

The 4th European Futurists
Conference Lucerne, 26-28, Oct. 2008

China for 2018

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During the latest 30 years China has made tremendous progress:

- * GDP average growth rate was 9.88%;**
- *GDP reached fourth in the world, which ranked only 10th in 1978;**
- *The disposable income per capita of urban residents and the net income per capita of rural residents go up more than 6 times respectively;**
- * The population of absolute poverty living in rural area reduced from 250 million to 14.79 million;**

The next 10 years?

A. The advantages to ensure sustainable growth of China

1. Continued economic growth
2. New leadership
3. Stable political situations
4. To become an important member of international community
5. Rich people power

The advantages

1. China will continue to maintain relative high (7-8%) economic growth in the next 10 years

- China has established the foundations for comprehensive development of the second stage.;
- There are strong domestic demands to be backing;
- In-depth internal reform and the rise of domestic middle class provide a base for developing wider international market.

2. Chinese leaders set a correct direction for the future development (Leadership)

- **China has paid enormous social & environmental cost for rapid economic development.**
- **Chinese leaders recognized the problem and decided to change the development model to adapt sustainable development and building a harmonious society**
- **It is a historic strategic choice and shows the wisdom and the courage of new China's leadership.**

3. The domestic political situation is stable, the general populace support the government

- **The reform bring material benefits to the majority of Chinese people;**
- **The ruling party truly engages in reform and opening up, and makes great efforts to fight corruption and show solicitude for public opinion;**
- **Although excessively centralized power is the key of current administrative reform in China, but as a developing country, the relative concentration of political power would be conducive to stability of political environment and macro-oriented long-term strategy management, as well as strengthen the ability of state macro-control and government regulation;**
- **Chinese people have witnessed the gradual enhancement of national power and international prestige, so that their self-confidence has increased.**
- **Therefore, in 2008, China successfully overcame those natural or man-made disasters and hosted for the Olympic Games**

4. China has participated & integrated into the international community

China became an important member of international community

- China's development is inseparable from the world, and the world's prosperity and stability are also inseparable from China. China's export trade volume reached 1.2 trillion US dollars in 2007, accounting for nearly 9% of world's total trade volume. In which about 1/3 of trade from neighboring Japan, South Korea and Taiwan.**
- The number of Internet users reached 253 million**
- Mobile phone users reached 540 million in 2007, ranks first in the world.**
- It will be conducive to share global resources for China, promote creativity & innovation, and speed up the pace of integration into the international community.**

5. Rich people power, high-quality talent (Intellectual basis)

- **Despite of China's average level of education is relatively low, but the scale of high-quality talent is very large, which is the precondition to ensure China's sustainable development, and the great potential to carry on emancipation of the mind, comprehensive reform.**
- **At present, younger generation including the talents educated abroad after reform and opening up has begun to walk up leadership position.**

B. China's sustained growth has also a large number of hidden dangers, which have obvious disadvantages, complex & profound problems, as well as the serious challenges.

1. In the aspect of the economic operation, the key is how to achieve a soft landing:

- **In recent years, China has been trying to reduce the annual economic growth rate from 11-12 percent to 8-9 percent, but it is also difficult to actualize even this scope of adjustment.**
- **Especially, after financial crisis, the task of soft landing must include for the whole economy, manufacturing and real estate market.**
- **In fact, it will be the inevitable challenges facing in the transition process of economic growth mode.**
- **It can be said that the next 10 years for China would be the crucial period of transition, and a great painful process.**

2. Social development is lagging behind economic development:

- Some serious problems gradually appear such as social security, employment, prevalent corruption, the gap between the rich and poor which will have **adverse** influence on social stability.

