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Washington Consensus, Neo-Liberalism and Beyond: Does Beijing Consensus Break the Routine?

Washington Uzlaşısı, Neo-Liberalizm ve Sonrası: Pekin Uzlaşısı Ezber mi Bozuyor?

Mehmet Ozan SARAY, İnönü University, Turkey, ozan.saray@inonu.edu.tr

Abstract: The Bretton-Woods institutions which were established after the Second World War and the neo-liberal policies adopted in 1980s known as the Washington Consensus were exposed to significant critics after the 2008 global financial crisis. Even though the Washington Consensus and the policies implemented have increased the profitability, they caused serious problems such as crises, disruptions in income distribution and inequalities. This than, led to the persistence of underdevelopment. In contrast to these policies, China and other Asian countries, following an alternative policy mix which is based on intensive intervention of government, have achieved extremely rapid growth rates and industrialization with a more equal income distribution. The validity and impacts of the Chinese model, which later called the Beijing Consensus, for emerging and middle income economies are still debated. The main aim of the study is to compare the Washington Consensus with Beijing Consensus within the context of emerging and middle income economies. The study also discusses the possible returns and future of Beijing Consensus.

Keywords: Washington Consensus, Beijing Consensus, Neo-Liberalism, Global Financial Crisis

Öz: İkinci dünya savaşının hemen ardından kurulan Bretton-Woods kuruluşları ve 1980 sonrasında uygulanan Washington Uzlaşısı genel adıyla bilinen neo-liberal politikalar, 2008 küresel finans krizi sonrasında önemli itirazlara maruz kalmıştır. Washington Uzlaşısı ve beraberinde uygulanan politikalar karlılıkları yükseltse de krizler, gelir dağılımı eşitsizlikleri ve az gelişmişliğin sürmesi sorunlarına neden olmuştur. Oysa ki Washington Uzlaşısı politikalarının aksine devletin yoğun müdahalesine dayanan alternatif bir politika izleyen Çin ve diğer birtakım Asya ülkeleri hızlı bir büyüme, sanayileşme ve gelir dağılımındaki adaletsizlikleri düşürebilme başarısını yakalamışlardır. Sonrasında Pekin Uzlaşısı olarak adlandırılan Çin modelinin gelişmekte olan ülkeler için geçerliliği ve etkileri halen tartışılmaktadır. Çalışmanın temel amacı Washington Uzlaşısı ile Pekin Uzlaşısının gelişmekte olan ülkeler bakımından karşılaştırmasını yapmaktır. Bu çerçevede Pekin Uzlaşısının olası getirileri ve geleceği de tartışılmıştır.

Anahtar Kelimeler: Washington Uzlaşısı, Pekin Uzlaşısı, Neo-Liberalizm, Küresel Finans Krizi

1. Introduction

With the Bretton-Woods organizations which formed after the Second World War (WWII), the world economic system reshaped and the state activated in all areas of the economy, while the public intervention effectively implemented to eliminate stagnation in financial activities. In the first 25-30 years after the WWII, protectionist tendencies in foreign trade stood out. The relative high profitability rates until the mid-1970s have been supported by the high wage regime. However, the reconstruction of the capitalist countries, such as Germany and Japan and the rapid industrialization of South East Asian countries, has created huge new production capacities, and raised global competition. These developments have climbed costs for all countries, especially for the US. The constriction of profits was also valid for Emerging and Middle-Income Economies (EMIEs) which was further deteriorated by the large oil price increases of the 1970s. This situation has been tried to be compensated by implication of neoliberal restructuring or new world order policies (Şen, 2005; Sönmez, 2009).

Falling profitability rates have started to increase with opening up the markets of EMIEs to foreign investments also with the help of privatizations and stabilization programs. However, this situation has disrupted the income distribution and inequality, and unemployment has also increased. As a matter of fact, the ongoing process since 1980s -afterwards called as the Washington Consensus- is now thought to come to an end by the 2008/9 financial crisis. The Washington Consensus has systematized crises rather than providing development as expected in Latin America, Africa, the Middle East and Central and East European (CEE) countries. However, the East and Southeast Asian (ESA) countries in general and China in particular have achieved an important industrialization process during the period, growing at an unprecedented high speed, increasing export performance, and achieving trade surplus. Moreover, while performing all these, poverty has also been reduced and important progress have generally been made in education, health and other socio-economic indicators.

The process of rapid growth and development of China and other ESA economies afterwards named as Beijing Consensus. There are conflictive opinions that Beijing Consensus has created opportunities for all other EMIEs. However, China's growth has reached its limits and also the existence of Beijing Consensus may also be discussed. In this framework, the study discusses China's development model - or Beijing Consensus – with its sustainability and its possible returns for EMIEs and how may rival the Washington Consensus which is considered to come at an end.

The remainder of the paper is organized as follows. The brief history of Washington Consensus and following changes in the rates of profits, labour income shares and income distribution after WWII are analysed and discussed in Section 2. Section 3 focuses on China's economic development and its effects. The Beijing Consensus concept and possible developments are evaluated in the Section 4. Section 5 concludes. Further details showed in the Appendix.

2. Washington Consensus, Neo-Liberalism and Increasing Inequalities

In the 1960s and 1970s most of the EMIEs which includes Brazil, Argentina, Mexico and Turkey has took tremendous amount of debt from international creditors -significant shares of that are short terms- to finance ambitious industrialization projects (Li et al. 2009: 297). For instance, Turkey's debt has coincided 70% of the total deferred debt of EMIEs for 1978-1980 period (Celasun&Rodrik, 1989: 629-631). In the 1970s, the total debt ratios of these countries reached levels that could not be afforded and, in the beginning of 1980s, the world economy entered into a serious stagnation. In 1982, Mexico declared a moratorium on reporting its failure to cover its debt obligations and pushed all of Latin America to a stagnation that would later be called the debt crisis (Vasquez, 1996: 233; Şen, 2005; 183-184; Li et. al 2009: 297). This stagnation has also been felt in pioneering global markets such as the United States of America (henceforth US) and worldwide. As shown in Figure 1 and Figure 3, profitability has decreased significantly both in the US and worldwide.

Due to high rate of borrowing, the developing countries had to follow IMF supported structural reform programs during the 1980s. Accordingly, while the tax and tariffs increased, the role of the public in the economy minimized and national currencies are devaluated. However, almost all of these policies are far from creating the expected effect (Vasquez, 1996). For that reasons, describing these years as the *'lost decade'* for Latin American countries is a common nomenclature in the literature (Roberts, 2014: 54-55; Vasquez, 1996: 233).

The declining profits of 1970s, when revived by the '*structural reform programs'* of the 1980s, the name of this situation fell to Williamson with the *'Washington Consensus'* (Williamson, 1990). The Washington Consensus 10 main policy proposals are: fiscal discipline, reorganization of public expenditure characteristics, tax reform, liberation of interest rates, competitive exchange rates, free foreign trade, liberalization of inward Foreign Direct Investment (FDI), privatization, deregulation and the development of property rights (Williamson, 2009: 9- 10). In addition, strict macroeconomic rules were introduced in practice at first and there were radical cuts in social benefits and subsidies over time (Sönmez, 2017: 106). Figure 3 which is below, shows increase in global profit rates while there is decrease in labour income rates, after 1980s.

According to Williamson, the principles of the Washington Consensus and the Bretton-Woods organizations' policy recommendations are similar. However, for him, the IMF, which is also a Bretton-Woods institution, has forced the borrower countries to liberalize their capital account and it was one of the main causes of the South East Asian crisis in 1997 (Williamson, 2009: 14). In addition, the disastrous consequences of the Shock Therapy reforms that the US Treasury and the IMF were spearheaded in the 1990s led to the disruption of the Washington Consensus (Naim, 2000: 506-507; Li et al. 2009: 298). Thus, according to Stiglitz (2007), the policies proposed by the Washington Consensus for economic growth are neither effective nor necessary.

Although the neo-liberal policies implemented after 1980s made substantial increase in crisis, it is seen that the profitability in the world has also increased. In this context, Figure 1 shows the profitability ratios calculated for 1948-2017 for the US, which is the world's largest economy. Computation was performed according to two different methods in two different studies of Jones (2013) and Bakir & Campbell (2016).

