

KEY FINDINGS

- China is a deeply illiberal country, where individual rights are systematically neglected
- This fact is often mentioned as a rationale for trade-limiting policies, but the case for these policies is weak
- In contrast, a deeper degree of economic integration might benefit China not only from an economic perspective, but it could also favour a liberalization of her society
- A process of economic integration is the necessary prerequisite for a renewed cultural dialogue between European and Chinese society

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# The Opening of the Chinese Market and Individual Rights

by Carlo Lottieri

*The emergence of China on the international economic scene is stimulating a thought-provoking debate.*

*Particularly, many observers are wondering whether—and in which sense—it is legitimate to widen our economic links with a country still ruled by an illiberal regime, where individual rights are often neglected and workplace conditions are abysmal.*

This brief paper will argue the case for a growth in commercial relations between Europe and China. An overview will be presented of the main arguments of the opponents of further integration between the European and the Chinese economy (forbidding our companies to operate in China and preventing the importation of products of the Asiatic country), as well as of some arguments in support of the opposite position.

## 1. Paradoxical China

At the beginning of the 21<sup>st</sup> century, China is under many respects a paradoxical reality.

The Asiatic country is an economic giant, whose population—well above 1 billion—lives in dire conditions. If on the whole China's economy is today among the largest in the world, the pro

capita income of Chinese workers is still among the lowest in the world.<sup>1</sup>

China's reality is likewise incongruous from an institutional perspective: China was and still is a communist country, ruled by a single party and managed following a strongly centralist approach.<sup>2</sup> Still, China's authoritarian regime coexists with an economy which is under many respects only lightly regulated, at least if compared with Europe's and America's.

Moreover, China's reality is vastly disparate. As an example, several years ago China restored her sovereignty (albeit under a special statute negotiated with the UK) over Hong Kong, which, according to a report by the Heritage Foundation, is the place in the world characterized by the largest degree of economic freedom.<sup>3</sup> Likewise, sprawling cities like Canton, Shanghai and even Beijing are peculiar realities, profoundly different from 'inner,' rural

China, wretchedly poor, where corruption (admittedly widespread in urban regions, too) is rampant and government is arbitrary and oppressive in a degree rarely equalled in other parts of the world.<sup>4</sup>

On the other hand, China is no run-of-the-mill country: it is more properly to be seen as a veritable continent, not only because of her huge area, but also for her inherent complexity (linguistic, religious, cultural) that Maoism was unable to erase. The unhappy predicament of Tibet, relatively well-known in the West, is by no means an isolated case: many 'minorities' in China suffer under the same wretched conditions.<sup>5</sup>

Similarly, China is in the midst of a massive spurt of growth, featuring a growth rate of her economy of about 10 per cent. And if by our standards raising personal income of 100-200 dollars per year might appear nothing to boast about, for the average Chinese such an increase is a significant improvement, opening new opportunities and raising the hope of a better future.

The sources of such a growth—often tumultuous—are both internal and external.

Undoubtedly, since the demise of the so-called 'Gang of Four' and the rise of Deng Xiaoping, Chinese communism experienced a positive adjustment, leading to an unheard of attention to private property and free enterprise. After getting rid of the rigidities inherited by the Cultural Revolution, Chinese society started to favour entrepreneurial activities which, although still hobbled by a relatively unfriendly environment (mainly because of the immense power of the Party and the resulting corruption), established trading and manufacturing companies, started import and export businesses, and developed joint ventures with foreign concerns.

The whole process was assisted by the return to the degree of globalization that had long characterized the international economic life and that was thrown in disarray in the last couple of centuries by the rise of the ever growing power of the nation-state and the

resulting protectionist policies (particularly since the second half of the Eighteen-hundreds).

In the current situation, in which China is experiencing a deep transformation process, problems are many and future is uncertain. Not only the country is characterized by widespread poverty and dismal life and work conditions, but freedom is sorely lacking. To talk about China necessarily entails to conjure up the issue of 'human rights,' since basic freedoms are consistently repressed and there is no free debate on those issues that may improve an awareness of the challenges that need to be faced and the choices to be made.

The issue of individual liberties—related to the utter absence of proper legal institutions—is in fact a momentous one, since the disregard of human rights is often the main argument brought forward by the opponents of an economic integration of Europe (and of the Western world more generally) and China.

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## 2. The case against economic integration

Facing today's China, Europe can choose between two general courses.