Examples:

- More than 10 million of the rural population to transform to urban population each year, which will bring tremendous pressure on the society.
- The income proportion of rural and urban is 1: 3.5~4



3. Deterioration of the ecological environment system

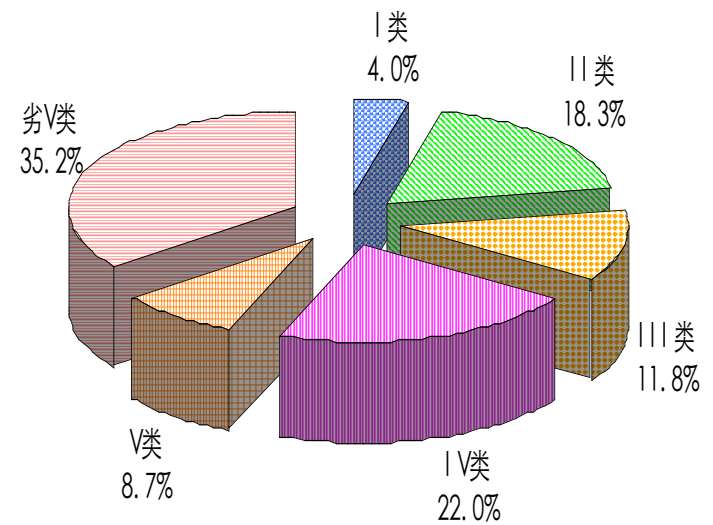
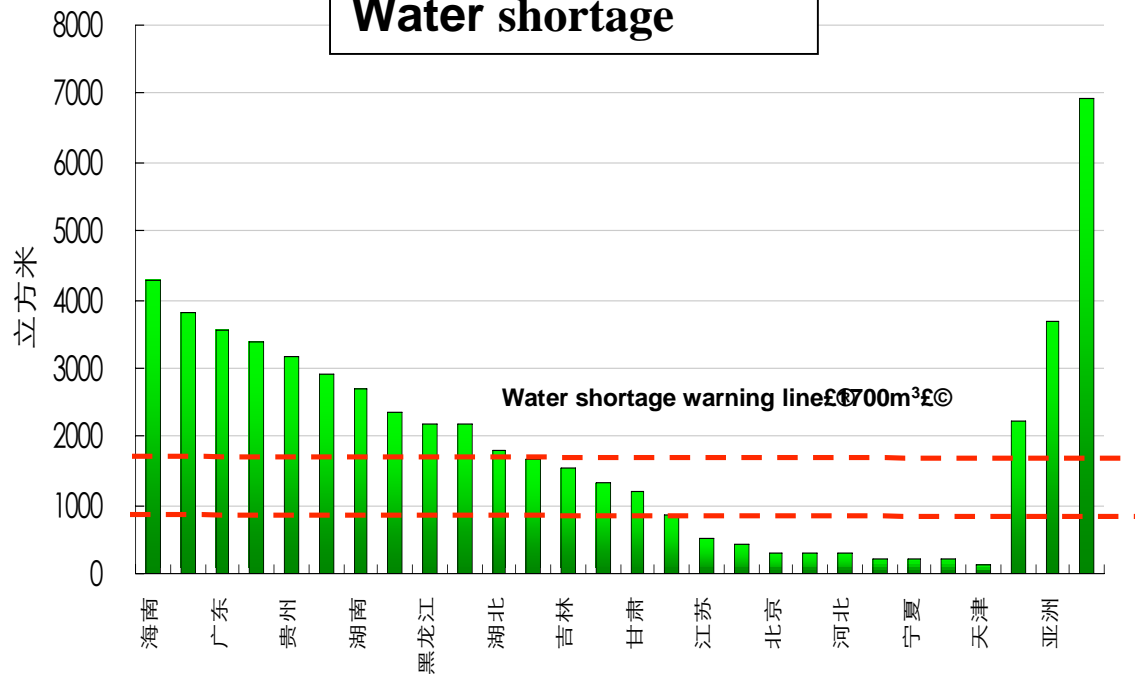
- Up to now, we do not shake off the old path typified by pollution prior to control.
- For a long time, the blind development behavior, the waste of resources, coupled with the lack of long-term vision and overall planning of Urbanization, caused immeasurable losses to the ecological environment.
- Take the air pollution as an example, China's emissions of sulfur dioxide & carbon dioxide respectively rank the first and second in the world.



