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Internationalization with Chinese Characteristics

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In an important new book, David Zweig defines “internationalization as the expanded flows of goods, services, and people across state boundaries, thereby increasing the share of transnational exchanges relative to domestic ones, along with a decline in the level of regulation affecting those flows” (p. 3). While he does not attempt to distinguish “internationalization” from the related terms “globalization” and “transnationalism,” readers will sense his distinctive purpose. Zweig is particularly interested in exchanges, while globalization scholars are more focused on broad structures of interdependence, and transnationalism theorists on actors with their heads, feet, or souls in two worlds.[1]

With reference to the object of his research, Zweig’s goal is “to explain the how and why of China’s internationalization over the last two decades of the twentieth century” (p. 22). His efforts result in both a wealth of factual data and a model of internationalization that is suitable for use by other China scholars as well as by those studying other liberalizing societies.

The research consists of extensive interviews with mid-level actors, mainly in China, as well as readings in Chinese journals, archives, and both previously translated and untranslated policy statements. Some of the interviews have an almost journalistic quality that gives readers a sense this is an insider’s account of China’s opening to the outside world over the past two and a half decades. In 1991, for example, a group of Japanese busi-

nessmen decided against an investment in the Pukou development zone because of the terrible (and longstanding) traffic jams at the Nanjing Bridge. A community leader told Zweig that this decision by Sony and Fujitsu “caused a big stir in the city” and led to a bridge expansion project because the local leadership was committed to expanding international linkages (p. 63). Speaking anonymously for the most part, many of Zweig’s interlocutors displayed considerable candor. The Chinese manager of a joint venture in Zhangjiagang, for example, explained his company’s push to enter the profitable domestic market, despite the state’s primary interest in promoting exports. “The state ‘gets burned’ but it is good for our firm” (p. 157). The same kind of candor is present in the voices of foreigners. A Canadian development official working in China expressed frank resignation over power relationships. “SEZO [the Special Economic Zone Office] has a veto power over everything” (p. 245).

Zweig uses these interviews, along with his archival research and secondary reading, to build and test a theoretical model of societal liberalization. His answer to the “how and why” of China’s internationalization is a process he calls “segmented deregulation” (pp. 23-48). What is noteworthy about this theory are its origins in IPE (International Political Economy), its relationship to competing theories, and the methods by which Zweig tests it.[2] As to the first point, Zweig seeks to redress the relative absence of IPE approaches to China’s internationalization. He believes that the questions raised by China’s experience—e.g., “Can an authoritarian state

open its economy and polity to international forces without collapsing?”—are “of interest to generalists in international polity economy.” This is so, he argues, despite the fact that “China is rarely used as a case study because it is often presented as *sui generis*, too complex for any comparativist to handle” (pp. 6-7).

Zweig outlines four existing theories of societal liberalization: theories of regulatory control, market-based neoliberalism, the East Asian model of state-led development, and the diaspora-based network capital model. The first is actually a theory of non-liberalization, whereby relatively autarkic states seek to develop economically without permitting deep engagement between their society and others, while the other three predict different paths toward that engagement. In each case, Zweig assesses the theory’s strengths and weaknesses in explaining China’s contemporary reform policies. While acknowledging significant roles played by diasporic investors and by central state policies, he develops his model mainly by using insights into regulatory processes to modify neoliberal theories.

Specifically, Zweig finds that an initial decision by the Chinese state to partially open the society to economic and cultural exchanges with developed countries endowed whole classes of official gatekeepers with the capacity to benefit from the regulation of exchange transactions—and, thus, with motivation to increase them (p. 44). For example, “Permits to go overseas, visas, the right to use foreign funds to import equipment, and the foreign exchange needed by international sojourners remained the allocative privileges of China’s educational and foreign affairs bureaucracy, creating opportunities for charging fees and earning rents” (p. 162). Furthermore, to use an example from the same sphere of exchange activity, the process has created a new class of participants who benefit from international contacts, as well as demand from non-participants who desire the same benefits. “[R]eturnee scholars, beneficiaries of what I call transnational capital, were a highly sought-after commodity” (p. 181). Thus, both regulators at the local level and spontaneously mobilized citizens became constituencies who pushed for further liberalization, resulting in things like the 1993 official slogan, “Support overseas study, encourage people to return, and give people the freedom to come and go (*lai qu ziyou*)” (p. 179).

To give his model as broad a test as possible, Zweig applies it to four sectors of China’s political economy: urban industry, rural industry, academia, and development assistance. In general, he finds confirmation within each

sector for the broad outlines of his model. His data from official Chinese sources show, for example, that Nantong lagged behind nearby Zhangjiagang in growth in the 1990s, while his interviews strongly suggest that differing attitudes by local leaders toward creating global economic linkages were the decisive factor (pp. 75-80). In the development assistance sector, even the state’s extraordinary efforts to control foreign influence led to further internationalization. Those efforts expanded the number of CPAs (counterpart agencies) in an effort to tighten regulation, “[b]ut this strategy also expanded the number of domestic stakeholders in China who supported foreign aid” (p. 220).

