



Is China a Developmental State? A Case Study of China's NEV Industry

Fanqi Lin

SOAS, University of London

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Background: Rethinking Traditional Industrial Policy in the Modern Era

1. The Crisis of Neo-Liberal Capitalism

- **Beyond Economic Growth:**

Traditional industrial policies under neo-liberal capitalism have primarily focused on driving economic growth. However, this narrow focus often neglects critical aspects such as environmental sustainability and social equity. As the world faces pressing challenges like climate change and resource depletion, there is an urgent need to rethink industrial policy to incorporate these vital considerations.

2. The Fourth Industrial Revolution

- **Transformation of Industry**

- The Fourth Industrial Revolution (4IR) signifies a profound shift in industrial dynamics, moving from linear supply chains ("chain") to highly interconnected networks ("net"). This transformation demands new industrial policies that go beyond traditional sector-specific approaches to account for the complexities of modern, networked industries.

- Innovation evolves within the local ecosystem.

- **Policy Evolution:** Industrial policy is evolving from a vertical, sector-focused approach to a more horizontal and interconnected framework, appearing more flat in practice.

Transition to Mission-Oriented Innovation Policy (MOIP)

- **Overview of MOIP:**




- Mission-Oriented Innovation Policy (MOIP) represents a paradigm shift in policy-making, focusing on goal-driven approaches to tackle complex societal challenges. MOIP has its roots in the mission-oriented programs of the 20th century, such as the Apollo Moon Landing and various national defense initiatives.
- Unlike traditional economic policies that emphasize market-driven growth and sector-specific support, MOIP aligns various sectors and stakeholders towards achieving ambitious goals and grand missions that need collaborations—such as addressing climate change. (OECD, 2019)

The core of Missions by Mazzucato (2018) :

- According to Mazzucato (2018), the core of missions within MOIP involves setting bold and inspirational goals with clear direction, fostering cross-sectoral collaboration, driving innovation at scale, and promoting an inclusive society to address societal challenges effectively.

MOIP policy framework

- Mission: Strategic orientation
- Policy Coordination: Horizontal and Vertical
- Policy Implementation
- Policy Evaluation

MOIP dimensions	Main expected attributes of MOIPs
 Strategic orientation	<ul style="list-style-type: none"> ➤ Legitimacy ➤ Directionality ➤ Intentionality ➤ Leadership ➤ Flexibility
 Policy co-ordination	<ul style="list-style-type: none"> ➤ Horizontality ➤ Verticality ➤ Intensity ➤ Novelty ➤ Demand-articulation
 Policy implementation	<ul style="list-style-type: none"> ➤ Policy mix diversity ➤ Leverage ➤ Measurability and evaluability ➤ Reflexivity

