



# Understanding China II: Responsibility

Chinese leaders recognize the need to address issues like energy conservation, reduced emissions and economic inequities. **BY**

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Leaders of 43 European and Asian countries gathered in Beijing, China's capital, for a key inter-regional forum to develop coordinated strategy to address the global financial crisis.

**T**he worldwide financial crisis, the most far-reaching economic dislocation since the Great Depression, has thrust China further into the spotlight. Not for its trade surpluses or undervalued currency, which now seem like old news, but for its \$2 trillion in foreign reserves and an economy that is still growing at a rate that could help stem the global slide and power a recovery. Suddenly China is no longer accused of being part of the problem but is instead being wooed to be part of the solution.

There was rich historical irony when in late 2008, the leaders of 43 Asian and European nations, virtually all of them capitalist, came to Beijing, the capital of China, a socialist nation, to address the global financial crisis. What's more, they met in the Great Hall of the People, Mao Zedong's paean to the Communist Revolution, and listened to China's Premier Wen Jiabao advising how investor confidence will ultimately help the world get through the crisis. "We need even more financial regulation to ensure financial stability," Wen said. "We need to properly handle the relationship between savings and consumption. Only in this way can we coordinate economic stability."

In fact, the irony was less than met the eye. China had long moved beyond ideology, and it sought, as did almost all nations, merely what worked best in complex, dynamic and turbulent economic environments. The nations of the world sought the optimum combination of markets and regulation, and they had come to China to try to figure it all out.

Chinese President Hu Jintao was both cautious and confident: "The fundamentals of the Chinese economy have not changed. However, the

global financial crisis has noticeably increased the uncertainties and factors for instability in China's economic development." Hu stressed that China "must first and foremost run its own affairs well." His prescriptions: macroeconomic adjustments; vigorously expand domestic demand, especially consumer demand; maintain economic financial stability and the stability of capital markets and continue to promote sound and fast economic and social development.

Publicly, Chinese leaders have indeed pledged cooperation, but privately they caution that they have serious domestic problems of their own, such as severe social imbalances between urban and rural areas. In this third of a four-part series on understanding China and how its leaders think, we focus on Responsibility.

Responding to the tragic earthquake that hit Sichuan, Gansu and Shaanxi provinces in May 2008, President Hu made five trips—two to Sichuan, one each to Gansu and Shaanxi and one to Zhejiang and Hebei. Why Zhejiang and Hebei, provinces which weren't affected by the earthquake? Hu went to inspect the companies manufacturing tents and temporary housing facilities for the tens of thousands who were made homeless. That the president of the country would supervise the production of housing exemplified his sense of responsibility.

### Strategies for Growth

In his report to the most recent National Congress of the Communist Party of China (CPC) in October 2007, Hu Jintao referenced "responsibility" in the context of energy conservation, reduced emissions, government systems, economics, Party building and reducing corruption. As for China's

continued economic growth, here's the strategy:

- ◆ Enhance capacity for independent innovation and make China an innovative country.

- ◆ Accelerate economic transformation through science and technology; upgrade industrial structure and boost domestic demand.

- ◆ Enhance the countryside and balance urban and rural development.

- ◆ Improve energy, resources, ecological and environmental conservation, and enhance China's capacity for sustainable development.

- ◆ Promote balanced development among regions and improve the pattern of land development.

- ◆ Improve the modern market system—institute rule of law equally for public and non-public sectors.

- ◆ Deepen fiscal, taxation and financial restructuring and improve macroeconomic regulation.

- ◆ Continue opening China to foreign firms and encourage Chinese firms to go global.

When I met Xi Jinping in 2006, he was Party secretary (the top leader) of Zhejiang province in east China, the center of private business, and he reflected on the responsibility of China's leaders. "Even though after almost 30 years of reform and opening up, it's fair to say that we have achieved a not-so-bad score," Xi said. "We should have a cautious appraisal of our accomplishments."

What Xi said, and how he thinks, has become especially relevant because he is now China's vice president and widely expected to become Hu Jintao's successor as Party general secretary and State president in 2012. "We should never overestimate our accomplishments or indulge ourselves in our achievements," Xi said, and he

called for China to aspire to “our next higher goal” and to appreciate “the gap between where we are and where we have to go,” which he dubbed “a persistent and unremitting process.”

Xi said China had encountered “various challenges and obstacles,” but “thanks to scientific and proactive approaches, we have achieved a great

culture and the people’s interests.

3. Development is of overriding importance. “As a nation of 1.3 billion people, our first priority is economic development, and we must stick to it unswervingly,” Xi said. However, Xi continued, “our required emphasis on economic growth must not overshadow the importance of all-round devel-

change now enables farmers to sell, transfer or lease their land, a major reform that will stimulate domestic demand and encourage development of larger agricultural enterprises.

Central guidelines must be implemented in terms of local realities, Xi said, adding that “before we introduce new policies for large-scale utilization, we always test them thoroughly at the grassroots level, gain experiences and subject them to theoretical analysis.”

“But we are not all day long discussing these [theoretical] matters without making any decisions,” Xi said. “The responsibility of leadership is to be decisive and action oriented, to make good things happen.”

On December 18, 2008, China celebrates the 30th anniversary of the beginning of its reform and opening up policy, which was initiated by Deng Xiaoping. These 30 years have taken China from national destitution, its people mired in perennial poverty, to a vibrant, dynamic country, its people competing in every arena of human endeavor. China has gone from international ostracism, the country shunned, to an economic superpower driving global trade and stabilizing global finance. The largest population on earth has undergone the greatest transformation in history. ▲

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## In order to derive competitiveness from science and technology, we must attach great importance to innovation.

—XI JINPING, VICE PRESIDENT, CHINA

deal.” During practice implementation, Xi added, “we constantly draw theoretical lessons and use them to guide our practice. Such philosophies include President Hu’s people-oriented approach, the construction of New Socialist Countryside, the Harmonious Society, the harmonious coexistence of human beings and nature, and of course the Scientific Perspective on Development.”

### Guiding Principles

Xi Jinping enumerated the most important guiding principles to be understood, internalized and followed in the “theory of socialism with Chinese characteristics,” Paramount Leader Deng Xiaoping’s iconic phrase. Xi said:

1. Practice is the sole criterion for testing truth, echoing Deng’s affirmation that catalyzed the start of reform. It calls for seeking truth from facts and proceeding from reality in work.

2. The Three Represents, coined by former President Jiang Zemin—advanced productive forces, advanced

opment. We must underline the guiding role of the Scientific Perspective on Development.”

What is the Scientific Perspective on Development, President Hu Jintao’s overarching theory of governance? In this context, Xi explained, it means to put people first, do work in accord with the laws of economic development, to pursue growth based on national conditions and to coexist with nature. To achieve this requires balancing economic, social, political and environmental objectives.

4. The people-oriented philosophy. “People, not material, are what we focus on,” Xi stressed.

5. The driving force of China’s development is science and technology. “In order to derive competitiveness from science and technology,” Xi said, “we must attach great importance to innovation, which must relate, of course, to core competencies.”

6. The construction of New Socialist Countryside. For China, the development of the countryside will lead to a wealthier society. A recent policy