Differences, as well as similarities, emerged for the study of the four sectors. Zweig found that participants in academic exchange programs achieved the greatest influence and independence vis-a-vis their gatekeepers. Not only have tens of thousands of students been able to escape most regulations by financing their own study abroad, but the momentum of exchanges has made “even the channels for officially sponsored students and scholars relatively porous” (p. 209). In the case of development assistance, the difference that stands out is the relative independence of the foreign exchange partners vis-a-vis their Chinese CPAs. In contrast to the veto-wielding SEZO that one foreign investor faced (see above), Zweig’s informants at the Ford Foundation led him to the following conclusion: “The core issue was that the CPA have [sic] no veto power over projects” (p. 250).

In his conclusion, Zweig stresses that his purpose in presenting a model of segmented deregulation is to facilitate the study of “process” rather than “outcome.” In so doing, he distinguishes himself from liberals, who are more concerned about the end point (i.e., whether China has liberalized) (p. 272). He does, though, suggest that continued liberalization would benefit China. “The framework driving this book suggests that without the WTO and significant re-regulation to create a more stable and transparent transnational regime, China will find itself either stuck in a world where corruption reigns supreme or in an incipient market environment, where few rules govern economic behavior” (p. 276). Other significant conclusions are that “foreign penetration [has] increased, not weakened, CCP [Chinese Communist Party] control” (p. 274) and “that domestic and global interests, particularly local communities and new corporate organizations that benefit from transnational linkages, can undermine even strong authoritarian states that try to control their global exchanges as they open to the outside world” (p. 277).

The most obvious shortcomings in *Internationalizing China* are editorial in nature. It takes persistent effort—which is definitely worth expending—at the beginning of the book to tease out Zweig’s central argument about segmented deregulation. The first seven pages present twenty-seven research questions, followed by twelve more on page 19, with no clear signposts as to which will be the most important in the chapters that follow. The beginning of chapter 2 gives the first succinct presentation of Zweig’s model; after one reads that, the introduction and chapter 1 become clear. Another editorial handicap is the absence of a glossary of abbreviations. The book—like China’s policy sectors—is awash in shorthand like SEZ, HTDZ, SEDC, ETDZ, etc. I was always able to refresh my memory by doing a random access search of the index, but a glossary would have been helpful.

Every book must leave some paths unexplored. First, though Zweig suggests that his model might have applications beyond China, other scholars will have to take up the task of finding out whether this is the case. Even within China, there are further opportunities for testing the “segmented deregulation” model. Zweig’s study of rural China, for example, touches only rural industrialization. It would be interesting to see how agricultural production (i.e., the import and export of farm products) fits his model of internationalization. Second, at the level of theory, there is an intentional gap that, nonetheless, some readers will find frustrating. Because he is more interested in paths than in destinations, Zweig does not clearly define the liberal goal toward which he hopes China will continue to move. Thus, while he differentiates his own analysis from the neoliberal assumption that greater international engagement will automatically reduce domestic regulation, he does not indicate the contours of the less-regulated society that he seems to share with neoliberals as both a heuristic model and normative

goal. Would it be the one-size-fits-all “golden straight-jacket” of the Washington consensus, with a minimal state? Or, does Zweig have in mind a more culture- and institution-dependent mix of markets and regulation? [3] A serious evaluation of China’s stated goal, of a social market economy, in relation to the actual course of its internationalization would be a worthy research project for Zweig or others.

Notes

[1]. For overviews of globalization, see David Held, Anthony McGrew, David Goldblatt, and Jonathan Perratton, *Global Transformations: Politics, Economics and Culture* (Stanford: Stanford University Press, 1999), pp. 1-31. For two varieties of transnationalism, see Thomas Risse, “Transnational Actors, Networks and Global Governance,” in *Handbook of International Relations*, ed. Walter Carlsnaes, Thomas Risse, and Beth A. Simmons (London: Sage, 2001), pp. 255-274; and, Alejandro Portes, “Introduction: The Debates and Significance of Immigrant Transnationalism,” *Global Networks: A Journal of Transnational Affairs* 1:3 (2001), pp. 181-194.

[2]. IPE is a specialty within International Relations (IR), which is itself a branch of Political Science. IR overlaps with Diplomatic History at many points, but is generally less interested in historical narrative and more oriented toward building and testing social scientific models.

[3]. For a clear, though not the most aggressive, advocacy of the Washington Consensus, see Thomas L. Friedman, *The Lexus and the Olive Tree: Understanding Globalization* (New York: Farrar, Straus, Giroux, 2000). For a critique of that position’s lack of attention to local knowledge and circumstances, spiced with recurring praise for China’s independent path to reform, see Joseph E. Stiglitz, *Globalization and Its Discontents* (New York and London: W. W. Norton & Company, 2002).

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