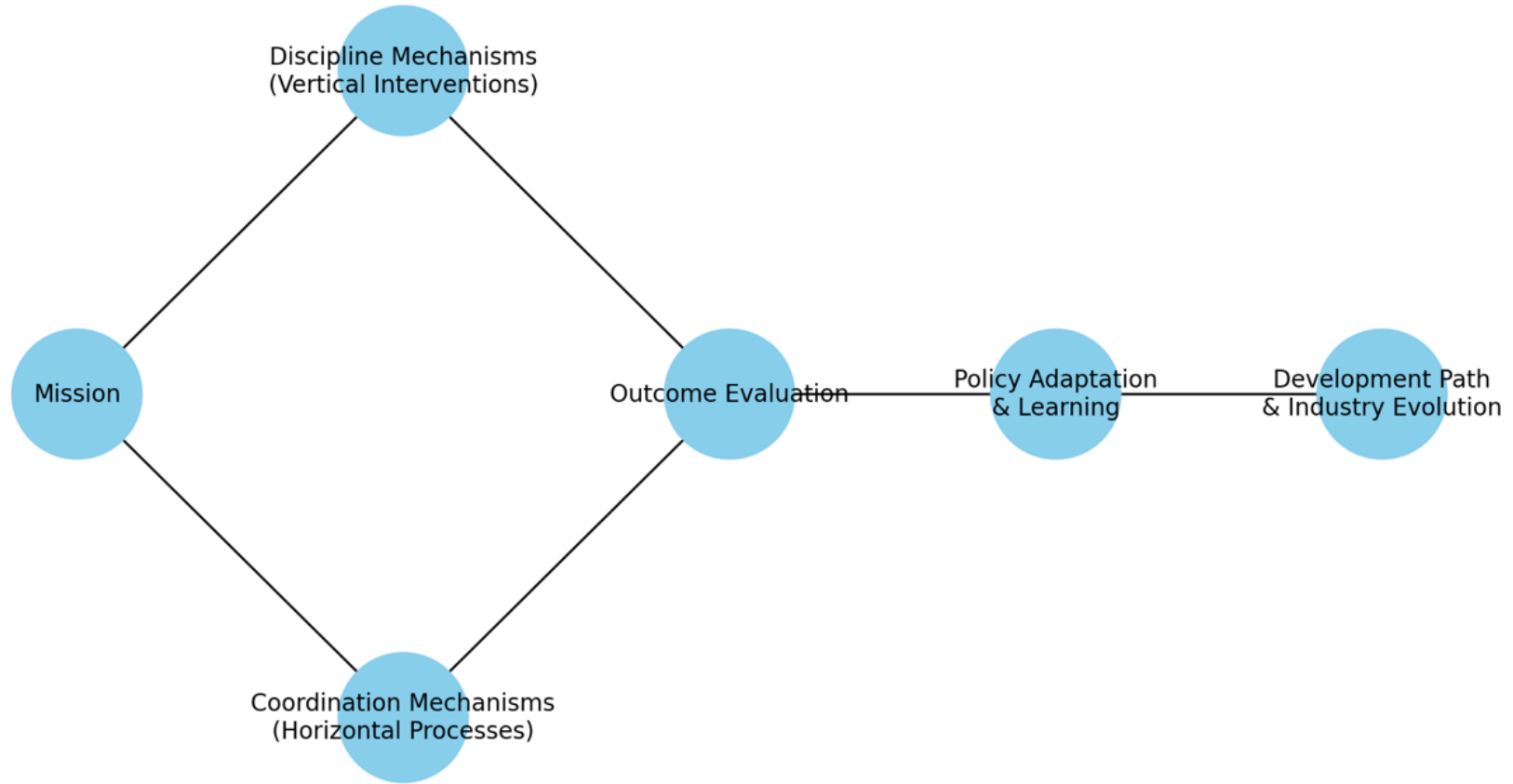
Source: Organisation for Economic Cooperation and Development (OECD). (n.d.). The overall methodological framework - STIP Compass. Retrieved from <https://stip.oecd.org/moip/the-overall-methodological-framework>.

China's Developmental State Legacy and the Transition to Mission-Oriented Innovation Policy (MOIP)

Governance Structure: China's governance structure, rooted in the Developmental State (DS) model, provides an advantage in transitioning towards a Mission-Oriented Innovation Policy (MOIP) framework.

- **Top-Down Mission Leadership:**
The nature of the CPC is at the core of China's strategic mission leadership, guiding the direction of national development and ensuring that all government and industry levels are aligned with the Party's overarching goals. The goals adapt from economic growth to green transformation.
- **Multilayer Government Coordination:**
Central and provincial governments coordinate closely to implement mission objectives consistently across the country.
- **Local Implementation and close state-business alliances:**
Local governments and private sectors play a critical role in executing missions.
- **Continuous Evaluation and Adaptation:**
The CPC regularly assesses the progress of national missions and adapts strategies as needed, ensuring that policies remain relevant and effective in the face of changing circumstances.

Analytical Framework



Source: Author own elaboration

The Developmental State Model and China's Traditional Automotive Industry



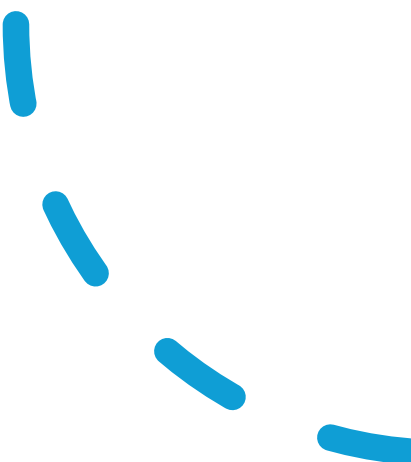
- **State-Centered Industrial Planning**
- China's government plays a central role in the development of the traditional automotive industry through top-down planning and strategic support. Key state departments like MOST, NDRC, and MIIT, along with local governments, implement policies that guide the sector's growth. This support has fostered large national champions such as FAW, SAIC, and Dongfeng.
- **Emphasis on vertical policy**
- The automotive industry is a strategic sector crucial for national development. The state provides extensive support through subsidies, tariff protections, and favourable policies, ensuring that SOEs like FAW, SAIC, and Dongfeng receive the necessary resources to thrive domestically and expand globally.
- **Technological Catch-Up**
- China focuses on closing the technological gap with advanced economies through joint ventures with global automakers like Volkswagen, GM, and Toyota. These partnerships have enabled Chinese companies to adopt advanced technologies, improving their competitiveness both at home and internationally.



