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New challenges for new leaders

How can China realize “the Chinese dream” which President Xi Jinping called “the great rejuvenation of the Chinese nation?” With complete transition of China’s new leadership, headed by Xi and Premier Li Keqiang, it is appropriate to describe this grand vision and to set forth the challenges that must be met.

The Chinese dream is a moderately well-off (*xiaokang*) society, such that all citizens, rural and urban, enjoy high standards of living in all aspects of life and society. This includes doubling 2010’s GDP per capita by about 2020 (approaching \$10,000 per person), completing urbanization by about 2030 (roughly 1 billion people, three quarters of China’s population), achieving modernization (China regaining its position as a world leader in science and technology as well as in economics and business), and appreciating Chinese civilization and culture (China participating in all arenas of human endeavor).

In making this vision a reality, China’s new leaders face many challenges. I here list 35 such challenges (there are more), catalogued under five categories, so that global readers can grasp their scope and complexity and can assess their difficulties and progress.

Socio-economic

Economic and social disparities. In little more than 30 years, China has gone from being one of the world’s most equal countries (though everyone was equally poor) to one of the world’s most unequal countries (though more people have been brought out of poverty than at any other time in history). The gaps between the rich and the poor in China are now larger than those in India and the US. Farmers demand higher income and better social services. Urban workers demand higher pay and better working conditions. The residency (*hukou*) system that restricts migrant workers from accessing healthcare and education has become untenable and destabilizing.

Macroeconomic transformation. China must shift to a consumption-driven economy, more dependent on people enjoying higher standards of living and less dependent on government-financed fixed investment and an unsustainable surplus of exports over imports.

Microeconomic transformation. China’s old economic model of low-cost, cheap-labor, assembly-type manufacturing, which generated China’s remarkable development, has reached the end of its historic cycle. To pay workers higher wages, Chinese companies must produce higher gross margins by providing more value-added benefits, via technology, branding or service. (Companies with high gross margins are much harder to build than those that are based on low cost and cheap labor.)

Market versus government. How should China’s resources be allocated optimally? Where can the market function more efficiently and where can government? The obstacles to rational analysis today are not ideological but vested interests. (Most economists favor more market mechanisms, but arguments resisting reform are three-fold: market forces increase social disparities; market economies are more easily disrupted by financial turmoil, for example, 2008-2009; and a strong government preserves China’s socialism.)

State-owned enterprises. What is the proper role of China’s large, powerful SOEs? How much monopoly power should they enjoy? Some view SOEs as a bulwark of government control and a symbol of socialism. Others as a blockage of reform and a hindrance to productivity.

Allocation of resources. How to optimize among sectors? How much to spend, relatively, on industry, agriculture, consumer consumption, healthcare, education, science, military/defense, culture?

Financial ambitions. China intends to become a major financial power, with Shanghai as a world financial center. How then to deal with currency

exchange rate reforms? How to enable China’s yuan to become fully convertible and to become an international reserve currency?

Interest rate reforms. How to allow the market to play a larger role in setting interest rates? Currently, with interest rates controlled by the government, spreads between what big banks borrow (from citizens) and lend (to companies) generate high profits, which are in effect a tax on citizens.

Pollution and environmental protection. How to balance economic growth and development with environmental degradation and pollution? Environmental activism is becoming increasingly vigorous in China. In fact, many “mass incidents” (that is, protests) are pollution induced.

Sustainable development. How can China become less dependent on foreign oil and other imported resources? How to assure that water will be adequate for consumption and industry?

Population dynamics. What is the optimum family planning policy? When should the one-child-per-family norm be amended or terminated? What is the ideal population for China?

Intellectual property rights. How can IPR be sufficiently protected to uphold the rule of law and to stimulate indigenous innovation? How to enforce IPR laws?

Socio-personal

Healthcare. How to restructure China’s healthcare system, providing all citizens with competent, contemporary medical services? How to redress gross disparities between urban and rural healthcare? How to curtail systemic corruption?

Education. How to provide quality education for all citizens, reducing severe imbalances between urban and rural schooling? How to rethink traditional Chinese education, which focuses on standardized tests, so that students may be prepared for contemporary society where knowledge creation and social sensitivities predominate?

Housing. How to provide adequate housing at affordable prices? How to prevent housing prices from rising so high that young people cannot afford them—but to do so without undercutting property markets (on which local governments and banks depend)?

Retirement. How to give confidence to citizens that they will have adequate funds for their senior years? (Only then will people spend on current consumption.)

Food safety. How to make sure that China’s food supply is safe? How to assure food quality and restore public confidence?

Values and morals. China’s values were long based on Confucian ethics, until extreme leftism repudiated them. Now the market economy rewards individual initiative. What values should shape today’s China? What about the resurgence of religion?

