuations but ultimately reach a dynamic equilibrium shaped by taxation and market mechanisms.

To adapt, overseas firms must strengthen risk management, optimise production networks, and mitigate geopolitical disruptions. The shifting external environment compels SRM to accelerate industrial upgrading. By enhancing technological innovation, improving industrial structures, and increasing value addition, firms can raise competitiveness under new market conditions. Facing uncertainty, SRM must also deepen regional cooperation, develop joint industrial parks, and enhance connectivity to foster resource optimisation and coordinated industrial development. Ultimately, as an emerging model of manufacturing cooperation under the BRI, SRM transcends traditional original equipment manufacturer (OEM) production or cost-driven industrial relocation. It can evolve into a hybrid system integrating local innovation, regional market service, and upward movement within global value chains.

Towards a Mobile Country of Origin

In Vietnam, SRM demonstrates clear regional characteristics and dynamic industrial evolution. Investors are shifting from labour-intensive (garments, furniture) to technology-intensive industries (electronics, home appliances, renewable energy). This is driven not only by cost advantages but also by strategic motives such as avoiding trade barriers, proximity to consumer markets, and regional resource integration.

[11] Li Wei, Xu Yue, 'The Return of Geopolitics and Changes in International Industrial Geography – Taking Apple's Supply Chain Strategy Adjustment as an Example', *World Economic Herald* 5 (2024).

The model for collaboration is changing. Chinese firms are encouraged to avoid replicating domestic production structures and instead integrate into Vietnam's local industrial ecosystem. Leveraging BRI cooperation opportunities, firms can relocate certain production stages to ASEAN members – such as Cambodia, Laos, and Myanmar – where labour is cheaper and tariff preferences apply. Meanwhile, strengthening Vietnam's local supply capacity and expanding investment in local suppliers increases local sourcing ratios and helps satisfy ROO requirements.

The lesson for Chinese firms is that they must go beyond simple factory relocation and build deeply localised ecosystems. By expanding local processing and achieving 30% (or higher) value-addition in Vietnam, they can meet ROO requirements. Developing localised upstream and downstream supply chains through nurturing suppliers and forming locally embedded clusters can raise Vietnam's manufacturing capabilities. This will also enable Chinese lead firms to bring supporting firms with them overseas to replicate domestic supply chain ecosystems.

Through industrial upgrading, regional productive chain integration, brand expansion, deep localisation, technology transfer, and compliance with ROO, multinational enterprises can develop distinctive competitive advantages. This 'mobile country of origin' model strengthens the competitiveness of Chinese firms while supporting Vietnamese industrialisation – it provides a replicable model for industrial cooperation under the BRI.

Towards a Sustainable Logic of Silk Road Manufacturing

Princeton historian Harold James has argued that China is attempting to construct an alternative path to globalisation – aligned with a new era of high-value goods, services, and data flows – through the BRI. James contends that China and the US are not trapped in a Thucydides Trap but are undergoing a redistribution of power in an increasingly multipolar world, where the US must adjust to a reality where it is no longer dominating the international order.[12]

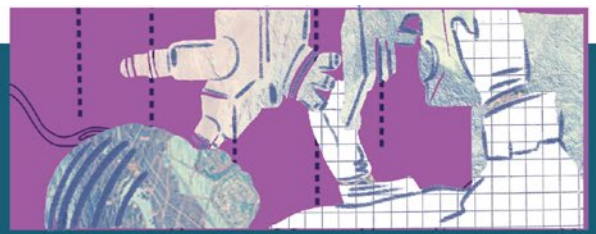
12 Li Wei and Xu Yue, 'The Return of Geopolitics and Changes in International Industrial Geography – Taking Apple's Supply Chain Strategy Adjustment as an Example', *World Economic Herald*, no. 5 (2024).

