

China: 2005 and beyond

I agree with the broad thrusts of Stephen's take on the latest NPC meeting but wish to add the following comments.

Premier Wen's emphases are revealing. He uses the term 'government for the people' (perhaps not yet 'of' or 'by' the people) as an anchor in securing the quality of economic growth. He also outlines the need to achieve the 'five balances', between urban against rural, human against environmental, economic against social, national against local, as well as inward against outward investment capital.

These reflect the deep realisation amongst the new leadership of Hu and Wen (both coming from a political background in China's poor heartland) that these imbalances will seriously threaten China's continuing or long-term development and stability. Farmers still constitute about two thirds of China's population. Without adequate medical and retirement support, and often suffering from village-level corruption, overall their well-being is lagging far behind those of their more fortunate brethren in well-developed urban centres. Unemployment or underemployment drive many to flock to the cities in droves, to seek jobs not created fast enough or not suited to their skills. Sooner or later, if not well handled, these could turn still-controllable isolated unrests into questioning the continuing legitimacy of the CCP, especially in the light of its peasant origin.

The reference to environmental concern is by no means just lip service. Apart from its impact on productivity and health, it is only too clear that constraints of natural resources, particularly oil, base metals and even water, will pose severe limits to China's long-term rapid growth. And reasonably rapid growth in the foreseeable future is necessary to generate sufficient jobs and revenue to achieve the above balances.

One interesting set of statistics suggest that if only because of its size and population, China cannot follow blindly the West's development model. At a growth rate of say 8%, China's average income level could equal that of the US by 2030-40. If by then China's population consume resources as voraciously as the Americans do now, consumption would be two-third's of current world production and oil use could reach 99 million barrels a day, as compared to current world output of 79 million barrels a day.

Whether in resources, manufacturing production, currency management, inward and outward investments, trade and logistics, environment, and regional and global stability, China has become inextricably intertwined with the rest of the world. There is no way China would or wish to become self-sufficient. As far as agriculture is concerned, China has a fifth's of the world population but only 7% of the world arable land. Water availability or capacity per head is only a fraction of the world average and is distributed very unevenly between north and south of China. So China has to continue to engage the rest of the world as much as, if not more than, the rest of the world has to continue to engage China.

Nothing exemplifies China's world engagement policy more than its determination and success in joining the WTO, with all that implies. Apart from the emergence of a more rule-based system, it is gratifying to note that in a recent announcement, China will stop subsidising bankrupt SOEs within four years.

As far as external relations are concerned, China's global interaction and ascendancy inevitably pitch it against the US as the world's only undisputed superpower with a global reach. On the trade front, the RMB and need for protectionism are already on the US home agenda. The appointment of Condoleezza Rice as Sec of State, John Bolton as US Amb to the UN and Wolfowitz to the World Bank also underline the continuation of Bush's get-tough neo-conservative policy to fight terror and gain regional or world stability through spreading freedom and democracy.

This begs the question whether recent encouraging signs in the Middle-East as well as the 'colour' peaceful revolutions in several former USSR states and even in Kyrgyzstan will herald further democratisation in the East. And if so, whether this would eventually prompt greater interest in or pressure on the West's favourite questions of Tibet and Xinjiang, if not in the pace of China's own democracy. Through a moderate policy focussing on tangible economic developments and accommodating cultural policies, the Tibet and Xinjiang issues are being largely contained. And with the irreversible momentum towards convergence with international economic norms, China is evolving into a more open and freer society in many ways, compared with 'democratic' Russia. The definitive milestones of Beijing 2008 Olympics and Shanghai 2010 Expo are likely to serve as beacons for China's continuing journey in its own style and pace.

The more immediate issues are North Korea, Taiwan and Japan. As for North Korea, China does not want a nuclear North Korea, nor does it want to face the prospects of its regime collapse. Not only would China be the

first to suffer from the human outflow from such a collapse, but this is likely to upset the balance of power in the Korean peninsula and hasten the perceived US encirclement of China.

As for Taiwan, even though regarded as an internal issue by China, it has undoubtedly huge external dimensions. It is all too easy for the West to under-estimate the strength of feelings amongst the people in China on Taiwan remaining part of the one China. So China has to make an unambiguous stand in the light of Chen Shui-bian's secessionist manoeuvres. But the wording in the anti-secession law is carefully chosen to permit flexibility of response. The latest high-level KMT visit, the first since 1949, already paves the way for the visits of Lien Chan, KMT Chairman and Soong Chor-yue, Chairman of the PFP. And Chen has greatly moderated his stand in the light of his Party's recent surprise defeat in the Parliamentary elections. All these are a reflection of the reality that Taiwan's economic future is very much bound with the Mainland and the majority of the people in Taiwan do not support pushing the envelope too far.

Japan likewise sees its economic revival continue to depend on its export of parts and components and increasingly its consumer goods to China as well as its outsourced manufacturing in China. However, Japan comes into conflict with China's interests in oil exploration and fishing rights in territorial disputes. It also leans on US to provide a buffer against an increasingly strong China. This is compounded by the strong nationalistic sentiments against Japanese intransigent attitude towards its war crimes in China. But this does not seem to arrest the flow of Japanese investments in China or diminish its welcome in China.

I think we are likely to continue to witness fascinating developments in the China story. The 48 Group Club has an important role to play to help promote a greater understanding of the story as it unfolds.

Andrew Leung

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