First, the decision could be made of avoiding as far as possible any relation with the Chinese economy: by means of various forms of embargo, supporting the current tariffs (and introducing new ones), raising other kinds of barriers.<sup>6</sup> In contrast, a deliberate course might be adopted of favouring the widest and deepest economic integration between Europe and China, by removing every obstacle to trade, as well as those form of 'protectionism in disguise' often introduced with the (real or alleged) purpose of safeguarding, for instance, the health of consumers.

The notion of restricting trade is underpinned by a number of rationales, some decent, other less so. This paper, whose aim is to support the case for the largest opening possible of Europe to China, will investigate four noteworthy points of view.

1) The first argument is mainly articulated by the advocates of a sort of 'sanitary cordon' around China, with the aim of inducing a radical change in the communist regime. The contention is made that no relationship ought to be entertained with China so long as that country will be ruled by a single party and human rights are disregarded. At the very least, the expansion of economic relations should be conditional to a demand for new laws and a greater respect for basic freedoms and workers rights.<sup>7</sup>

A recurrent theme is that any furthering of economic relations between Europe and China is bound to strengthen the authoritarian rule of Beijing, putting off the demise of the regime, which is the actual source of the lack of freedom.

2) A second argument emphasizes the fact that, in modern China, workers live and work in very dismal conditions. In brief, it is a variant of the notion of 'exploitation.' European businesses operating in Beijing or in other Chinese cities, in other words, are complicit in the abuses against a population that is not only poorly paid (an obvious consequence of the backwardness of the Chinese industrial system), but which is also prevented a free access to the labour market.

3) The third argument basically pertains to geopolitics, and its supporters aim to thwart the growth of economic relations since they might strengthen an illiberal State which, because of its huge size, may prove to be a danger in the coming years.

4) There is no lack, of course, of those who oppose China with the strictly protectionist aim to protect European businesses 'threatened' by the competition from China, since this large Asiatic country is able to provide low- and very low-cost products in many industries (textiles are a case in point).

Although not always and necessarily baseless, the arguments advanced by the opponents of a further economic integration with China do appear questionable and, in the long term, even harmful. In the following pages the sound reasons—from both an economic and a moral perspective—for an even deeper furthering of

economic relations between Europe and China will be briefly illustrated.

### *3. Integration favours a better protection of human rights*

Far from guaranteeing a strengthening of human rights, closing China out of the European markets would very likely adversely impact the prospects of basic freedoms.

While the concurrent development of 'reformist' internal policies and the ever-increasing integration with a globalized international setting have already entailed a awesome degree of economic growth (and might cause it to swell even further in the future), to raise a protectionist 'Chinese Wall' would be dearly paid for by the poorest part of the Chinese population.

Any improvement of the economic conditions of the Chinese people, on the other hand, is inevitably bound to reverberate on the legal system.

As a matter of fact, the economic integration between China and the rest of the world will undoubtedly shed light on circumstances and tragedies that today are kept hidden from view, but that, once exposed, can promote a radical change of Beijing's institutions. As Daniel T. Grishwold emphasized, "China's economic reforms have opened the door for greater religious freedom," to the point that "[m]ore than 100 Western missionary organizations are active in China today, and those organizations have distributed millions of Chinese language Bibles." Of course, the increasing religious freedom, albeit still hobbled by many persistent restraints, is strictly related to the new relationship between China and the West and, most certainly, "all that would have been unthinkable 25 years ago when China was still isolated from the global economy."<sup>8</sup>

Under this respect, it is worth to remember the role also played in Europe's history—notably since the Middle Ages—by the diffusion and growth of wealth, particularly in the emergence of a productive bour-

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geoisie. Economic development, in fact, progressed hand in hand with the emergence of a legal system progressively more liberal and respectful of individual rights.

As a number of remarkable thinkers in the Twentieth century (from Lon L. Fuller to 'our' Bruno Leoni) showed, the law is largely the outcome of a bargaining process, in which merchants, owners, and entrepreneurs play a significant role. As emphasized, in his idiosyncratic way, by Karl Marx, law is in no small degree the 'superstructure' of the underlying economic framework and only the establishment of solid and self-reliant businesses can lay the social ground needed for the emergence of 'human rights.' In the words of Leoni, a number of property owners advancing specific 'claims' are needed for the resulting confrontation to (painstakingly) produce the definition and the embrace of a legal order.<sup>9</sup>

It is likewise to be emphasized that opening to trade entails, together with the growth of economic exchanges, a diffusion of diverse relationships: namely, and most importantly, an intensification of cultural exchanges, a comparison between models, a circulation of ideas. It can be surmised that a larger number of foreigners in Beijing, Canton and other Chinese cities can help China to leave behind the most illiberal elements of her present. A stranger is inevitably an 'heretic' of sorts which, more or less unwittingly, challenges the order heretofore taken for granted, unquestionable and 'natural.'