4. Natural resource and energy issues

- **China's many important resources per capita is less than the world average.**
- **Now, after decades of rapid economic growth, coupled with being served as a globalized "manufacturing plant", China is short of all resources, including arable land, water, energy and various important raw materials, and has become the major importing country of almost all of the important natural resources, such as cement, copper, oil and natural gas, etc.**

Water shortage



5. Three agriculture-related issues (agriculture, rural areas and farmers)

- **Although China has 700 million farmers, the reforms of agriculture and rural areas have been paid less attention, which caused rural economic and social issues to become deep-rooted practices difficult to get rid of.**
- **Especially the misleading by the idea that modernization equal to the urbanization, which let "genuine agriculture", "agricultural industry" and "rural areas" lose its original meaning and value in a modern society, and the gap between farmer's subsistence right & development right and that of urban residents is more and more widening.**

6. Population problems

- **China has faced three peak pressure of the population- the total population, the gross of employed population and the total aging population.**
- **Thus food security, employment opportunities, social security system£etc. are facing enormous challenges.**
- **In addition, a simplistic "family planning policy" hastened to generate by the pressure of population growth revealed gradually the various drawbacks: China entered the aging society ahead of time before getting truly rich; the change of population age structure, gender proportion and family structure will seriously affect the future development of China.**
- **If there is no reasonable solution, China would be in a severe population crisis after 20 years.**

Serious challenges for the next 10 years

- **However, those 6 problems mentioned above can not be resolved with a one-track mind, we have to seek a comprehensive, systematic and fundamental solution. This will be more profound challenge.**

Serious challenges.

1. Deepening the reform & opening up and the mind emancipation

- **China has witnessed remarkable achievements, but the barriers which influence the system and the mechanism of development still exist.**
- **If it is said that the reform and opening up launched by Deng Xiaoping is the first movement of the mind emancipation, then the second mind emancipation must answer a series of the deep-seated contradictions and problems.**
- **Now, China have to commence the comprehensive reform, including reform on politics, society, culture and other aspects.**
- **The key here is whether the leading group commanding this revolution -- Communist Party of China can implement their oneself reforms in the great practice.**

2. The road-map to a harmonious society

- **China is exploring the approach to implement peaceful rise, the road map of harmonious society and a harmonious world.**
- **However, this view needs to answer a **series** of questions towards outside and inside.**
- **Foe outside: What kind of world order are we going to establish? How to deal with the relationship between the existing world order and the new one? etc.**
- **For inside: How can China manifest own opinion through its foreign business affairs and social activities? etc.**

3. The cultural traditions and moral ethic -- The problems & task

- **China's reform and opening up policy enable the productivity to be released, but in the course of the transition to modern society, the negative side of "marketization" of all things causes some of people to lose their fine traditions and beliefs, causes level down of social moral ethic and brings an extremely bad impact on the social conduct.**
- **For instance, the mammonism, business worship, high consumption, counterfeit products, drug in business, prostitute and etc.**

3. How to carry forward the essences of the Chinese cultural traditions and moral ethic

- **A comprehensive digging—carry forward & healthy upgrading for the valuable thought essences in the national culture.**
- **China's traditional view of moral ethic advocates kindheartedness, loyalty and forgiveness, attaches importance to self-cultivation, encourages people to pursue the noble spiritual realm which has a positive practical significance today to build a harmonious society.**

3. How to discard the dregs from Chinese cultural traditions

- We are aware that the brilliant ancient civilization of China belongs to the prosperity featured by farming society after all which exists a lot of dregs from the viewpoint of the modern times.
- Examples: The culture of juste-milieu not to advocate to do something unconventional, "gun shots out head bird - the outstanding usually bear the brunt of an attack"; "sound of the chicken does not pass away the intercourse"; in moral culture, such as "gentleman understands righteousness, the petty understands profit" etc. all are making against to the innovation.
- However, the modern Chinese people must not count offences of "restraining the spirit of explore and innovation" to the ancients, while they are proud of rich Chinese cultural heritage.
- The responsibility of today's generation is to eliminate "feudal" toxins, adopt the essences and create a new civilization.