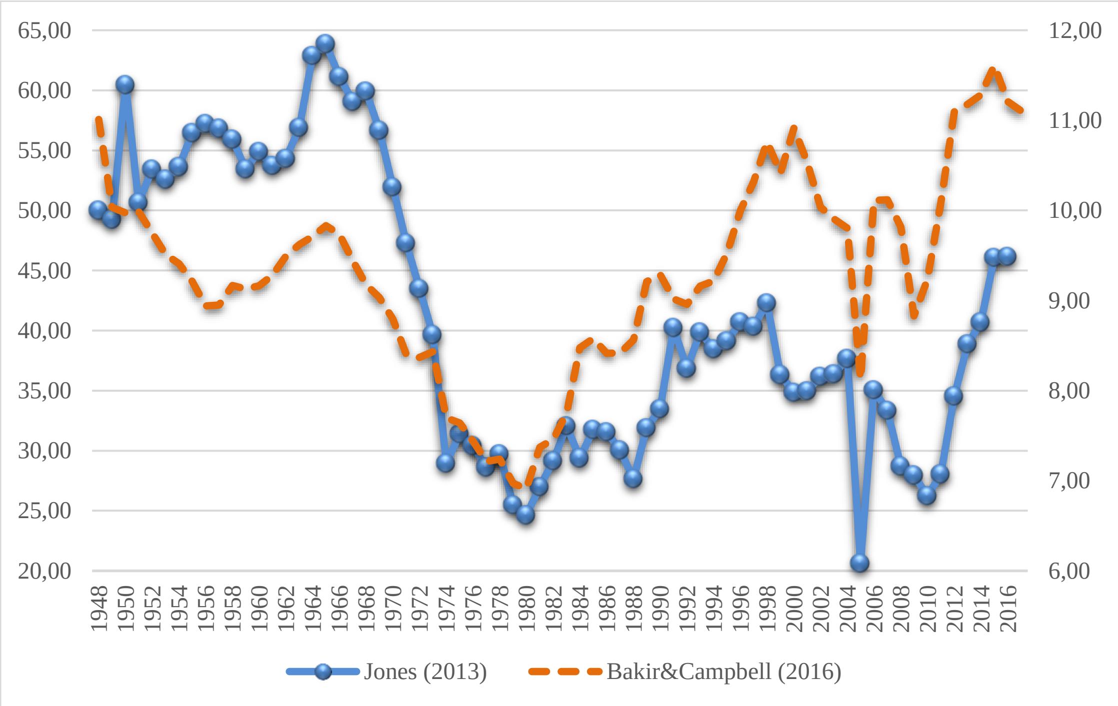

Figure 1. US Profit Rate for Two Different Measures, 1948-2017

Source: Author's computation based on BEA, 2018 data.

The computation which based on the methods of Bakir & Campbell (2016) in Figure 1, shows the relatively high rates of profit after 1948 decreased gradually after 1966, and to have a historical bottom in 1980. The rate of profits has steadily increased for the US economy after 1980, despite the decline in 2005 and also in the Global Financial Crisis (GFC) years 2008/9. Figure 1 proves that the most important reason for the policies of liberation, deregulation and opening, which were started to be implemented in the aftermath of the 1980s, was the rate of jeopardized profits. In addition, according to Jones (2013), the profit rates increased after 1980.

While the profitability after the Washington Consensus has increased rapidly for the US economy and other developed countries, as mentioned above, many of EMIEs have fallen into debt trap with the impact of their crises and have narrowed their public resources against the masses. The Cold War period (1947-1990) caused increasing military aggression and spending, while the expected and unquestioned winner of the Cold War was the US. However, after the end of the Cold War and especially after the 2000s, due to budgetary pressures and energy limitations, the US has not succeeded in maintaining its current rate of profit and in a sense its hegemony, as it can be observed from the Figures 1 and 2 (Dos Santos, 2010). Increased profitability has only possible after GFC.

The Post-Washington process has revealed the problems of inequality and the capitalist mode of production, such as mass unemployment, the inability to find the job, and the inevitable by-products (fall-outs) of technological modernity, such as exclusion and marginalization. The Post-Washington process created prosperity in a few ultra-developed countries with scientific and technological development and capitalist mode of production, while others brought unemployment and marginalization (Dos Santos, 2010).

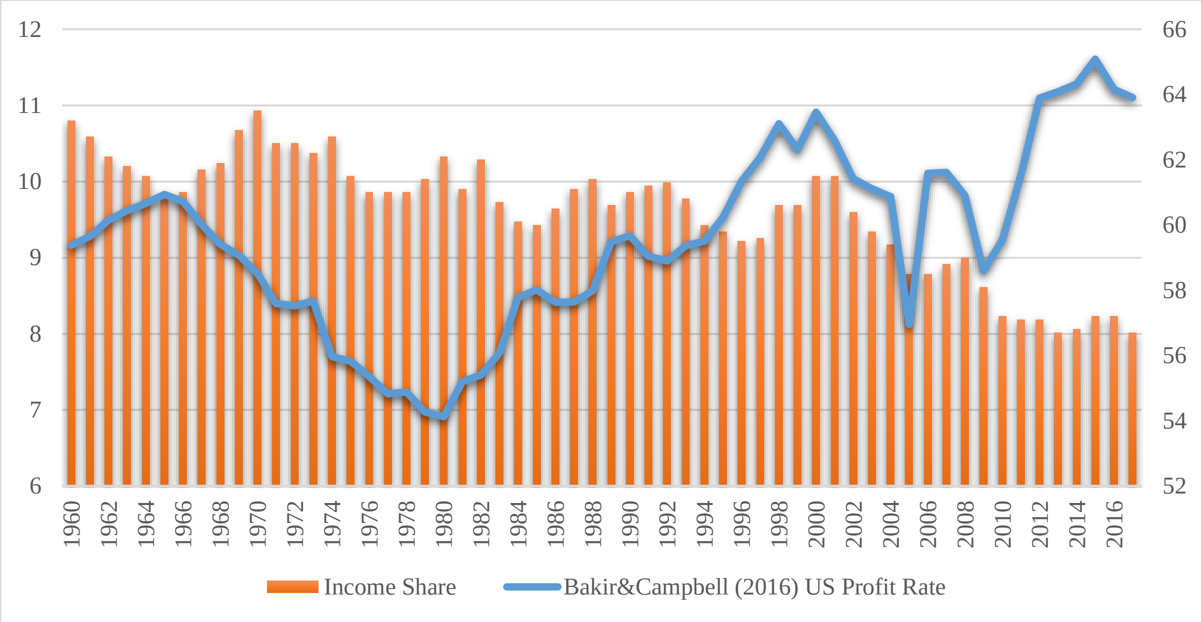

Figure 2. Comparison between the US Profit Rate and the US Labour Income Share, 1960-2017

Source: Author's computation based on ILO, 2018 and BEA, 2018 data.

Figure 2 shows the relationship between profitability and labour income in the US. What evident is the fact that the share of paid (wage earner) in total income between 1965 and 1980 is roughly unchanged while profitability is reduced by about 30% for US firms. With the Washington Consensus policies that started after the 1980s, profitability increased by 50% until 2002, but the share of paid (wage earners) decreased by 4%. In 2004, and especially with the GFC after 2008, diminishing profit rates make a new dip and reach at its peak in 2015. However, the share of paid in this period has continued to decline continuously. Nevertheless, this decline in labour incomes in the US is not more than the worldwide decrease. Supporting the above argument, increase in the rate of profit in the world is almost similar to that of the US economy, while labour incomes have decreased gradually (Figure 3). The main reason for the further decline in worldwide labour incomes is the decrease in the relative wages in EMIEs (ILO, 2018).

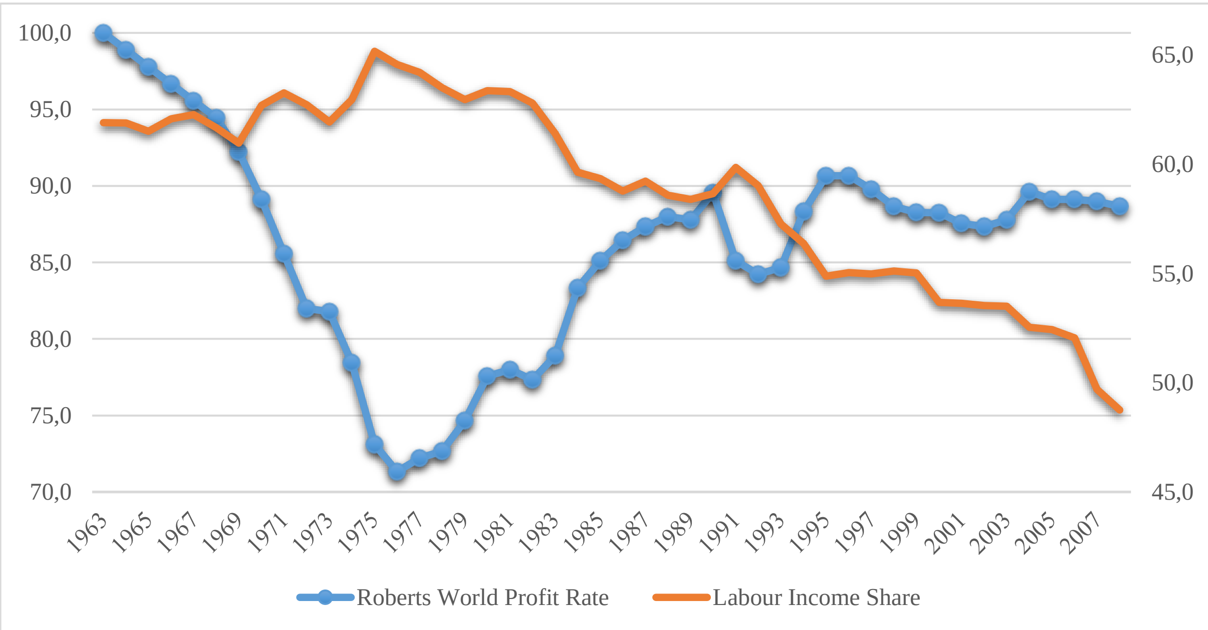

Figure 3. World Profit Share vs. Labour Earnings, 1963-2008 (Indexed, 1963=100)

Source: ILO, 2018; BEA, 2018; Carchedi&Roberts, 2013.