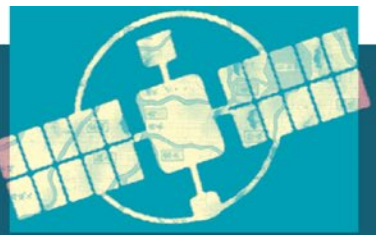
US maximum-pressure policies and efforts to contain China have inadvertently driven China towards full industrial chain consolidation, granting it substantial 'anti-involution' capacity and control over key intellectual property and industrial capacity.[13] However, China has yet to construct a theory to explain its alternative to globalisation and the role of Chinese firms in manufacturing cooperation along the BRI. This has weakened China's ability to respond to Western narratives that are rooted in colonial legacies and monopoly finance capitalism. As the West continues to use asymmetric mechanisms – intellectual property regimes, tariff barriers, and others – to sustain an unjust international political-economic order, China must propose a theory for an alternative. The concept of SRM could be a starting point for such an endeavour.

The expansion of Chinese enterprises into Vietnam is a product of supply-chain restructuring and deep regional economic interaction. Today, while facing opportunities in supply-chain reconfiguration, consumption upgrading, policy coordination, and emerging sectors, firms must also overcome bottlenecks in infrastructure, policy volatility, intensifying competition, geopolitics, and compliance requirements. The key to a breakthrough is transcending the traditional 'cost arbitrage' model and transitioning toward a higher-quality development model characterised by localised innovation, technological empowerment, and green integration.

The Vietnamese government regarded 2025 as a 'year of accelerated breakthroughs'. Its two-digit growth rate intersects with China's strategy for high-quality overseas manufacturing expansion. Seizing this opportunity, a diversified SRM strategy can help firms navigate anti-globalisation headwinds and create a benchmark for BRI cooperation. This could provide new pathways for industrialisation in the Global South and inject new momentum into China's own economic transformation.

[13] Editor's note: In economics, involution refers to a scenario where intense competition yields diminishing returns, resulting in stagnant growth despite immense efforts by competing parties.



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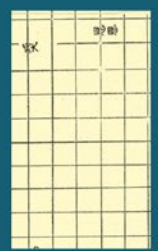

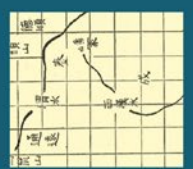

Review: How Japanese Marxism Shaped a Taiwanese Economist

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Chinese intellectuals' attention to external debates has historically stemmed from the needs of Chinese social reality. While there is nothing intrinsically objectionable about this approach, this has often led to intellectuals overlooking the evolution of significant scholarly debates. For example, the Japanese intellectual world long served as an intermediary for the transmission of Western thought to China; Japanese scholars' translations and introductions of Marxism played a significant role in its dissemination in China. However, while Chinese scholars were engrossed in efforts to interpret Chinese history through historical materialism, they were indifferent to, or unaware of, contemporaneous debates in Japan about Japanese capitalism and the nature of Japanese society.[1]

[1] Of course, exceptions exist. For example, Taiwan-born renowned journalist and commentator on Japanese affairs, Sung Fei-ju (1903–1947), was keenly interested in the debates on Japanese capitalism and translated related literature to Chinese.

It is difficult today to imagine the enormous influence that left-wing and Marxist thought had on Japanese intellectuals from the 1920s to the 1970s. Confronted with the profound contradictions of the modernisation process that began with the Meiji Restoration, many Japanese intellectuals turned to Marxist political economy and modernist critiques of Japanese culture.

With the victory of the Chinese Revolution and the onset of the Cold War, the flow of Chinese students to Japan was interrupted. By the time study abroad programmes resumed in the 1980s, the influence of Marxism in Japanese academia had waned. Postmodernist philosophy became dominant and social sciences shifted towards US-style quantitative approaches. Furthermore, against the backdrop of the Reform and Opening Up process, Chinese scholars were understandably more concerned with Japan's economic successes and showed little interest in the left-wing social scientific critiques of Japan's feudal or backward character. This orientation gave rise to a vulgar Weberian neotraditionalist tendency – the argument that Japanese culture facilitated Japan's modernisation.