Furthermore, the call for keeping the Chinese borders sealed as long as the Communist Party rules the country is clearly disingenuous and cynical. The Soviet regime could last for seventy years thanks, at least in part, to the Cold War; its heritage is thus still weighing on a society—today widely controlled by the ruling group of Vladimir Putin—which retains many important features of the old Leninist regime. It is well conceivable that any 'cold war' between China and the West, even in the case it is brought about by a fair concern for 'human rights,' may only result in deny-

ing the Chinese people the small and partial achievements possible today.

#### 4. Integration may favour a reduction of exploitation

Even in its economic expression, the argument appealing to the notion of 'human rights' appears problematic.

Undoubtedly, the conditions in which the Chinese people live today are generally quite miserable, and it is true that they are often unable to freely bargain their wages and work conditions. In more than a few cases the occurrence of actual 'exploitation' can be

acknowledged, if we conceive this notion as a condition in which the individual worker cannot freely dispose of himself (more exactly, of his time and faculties), but is forced to work or his choices are otherwise strongly affected by illegitimate constraints.

On the other hand, a direct connection must be acknowledged between the growing presence of Western entrepreneurs on the Asiatic landmass and the improvement of living conditions of the peoples of the area. Although they are actually led to open shop in the Third World by the low labour costs and the (often) light regulatory burden, Western businesses still operate in their peculiar way, bound by the prevalent values of their original countries, and try to guard their image among Western consumers. Whenever they follow the prevailing practices of the host country, rather than the moral standards of the home market, Western enterprises lay themselves open to media campaigns that can impact heavily their results.

As a consequence, the wages and working conditions offered by European and American companies in Third World countries are almost invariably much better than those offered by local firms.<sup>10</sup>

The establishment of European enterprises in China, therefore, can only strengthen the position of the country's workers, presenting new opportunities and

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helping to transform the general business climate, to the advantage of the poorest part of the population.

### 5. *Integration can dispel the risk of a possible Chinese imperialism*

The geopolitical argument is not groundless, at least at the theoretical level.

A scenario is conceivable in which China's economy would grow thanks to the rising integration with America and Europe, only to divert the resources and the technologies thus acquired to serve later as a springboard for enlarging China's sphere of influence and adopt an outright imperial policy towards the neighbouring countries of Asia and beyond.

Such an eventuality cannot be dismissed out of hand, not only because the future is unknown by definition, but also for the reason that such approach characterizes every 'mixed' society, namely one in which economic development can translate—thanks to taxation—into greater governmental power (with the foreseeable military and 'imperial' consequences).

The very same argument, however, could be brought to bear—in some cases even more appropriately—for a number of different countries of the world: from the United States, to Russia, to India. The logic of the argument, however, would bring about a virtually total closure of international markets, with the consequences of strengthening the political elites of the major powers and their ambitions of supremacy.

A sober analysis of geopolitical issues should help to grasp the correlation between the growth economic relations and the entrenching of peace. It is the classic lesson drawn by Richard Cobden, whose campaign for free trade (culminating in the abolition of the *Corn Laws*) was only equalled by the ardour with which he struggled against colonialism and imperialism.<sup>11</sup>

### 6. *Integration favours the emergence of the better European companies*

Among the arguments advanced by the opponents of an intensification of trade between China and the West, the protectionist one is undoubtedly the weakest for several reasons.

To begin with, protectionists neglect the benefits of trade, a veritable secular 'miracle' in which both parties benefit from the transaction. To curtail the opportunity to bargain and trade means to remove an occasion for profit: ultimately all this translates into higher prices for the consumer.

Moreover, the supporters of policies aiming to bar access to Asian companies do not grasp the fact that

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trade not only brings about material benefits, but also implies a range of 'inter-personal relationships' and the sharing of a common terrain. Whenever the barriers that separate two countries are torn down, the cultures of both countries become closer, and begin to acquaint better and to integrate with each other.

From a legal perspective, a strong link exists between the development of economic relations and the emergence of the rule of law. As very properly emphasized by Lon L. Fuller, law emerges from a process of creation and discovery, and thus it develops with particular ease in "a society of economic traders." The inclination to understand and accommodate the other party's claims is thus a characteristic trait of the 'merchant' and it is exactly where this figure is deeply rooted in the society that the establishment of a legal order is more likely.<sup>12</sup>

The protectionist argument, moreover, does not grasp that tearing down barriers causes the process of division of labour to find a new configuration and helps the economic actors to act more efficiently. Insofar it favours specialization, the division of labour is a formidable engine of progress. In this respect, the crisis of a number of European industries occasioned by the competition from Chinese manufactured goods tells us that many of the companies operating in those

industries were in fact (or are at risk to be) 'anti-social,' since they were unable to meet the consumers' demands. In brief, these industries face a predicament similar to that of traditional mainframe builders when they were confronted by the appearance of the personal computer.