3. How innovation and creation base on Chinese cultural traditions and moral ethic

- **To inherit and carry forward the traditional culture does not mean to integrate a new civilization into the system of Chinese traditional culture completely. And, there is not the survival environment for completely converting to traditional cultural in modern society.**
- **The new culture must develop and transcend the traditional culture. It will absorb and profit from the essences both of oriental and occidental culture and conforms to the orientation of human development in the 21st century- post-industrial civilization.**
- **As Taiwan scholar Zhang Hanyin said, whether China would become a first-class world power, whether China can become one of the new powerful founders and defenders of peace in the process of building a harmonious world, will depend on whether China can create intangible cultural power which energy is not less than the United States and moral vision is higher than that of the United States“ .**

C. The role of China for the future

- **Contribution for the world economy**
- **China would play a greater role in establishing a peaceful international environment and building a harmonious world**
- **China's experience and lessons will be significant for the majority of developing countries**
- **To provide a rich theoretical foundation for creating a new civilization**

1. Contribution for the world economy

- **China's GDP accounts for 5% of the world GDP, according to purchasing power parity, China's economic scale reached 10% of world economy. It means 10% of economic growth comparative with 1% of the world economic growth.**
- **If China's economy can maintain 7-8 % of growth rate for the next 10 years, it will be considerable contribution for the world.**

2. To play a greater role in establishing a peaceful international environment

- **With gradual mightiness of economic power, China's values and thinking mode of broad, tolerant & peaceful are able to exert an active role in the world affairs.**
- **In fact, the world's development needs the incentives from China, and China will not only play an appropriate core role in the Asian economic development and regional stability, exert an indispensable role in the process of building a harmonious relationship between the East-West, but also provide the political opportunity to the West.**
- **In the North Korean nuclear issue and in the Shanghai Cooperation Organization shows China's capacity as a regional peace envoy, and reflects a new standpoint of security.**

3. China's experience and lessons will be significant for the majority of developing countries

There are different views and interpretations for Chinese model. However, as a country with 1.3 billion population which shook off poverty and speeded up the modernization during relative short time, the experience and lessons will be significant for the majority of developing countries.

Key point of China's experience and lessons

- **Adhere to develop following its own way;**
- **Stability is **overriding** importance;**
- **The leadership is the key point;**
- **Economic development is most important, but the social progress, the resources & environment protection can not be neglected;**
- **Establish a proper democratic model suitable for Chinese situation;**
- **Progressively** ("fumbling the way to across the river").

China's reform and development are still in progress, it is still immature to confirm what the Chinese model is, and China is also constantly groping after it, so there is still a long way to go.

4. Chinese culture and values will provide a rich theoretical foundation for creating a new civilization

Chinese culture and values will have increasingly profound impact on the post-Industrial era, and provide rich connotation to create a new civilization suitable for sustainable development:

- Harmony, balance and coexistence: The principles for human survival in the 21st century**
- Respect for nature, "harmony between human and nature" : The relationship between human and nature in the 21st century**
- Mutual respect & equality: On political life in the 21st century (On the wall of the lobby of the United Nations Headquarters is written a well-known saying of Confucius who is the Chinese sage, "Don't do unto others what you don't want others do unto you")**
- Some ethical principles and moral norms in Chinese traditional culture, such as the view of interpersonal relationships, the accountability and responsibility for society is the basis of a harmonious society**

5. The impact of financial crisis for China

- The current global financial crisis starting in the United States will certainly affect China's economic development. Now the impact is increasingly strong. **First of all, because China's economy is heavily dependent on exports, and falling demand will definitely affect China's economy, furthermore, more than half of China's huge foreign exchange reserves have been composed of US assets.**
- However, 1) China's financial system is relatively independent, it is not deeply involved in the international financial market; 2) the core industries and resources related to the lifeline of the national economy can still be effectively deployed and controlled by government; 3) the income structure of China's major commercial banks is still depend on interest margins between deposits and loans, and they have held some high-risk financial products on a small scale; 4) the fundamental aspects of China's economy, such as economic growth, issue of currency, credit scale, foreign exchange reserves, and other major economic indicators, are relatively "sound", **therefore**, the impact on China's economy will be controllable.