In this context, Qiu Shijie's book *Liu Shinkei: An Intellectual Biography* (2022) provides an invaluable perspective for Chinese academia. The book is a biography of Taiwanese economist Liu Shinkei, who spent much of his intellectual life in Japan during the heyday of Japanese Marxism. Steeped in this intellectual milieu, Liu wrote a groundbreaking PhD thesis titled *Analysis of Taiwan's Post-War Economy* (1972), which was published as a book in Japan in 1975 and translated to Chinese in 1992.[2] Qiu's book provides both a valuable resource for academics on both sides of the Taiwan Strait on Taiwan's post-war economy and Japanese Marxist debates through the eyes of Liu.

[2] Liu Shinkei, 'Sengo Taiwan keizai bunseki' ['Analysis of Taiwan's Post-War Economy'] (PhD diss., University of Tokyo, 1972).

The Formation of Liu Shinkei's Resistance

In the first chapter of the book, Qiu Shijie sketches Liu Shinkei's life trajectory and the process of his intellectual formation. 'Resistance' is the keyword of this chapter and indeed the entire book. Liu's experience of Japanese colonial rule and the 228 Incident were formative to his praxis of resistance.[3] During his years of study in Japan, Liu was also influenced by the political movements of Taiwanese people in Japan who opposed the dictatorship of the Kuomintang (KMT); his proximity to these movements prevented him from becoming isolated from the masses as many Japanese left-wing intellectuals had become during wartime.[4] Qiu shows that Liu's resistance was both political and scholarly. Politically, he resisted the KMT's autocratic rule and pursued democracy and national reunification. Through his scholarship, he resisted vulgar economics – a reflection of the spirit of Japanese Marxism at the time. In this sense, Liu's political and scholarly resistance was highly unified.

During his studies at the Department of Economics at National Taiwan University, Liu was not compelled to accept the tenets of neoclassical economics; instead, he devoted more energy to philosophy.[5] When he later studied Marxist economics, he felt an immediate affinity with its dialectical methodology. The tension between Liu's political resistance and scholarly resistance manifests in what Qiu terms 'the tension between essence and appearance'. As a result of his political orientation, Liu was committed to analysing the feudal essence of post-war Taiwanese capitalism, thereby underestimating its capitalist character and being unable to adequately explain the outstanding growth of post-war Taiwan.[6] This contradiction led Liu to revise his doctoral dissertation, which had emphasised the strength of the pre-modern vestiges of Taiwanese

[3] Editor's note: The 228 Incident refers to a popular uprising in Taiwan on 28 February 1947 that was brutally suppressed by the nationalist Kuomintang.

[4] Qiu Shijie, *Liu Shinkei: An Intellectual Biography* [战后台湾经济的左翼分析—刘进庆思想评传], (National Taiwan University Press [国立台湾大学出版中心], 2022), 94–95.

[5] Qiu, *Liu Shinkei: An Intellectual Biography*, 30–33.

[6] Qiu, *Liu Shinkei: An Intellectual Biography*, 211–214.

society.[7] Following the publication of his book *Analysis of Taiwan's Post-War Economy* (1975), Liu sought to provide a critical political economic explanation of Taiwan's rapid economic development without falling into mainstream frameworks of economic growth theory.

Liu Shinkei and the Debates of Japanese Marxism

Liu Shinkei's intellectual struggle to understand Taiwan's economy was, in some ways, inherent to the scholarly tradition he had inherited in Japan. Understanding this requires an elucidation of the intellectual debates of Japanese Marxism.

The second chapter of the book, 'The Transmission of Scholarship: Marxist Economics at the University of Tokyo in the 1960s', provides a genealogy of the debates and factions in Japanese Marxism. These include Moritaro Yamada and the 'Lecture Faction', Kozo Uno and the 'Uno School', and Hisao Otsuka and the 'Otsuka School of Economic History'. Given the paucity of literature in China on this subject, the significance of this chapter far exceeds the study of Liu's individual thought.

