

Sixty years of progress

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Domestic consumption continues to rise, Chinese companies push for new international markets, and the Government is pressing ahead with ambitious infrastructure investment plans

On 1st October, China celebrated the 60th anniversary of the Communist Revolution with its biggest-ever armed forces parade. And while the jets, tanks, missiles, and massed ranks of the People's Liberation Army soldiers provided an impressive display of military prowess, China's leaders know that the country's real might lies more in its economic clout than in its defensive capabilities.

Quite simply, China is now the world's economic motor: the IMF says that 75 per cent of global economic growth between 2008 and 2010 will have come from China. The global financial crisis has arguably left China in the best economic shape of any country in the world at the moment. Domestic consumption continues to rise, Chinese companies push for new international markets, and the Government is pressing ahead with ambitious infrastructure investment plans.

As its economy flourishes, Beijing – once reticent about taking a leading role in international affairs – has quietly come to prominence on the global stage. In its backyard of Southeast Asia, China's influence arguably already surpasses that of the United States. In other parts of the world, from Latin America to Africa, over the last decade China's model of economic development has come to represent a real challenge to the free market, democratic Washington Consensus.

The country has travelled a long road to get to this point. There have been several false starts since Chairman Mao declared to the world from a rostrum in Tiananmen Square in 1949: "The Chinese people have stood up!" Sixty years ago, after a century of turmoil, China's economy was in ruins. The Communist Party's immediate task of simply providing its citizens with a bowl of rice a day, a roof over their heads, and clothes to wear was a daunting one.

For the next three decades, Mao launched far-reaching economic experiments backed by ideological crusades that were aimed at inspiring the people to greater productivity. Sometimes the results were disastrous: the Cultural Revolution of the 1960s is regarded as a lost decade of political and economic instability.

But by the time Mao died in 1976, the People's Republic of China occupied a seat on the UN Security Council, had achieved rapprochement with the United States, and started a space programme. Mao also

oversaw huge social change, for instance banning child brides and polygamy.

Over the following three decades, China's economic development would be astronomical, with annual GDP growth in the double digits throughout that time; 400 million people lifted out of poverty; and literacy, life expectancy, and infant mortality rates brought up to those of the developed world. The new era was ushered in by Deng Xiaoping in 1978 under the mantra "to get rich is glorious". Along with Hu Yaobang and Zhao Ziyang, the new leadership took the first steps towards economic stability, ending collective farming and initiating a "responsibility system" that allowed farmers to choose what crops to grow and sell any surplus for profit. The government also began attracting overseas investment, particularly in the south, where zones were created giving investors tax concessions in exchange for revenue and technical knowledge. At the same time China was opening up to the wider world.

Seeing the change afoot in his country's neighbour, Mikhail Gorbachev similarly sought to modernise the Soviet Union. But as the Chinese leadership has often pointed out, he failed to copy their approach, effectively putting the cart before the horse. He hoped that political and social reform – *glasnost* – would lead to reorganisation and economic improvement – *perestroika* – in the Soviet Union. Whereas Deng and his colleagues understood that it was economic change that had to come first. They did much to encourage an emerging generation of entrepreneurs.

And while Deng's reforms led to rapid growth and a more market-based economy, with growing numbers of cities given the liberal policies reserved for the special economic zones (SEZs) in the south, the system was unable to restrain large-scale corruption or control inflation, which shot to 18.5 per cent in 1988. In response, that year the leadership took drastic measures to reduce growth, limiting foreign joint ventures, slashing investment, and tightening monetary controls.

But by 1992, with the economy in danger of stagnation, the outgoing leadership was ready to introduce further reforms. During a tour of the SEZs of the south Deng called for renewed economic freedom and fast-paced development. His call energised the dormant economy and sparked an unprecedented inflow of foreign investment that continues today.

But China's ascendancy really took off under Jiang Zemin, who became President in 1993. Jiang played a major role in switching the focal point of China's economic growth from southern China to the Shanghai area and the Yangtze River Valley.

Describing China during the early Jiang years, journalist and China expert James McGregor wrote in the *Washington Post*: "China is simultaneously experiencing the raw capitalism of the robber baron era of the late 1800s; the speculative financial mania of the 1920s; the rural-to-urban migrations of the 1930s; the emergence of the first-car, first-home, first fashionable-clothes, first college-education, first-family-vacation, middle-class consumer boom of the 1950s; and even aspects of the social upheaval similar to the 1960s." Jiang also oversaw the return of Hong Kong and Macau from Britain and Portugal respectively, and worked hard to improve relations with the United States.

Hu Jintao, who became President in 2003, represents the first generation of leaders to grow up in post-Revolution China, and is seen as representing the country's transition from a leadership rooted in Communist ideology to a younger, more pragmatic approach led by technocrats.

At the same time, Hu has worked toward instilling greater democracy in the party, while continuing the long-running battle against corruption. "To build a well-off society for 1.3 billion people and a democratic, civilised, harmonious and modernised country," he recently told a communist party meeting, "China must firmly push reform, open up, and stick to its own path."

Indeed, rather than 1st October, perhaps this year's more significant date was 2nd April, when China attended the London G20 Summit. In a matter of months, due to the global crisis, the G20 has effectively replaced the G7 – of which China was never a member. China is now seen as one of the biggest players within the new, more globally representative grouping. The question now is: what can the world expect from China? At home, the challenge facing Hu is to continue to combine command politics with market economics that will lead to a controlled, step-by-step evolution into a political system that is more responsive, transparent, accountable, and lasting.

Hu represents the fourth generation of Chinese leaders; the next will emerge at the Communist Party Congress in 2012. Largely Western-educated and widely traveled, they grew up in peacetime and perhaps do not instinctively fear the instability that further democratic reform would undoubtedly unleash.

On the international stage, Beijing has already suggested creating a non-dollar based international reserve currency. China also wants more voting weight in the IMF, in return for a larger financial contribution. It has already made clear that it intends to build its first

aircraft carrier. There is also talk, in Washington and Beijing, of a G2 within the G20. China is also set to play a big role in climate change negotiations. In predicting how China will respond to its growing international obligations, some say the country may continue to look to the past, and the pragmatic philosophical traditions that have guided China's leadership through the past 60 years: Deng Xiaoping once described politics as "crossing the river by feeling the stones".

How China progresses will also depend on how the rest of the world behaves toward it. Most Western leaders realise that the problems facing China's leaders are complex, and that the best chance for influencing China's evolution towards further liberalisation is to engage with the current Chinese leadership, and press for reforms through the use of respected multilateral forums and pressures that signal a win-win, rather than a zero-sum game of reform.

Whatever system develops will be particular to Chinese culture, traditions, and current realities. China's unique system does not now and will not in the future look like anything the world has ever seen before. ■

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Deng Xiaoping, Vice Premier of the People's Republic of China state council, and his wife are briefed by Johnson Space Center director Dr Christopher C. Kraft