The MOIP model in NEV Industry: The Role of the National State in Adapting

✓ **Goal-Driven, Societal Focus**

• **MOIP's Broader Objectives:**

- Reducing Carbon Emissions
 - Reducing Oil Dependency
 - Driving Technological Advancement
 - Affordable Transportation
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The MOIP model in NEV Industry: The Role of the National State in Adapting

✓ Shifting State Functions

• From Direct Control to Enabling Environment:

- The state's role is evolving from directly leading and supporting industries to creating an enabling environment. This new role supports industry development through infrastructure and fosters competition among enterprises, making competition the primary driver of industry progress.

• Reduced SOE Dominance:

- State-Owned Enterprises (SOEs) are no longer the central focus. The state now aims to balance the roles of SOEs and private enterprises, especially in expanding the automotive industry's domestic and global presence.

• Unified National Market (全国统一大市场) :

- The creation of a more unified national market reduces local competition, allowing for more coordinated and efficient industry growth.

• Diminished State-Business Alliances:

- With the rise of competitive markets, particularly in the New Energy Vehicle (NEV) sector, the reliance on state-business alliances is decreasing. Private firms now competing fairly with SOEs.

✓ Emphasis on Innovation

• Innovation as a Core Strategy:

- While the Developmental State model focused on industrial growth, MOIP prioritizes innovation as the key driver for achieving its missions. This shift involves fostering new technologies, business models, and regulatory frameworks that can effectively address complex societal challenges.

The MOIP model in NEV Industry: The Role of the Local State in Adapting

✓ **Bottom-up Experimentation**

Flexibility in Long-term Planning: MOIP emphasizes adaptive strategies through bottom-up experimentation. Policies are continually revised based on ongoing evaluations to ensure they meet their objectives effectively.

• **Local State Adaptation**

- **Leveraging Existing Industry Strengths and Adaptation to Local Conditions:** Local states implement industrial policies in line with central government directives but adapt them based on regional conditions and needs.
 - Example: In Anhui, local governments provide preferential conditions for attracting manufacturers, addressing gaps in the industrial chain by recruiting suppliers. Volkswagen
 - Guangzhou Auto Group Aion and Shanghai Tesla

Path Dependency and Experimentation: Local strategies are shaped by a combination of top-down missions and local path dependencies. Continuous experimentation leads to the eventual formation of a competitive and collaborative NEV industry.

The MOIP model in NEV Industry: Inclusive of More Actors

✓ Involvement of Diverse Actors

- **Broadening Participation:** As the fourth industrial revolution and the internet transform production, more actors, particularly private firms, are becoming increasingly important in the NEV industry.
 - **Emergence of New Auto Companies:** Companies like NIO, Li Auto, and XPeng, which have CEOs with internet industry backgrounds, exemplify this shift.
 - **Involvement of Electronics and Telecom Firms:** Companies such as Huawei and Xiaomi are also entering the NEV space, leveraging their expertise in electronics and communications.
 - **Industry Events and Forums:** Platforms like Auto China EV100 and the New Energy Vehicle Forum have become crucial channels for industry information exchange.
 - **Role of Industry Associations:** Auto industry associations play a significant role in facilitating collaboration among various stakeholders.
- **Public Engagement and Policy Development:** Local governments are increasingly using online platforms to publish policy drafts and gather feedback, enhancing citizen engagement in the policy-making process.

Example: "Guiding Opinions on Further Building a High-Quality Charging Infrastructure System" (2023) by the State Council

Vertical Coordination

National Government



Local Governments

Horizontal Coordination

Automotive Manufacturers

Energy Providers

Research Institutions



Example: "Implementation Opinions on Strengthening the Integration and Interaction between New Energy Vehicles and the Power Grid" (2023) by the NDRC

Discussion: The Evolution to a Mission-Oriented State

1. Policy Legitimization

- **Challenge:** Policymakers in East Asia, including China, have historically relied on state-guided development narratives. However, modern challenges require a shift towards more inclusive, participatory approaches to policy legitimization, where various societal actors are involved in setting and validating missions.
- **Current Approach:** Despite this need, there is a tendency to maintain a top-down approach, with legitimacy often derived from the state rather than broad public engagement. This may limit the societal acceptance and effectiveness of the missions.

2. Policy Implementation

- **Centralized Implementation:** East Asian states, including China, continue to rely on centralized, hierarchical governance structures for policy implementation
- Thus, as opposed to Western models where peripheral agencies and autonomous “islands” for experimentation and innovation are expected to be the key policy innovators, the East Asian innovation bureaucracies seem to rely on more visible and politicized organizations.
- May lack of policy innovation.

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