Liu's *Analysis of Taiwan's Post-War Economy* was structurally modelled upon Yamada's *Analysis of Japanese Capitalism* (1934).[8] Yamada employed Marx's theory of reproduction to argue that Japanese capitalism was a special 'type' that achieved accumulation through a textile industry sustained by 'semi-servile' labour at 'wages below India's level', with a semi-feudal 'petty peasant' as its foundation, and a military industry forcibly 'engendered by state power as its pivotal axis'. Qiu offers a profound reading of Yamada, pointing out that his analysis is a theory of non-transition.[9] For Yamada, semi-feudal agriculture and low-level textile industry constituted a relationship of mutual determination; this type of Japanese capitalism possessed no inherent developmental dynamic. The result was

[7] Qiu, *Liu Shinkei: An Intellectual Biography*, 254.

[8] Qiu, *Liu Shinkei: An Intellectual Biography,* 202–203.

[9] Qiu, *Liu Shinkei: An Intellectual Biography*, 125.

that society stagnated at the stage of absolutism and could not transition to genuine capitalism.

Liu's absorption of Yamada's theory of non-transition led him to argue that the essence of the post-war Taiwanese economy was semi-feudal. While his adoption of Yamada's methodology helped him achieve a high level of theoretical accomplishment, he also inherited the static characteristics and implications of Yamada's theory, rendering him unable to explain the rapid growth of Taiwan's post-war economy.

Chapter five of *Liu Shinkei: An Intellectual Biography* explores how Liu attempted to resolve this problem through dialogue with various theories of development. In this process, Liu explored two frameworks: theories of state capitalism that emphasised economic nationalism, and theories of merchant capital that emphasised the role of private capital and small and medium enterprises. Liu's conclusions were complex: he affirmed the economic nationalist character of post-war Taiwanese state capital while arguing that it remained an 'exploitative dictatorial economy'.[10] He affirmed that private capital with a merchant character could create outstanding economic performance while maintaining that merchant capital was nonetheless unproductive and essentially 'bad capital'.[11] As Qiu Shijie states, Liu's 'contradictory and complex thinking – building off of Yamada's Lecture Faction – reflects the tension within Taiwan's economy'.[12]

In Japan, Yamada's analysis was criticised by Marxists of the Labour-Farmer Faction, who stood in opposition to the Lecture Faction.[13] The Labour-Farmer Faction contended that Yamada depicted a Japanese capitalism that was 'long frozen in a specific type without development'.[14]

[10] Qiu, *Liu Shinkei: An Intellectual Biography*, 275–276, 281–282.

[11] Qiu, *Liu Shinkei: An Intellectual Biography*, 296–297, 307.

[12] Qiu, *Liu Shinkei: An Intellectual Biography*, 309.

[13] Editor's note: The Labour-Farmer Faction (労農派, *Rōnō-ha*) is named after the coterie journal *Rōnō* (Labour-Farmer). They argued that the Meiji Restoration had essentially completed the bourgeois revolution and that Japan was already a capitalist society, meaning the revolution should proceed directly to the socialist stage.

[14] Qiu, *Liu Shinkei: An Intellectual Biography*, 129.

Kozo Uno further argued that Yamada's analysis had ossified the English path of capitalist development and failed to recognise that late-developing capitalist countries would necessarily adopt policies appropriate to their respective conditions and need not follow a path of 'pure capitalism'.[15]

Despite these limitations, Yamada provided a more persuasive explanation for the success of Japanese capitalism than Weberian views that simply invoked 'cultural tradition'.

