



The Decades That Transformed China

This article is related to General Studies-
Paper II (International Relations).

The Hindu

Writer - Pallavi Aiyar (Editor)

25 Dec., 2018

"Forty years ago, Deng Xiaoping began 'reform and opening up'. Now China may be at another crossroads"

The December 1978 Third Plenary Session of the Eleventh Central Committee of the Communist Party of China (CPC) might sound obscure, but its global repercussions were of seismic proportions. Deng Xiaoping's series of economic policies, termed "reform and opening up", went on to catapult China from an agricultural backwater into a manufacturing powerhouse that shapes the world's economic architecture.

As China celebrates the 40th anniversary of "reform and opening up", it holds the world's largest foreign reserves (\$3.05 trillion in October), and boasts the second-largest economy (with a GDP of \$12.2 trillion in 2017). Its share of the world's economy has ballooned from 1.8% in 1978 to 18.2% in 2017. In doing so, it has defied decades of predictions that its uncomfortable blend of authoritarian politics and economic liberalisation was unsustainable.

A country of contradictions

Contemporary China is rife with contradictions. Its ruling party espouses a communist, egalitarian ideology while presiding over the emergence of a hugely unequal, capitalism-driven society. The divergent interests of the urban middle class clash with those of peasants and migrant workers. It has the world's largest number of Internet users (more than 772 million) and accounts for more than 40% of global e-commerce transactions despite being one of the world's most censored digital environments.

And yet, the CPC has proved adept at squaring seeming circles and proved doomsday scenarios of its imminent collapse wrong, time and again. A crucial tool in achieving this feat has been the pilot project, poetically rendered as the Deng Xiaoping maxim, "crossing the river by feeling the stones." This approach was characterised by experimentation and local policy tinkering, in order to establish what worked best in practice, before adoption at the national level.

The special economic zones (SEZs) promoted along China's coast in the 1980s, for example, were not brought into existence based on a priori assumptions about their theoretical utility. The idea was for them to be laboratories that provided a controlled environment within which experiments could be conducted boldly. Eventually SEZs became the locomotive for economic growth, attracting unprecedented flows of foreign investment and transforming fishing villages like Shenzhen into global manufacturing hubs. This approach was used repeatedly over the years to test new policies, from cooperative medical care schemes to abolishing controls on the movement of workers from the countryside to the cities. Consequently, the CPC swapped the kind of abrupt, ideologically based upheavals that characterised Mao Zedong's mass movements from the 1950s to the 1970s, for pragmatic solutions that worked.

What 'worked' was defined by certain parameters, most fundamentally the preservation of the CPC's power. To this end, Beijing deployed a range of strategies including censorship and purges, but also the co-option of key constituencies like the urban middle class. By tying the prosperity of this group to the continuance of the party at the helm of policy-making, the CPC effectively neutralised what could have been its most formidable foe.

Critically, what was found to work best for preserving power was delivering on promises of economic growth. This self-interested focus on performance continued as over time, the middle classes began to demand improvements in their quality of life beyond opportunities for material prosperity. The party responded by stepping up environmental protection. Beijing's air pollution is a case in point. From being a poster boy for foul air, the Chinese capital has transformed into a model to be emulated by cities like Delhi.

Far from sclerotic, post-reform-and-opening-up China has developed a problem-solving approach that makes its leaders more responsive to socio-economic challenges than is generally believed of autocratic governments. Reforms have extended beyond the economic realm into governance and administration. An example is the introduction of term limits and mandatory retirement ages for officials. Internal report cards issued to evaluate the performance of local bureaucrats are used to promote good governance, by linking promotions and bonuses to the meeting of economic and, increasingly, environmental targets.

This emphasis on outcome rather than ideology has its corollary in performance over process, which helps explain why a country like India continues to lag behind China on most parameters of development. The legitimacy of democracy absolves Indian governments from the necessity of performing. The CPC can afford no such luxury. Hence the counter-intuitive state of affairs where, despite political representation for the poor in India and the lack of political participation in China, Beijing trumps New Delhi on the delivery of basic public goods like roads, drains and schools.

The Xi Jinping era

The legacy of "reform and opening up" is crucial in explaining how China got to where it is today. However, its contin-



ued relevance in the new era under President Xi Jinping's leadership has become the million yuan question. Despite Beijing's formal commitment to further economic liberalisation, the ongoing trade war with the U.S. marks a path divergent to the one trod over the last four decades. Moreover, the CPC has still not resolved the contradiction between state control of the economy and the embrace of free markets, what in China is called "socialism with Chinese characteristics".

