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**John Wong, *The Political Economy of Deng's
Nanxun: Breakthrough in China's Reform and
Development*, World Scientific, 2014, 252 pp. \$69
Hardcover.**

By Malcolm WARNER [†]

Book Review

How China entered the modern global economy is very much down to the achievement of *Deng Xiaoping* (22 August 1904 – 19 February 1997), who was China's *Paramount Leader* for many decades, in promoting the economic reforms which transformed the *Middle Kingdom* from a command-economy to a hybrid market-led one.

Deng's pragmatic path was a radical break with the Maoist past and he proposed an 'Open Door' to the West and Japan in order to bring in new ideas and investment to modernise his country. The degree to which he was successful in increasing the standard of living of his fellow-citizens many times over his period in power was well beyond the expectations of anyone predicting the future at the time. He laid down the ground-work for an around ten per cent per annum economic growth-rate which was to continue for near to three decades. Even though this is now slowing down, the Chinese economy shows little sign of trending towards a mediocre stable-state. There is, of course, an end to the supply of cheap labour as in the 'Lewis model', which has long been the characteristic of developmental growth and the continuation of demand in overseas markets for 'cheap' low value-added exports. To counter this, Chinese economists are increasingly advising policies which rely more on higher value-added production for both abroad and home, through the cultivation of the domestic market and catering for the growing consumption needs of the so-called 'new middle-class' in the PRC. Investment in infrastructure has also been extensive pursued over the last five years, particularly in 'high-speed train' transportation, although housing boom which has occurred *pari passu* has given rise to many anxieties concerning the nation's indebtedness, now over the 200% mark.

Professor John *Wong*, who is Professorial Fellow at the East Asian Institute, National University of Singapore, is a veteran China-watcher of many years standing. His academic credentials are impeccable and he has researched and taught economics at many prestigious overseas universities, including those in Canada, Hong Kong, UK, USA, as well as in Singapore. He has written/edited 34 books and published over 100 articles and papers on China and other East Asian

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economies. He is thus an authoritative figure in his field and deserves our close attention in telling the story of China's rise to economic prominence that only in the region, but also more generally across the globe. He is also able to not nearly spell-out the narrative but to present an incisive analysis and how all this came about.

His new book consists of what were previously 'confidential' reports to high officials in the Singaporean government on what was happening in China over the reform years *vis a vis* the above changes. In 14 chapters, Wong covers the kernel of the economic reform era which originally started in 1978, in turn stymied by the 'Tiananmen Square events', to be followed by *Deng's* so-called *Nanxun*, or 'Southern Journey', made to *Shanghai* and points south to *Guangzhou* and *Shenzen* and in 1992 to launch the 'socialist market economy', as the country's new ideological path. The capital, *Beijing*, long a bastion of political conservatism, soon swung into line. As the author puts it... 'the *Nanxun* was the mother of China's transformation into the market economy' [p.xv].

The book starts with an overview of *Deng's* aspirations, going on to look at China's per capita GDP at the beginning of the economic reforms as a baseline for the subsequent analysis. At that time, it was not clear whether the PRC was really a poor country or one which, if purchasing parity power (PPP) was taken into account, a less critical case. After this, the author examines China's 'entrepreneurial' approach to economic reform, looking at the pragmatic approach which was undertaken. An account of the post-*Tiananmen* political stalemate is then followed by a discussion of the 'ideological discord of the time. After this, the analysis turns to the economic upsurge in 1992 as an immediate '*Nanxun* effect'. This is followed by what China accomplished in economic reform in 1994 and then 1995, followed by the proposals of the Ninth Five-Year Plan (FYP) 1996 to 2000.

These were indeed critical years for China's leaders and cemented Party support for the proposed new policies, particularly for transforming the state-owned enterprises (SOEs) which up to that period produced the lion's share of industrial production. They were characterised by the 'iron rice bowl' employment system, based on a 'cradle to the grave' welfare system within the enterprise, which underpinned in the view of many economists over-manning and indeed a more generic kind of inefficient factor-allocation.

The author then turns to the economic reform in the countryside and the rise of the town and village enterprises (TVEs), followed by an explanation of why the leadership were so concerned about agriculture. Some Western critics thought China would have problems feeding itself and the Chinese soon realized the necessity for agricultural reform. The last part of the book deals with foreign trade, China and the GATT, and then the WTO, with a final look at south-east Asian ethnic Chinese investment in China. The above is but a short summary of the contents of the book and the reader will need to look closer at the month by month, year by year narrative set out by the author for in order to better understand what was achieved in those years. China's reform is, of course, an ongoing process and indeed a complex one, such that this book completed in 2012 will need to be added to by more recently published material in the field, of which there is no shortage.

This work will decidedly complement Professor Ezra Vogel's recent book '*Deng Xiaoping and the Transformation of China*' (Harvard University Press, 2012, 928pp) which largely dealt with the politics of the period rather than the economics. This work is, of course, much longer than the one under review here, but the two volumes may indeed complement each other. Although Wong does not mention it, Vogel shows how *Deng* quite early after he launched the reforms at the beginning of the 1980s, turned to Singapore and its leadership for inspiration and advice, rather than to the then British-ruled Hong Kong. Even today, Chinese leaders look to this small but highly prosperous city-state in South-East Asia as a

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model. Indeed, some might say the so-called ‘Chinese Dream’ has already been achieved in Singapore. The latter is also an interesting place to emulate in that it combines a high level of GDP per capita, with a rock-solid form of political stability, having a formally liberal democratic constitution but with only a token degree of opposition in practice.

Whilst a good deal of the ground which Wong covers will be familiar to China experts, the ‘devil is in the detail’, as the author has a great number of interesting insights into the reform process, which have been previously unpublished and now of great potential interest to both academics and policymakers. It is therefore useful to have all this material pulled together in one volume, particularly as a work of reference. It concentrates mostly on the macro-economic dimensions of Deng’s achievements rather than much micro-economic detail but the essence of the *Nanxun* initiative is well and vividly conveyed. The author writes very clearly, as indeed his potential audience was to be in government circles rather than in ‘ivory towers’ and the material he presented, as well as its interpretation, had to be comprehensible to those who were less familiar with the academic detail than he was personally. The use of statistics is also both intelligent and accessible and there are a good number of well-presented tables in the book. Even so, the work is most likely to be mainly a library-purchase at the price in hardback.

Whilst this is an impressive *tour d’horizon* of the sweeping economic reforms which created the new and prosperous China of our day, there are a few improvements which could be made to the volume and which one hopes may appear in a second edition. A concluding chapter might have completed the work, summing up the previous ones and this should be added. This reviewer is surprised that the publisher did not insist on this. Additionally, a detailed bibliography at the end of the work listing all the academic articles and books found in the footnotes in one place, would greatly help potential student readers, as well as lecturers and researchers, with suggestions for further reading in depth. Last, a longer and more detailed index would certainly be an improvement.

All this considered, this is an interesting and useful volume, given the specific stance the author takes, which will appeal to many readers interested in contemporary China, whether they are based in economics faculties or business schools and policy-circles in Asia and indeed elsewhere. Where China is going next in terms of the deepening of the economic reforms is as yet hard to say, as the new leadership has yet to work through its strategies in the face of stagnation in Western markets resulting from the 2008 financial crisis and its implications for past approaches to building a globally competitive economy. The author, Wong, keen to state his case for the historical record, does not leave much space for speculation on such matters but this may be found elsewhere in his prolific writings in the field.



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