The Challenge of Dependency Theory

In the first chapter of *Liu Shinkei: An Intellectual Biography*, Qiu Shijie vividly portrays scenes of Liu Shinkei researching and writing his doctoral dissertation amid the maelstrom of the 1968 University of Tokyo protests.[16] It was around this time that young students attacked the Lecture Faction and modernist thought as products of authoritarian elitism. These students opposed the argument that modern Japan was backward and the corresponding political conclusion that a 'democratic revolution' was necessary; the students instead advocated for a 'proletarian world revolution'.[17]

In this social context, Uno School economist Hiroshi Iwata's *World Capitalism: Its Historical Development and Marxian Economics* (1964) gained popularity. Iwata opposed comparative analysis premised on the establishment of capitalism in each country and constructed a consistent, unified theory of world capitalist business cycles, starting from the formation of British free trade imperialism in the mid-nineteenth century.[18]

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[15] Qiu, *Liu Shinkei: An Intellectual Biography*, (Qiu 2022: 133.).

[16] Qiu, *Liu Shinkei: An Intellectual Biography*, 60–66.

[17] Eiji Oguma, *'Minshu' to 'aikoku': sengo Nihon no nashonarizumu to kōkyōsei* ['Democracy' and 'Patriotism': Nationalism and Publicness in Post-war Japan] (Shinyōsha, 2022), 569–572.

[18] Mitsunobu Sugiyama, *'Nihon shakai kagaku no sekai ninshiki' ['The World Conception of Japanese Social Science']. In Nihon shakai kagaku no shiso [Post-war Japan's 'Civil Society']* (Misuzu Shobō, 2001), 48–54.

Iwata provided a theory in which different parts of world capitalism were interrelated. This was in contrast to Yamada who viewed development as different stages on a single linear model. Although Liu was also influenced by dependency theory in the early 1980s, he ultimately did not adopt dependency theory or world-systems theory to explain Taiwan's post-war economy. Instead, he continued to adhere to the endogenous perspective of economic nationalism and merchant capital theory.

In fairness, the Lecture Faction, and the Otsuka School of Economic History which it influenced, were not obstinately wedded to a single-track theory of 'capitalism in one country'. As early as the wartime period, the economist Yoshihiko Uchida, deeply influenced by Yamada, explored themes that resonated with dependency theory in his research on the so-called 'Greater East Asia Co-Prosperity Sphere'.[19] From the 1950s onwards, Yamada also came to regard post-war capitalism as having formed a 'world economic circulation' structured according to the developmental stages of various capitalist countries, with the Japanese economy incorporated into the reproduction process led by the US.[20] In the 1960s, Hisao Otsuka began to counter the modernisation theory advocated by US scholars such as W.W. Rostow. Otsuka pioneered the study of industrial development in late-developing capitalist countries and developed his theory of 'two paths', arguing that the industrialisation process of late-developing countries necessarily involved 'antagonism and dependence' vis-à-vis advanced countries, thereby forming various types of capitalist development within the world movement of capital and creating 'the simultaneous existence of uneven development'.[21]

Contemporary Relevance of Liu Shinkei

Liu Shinkei's intellectual trajectory – his refusal to go with the tide of dependency theory and world-systems theory, and his return from de-

[19] Sugiyama, *'Nihon shakai kagaku no sekai ninshiki' ['The World Conception of Japanese Social Science']*, 25–27.
[20] Sugiyama, *'Nihon shakai kagaku no sekai ninshiki' ['The World Conception of Japanese Social Science']*, 14–15.
[21] Sugiyama, *'Nihon shakai kagaku no sekai ninshiki' ['The World Conception of Japanese Social Science']*, 34–36.

pendency theory to theories of endogenous development – is worthy of deep consideration. As Qiu Shijie argues, Liu's thinking consistently upheld Weberian-Otsuka-style value standards: he firmly believed that a modern separation of public and private spheres, and an autonomous, endogenous national economy were worthy of pursuit.[22] This search for an idealised modernity and capitalism was based on values that enabled him to resist the actually existing modernity and capitalism in Japan. Proceeding in the direction of dependency and world-systems theory would inevitably lead to centring the emergence of the world market, relativising the emergence of the capitalist mode of production, and even 'completely abandoning the dead-end concept of "capitalism"'.[23]