The problem for the companies impacted by the Chinese competition is that they do not create (or no longer create) wealth. They must therefore face a choice between improving their performance or let the capital and the labour they are currently employing to shift where they are more productive.

In several instances the protectionist argument seems to ignore that in the medium- to long-term a growth in imports causes a corresponding growth in exports: Chinese exporters are willing to accept Euros for their products only because they are confident that with that currency they can purchase European goods. The vision of a future in which our industries will disappear and will be completely replaced by Chinese companies is wholly unrealistic, since it is based on the assumption that Chinese workers are willing to work in exchange for nothing at all or for paper scrip... More specifically, integration favours the development of the industries in which our economy is more competitive and able to meet the demand in the new markets created by the very growth of the Chinese economy.

Lastly, the protectionist argument is morally indefensible. It should not be forgotten that China is part of that Third World in which hunger, epidemics, high child mortality rates, and dismal workplace conditions are widespread. While the opening of our markets can help the Chinese to improve their conditions and set out towards a better future, the designs of those who aim to 'defend European companies' by means of protectionist measures (often in the name of a latter-day 'Colbertism') are liable to sentence to a future of abject poverty a people struggling to improve its circumstances.

## 7. *The third way (neither 'closing' nor 'opening') is indefensible*

A number of observers reply to the case for widening economic relations between Europe and China with the argument that, although they agree with this goal, it should be achieved in a gradual way, following specific 'bargains,' area after area. Specifically, an 'exchanges for rights' approach is recommended, agreeing to remove our barriers *only after* the Chinese Communist government proceeds to dismantle the current power arrangements and to establish a legal system respectful of human rights.

Although in theory this course might be successful (insofar it leads to a swift removal of every obstacle to economic integration and at the same time to the introduction of rules that secure individual rights), such an approach should be rejected for several reasons.

First, it is liable to delay indefinitely a genuine economic integration, preventing both the Chinese and the Europeans from benefiting from the foreseeable outcomes of such integration.

Moreover, it would be extremely naïve not to see that beneath the moral alibi of human rights often lie the less high-minded interests of those European corporations aiming to avoid the competition from Asia.<sup>13</sup>

Furthermore, a gradualist approach entails a choice of the industries to be opened up to competition (as well as establishing when exactly let this process to start in each particular case): all this implies a political bargaining process that is inevitably liable to be influenced by a number of vested interests, aiming to protect their respective industries. In such a context, therefore, a gradualist approach would be a great opportunity for whoever currently enjoys a rent position to fight a rearguard action to preserve it, leaving China in the lurk, as a faraway and unknown universe.

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Lastly, the logic that underlies this bargain implies an 'imperialism of rights,' with potentially disastrous consequences, mainly because it entrusts to European governments and/or EU authorities the task—potentially endless—to secure the legal protection of every single individual on the surface of Earth. If, in the name of human rights, it became possible today to prevent an European citizen and an Asiatic one to exchange their respective goods or services (therefore infringing upon their basic right to entertain peaceful relations), it might be possible in the future to embark in a military venture to free an oppressed people or to introduce free and democratic institutions.

Such a vision is furthermore tarnished by an Eurocentric and anachronistic perspective, purporting to secure to each Chinese child, for instance, the same guarantees and protection we grant an European one (as exemplified by the issue of child labour), without regard for the very different cultural and material circumstances of the Chinese reality.

## 8. Conclusion

For all the reasons above illustrated, the quickest and fullest economic integration of the European and Chinese industrial universe is a prospect to be warmly hoped for.

For centuries China was kept isolated from the world: such a closure caused in considerable degree the decay of a very advanced civilization. The emergence in China of imperial and bureaucratic arrangements severely restricted the freedom of the peoples of that immense country, preventing them to live through the kind of evolution and development experienced in the extreme tip of the Eurasian landmass, the part of the world we know as 'Europe.'

This strongly centralistic tradition still influences the daily life and the economy of China and the imposition of Maoist rule did in fact reinforce its underlying logic, providing a new ideological legitimacy (under the guise of 'modernization') to the old-fashioned power of the 'Ruling class.'