Governance and democracy

Constitution and rule of law. How to establish the overarching, adjudicating power of China’s Constitution? How to make the rule of law supreme? How to bring about an independent judiciary?

Government and Party leadership. How to build transparency, accountability and checks-and-balances into China’s system of governance? How to transfer some processes and mechanisms of governance to broader segments of society?

Public information and national security. How to balance national security and the public’s right to know? For example, should environmental data be “state secrets”?

Corruption. How to reduce graft, bribery, fraud and other malfeasances — especially when massive and sudden wealth-creation is facilitated by officials unfettered by checks and balances? How to engage the power of the press and new media to root out corruption?

Media and new media. How to encourage individual freedom of expression without undermining collective stability? How to mobilize the power of the people for the good of the country?

Non-government organizations. What is the evolving role of NGOs, such as environmental advocacy groups, in handling complex issues? What about labor unions (heretofore a contradiction in a nominally Communist system)?

Democracy. How to build democracy so that citizens are enabled to participate in the process of governance? How can the transforming power of social media be channeled to promote a democracy that works?

Human rights. How to protect individual human rights while continuing to privilege the collective rights of the large majority? How to make human rights a priority in China?

International affairs

Sovereignty and relations with neighbors. How can China balance its claims of sovereignty — such as in the South China Sea, which are sacrosanct in China but disputed outside of China — with complex global interrelationships?

US-China relations. What steps can each side take to assure the other side that its vital interests are protected, thus encouraging positive relations. (Prototype: Cooperation at the UN on the Korean Peninsula nuclear issue.)

Bilateral relations. How does China balance its diverse relations with various countries? Consider Russia, Europe, Japan, India, the two Koreas, Vietnam, Brazil, Saudi Arabia, etc.

Global responsibilities. How can China take on greater global duties even while it faces serious domestic problems? How to assure foreigners that China plays by the rules of international norms? How to deal with isolated states, like the Democratic People’s Republic of Korea and Iran? How to support international peace and prosperity?

China’s emergence

Civilization and culture. How can China’s culture participate fully in the world’s marketplace of ideas and values?

Science and technology. How can China’s science and technology contribute to world civilization as well as drive domestic transformation? How to facilitate greater creativity and innovation?

Corporate international expansion. How can Chinese companies going abroad enhance China’s engagement with the world? How to reduce foreign fears of China’s growing economic power?

Military modernization. What are the implications of China’s expanding military capabilities? How to reassure nations that are growing wary of China’s military might?

Global voice. How can China help set the world’s agenda, along with the US and other powers, especially in terms of politics and economics? How can China’s international media (CCTV, Xinhua, China Daily) have global impact?

I know that China’s core leadership — President Xi and Premier Li — appreciate these challenges. With their administration set for a decade, continuity of policy is assured.

For Xi, a sober realization of reality is not a recent revelation. In 2006, I met then Zhejiang Party Secretary Xi, who stressed that pride in China’s recent achievements should not engender complacency: “Compared with our long history, our speed of development is not so impressive. We need to assess ourselves objectively,” he stressed. “But no matter what, China’s development is driven by patriotism and pride.”

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FROM THE FOREIGN PRESS

Russian-Chinese ties enhanced

Ties between Russia and China will be enhanced, says a commentary in the Voice of Russia. Excerpts:

Xi Jinping was elected president of the People’s Republic of China and chairman of the PRC Central Military Commission during a session of the 12th National People’s Congress in Beijing on March 14. The transition of China’s top leadership, which began in November, has thus come to an end at this NPC session.

Xi delivered a short speech during the presentation of the new Standing Committee of the Politburo in November. In his speech, Xi Jinping made no mention of ideology. Instead, he dwelled at length on unemployment, the economic slowdown, the pension system, corruption and other issues of public concern. He promised that in the coming 10 years his government would tackle all these issues. Russian President Vladimir Putin was among the first to congratulate Xi Jinping. In his greetings, he said that relations between Russia and China play a major role in cementing global peace and security. Xi thanked Putin saying that he would try to do his best to secure the further development of Chinese-Russian relations.

China important for Germany

German chancellor thanked China for its support during the eurozone debt crisis and hoped friendly relations would continue, says an article in Deutsche Welle. Excerpts:

German Chancellor Angela Merkel was one of the first foreign leaders to congratulate Chinese Premier Li Keqiang on March 15, China Central Television said. The report said Merkel had stressed that China’s development was “extremely important for Germany and the world.”

The two discussed the eurozone debt problem, the broadcaster said, with Merkel thanking Li for China’s support during the crisis.

In a formal telegram of congratulation circulated in Berlin, the chancellor expressed “the hope that traditional good and friendly relations between our two countries continue during your term of office.”