Note: Robert's World Profit Share data has taken from Carchedi&Roberts, 2013.

The Washington Consensus exploded (prompted) market fundamentalism and the policies that implemented widely popularized by the IMF, proposed as a panacea, and widely supported by the World Bank (Naim, 2000: 507; Sönmez, 2017: 106). The world system, which rebuilt in the 1990s, began with the collapse of the Union of Soviet Socialist Republics (USSR), and the interest in new securities which supplied from markets of the former Eastern Bloc countries also increased during these years. Over time, while the opportunities of free trade have increased as a result of integrations such as the World Trade Organization (WTO) and the European Union (EU), barriers to global capital have been lifted respectively. Although the high rate of liberalization and financialization that has been formed by this structure remained intact until September 2008, however collapsed with the GFC (Desai, 2018: 5).

With the failure of Washington Consensus to deliver sustainable growth in Latin America, Africa and ex-Soviet Bloc, argument came under severe criticism. The first criticism is that privatization is not a fundamental requirement for development. The second is that there is no need for such a large financial liberalization for EMIEs (Kennedy, 2010: 465). The reflection of the Washington Consensus policies on the economy of Latin America initially appeared in four headings such as devaluation of domestic currencies, cutbacks in public budgets, upward tax rates and remise State Owned Enterprises (SOE) subsidies. More neo-orthodox policies have been followed for stabilization, privatization, improving competition and liberalize trade regimes. As a result, inequality and unemployment increased however the sustainable growth might not provide (Sönmez, 2017:111).

That policies caused enormous inflation rates[1], unemployment and inequality which Figure 4 shows change in Gini coefficient for Latin American countries for the period of 1980-2010. Latin America where Washington Consensus policies are the most severely applied, unweighted regional Gini coefficient has risen by 0.32 in the 1980s and risen 0.16 during 1990s. In 2010s, the regions' inequality level returns to pre-Washington Consensus period (Cornia, 2014). As shown in Figure 4, the increasing inequality for the Latin American countries (Gini Coefficient) scaled to 54.1% in the early 2000s never seen before.

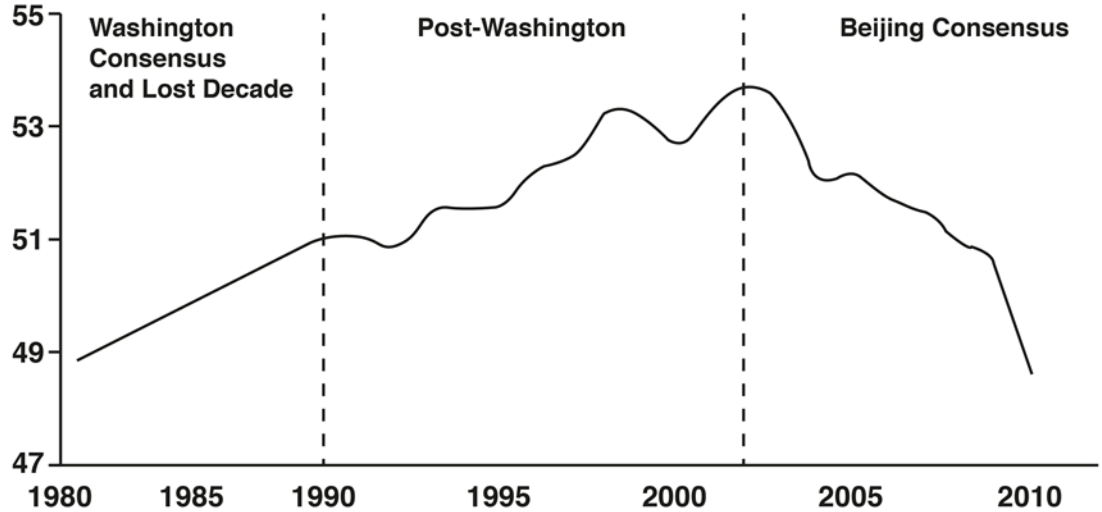

Figure 4. Change in Average Gini Coefficient of the Distribution of Household Income per capita between 1980 and 2010 for Latin American Countries

Source: Cornia, 2014: 5, Fig 1.1.

Considering the fact that the economy is growing at a high speed and opening the economy out quickly, the results achieved in this respect are contradictory. During 1961-1979, the Middle East and North African (MENA) region showed an average economic growth of 5.06%[2], while the same ratio was 4.86% for ESA –Japan is excluded – and 2.58% for Latin America. In the 1980-1999 period when Washington Consensus policies were widely applied, MENA economies grew by 1.17% and CEE by 1.92%, whereas for Latin America, this ratio was limited to only 0.5%. Negative growth frequently viewed for Latin American countries for the period. In the same period, ESA economies achieved an average growth rate of 4.45% per capita GDP (WDI Online Databank, 2019)[3].

[1] Although inflation rates are initially reduced, EMIEs faced with high inflation rates and the cost of lowering inflation billed to fixed wage earners (paid).
[2] To compute the average economic growth for regions, the average growth rate of GDP per capita is taken.
[3] MENA countries are: Algeria, Iran, Iraq, Israel, Jordan, Kuwait, Morocco, Oman, Qatar, Tunisia, Egypt and Yemen. Indonesia, Malaysia, Philippines, Korea, Singapore, Thailand, Vietnam, Hong-Kong and China have taken as a representative for East and ESA countries. Latin American countries

Figure 5 clearly demonstrates the disparity of inequality after Washington Consensus for CEE countries. For the countries included in the Figure, Gini coefficient was almost 29.74 % for the 1980s and almost jumped to 39 % in the late 1990s.

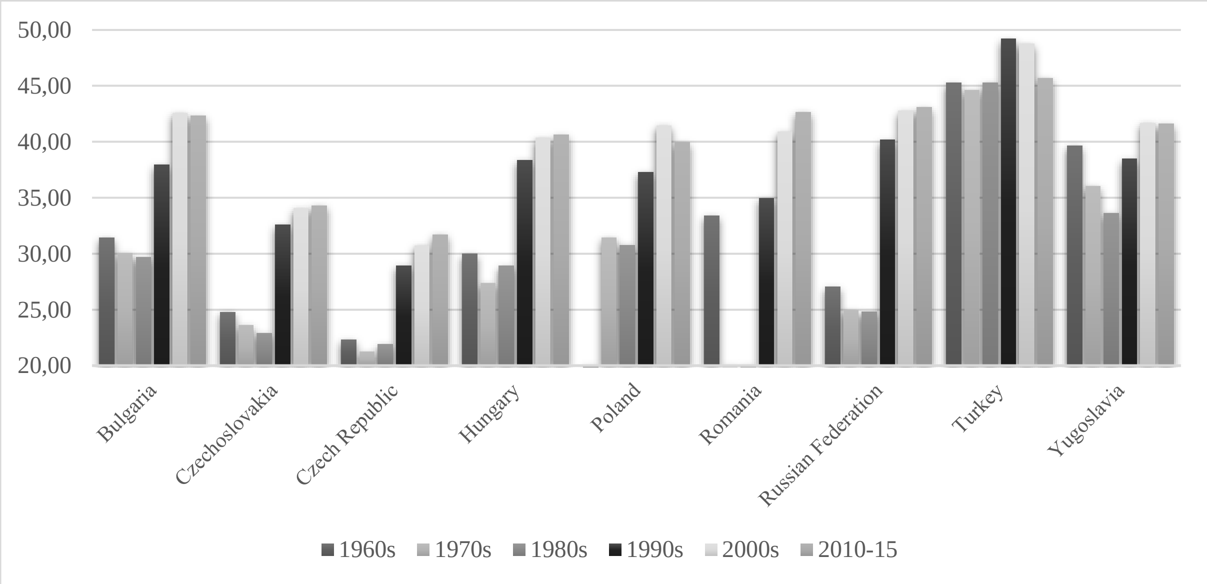

Figure 5. Average Gini Coefficient Changes for Selected CEE Countries (with averages of 1963-2015)

Source: UTIP, 2019.

Over time stabilization programs provide success in opening economy to global competition and reduce inflation rates for some of EMIEs. However, these programs could not find a solution to income inequality and poverty. Washington Consensus rooted capitalism in EMIEs and bring them under the control of global financial institutions and developed countries. In ESA, governments played a crucial role in the market and in economic activity, as well as applies a trade system model which reflects their own characteristic. It is believed that Washington Consensus policies such as fixed exchange rates, ineffective control over fiscal accounts and collapse of macro economy resulted with crisis in Argentina (1999-2002), Turkey (2001) and finally, caused GFC (Arifin, 2017: 123-135). In Figure 6, it is clear how much the domestic loans provided by the financial sector increased after 1980. The rate of loans, which remained below 90% until the 1970s and remained below 100% until 1982, increased to 140% in 1990 and to 165% in 2000. In 2009, it is 168% and in 2016 184%. The breaks in Figures 1981, 1989, 1999 and 2008 are noteworthy.