Having experienced the tragic failures of the 'Great Leap Forward' and of the 'Cultural Revolution,' though, the post-maoist Chinese leadership started an

adjustment process that—albeit with many inconsistencies and anxieties—is helping the Chinese population to extend their liberties and improve their living standards.

A growing European presence in China and a further degree of integration between both worlds can only favour such a process, laying the ground for a better future.

## Notes

- 1: Recent statistics show that in 2002 pro-capita income was about \$944 and China's GDP was 1,200 bn dollars; cfr. Marc A. Miles - Edwin J. Feulner - Mary Anastasia O'Grady, eds., *2005 Index of Economic Freedom*, (Washington, DC: The Heritage Foundation, 2005), while the following year the country's economic growth was to bring the two indicators to the level of 1,100 dollars and 1,400 bn dollars, respectively (information available in the World bank website, [www.worldbank.org](http://www.worldbank.org)).
- 2: As an example, the whole of China is in the same—basically Beijing's—time zone, with all the consequences and inconveniences that such an arrangement—if one takes into account the huge area of the country—can engender.
- 3: The agreement between China and the United Kingdom, in fact, provided for a degree of protection for the freedoms previously granted to Hong Kong by the British government. The vision, in the words of Deng Xiaoping, was “one country, two systems.”
- 4: As illustrated, for instance, by the status of Tibet or by the one-child policy that imposes heavy penalties of those families which would like to have more than a child.
- 5: Besides the Han (the ethnic group properly characterized as ‘Chinese’), about 15 millions Zhuang live within the Chinese borders, as well as 8 millions Hui, 7 millions Uighurs and several millions of Yi, Miao, Manchu, Tibetans, Mongols, Koreans, and many other groups.
- 6: Although China was recently admitted in the WTO, there is no doubt that the national laws and—more importantly—the regulations of the European Union are perfectly capable to hinder in many ways the economic relations between Europe and the Asiatic giant.
- 7: This notion is supported, among others, by *Asia News*, a very informed news outlet directed by Bernardo Cervellera, which repeatedly attacked the «urge to invest to exploit the low-cost labour» that supposedly characterizes the Italian entrepreneurs which have invested in China. Cfr. Bernardo Cervellera, “Non solo carezze per Pechino” [Not just endearments for Beijing], December 6<sup>th</sup>, 2004, <http://www.asianews.it/view.php?l=it&art=2055>.
- 8: Daniel T. Grishwold, “Globalization and Human Rights”, <http://www.aworldconnected.org/article.php/565.html>
- 9: On Leoni's notion of “the law as individual claim”, see Bruno Leoni, *The Law as Claim of the Individual* (1964), in Bruno Leoni, *Freedom and the Law* (1961), expanded third edition, Indianapolis, Liberty Fund, 1991, pp. 189-203.
- 10: This theme is amply debated in Johan Norberg, *In Defense of Global Capitalism*, (Washington, DC: Cato Institute, 2003).
- 11: On Richard Cobden see R. Cobden, *Political Writings*, 2 vol.s, (New York: Garland, 1973). On the relationship between trade and peace, a noteworthy work is Filippo Andreatta, *Mercanti e guerrieri. Interdipendenza economica e politica internazionale*, (Bologna: il Mulino, 2002). More broadly, in an article published on the magazine *Esquire* in March 2003, (<http://www.thomaspmbarnett.com/published/pentagonsnewmap.htm>) later expanded in book form, the US Navy civilian analyst Thomas P. Barnett posits a basic division of the contemporary world into a ‘Functioning Core,’ (globalized, rule-bound, inherently peaceful) and a ‘Non-integrating Gap’ (in which war-like and predatory relations prevail). The author claims that a deeper and further integration of China in the Core would dispel any change of China adopting an ‘imperial’ course. See Thomas P. Barnett, *The Pentagon's New Map*, (New York: G.P. Putnam's Sons, 2004), particularly pp. 224-231.
- 12: Lon L. Fuller, *The Morality of Law* (1964), (New Haven-London: Yale University Press, 1969), p. 24. Fuller further argues that it is “only under capitalism that the notion of the moral and legal duty can reach its full development.” *Ibidem*.
- 13: On the predatory attitude of many purported capitalists and their frequent urge to oppose globalization and the liberalization of ‘their’ markets, see Raghuram G. Rajan - Luigi Zingales, *Saving Capitalism From the Capitalists: Unleashing the Power of Financial Markets to Create Wealth and Spread Opportunity*, (New York: Crown Business, 2003).





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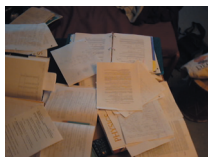
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