High expectations

Chinese people have pinned their hopes on the new leadership, says an article by the Associated Press. Excerpts:

Chinese President Xi Jinping takes charge at a time when the public is looking for leadership that can address sputtering economic growth and mounting anger over widespread graft, high-handed officialdom and increasing unfairness. A growth-at-all-costs model has befouled the country’s air, waterways and soil, adding another serious threat to social stability.

“I’m very happy. With President Xi leading us, China will be more prosperous and more powerful,” said Zhang Rihong, chairwoman of a real estate company from northeastern Heilongjiang province who joined nearly 3,000 fellow delegates to the National People’s Congress in Beijing’s cavernous, red-carpeted Great Hall of the People. “This is welcomed by all,” she said.

Challenges ahead

China’s new leadership faces many pressing challenges, says an article by Reuters. Excerpts:

Since taking up the position of Party chief last November, Xi Jinping has focused attention on fighting corruption and promoting austere practices.

Many Chinese hope Xi will bring change in a country that has risen to become the world’s second biggest economy but is marred by deepening income inequality, corruption and environmental destruction.

At the same time, his administration must deal with a slowdown in economic growth, juggle the urgent task of calming a frothy housing market, defuse local government debt risks and wean China off its addiction to investment-led expansion.

Xi will also have to deal with an increasingly provocative situation on the Korean Peninsula and ties with the United States, Japan and Southeast Asia.

OP RANA

Chronicle of China’s unfolding ten years foretold

The next 10 years could see the world economy go into a tizzy, wobble and then crash. The signs are there. The European Union debt crisis does not seem to end anytime soon. The United States still has no definite answer to its debt crisis or “fiscal cliff”. Japan is too busy trying to clear the economic and political mess of its own making to find a foolproof way of reversing its downward economic trend. This, in brief, is the state of three of the world’s four largest economies.

The next 10 years could also see the Middle East go up in flames despite the US-led West’s efforts to spread democracy in the region, militant Islam become more militant, and Northeast Asia engaged in a bloody power game that could derail the established political and economic order.

In the next 10 years, rising temperatures could wreak greater havoc across the planet, scalding the land, drying up lakes and rivers, destroying crops and causing a food crisis. There could also be more hurricanes and typhoons, sandstorms and snowstorms, and of course floods.

Or, the world economy could truly recover and be back on a growth trajectory in the next 10 years. The

world could be free of some of the present conflicts, with others on their way to being resolved. The world could also be less polluted and a much healthier place to live.

Whether we like it or not, China and its new leadership, headed by President Xi Jinping and Premier Li Keqiang, will play a not so minor role in what the world would look like in the next 10 years. The impact of their role on the world stage, however, will depend on how they deal with the challenges at home.

The two leaders have already given enough indications of the state of the country and the world they want to see by 2023, when they are scheduled to hand over the reins of the country to the next generation. Xi and Li have ushered in what many say is a “new style” of leadership, holding out a promise that things will for the better within China and enable it to play an influential role in world affairs.

Xi made it clear after being elected Party chief that corruption has to be rooted out of society. He wants officials to eschew the trappings that come with power. “Power”, he has said, “should be restricted by the cage of regulations.” That he is committed to eliminating corruption is borne out by his remark that not only

“flies”, but also “tigers” should be exposed and punished if they are corrupt.

Xi has also spoken out against government extravagance and waste, and called for austerity. But his austerity call, unlike in the EU, is not aimed at the people but the Party and the government. This means he wants change to come from the top rather than the bottom. This in itself is something new.

Li, with his people-first policy, has highlighted the importance of reform. For him, reform is not fast-paced economic growth, though China has to maintain a growth rate that would sustain its economy in the long run. Reform, as Xi sees it, should be aimed at narrowing the income gap and the urban-rural divide, and building a well-off society in all aspects.

There is one issue, however, that deserves greater attention of the leadership, and that is the environment. China has passed the stage when society is all about “survival values”, in which people’s life is just a matter of food and shelter — getting by each day. Now that most people have enough to eat and a roof over their heads, they need a better environment in the true sense of the term.

Whether the environment will improve, however,

depends on whether the government can veer the economy, which used to be centered on GDP growth, toward sustainable growth. And indications are that China could grow at a slower pace and still achieve its goals. After all, its GDP has grown by 52.5 percent compared with just 2.4 percent of the United States, the world’s largest economy, since the start of the banking crisis.

But because China’s economy is now an integral part of the world economy, the country’s leadership has to attune its moves to the changing global patterns. What if the debt crises in the EU and the US deepen and China’s exports drop drastically? What if the turmoil in the Middle East boils over and there is an oil crisis? What if a conflict erupts in the Asia-Pacific region? What if the rest of the world doesn’t take measures to combat climate change and the planet faces a graver environmental crisis?

It is to prevent these “ifs” from becoming reality that the Chinese leadership will focus its efforts on, because even if any one of them turns out to be true, it could hamper China’s progress toward a well-off society.

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