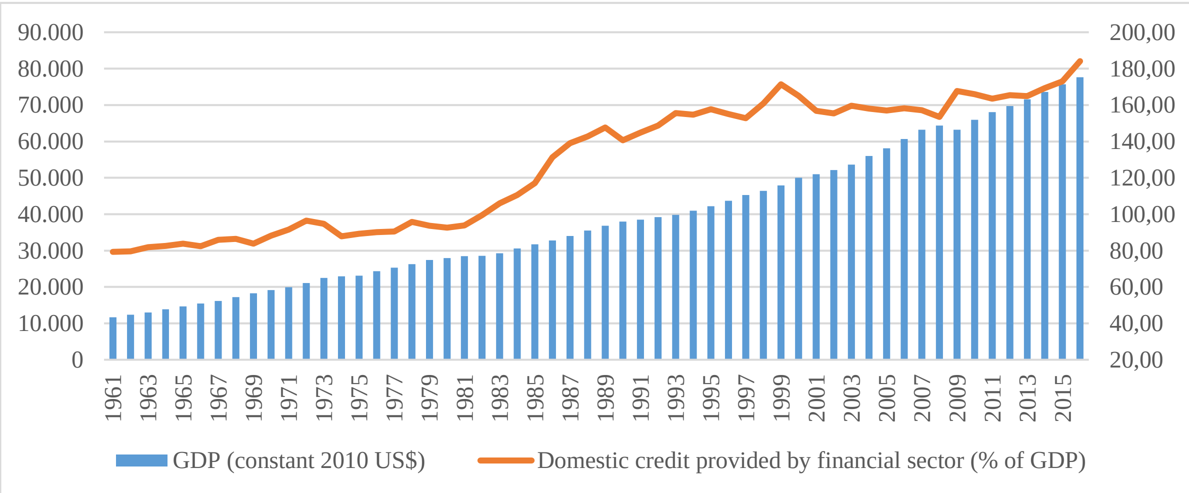

Figure 6. GDP (billion US Dollars, $) and Financial Industry Credits (% of GDP) (1961-2016)

Source: WDI Online DataBank, 2019.

Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Panama, Paraguay, Peru, Puerto Rico, Uruguay and Venezuela. CEE countries consist of Albania, Azerbaijan, Bulgaria, Croatia, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Macedonia, Slovak Republic and Turkey.

Figure 7 clearly shows that, after the GFC, productivity increased, while wages have fallen relatively. It is possible to classify the cause of this situation under three headings: The first reason should be that the capital efficiency increased after the 1990s. Especially the development of information and automation techniques is one of the most important reasons for the increase in productivity. A second important reason is that the manufacturing industry production shifted to the low-paid ESA market, especially to China, after 1990. While the services sector in the West has expanded as a whole, the wages of labour in industry have generally declined. A third reason - especially after the 2000s - is the shift of retail to the Internet (McMillan et al., 2014; Desai, 2018). Another point presented by Figure 7 is that the labour incomes that have fallen until the 2010s have increased by close to 5% after the GFC. This is one of the short-term consequences of abandoning the Washington Consensus.

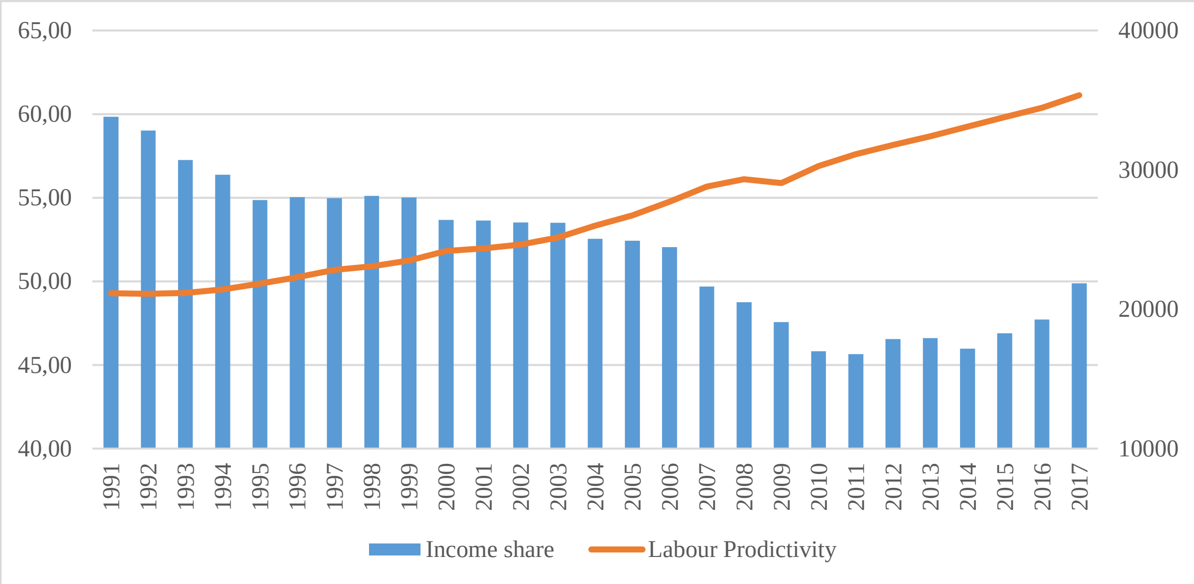

Figure 7. Labour Income Share and Labour Productivity between 1991-2017

Source: ILO, 2018.

Figure 8 above below demonstrates the extent to which Washington Consensus policies affect the distribution of income in EMIEs. Washington Consensus has created destruction for medium / low revenues in almost all of the EMIEs, mainly for CEE and Latin America (Figure 4 and 5). Poverty and income inequality have increased. For ESA countries, the situation has been reversed. Falling revenues increased thanks to high growth rates, but income distribution did not rise at the same pace. Especially for countries such as Indonesia, S. Korea, Malaysia, Singapore, Vietnam and Thailand, the income distribution has begun to improve gradually in 1960-70s and for China since 2000s (Atkinson et al. 2018; UTIP, 2019).

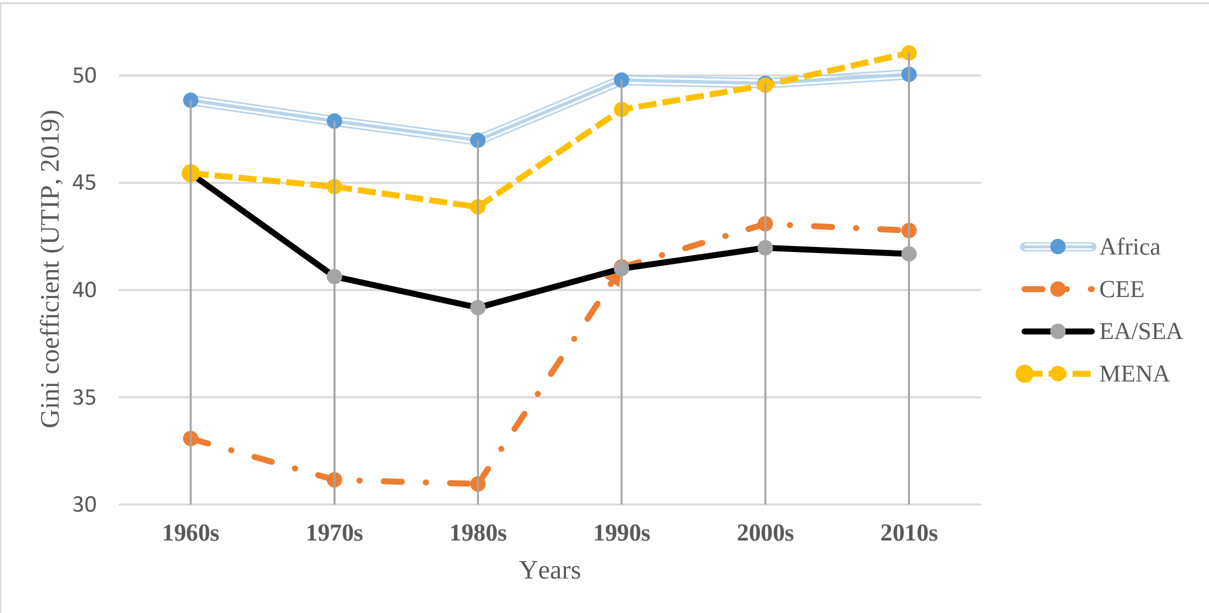

Figure 8. Gini Coefficient for Four Different Regions between 1960-2015

Source: Author's computation by UTIP, 2019 data.

Finally, Figure 9 is used to see how the growth rates achieved in the 1990s effective in eliminating welfare and economic inequalities. Accordingly, in many of the Latin American, MENA or CEE countries which have relatively high growth rates during the 1990s income distribution inequality continued within the framework of Washington Consensus policies. The reflection of Washington Consensus on the former socialist countries and the CEE has been the increasing inequality in income and the social alienation (Drahokoupil&Myant, 2010 as cited in Peerenboom&Bugaric, 2015: 94). Though economic growth for ESA economies such as Singapore, Hong-Kong and Korea has gradually improved the income distribution.

