

Changes and challenges

By Robert Lawrence Kuhn

China makes news. Stories about corporate takeovers, trade disputes, diplomatic rivalries and military tensions fill the American media, and scare screeds about "Communist China" that sound like Cold War satire are taken seriously.

Consistent bilateral relations between America and China are essential for the peace and prosperity of the 21st century, and for this reason such misperceptions are disturbing and potentially dangerous. Americans should know the inner attitudes and primary concerns of China's new leaders, especially those of President Hu Jintao.

Recent history provides backdrop.

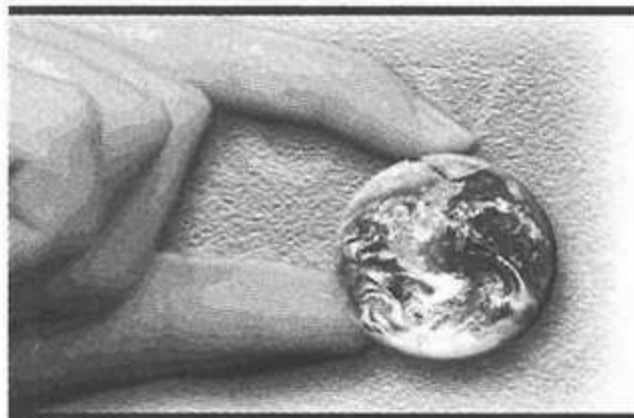
After a century of foreign subjugation and decades of ideologically induced oppression, Deng Xiaoping initiated revolutionary reforms in 1978, two years after Mao Zedong's death. These reforms became irreversible and the economy developed dramatically during the period of Jiang Zemin's leadership from 1989 to 2002.

When asked what I've seen to be the country's greatest change since I first came to China in 1989, I answer that economic development, as remarkable and historic as it has been, is China's second most important change. China's greatest change is the mentality and spirit of its people – their attitudes and outlooks, expansive thinking, confidence in themselves and their country, and enthusiasm to reach out to the world.

But China has serious, systemic problems – income disparity, fragile financial systems, sustainable development, unemployment, migrant workers, corruption, energy constraints, environmental pollution, family and moral values, and more. Some problems result from dramatic economic growth; some from rapid transition to a market economy; some from need of social and political reform.

President Hu acknowledged that "The problems and contradictions China will face in the next decades may be even more complicated and thorny than others...with its social structure and ideological set-up also in major shake-up." Furthermore independent thinking of the general public, their newly developed penchant for independent choices and thus the widening gap of ideas among different social strata will pose further challenges to China's policy makers.

China's fundamental problem is a dependency on growth combined with a widening gap between rich and poor, imbalances that the Communist Party calls China's "most serious social problem." China must grow because, with tens of millions of farmers needing to be relocated to cities, millions of workers laid off from State-owned enterprises,



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and with legions of young people entering the workforce, unemployment could threaten social stability.

President Hu Jintao is now faced with the natural consequences of the country's prodigious economic transformation, which has spawned complex and interwoven challenges. China's leaders know that they must be flexible, innovate, consider diverse opinions, and make measured decisions.

President Hu's overarching vision is summarized by three slogans – "Harmonious Society" (*he xie she hui*) and "Scientific Development Perspective" (*ke xue fa zhan guan*) domestically, and "Peaceful Rise" (*he ping jue qi*) internationally. Harmonious Society stresses social and political reform and seeks fairness and equity across China's diverse populations and geographies; Scientific Development Perspective stresses integrated sets of solutions to arrays of economic, social and environmental problems, and seeks the rectification of economic imbalances and the institutionalization of sustainable development; and Peaceful Rise conveys that no matter how strong China will become, it will remain a bulwark of stability in the world and it will never threaten its neighbours.

One application of Scientific Development Perspective is the recent rejection by a coastal county of a large investment in a battery factory because of pollution. Another is a huge investment by the municipality of Tianjin in a world-class hospital (Tianjin Medical University General Hospital) with a "Health Management Centre" to promote healthy lifestyles and prevent illness.

It is true that many of China's current problems are the inevitable side effects of rapid economic development, which, of necessity, had to occur in an unbalanced way. Without economic development, everyone is equal but poor – everyone is equally poor. China must prevent the trauma of social disruptions by getting out ahead of the historical trends and implementing sophisticated, nuanced policies. Economic development had to come first, but now a more complex agenda of social and political requirements must be integrated and optimized with pure economic growth. This is the only way

to represent the fundamental interests of the people and this is the primary thrust of President Hu's Scientific Development Perspective.

Hu Jintao continues the Party's modernization, calling for both "Advancement" of the Party and its increasing transparency, thus creating a "democracy of the elite" (which is my term, not China's), which means increasing democracy within the Party and the Party continuing to lead the country. President Hu's political philosophy stresses closeness to people; people first; transparency in government; increasing democracy and openness in the Party; progressive democracy in society (where propitious); continued economic development; and an all-around pragmatism. Hu's commitment to promote democracy is tempered by the higher good of social stability.

Western criticism of President Hu, particularly regarding human rights, highlights his sensitivity to social stability but misses his fresh commitment to address China's multifaceted problems. Hu's pragmatic, non-ideological agenda has three core values – maintaining social stability to further economic development; instituting social fairness and rectifying imbalances; and sustaining Chinese culture to secure national sovereignty and enrich people's lives. Such realism increases confidence that China, notwithstanding its problems, will maintain its remarkable development.

What emerges in the view of President Hu is the "China Model," a systematic approach to national structure and development that combines dynamic economic growth, a free market energized by a vigorous "non-public" (private) sector, concern for the welfare of all citizens, cultural enrichment, and a synergistic approach to rectify economic imbalances (Scientific Development Perspective) and ensure social fairness – all of which lead, in Hu's vision, to a Harmonious Society. Beijing sees its China Model as an alternative to Washington's Western Democracy Model, particularly for developing countries.

In President Hu's words, "A harmonious society should feature democracy, the rule of law, equality, justice, sincerity, amity and vitality." Such a society, he says, will give full scope to people's talent and creativity, enable all the people to share the wealth brought by reform and development, and forge an ever closer bond between the people and government.

The author, senior advisor, Investment Banking, Citigroup, is the author of *The Man Who Changed China: The Life and Legacy of Jiang Zemin*, the best-selling book of 2005 in China. The article is based on his speech at the Foreign Correspondents' Club, Hong Kong