There are other signs of a break from Deng-inspired policies — most notably, the recent scrapping of the presidential term limit that enables Mr. Xi to potentially continue in office indefinitely. Besides, while Deng preached economic openness and encouraged China to recruit overseas expertise, Mr. Xi emphasises self-reliance and warns of the threats posed by "hostile foreign forces". The focus on peaceful economic integration is being supplanted by a trade war that some fear could degenerate into a new cold war. Nationalism has trumped the Dengist strategy of "hiding strength and biding time". Even the pilot project approach of experimentation appears to be out of favour. An article in *The Economist* points out that while in 2010 some 500 policy-related pilot projects were in place at the provincial level, this number had plummeted to about 70 by 2016.

Is "reform and opening up" past its sell-by date? If so, what will replace it? And how will Beijing meet future challenges with the U.S. as an adversary, rather than the trade and investment partner it has been so far? The answers, while critical, are unclear. What is clear is that the CPC will need to walk several tightropes going forward, a balancing act that could prove tough for acrobats even as skilled as the Chinese.

GS World Team...

China's Reform and Openness Policy

Why in the discussion

- ❑ Recently, the ceremony to commemorate the 40th anniversary of the implementation of China's reform and openness policy was held in Beijing.
- ❑ The third full-time meeting of the 11th Committee of the Chinese Communist Party was held in Beijing from 18 to 22 December 1978.
- ❑ The important conference was to introduce a policy of reform and openness in China. China has become the second largest economy in the world in forty years and has pulled out more than 70 million Chinese from poverty.
- ❑ With this, Chinese development has received praise from the international community. Chinese solution to solve global problems is playing its role.
- ❑ In the view of former French Prime Minister Dominique de Villepin, the success of Chinese reform and openness can not be different from practicality and cooperation.
- ❑ He told that there are two experiences in Chinese success. The first, practical and step-by-step changes can be made from the long term plan. Second, openness and cooperation is the key to creation and development.

Security cooperation agreement between India and China

Why in Discussion?

- ❑ Recently, the first high-level meeting was held on bilateral security cooperation between India and China. During this meeting, the two countries also signed the Security Cooperation Agreement.

Key Points

- ❑ Representation of China in this high level meeting was held by State Councilor and Public Safety Minister Mr. Zhao Kazi and India's representation by the Union Home Minister Rajnath Singh.
- ❑ During the first high level meeting on bilateral security cooperation, various issues of mutual interest were discussed.

- ❑ These issues also include bilateral cooperation to counter terrorism.

Signing of Security Agreement

- ❑ There was an agreement on security cooperation between India's Ministry of Home Affairs and China's Public Security Ministry. It is notable that this is the first agreement on security cooperation between the two countries.

Benefit

- ❑ With this agreement, discussions related to dealing with the problem of terrorism and organized crimes will increase further.
- ❑ Similarly, this agreement will also increase cooperation with drug interventions and other relevant areas as well as mutual discussions.

Indo-China United Economic Group (JEG)

- ❑ India-China JEG Ministerial Dialogue, which was established in 1988 during the visit of then Prime Minister Rajiv Gandhi to China
- ❑ Such last meeting (10th JEG) was held in Beijing in September 2014, in which both sides agreed to increase bilateral trade and economic cooperation and diversify it.
- ❑ During the 9th JEG in 2012, the two sides established three working groups on economic and business planning cooperation, business statistical analysis and service business promotion.

India-China bilateral trade scenario

- ❑ According to the report of the Standing Committee of Foreign Affairs, there is a possibility of a bilateral trade of more than \$ 80 billion between India and China in 2017.
- ❑ However, India's concerns include lack of non-tariff barriers, dumping of goods and China's investment by China.
- ❑ According to the committee's recommendations, the government should attract the Chinese companies to invest more in India.
- ❑ Apart from this, efforts should be made to reduce the highest level of trade barriers with China, in which the Group of Ministers is involved in the collective economic group.



Expected Questions (Prelims Exams)

1. Consider the following statements-
1. Recently first high level meeting has been organised on bilateral security cooperation between India and China.
 2. At present, China is the country having world's second biggest foreign reserve.

Which of the above statements is/are correct?

- (a) Only 1 (b) Only 2
(c) Both 1 and 2 (d) Neither 1 nor 2

Expected Questions (Mains Exams)

Q.1:-Recently China has become the world's second biggest economy and a powerhouse of global trade and investment, but China has emphasised on results rather than on ideology for its attainment. Discuss.

(250 Words)

Note: Answer of Prelims Expected Question given on 24 Dec. is 1(a).