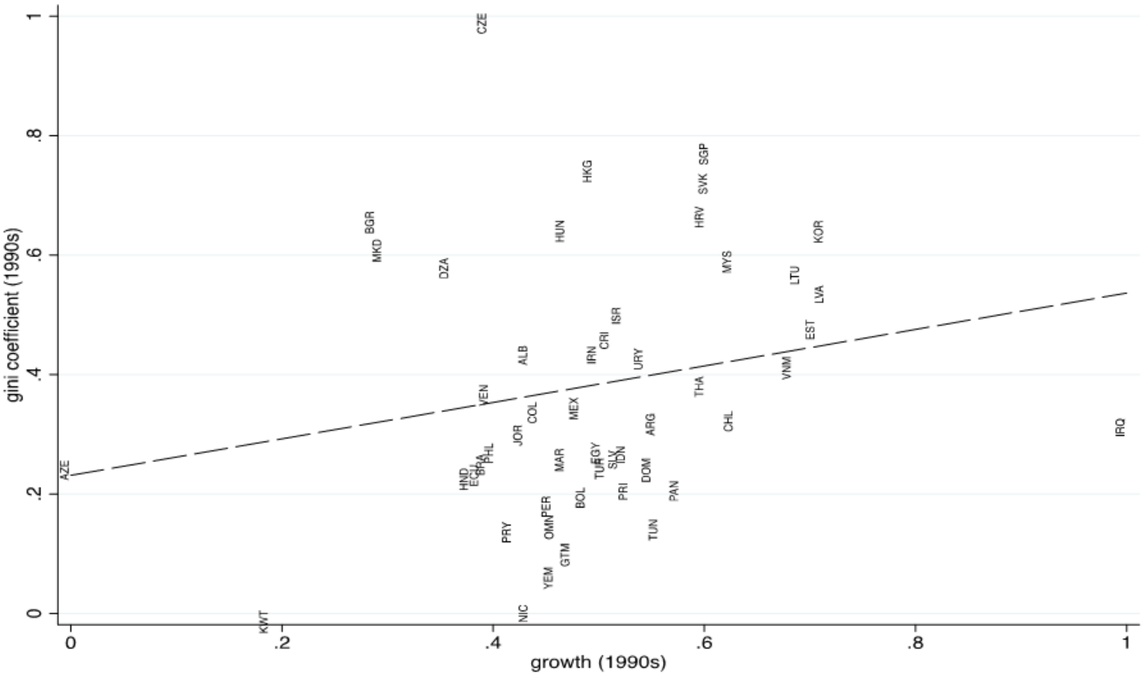

Figure 9: Relationship between Economic Growth and Gini Coefficient in 1990s for Selected Developing Countries

Notes: For figure, both growth rates (% of per capita GDP) and Gini coefficient are normalized between 0 and 1. Higher number means higher growth rates and lowest inequality. For Dominican Republic, Nicaragua and Paraguay Gini coefficient data derived from WDI Online Databank (2019) for other countries all Gini data derived from UTIP (2019). Growth data (% of per capita GDP) for all countries obtained from WDI online Databank (2019). See Appendix Table A1 for country codes.

3. Rise of China and Other EMIEs

China, which had the same economic size as the Netherlands in 1978 and which was the 11th economy of the world, became the world's second largest economy in 2017 (WDI Online Databank, 2019). China's growth performance is an unprecedented example of an economy of this size in terms of its rapid growth (Reinhart et al. 2017: 58). This growth performance for the World Bank "the fastest sustained expansion by a major economy in history" and also it is unique because it recovers more than 800 million people from poverty (The World Bank in China, 2019).

In fact, from 1978 to 2017, the world economy reached a total of 9.5-fold, world highest economy the US's GDP, reached to 8.2-fold and China's GDP has doubled to 81.8-fold (WDI Online Databank, 2019). China owes its high-speed growth and development to the support of strategic sectors through credit and capital guidance. In addition, the high rate of savings, fixed exchange rate regime and solid capital control are also important factors supporting the financial sector which funds the industry. The gigantic domestic market has also opened the way for economies of scale and increased the competitiveness of domestic firms (Kurtoğlu, 2015).

China's foreign trade also increased at high levels after adopting an outward policy in 1978. Before that date the share of Chinese trade in world was below 1% in the world trade, was 1.63% in 1990 and 2.69% in 1995 and finally in 2000, it rose to 3.60%. Membership to WTO in 2001, paved the way for foreign markets, and China executes 6.65% of world trade, 6.07% of world total imports and 7.25% of world total exports in 2005. The increasing role of China in world trade continued after GFC. While the ratio of China's foreign trade to world trade was 9.65% in 2010, this ratio increased to

11.44% in 2016. With the China appearing as a global power, the share of other developed, such as Germany and the US, in foreign trade has decreased gradually especially after 2000s (see Appendix Table A2).

China is neither a market economy nor a socialist economy at all, the most accurate definition of the economic system is state capitalism. In this economy, public ownership is concentrated in key sectors such as banking, energy and transportation. Moreover, the state supports these sectors with financial transfers, subsidies and other similar policies (Breslin, 2018: 7). The three main factors leading to China's economic development are marketization, decentralization and globalization. With the marketization of prices, foreign trade and investments are liberalized and some of the SOEs are privatized. Decentralization made it possible to transfer powers from government to private, the economic development targets have been reached while increasing productivity and income. With the globalization, the restrictive national market for many years has opened its doors to international capital, technology and management (He, 2016: 4).

Reforms in China first started in the agricultural sector. State allowed rural surplus in agriculture and to sell that surplus with market prices also with the help of high price policy, led productivity increases in a short period of time. Besides that surplus created new small businesses and expand the capital base. The modernization that started in 1978 in the agricultural sector has turned its focus to the modernization of SOEs. The pace of FDI inflow, which is the driving force for growth and industrialization, gained momentum in 1992, following the modernization policy of SOEs. In time, the establishment of entrepreneurial culture brought about a rapid growth, development and employment increase (Saray & Gökdemir, 2007; He, 2016: 4-5). China has been able to succeed three major reforms during and after the Deng Xiaoping period: (i) Agricultural reform; (ii) Open the economy to FDI and (iii) Open the financial sector to foreign capital (Sönmez, 2017: 109). While achieving all this, has become the main source of growth and development for the whole region.

After the GFC, the positive effects of growth on income distribution are not only for ESAs. In addition to these countries, the decline in Gini coefficient in some of the MENA, CEE and Latin America countries has shown a similar correlation with the increase in growth rate.[4] Figure 10 shows how the relationship strengthens between growth and Gini coefficient with regard to Figure 9. With increasing growth rates and renunciation from Washington Consensus policies in 2010s, slope has been upward. Nevertheless, seen from the Figure 10, countries are gradually beginning to gather around the regression line. Moreover, while the growth rates of 50 countries included in Figure 8 in the 1990s were 2.2% on average, the growth rates for the 45 countries included in 2010 (Figure 10) were only 2.5% with an increase of 0.3%. Therefore, the determinant is the sources of growth rather than the rate of growth.

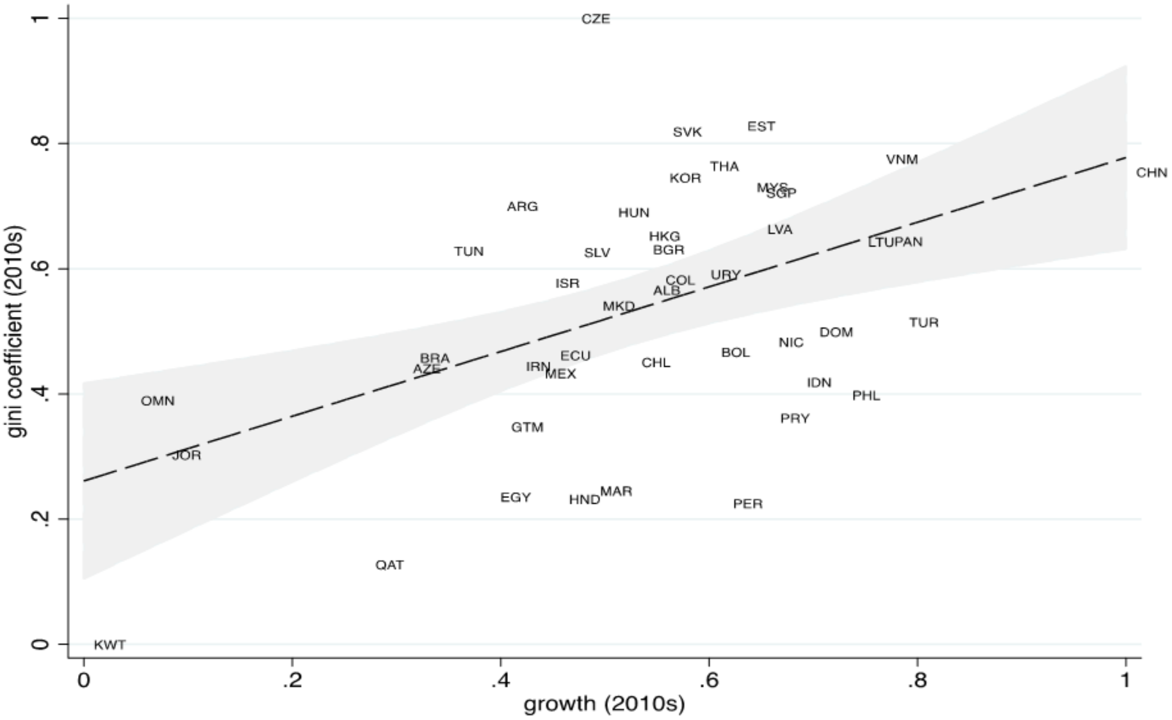

Figure 10. Relationship between Economic Growth and Gini Coefficient in 2010s for Selected Developing Countries