Within Marxist economics, there has been a long debate about the transition to capitalism between those who focus on the mode of production and those who focus on developments in the sphere of circulation. In the relevant debates within Japanese Marxists, 'Otsuka considered that Uno attempted to portray merchant capital as the ancestor of modern industrial capitalism… Uno, in turn, considered that Otsuka's view of rural industry as the ancestor of industrial capital was overly simplistic reasoning'.[24] Since Weberian-Otsuka capitalism constituted a certain ideal that Liu believed in, it was only natural that he ultimately chose to adhere to the perspective of endogenous development in understanding the Taiwanese economy.

Considering that Liu Shinkei's late-career reflections were accompanied by his experience of travelling constantly between both sides of the Taiwan Strait from Japan, perhaps his propositions concerning economic nationalism and merchant capital were based not only on his contemporary observations of Taiwan's economy but also on the vigorous Reform and Opening Up process in the Chinese mainland. From the mid-1980s onwards, the intellectuals in the mainland enthusiastically debated

[22] Qiu, *Liu Shinkei: An Intellectual Biography*, 309.

[23] Andre Gunder Frank, *ReORIENT: Global Economy in the Asian Age* (Sichuan People's Publishing House, 2017), 338.

[24] Qiu, *Liu Shinkei: An Intellectual Biography*, 139.

China's path to modernisation and the relationship between traditional culture and modernisation. It is possible that Liu Shinkei had a vision of coordinated development on both sides of the Taiwan Strait based on economic nationalism and the role of overseas Chinese capital, which could ultimately overcome the negative factors of bureaucratic-comprador capital and move towards national reunification and comprehensive industrialisation.

Liu's economic thought offers both illumination for understanding contemporary Taiwan's economy and inspiration for current questions of economic development in the Chinese mainland. Economic reforms since the 1990s have promoted the operation of market principles and brought economic vitality. However, state-led investment and development have also contributed tremendously to co-producing China's economic miracle. Since the 2008 Global Financial Crisis, the overheating of an export-oriented economy reliant on labour-intensive industries and domestic investment has brought about new problems of insufficient and unbalanced development. The unfolding of the US trade war on China has made Chinese people aware of the importance of autonomous innovation and mastering core technologies.

How can the speculative nature of capital's pursuit of profit be overcome? How can the productive forces be developed to a higher level while balancing the pursuit of profit with the public good? Ultimately, how can history be advanced? Such modernist questions are precisely those that Liu Shinkei sought to answer and remain relevant today.

WENHUA ZONGHENG (文化纵横) is a leading journal of contemporary political and cultural thought in China. Founded in 2008, the journal publishes issues every two months, featuring articles by a wide array of intellectuals across the country and building a platform for discussion of different ideological positions and values in China's intellectual community. The publication is an important reference for debates and developments in Chinese thought, on matters ranging from China's ancient history and traditional culture to its current socialist practices and innovations, from the important cultural trends in contemporary Chinese social life to Chinese views and analyses of the world today. Tricontinental: Institute for Social Research and Global South Academic Forum have partnered with *Wenhua Zongheng* to publish an international edition of the journal, releasing multiple issues per year featuring a selection of articles that hold particular relevance for the Global South.

In Chinese, the word 'Wenhua' (文化) means 'culture' as well as 'civilization', while 'Zongheng' (纵横) literally means 'verticals and horizontals', but also alludes to the strategists who helped to first unify of China, roughly 2,000 years ago through diplomacy and alliances. It is impossible to translate the journal's title into English while retaining its historical meaning and significance, therefore, we have chosen to keep the pinyin romanisation of the title to remind our readers: China has a complex history and culture that is challenging to translate and navigate, and this project seeks to bridge this understanding.

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