The countermeasure to maintain the stable growth in the context of world economic downturn:

- The macro policy should be to prevent a disastrous “cold” after economic overheating.
- The premier thing is to get the smooth & stable landing, including soft landing " for the economy as a whole", "for manufacturing", and " in the real estate market".
- China should take measures to stimulate the economy, give up the tightened monetary policy and exercise a proactive monetary policy; to expand domestic consumption market relying on policies of increasing moderately the investment scale, reducing restrictions on investment and so on; to prevent many business failure, help increase the vitality of enterprises, and improve the corporate living environment; the government should encourage the employment, and take the preferential policy for new job position; take the domestic demand expansion as the national strategies; the distribution of benefits should be in favor of low and middle income classes (for instance housing policy); to establish consumer’s confidence so as to flourish the stock market and unstiffen the domestic market, while increase the farmers’ incomes, develop the rural market and etc.

Some current steps

- **“The Decision on the Advancement of Rural Reform and Development”** was approved by the 17th Communist Party of China (CPC) Central Committee on October 12 at a plenary session. This is landmark policy for China and most important measure for increasing the domestic demands. It will allow China liberalizes rural land use to boost development.
- **China has abolished agricultural tax that was continued several thousand of years in China.**
- **The deposit and lending rates lowered by 0.27 percentage points from Oct. 16 and the reserve-requirement ratio has down by 0.5 percentage points from Oct. 15**
- **The Export VAT drawback rates of some commodities like dry goods, dress, toys increased from 11% to 14%..**

Some experiences and lessons

The current financial crisis has also given China some of experience and lessons:

- **China must be more cautious with regard to the financial reform, correctly seize the relationship between financial innovation and financial supervision, in that the United States have too much innovations, which are too little regulated and insufficient for risk evaluation, but China is more cautious than innovative.**
- **The mercantilism led China to excessive dependence on U.S. consumers (China is the world's largest country for foreign exchange reserves, and the second-largest holders of US Treasury after Japan. China has also purchased a large amount of US Agency securities. Up to June of 2008, the ratio of China's US Agency securities holdings in two U.S. Home Loan Mortgage Corporation -"Freddie Mac "and "Fannie Mae" to total China's foreign exchange reserves accounts for as much as 20%).**
- **The financial disaster has proved that the current financial system must be reformed, laissez-faire of capitalist free market economy can not be continued, creating a new financial model is extremely urgent.**

opportunities

- **we have obtained valuable experiences for financial reform;**
- **To adjust the investment direction in favor of increasing the domestic demands;**
- **To exploit multi-market for manufacturing;**
- **To accelerate the transition of development mode, including export oriented economic growth mode ;**
- **To quicken up the Rural Reform, etc.**

Take the Rural Reform as a example:

- **to allow farmers to "lease their contracted farmland or transfer of farmland use rights". This markets shall be set up and improved to allow farmers to sub-contract, lease, exchange and swap their land use rights. It saying that it is second land revolution for China;**
- **has set a goal of doubling the per-capita disposable income of rural residents by 2020 from the 2008 level.**

Conclusion

- **China's future and its contribution will depend on how China continues to promote and carry forward those advantageous factors conducive to the sustainable development, overcome those key obstacles, and correctly deal with those major challenges.**
- **About China's role for the future, China should do their own affairs well first.**
- **China's rejuvenation is not only the peaceful rise in the economic significance, but also important to achieve the rise of culture, **make people believe our values, and then the ancient Chinese culture would bring the gospel for China and the world.****
- **Whether China can succeed in its reform and development depends on if China can really adhere to the socialist road, and in the relatively long period of time, could achieve sustained economic growth and common prosperity of the people.**
- **There is a long way to go for China's comprehensive rejuvenation.**

Thank you!

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