Notes: For Figure both growth rates (% of per capita GDP) and Gini coefficient are normalized between 0 and 1. Higher number means higher growth rates and lowest inequality. For all countries Gini coefficient data derived from WDI Online

[4]Latin American growth is a good example of Chinese push factor. The correlation between seven largest Latin American economies and Chinese economy real GDP growth after middle 1990s is estimated as 0.75 (Reinhart, 2019).

Databank (2019) and UTIP (2019). Growth data (% of per capita GDP) for all countries obtained from WDI online Databank (2019). See Appendix Table A1 for country codes.

The most important question to ask about China is how such a huge economy can grow so fast. The most important factor here is, of course, the active role of the state in the economy, as in many East Asian countries. For China, an '*embedded autonomy model*', in which the state is in the centre, has been selected and brought along with rapid development and industrialization along with strategic policy instruments (Öniş, 2018: 9).

A pragmatist approach was adopted in the growth of the country and the policies implemented according to the tangible data separately for each geographical region by focusing on regional differences instead of being implemented with a monolithic program for the whole country (Arısoy et al. 2004; He, 2016). Since the number of factors in an economy is constant, a shift of resources from rural (traditional) to urban (manufacture) may boost productivity. In fact, productivity does not change in the sectors, but this structural transformation is enlarging the economy in its entirety. Since the early 1990s, the integration of ESA economies with the world economy, especially China, has opened up the transfer of technology to countries and this has been another reason for increasing productivity and growth, which mentioned above. China's growth is also largely on this basis. In the 1990-2005 period, the productivity increase in China was 8% per annum. In addition, if China may maintain its current growth rate, foreign trade earnings -trade-bargaining- will increase (McMillan et al. 2014; Kurtoğlu, 2015: 499). However, China's growth has not always been smooth and uninterrupted. Throughout the 1990s, SEEs had problems of productivity and profitability therefore state made privatizations which named as '*retain the large, release the small'* (Nakagane, 2000).

It is better to say that China's model is a '*post-developmental state*' which follows the neo-liberal open-door policy on FDI and has an active bargaining power (Öniş, 2018: 9). It is expected that the FDI will have a positive impact on industrial development / growth with its features such as capital increase, technology transfer and know-how in the recipient country economy. As a matter of fact, there are many contemporary and empirical evidence that the FDI positively contributes to the Chinese economy (Wang et al., 2016; Su & Liu, 2016). Foreign companies are also important for the Chinese economy that in 2012 they performed for almost half of China's foreign trade and 25% of its industrial production (NBS, 2012, cited in Wang et al., 2016: 816). Although Chinese economy is benefiting from FDI, that flows also escalate regional inequality (Quyang&Yao, 2017).

China's success and the idea of Beijing Consensus to come forward with the Consensus concept became to a '*fashionable indicator'* (Sönmez, 2017: 107). In particular, the East Asian Crisis in 1997 and the GFC - changed the perception on the Post- Washington Consensus and led to a significant break in the Eurocentric approach, which has shaped the development literature for a long time (Dos Santos, 2010). Indeed, it is a common belief that Washington Consensus ended with GFC. In April 2009, in the closing speech of the G20 summit, Gordon Brown -former prime minister of UK- pegged down that old-fashioned Washington Consensus is over and a new consensus -Beijing Consensus- has reached (Arifin, 2017: 121). In April 2011, Dominique Strauss-Kahn, head of the IMF at the time, stated that the liberal theories and Washington Consensus that guided the global economy for the last 30 years have been left behind and that a new approach is now needed (IMF, 2011).

4. Beijing Consensus and Beyond

As a matter of fact, since the 1990s, different authors have informed of the need for Post-Washington Consensus, the emergence of a new consensus found the 2000s. In the late 1990s, with the phenomenal growth and the decisive role of China in its region, the development model has qualified distinctive and attractive qualities. The term of Beijing Consensus was first put forward in an article by columnist Joshua C. Ramo. According to Ramo, the rise of China restructures the world order and what happens in China is not only a model for itself but also the whole world (Ramo, 2004; Li et al. 2009: 299; Arifin, 2017: 126). The idea of the Beijing Consensus settled at the centre of the current Chinese debate over time. According to Stiglitz and many other researchers, the Post-Washington Consensus could be the Beijing Consensus (Dos Santos, 2010: 113).

Economic development is not a straight way for all countries to follow the same path. As for that Washington Consensus, all countries should follow the Universalist approach, the only way is to adopt similar institutions, policies and solutions (Peerenboom & Bugaric, 2015: 92). From this viewpoint, Washington Consensus approaches can be summarized as '*one size fits all*', in the words of Stiglitz: In the 1980s, the focus was on stability (especially price stability), liberalization and privatization, regardless of their effects (Stiglizt, 2007; Arifin, 2017)[5]. However, Beijing Consensus rejects *'shock therapy'* and top-down *'structural adjustment policies'* (Sönmez, 2017).

[5] There are also some studies which consider the process experienced since 2000s as a second Washington Consensus regarding many EIMEs. Unlike the first one, the concepts that comes fore in the second consensus have been stabilization and reform. Moreover, the liberalization of capital account in an attempt to attract foreign capital has been a hallmark in the recent times, which has entailed the rise of FDI entries at the unprecedented rate towards aforementioned countries (Bresser-Pereira, 2002; Bresser-Pereira&Varela, 2004; Berr&Combarnous, 2007). The concept of Beijing Consensus is not the successor of neither the first nor the second Washington Consensus. Although there are similarities in terms of concept and implementation, it has an alternative to the applications of Washington Consensus.

Table 1. The Elements of Beijing Consensus

1	*Innovation-based development*
2	*Economic performance measured by sustainability and equality with the exception of income per capita income*
3	*Self-reliance*
	Objection to Washington Consensus
	Globalization under their own conditions
	The influence of China - except for military influence

Source: Kennedy, 2010: 468, Table 2; Ramo, 2004.

Table 1 shows the basic features of Beijing Consensus. In this context, Beijing Consensus is based on three fundemental concepts, which Ramo (2004) demonstrates: innovation-based development, economic performance and self-reliance as measured by sustainability and equality rather than per capita income. Beijing Consensus is based on intensive government intervention and has ensured to infant industries appropriate environment for development and to participate to global competition[6]. With the help of Beijing Consensus, some of EMIEs try to avoid from financial liberalisation which is a yield of Washington Consensus. The fact that some of the major development banks in EMIEs such as Brazil and China are in public control has also led them to undertake the functions of the *'policy bank'*, which are creating jobs in times of crisis or growing the economy during election periods. Thus, growing economy and emerging companies have attained financing opportunities and also prevented the economy to finance inefficient projects (Birdsall, 2012: 6-11; Peerenboom & Bugaric, 2015: 106-107).

Within the framework of Beijing Consensus, China's relations with African countries are not shaped by the previous sovereign-colonial relationship. Beijing Consensus, in contrast to Washington Consensus, is shaped by respect for national sovereignty rather than intervening in national economies by macro-economic policies. Within this framework, after GFC, China became Africa's primary foreign trade partner. It is aimed to increase FDI stock to Africa from $ 34.4 billion in 2014 to $ 100 billion by 2020 (Galchu, 2018: 5).

Thus, according to Öniş (2017): Growth in the Asian model thrived development with authoritarian governments and without democracy. The pattern created *'hybrid regimes'* and, affected Latin America, MENA and major economies of CEE which are located on the edge of Europe, as well as region economies (Kennedy, 2010: 477; Öniş, 2017:2-3; Peerenboom & Bugaric, 2015: 93).

Although the existence of Beijing Consensus is still debated and questioned, it is clear that China's global expansion has created different opportunities for EMIEs. For instance, according to the studies of Reinhart (2018a) and Reinhart et al. (2017), when we look at historical data, the existence of a contemporary crisis is inevitable. Reinhart evaluated economic history of the world cyclical so between 1795-2015 time periods there are same pattern for world economy which always repeated: capital flows booms and busts. Today, there are double bust again with lower commodity prices and reversal in capital flows. However, except Venezuela there is no coincidence of default.

According to Reinhart (Reinhart et al., 2017; Reinhart, 2018a; Reinhart, 2018b; Reinhart, 2019) there are four main reasons for this: The first reason is that EMIES implement better macroeconomic policies than the past (decline of proclyclicality in fiscal and monetary policy). In conjunction with, the increase of hedging in EMIEs. Third reason, the interest rates in the United States, which is given in a report of Bank of England (Udland, 2015), are at the historically lowest and yet moderate levels. And the fourth reason relevant with China. Especially between 2003-2013 years, China's export-oriented growth strategy accelerated capital flows to markets, especially for the primary product producers. China's foreign trade with EMIEs exploded, especially after 2011. In this context, it is believed that China hamper another global crisis by stabilizing global trade and supporting development projects in EMIEs with financial flows such as official debts. This situation undoubtedly increases the international bargaining power of EMIEs and paves the way for relatively independent policies.

Thanks to the reforms and policies implemented, China has become an industrialized country from an agricultural economy. However, global conditions have been effective in increasing the growth rate of China. A figure of Bank of England, which mentioned above demonstrated for the 5000-year period and for each period the world's leading economy took place with rate its interest rates. That report shows that short-term interest rates are at the historically lowest level. The interest rate for the US in the 1810s, which was 7.64%, fell to 1.85% in the 1940s and was 15.84% in the 1980s and slumped to 0-0.25% in September 2015 (Udland, 2015). China may have benefited from this situation or may have contributed the process with the financial expansion wave created by itself.

Although there has not been a new global crisis until now, debt ratios have been increasing since GFC. As of 2016, global debt broke a new record and reached $ 164 billion. This rate is equal to 225% of the world product and is 12% higher than the previous historical record in 2009. According to IMF, the most important factor behind these debts is the Chinese economy. For developing countries, the ratio of debt to GDP reached 105%, which is the highest since the 1980 debt crisis (IMF, 2018: x). On the other hand, the Chinese financial system is still very weak, with the reasons such as high public domination, insider trade and speculation as well far from the efficiency (Kurtoğlu, 2015: 501).

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[6] Due to Stiglitz (2003), tariffs in the EAC were never raised as much as the US was in the industrialization period.

China's global debt, which was $ 1.7 billion in 2001, $ 25.5 billion in 2016 and is estimated to be $ 34 billion in 2018. The ratio of debt to GDP increased from 162% in 2008 to 266% in 2017 (IMF, 2018: 30; Curran, 2018). The only problem for China is not the height of its global debt. Another important problem is whether the debt will be returned or not.

Chinese loans to EMIEs -commodity producers- advanced significantly during the 2000s boom era. These lending does not reflect to World Bank data so it is impossible to assess whether amounts in default (African countries and Venezuela) or not. The global environment in West and Japan led policymakers to spread financial funds all around the world. This kept interest rates historically low levels. Cautious policy implications in EMIEs also might have an effect. In addition to above mentioned, changing the policy of reserves of banks, capital controls and similar applications on the balance of payments are internal factors for EMIEs which prevent them from defaults (Reinhart et al., 2017: 65-66).

China has filled a gap, but it is expected that such a large financial spread will create fragilities. With the slowdown in China's growth, EMIE markets have started to be funded to increase demand. China alone is responsible for one third of global debt growth. More than 100 countries that are predominantly low-income have taken Chinese loans over the past 15 years. These loans have taken for three purposes: (i) subsidize the projects of infrastructure; (ii) to enlarge productive capacities in mining or other primary projects; (iii) to fund general government spending. Even it is hard to compute the total amount however the ratio of understatement to all borrowers is close to 15% of their GDPs, according to an estimation. In addition, the debt ratio is gradually decreasing. The amount of debt to African countries declined in 2017 by half of the previous year (Reinhart, 2018a; 2018b; Reinhart, 2019)[7].

Empirical studies show that the current Total Factor Productivity (TFP*)* still low in China because of inefficiencies in economy, and in management structure and also from regional disparities (Hsiheh&Klenow, 2009; Feng et al. 2017). Such that there is also evidence that Chinese TFP is declining (Rudai Y., 2015). In addition, private consumption in China is falling, conversely investments are increasing rapidly. To maintain such high growth rates depends on the revival of domestic consumption in China. Post-GFC period reveals, China's growth will heavily depend on domestic consumption, while the US model have to evolve into export-oriented growth (Akyüz, 2011).

On the other hand, the only problem for China is not the height of the debts. There is also a serious overcapacity problem. Overcapacity is stemming from three factors (Aburaki, 2013: 12-13): (i) High access to financial capital. The risks are mostly for Chinese companies than joint ventures in China since 2012, for example mobile industry; (ii) The Chinese government has distributed the priorities according to the management conditions of the companies. China's South Locomotive Company and railway policy serves the most important example for this. (iii) It is doubtful whether markets can sustain high growth rates. Domestic markets are still negligible.

Wages in China are on the rise, increasing demand for energy is escalating costs, and global factors such as FED's tight monetary policy and Trump administration-initiated trade wars point to a significant break for Beijing Consensus (Peerenboom & Bugaric, 2015: 99). Over time, China's becoming a *'factory of the world'*, has emerged as a necessity for developed markets, whose profitability is becoming increasingly shrunken. Today, however, it is becoming progressively difficult to grow the gigantic Chinese market as quickly as possible. One of the other challenges for China; Chinese development, is critically dependent to US&Japan companies since Chinese companies dependent to these countries for their innovative capacity (Aburaki, 2013: 2).

Due to Pettis (2013:69-70, 80-81); China's development model -Beijing Consensus- is not a unique model. It is only developed version of Japan's growth process in 1960s and which is similar with 1930s Germany, 1950-60s the USSR, 1960-1970s Brazil. The most important factors underlying the growth / development model are the creation of higher capacities through rapid and intensive investments in infrastructure, manufacturing and real estate sectors, thereby increasing employment and profitability. The author's argument is that China is an investment-driven economy rather than an export-based economy. The only requirement for China to maintain this foreign trade surplus is to increase the saving rates even more, which is unlikely. Again, the fact that growth is dependent on foreign trade does not seem to be sustainable.

One of the important issues that recently threaten both the rise of China and Beijing Consensus is the trade wars which have begun with the raising tariffs by the president of US, Donald Trump, on the 1st of March, 2018. Although the possible effects of tariffs are frequently hotly-debated issue, two current studies in this matter are worth to mention. The two different studies (Amiti et al., 2019 and Fajgelbaum et al., 2019) try to measure the effects of the tariffs imposed on China. The results of these studies seems to be identical. According to these results, it is demonsrated that the tariffs would have more impact on the domestic production and consumption of US. As Amiti et al., 2019 puts it clearly, it is uncertain whether the tariffs are the remedy for US trade deficits. Another result is that to a great extent, the possible US tariff gains do not compensate its welfare losses.

The net result of ongoing tariff practices is the fall of foreign trade volume between these countries, and the resultant loss of welfare. Since it is not possible to close the gap the deficits of foreign trade without eliminating the imbalace of investment-savings, tariff-raising policies of US might end up directing the foreign trade deficits towards different countries. In that sense, the sole purpose is said to prevent the trade expanding of China[8] (Lau, 2018).

The data related to foreign trade between China and US differs considerably. The data for China is much lower. The most important reason is that value-added earnings of the firms such as Apple ve Qualcomm in the service sectors of

[7] China is not a member of the Paris Club, as it known. In addition, in 2018, the IMF's managing director Lagarde called absolute transparency, implying that EMIEs' debts arising from China would not be undertaken by the institution (Reinhart, 2018b; Strauss, 2018; Lawder, 2018).

[8] As observed in Japanese automotive sector in the past, the impact of long-run tariffs is seen as the shifting of investments towards US in order to evade tariffs. However, as the majority of the exports of China is labour-intensive, this option is not very likely too (Lau, 2018: 2).

Ireland and Netherland are reflected upon the data differently (Lau, 2018). Indeed, according to the studies of Lau et al. (2017), when the foreign trade deficit of US with China on the basis of value-added is calculated again, it is reduced by the half.

As China converges with the US on the basis of value-added, the trade frictions between the two countries led to a ban on Huawei which is a leading smartphone manufacturer of China. However, it is highly unlikely that this kind of prohibitions against the firms of China might prevent to improve their technology performance. Similarly, empirical studies demonstrate that the prices decline in the US as the imports increase from China (Lau&Tang, 2018). The restricting activities of US have other dimensions which are concerned with the third countries in particular and the world trade and economy in general. According to the calculations of IMF, the tariffs imposed by the US would decrease the World GDP by 0.5%, which corresponds to the sum total loss of US $ 430 billion (US Department of Treasury, 2019; Partington, 2018). If China reacts these developments by selling US $ 1.3 billion of treasury bonds that it has in the beginning of 2019, the international price of US dolar and global economy will be affected negatively, and even trade wars will also become more fierce (Zaidi et al. 2018). China has a huge market which includes the demand for energy, tourism and automotive. It can be said that the export opportunities of this massive market would increasingly serve the interests of the US. It is expected that China can liberalise its tariff structure at the end of the debates of “fair-trade” which seems to be a vague concept. In addition, if the US decreases its foreign trade deficits against China and the rest of the World, it may lose its seigniorage revenues that help cover its trade deficits. In the lights of these assessments, it can be stated that the success of Beijing Consensus and its sustainability depend, to some extent, on the trade wars which the US has started without a detailed plan. The possible outcome of the trade wars will be a significant increase in the exports of US to China. Otherwise, it is clear that a situation of lose-lose will be inevitable for both countries and for the world as well (Lau, 2018).

Although the growth rates in the period from the beginning of the 21st century to the 2008 GFC are not foreseen again, this expansion should not be considered as the come to an end at late of 2010s. China is still growing at high speed, and in one way or another, Beijing Consensus has managed to make a hole in Universalist development approach and on neo-liberal policies. In spite of all these criticisms, while Beijing Consensus seems as inaccurate and distorted to reflect China’s reform process however still a benchmark in ‘development paradigm’ (Kennedy, 2010). In the last 40 years, China’s development history initially viewed with suspicion and the global thought might no longer sustain growth rates, however it has grown and evolved. With the success and increasing influence of China, the Beijing Consensus concept has been widely accepted in time. Although the Beijing Consensus has been criticized, it has been described by many different researchers, politicians and leaders as an original, successful and alternative way of development (Li et al., 2009: 299). In recent years, China has adopted a new paradigm with the concern that the growth rate will drop and even the potential growth will decrease (Huang, 2016). According to the project, named as ‘New Silk Road’ or ‘One Belt One Road’ (OBOR) announced in 2013, China aims to connect more than 60 emerging and developing markets, 4 billion people and an economy worth approximately $ 20 billion (Swaine, 2015; Rolland, 2015). The interest shown to the project and the high number of partner countries (Van der Putten et al, 2016) indicate that China will continue its place in the world economy and development literature.

5. Conclusion

The world economic system, which was designed after the WWII generally launched with protectionist and developmental perspectives, especially for the EMIEs. However, crises and shrunken profits in the late 1970s have updated for an alternative vein. 1980s witnessed a radical transformation for EMIEs thus, neo-liberal, trade-oriented and market fundamentalist models adopted. These models have been referred as Washington Consensus which is a common name after 1990s which are serving the same liberal purposes.

Within this framework, the first aim of this study is to discuss the impact of Washington Consensus on EMIEs. The analysis shows that the reflection of Washington Consensus policies in these countries are the increase of inequality and unemployment also with the social exclusion. On the other hand, EMIEs which adopted Washington Consensus policies might not reach the targeted growth rates and outward opening goals. Indeed, due to data compiled from different regions, it shows that the Gini coefficient has increased. Besides, China and other ESA countries, which followed an alternative vis a vis Washington Consensus policy, shows rapid development, industrialization and high growth rates. This model is after named Beijing Consensus, which attracts FDI with the highest level of government intervention in the economy, and where credits are directed to key sectors.

Beijing Consensus has achieved significant results in a short time. For example, unconditional and rapid financial liberalization, outflow of infant industries, or rapid financial liberalization of SOEs in EMIEs have resulted in crises which apply to Washington Consensus policies. The high growth rates, the level of industrialization and the rate and speed of domestic firms' competition in global market for Beijing Consensus are remarkable.

The process called Beijing Consensus and the success of China attracted the attention of different academicians, politicians and thinkers throughout the world. However, the policies and process of the Beijing Consensus are not completed or precisely defined. On the other hand, there are also negative opinions that Beijing Consensus is not a specific process, it is not sustainable and China will soon be trigger of a global crisis due to its high debt, rising wages and other costs.

Despite all these shortcomings, the development success of Beijing Consensus and China is an important process in terms of coming from an EMIEs and getting a great result. The applicability and success of the OBOR which country specified as a future goal, trade-wars against the US and the reimbursement of debts as well with the asset bubble of being created will determine the degree of survival for China and EMIEs.

Appendix

Table A1. List of Country Codes and Names

Code	*Name*	*Code*	*Name*	*Code*	*Name*
ALB	*Albania*	*GTM*	*Guatemala*	*PAN*	*Panama*
DZA	*Algeria*	*HND*	*Honduras*	*PRY*	*Paraguay*
ARG	*Argentina*	*HKG*	*Hong Kong*	*PER*	*Peru*
AZE	*Azerbaijan*	*HUN*	*Hungary*	*PHL*	*Philippines*
BOL	*Bolivia*	*IDN*	*Indonesia*	*PRI*	*Puerto Rico*
BRA	*Brazil*	*IRN*	*Iran*	*QAT*	*Qatar*
BGR	*Bulgaria*	*IRQ*	*Iraq*	*KOR*	*S. Korea*
CHL	*Chile*	*ISR*	*Israel*	*SGP*	*Singapore*
CHN	*China*	*JOR*	*Jordan*	*SVK*	*Slovakia*
COL	*Colombia*	*KWT*	*Kuwait*	*TWN*	*Taiwan*
CRI	*Costa Rica*	*LVA*	*Latvia*	*THA*	*Thailand*
HRV	*Croatia*	*LTU*	*Lithuania*	*TUN*	*Tunisia*
CZE	*Czech Republic*	*MKD*	*Macedonia*	*TUR*	*Turkey*
DOM	*Dominican Republic*	*MYS*	*Malaysia*	*URY*	*Uruguay*
ECU	*Ecuador*	*MEX*	*Mexico*	*VEN*	*Venezuela*
EGY	*Egypt*	*MAR*	*Morocco*	*VNM*	*Vietnam*
SLV	*El Salvador*	*NIC*	*Nicaragua*	*YEM*	*Yemen*
EST	*Estonia*	*OMN*	*Oman*		

Table A2. The Ratio of Exports, Imports and Trade to World Trade for Selected Countries

		China	*Germany*	*Japan*	*S. Korea*	*US*
1950	*Ratio to world export (%)*	*0.89*	*3.21*	*1.33*	*0.04*	*16.12*
	Ratio to world import (%)	*0.91*	*4.23*	*1.51*	*0.08*	*15.05*
	Ratio to world trade (%)	*0.90*	*3.73*	*1.42*	*0.06*	*15.57*
1960	*Ratio to world export (%)*	*1.98*	*8.78*	*3.12*	*0.02*	*15.10*
	Ratio to world import (%)	*1.93*	*7.42*	*3.28*	*0.25*	*11.95*
	Ratio to world trade (%)	*1.95*	*8.09*	*3.20*	*0.14*	*13.48*
1970	*Ratio to world export (%)*	*0.73*	*10.80*	*6.09*	*0.26*	*13.64*
	Ratio to world import (%)	*0.69*	*9.10*	*5.74*	*0.60*	*12.90*
	Ratio to world trade (%)	*0.71*	*9.93*	*5.91*	*0.44*	*13.26*
1980	*Ratio to world export (%)*	*0.89*	*9.47*	*6.41*	*0.86*	*11.08*
	Ratio to world import (%)	*0.96*	*9.05*	*6.80*	*1.07*	*12.37*
	Ratio to world trade (%)	*0.92*	*9.26*	*6.61*	*0.97*	*11.73*
1990	*Ratio to world export (%)*	*1.78*	*12.07*	*8.24*	*1.86*	*11.28*
	Ratio to world import (%)	*1.48*	*9.88*	*6.54*	*1.94*	*14.36*
	Ratio to world trade (%)	*1.63*	*10.96*	*7.38*	*1.90*	*12.84*
1995	*Ratio to world export (%)*	*2.88*	*10.13*	*8.57*	*2.42*	*11.31*
	Ratio to world import (%)	*2.50*	*8.78*	*6.36*	*2.56*	*14.59*
	Ratio to world trade (%)	*2.69*	*9.45*	*7.45*	*2.49*	*12.97*
2000	*Ratio to world export (%)*	*3.86*	*8.54*	*7.42*	*2.67*	*12.11*
	Ratio to world import (%)	*3.35*	*7.39*	*5.64*	*2.39*	*18.73*
	Ratio to world trade (%)	*3.60*	*7.96*	*6.51*	*2.52*	*15.48*
2005	*Ratio to world export (%)*	*7.25*	*9.24*	*5.66*	*2.71*	*8.57*
	Ratio to world import (%)	*6.07*	*7.15*	*4.75*	*2.40*	*15.94*
	Ratio to world trade (%)	*6.65*	*8.18*	*5.20*	*2.55*	*12.32*
2010	*Ratio to world export (%)*	*10.31*	*8.23*	*5.03*	*3.05*	*8.36*
	Ratio to world import (%)	*9.00*	*6.80*	*4.47*	*2.74*	*12.70*
	Ratio to world trade (%)	*9.65*	*7.51*	*4.75*	*2.89*	*10.54*
2016	*Ratio to world export (%)*	*13.12*	*8.37*	*4.03*	*3.10*	*9.08*
	Ratio to world import (%)	*9.78*	*6.50*	*3.74*	*2.50*	*13.87*
	Ratio to world trade (%)	*11.44*	*7.43*	*3.89*	*2.80*	*11.49*

Source: Author's computation based on WTO, 2018 Data.

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