

Jin Canrong
Translated by Zhou Xinyu

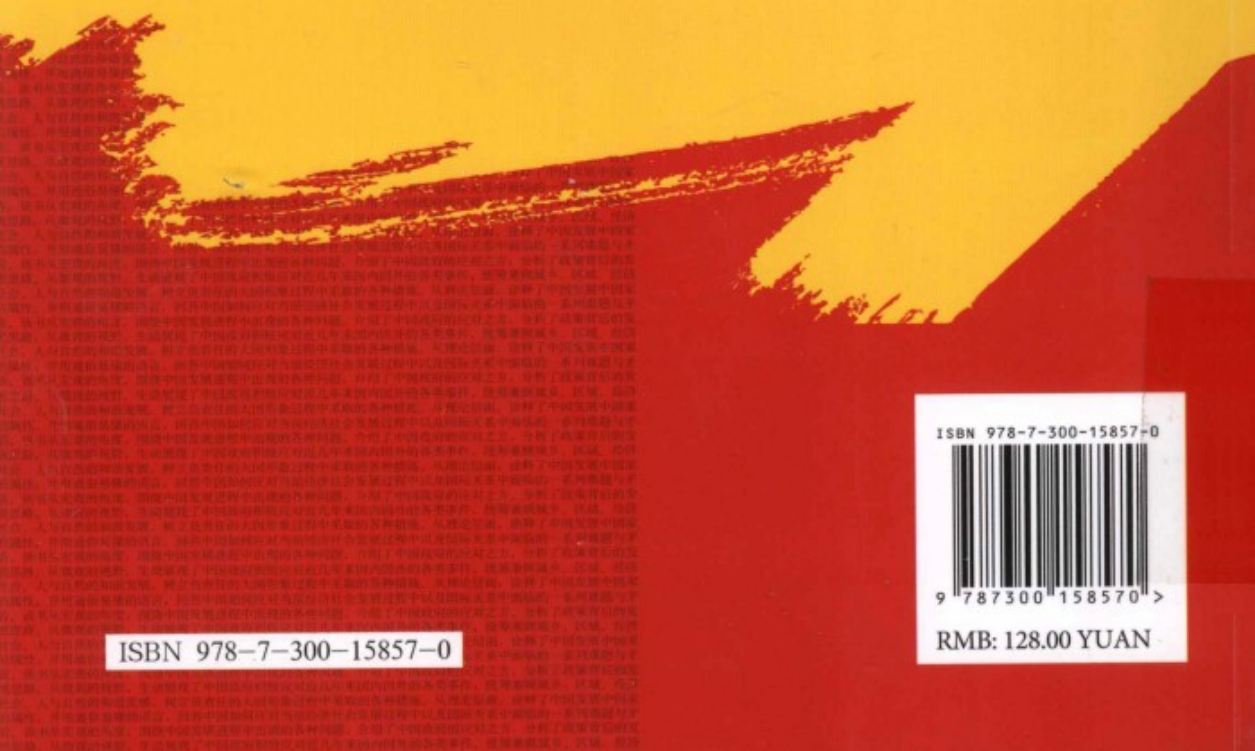
China's Future



China's Future

She is as diverse as Europe,
as extensive as America,
as ancient as the pyramids,
and one thousand times as changeable as Dubai.

This is China and the real China.



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Preface

With the international order getting adjusted in the oscillation, the world today is in a stage of great development, profound changes and significant adjustment. The influence of the global financial crisis is deepening; the economic recoveries of nations are not even or synchronous; the emerging market economies are quickly rising; regional hot spots and conflicts turn up one after another; all countries are busy with their own domestic affairs and the global governance is gradually getting into hot water. So we have every reason to believe that the world is accelerating its steps to get into a new phase of great economic transformation, systematic reform and structural adjustment. In the face of such a complicated international environment, China remains erect and unshakable and maintains steady and rapid development when other world economies are still struggling. China has shown the world her ability to resist financial risks and deal with all these tough problems. She has also played a vital role in promoting global economic recovery and balanced global development. China has become a progressive “exceeder”: China surpasses Japan to become the world’s second largest economy; China has the world’s largest foreign exchange reserves which continue to increase; China overtakes Germany

in trade exports to become the world's largest commodity exporter; China's manufacturing output values more than that of the United States and China has become the largest industrial manufacturing country; in China, the economic growth remains robust and the society is full of energy. With all these achievements, China has attracted worldwide attention. Facts have proven and will continue to prove that China's voice cannot be ignored. China's participation is indispensable. China's role is irreplaceable. Undoubtedly, China is stepping to the center of the international arena and has naturally become the focus of attention in the current era; the world is highly concerned about China's achievements, China's development direction and China's influence on the whole world.

China is developing at a speed that may not be anticipated by the country itself. However, China has been alert to the problems and difficulties lying in the way. From the decision-makers to common citizens, all the Chinese people have kept in mind a consensus that they should stay calmly with a sober head and take rational actions with an objective self-perception. In the early 1990s, Deng Xiaoping, the general designer of the reform and opening-up policy, had clearly pointed out, "In the past, we were talking about development. But now it seems that the problems occurring after development are no less serious than the problems at that time." Indeed, with more than 1.3 billion people, China had undergone a long phase of poverty, weakness and repeated sufferings. She will always reveal the national characteristics embedded with dual identity. On the one hand, she sees herself as both an emerging country and the largest developing country, with the coexistence of the developed eastern region and the backward western region. To some extent, the outlook of Chinese cities is similar to that of the European cities, but the rural areas of China resemble

African areas a lot. It is so obvious that the internal development of China is imbalanced, discordant and unsustainable. Although China is considered to be an economic giant, when it comes to per capita income, she can only be called a “small country”, with the world ranking at about 100, even lagging behind Angola and Azerbaijan. (According to the statistics from IMF released in September 2011, China’s per capita GDP ranked 91 in the world in 2010. The statistics from World Bank was 100.) There are 135 million Chinese people living on less than 1 dollar every day. According to China’s newly adopted poverty line, there are 128 million poverty-stricken people. There is still a wide gap between China and developed nations. On the other hand, China is a huge country with the largest population in the world and its size is almost as large as the entire Europe. In the past 30 years, China’s economy has maintained rapid growth. At the same time, its comprehensive national strength has leapt to the forefront of the world. However, China is also the only country among the big powers who has not achieved unification yet. With the surging problems such as internal ethnic issues, environment pollution, polarization of the rich and the poor, corruption, moral anomie and the loss of core values, the Chinese are afraid that any small problem in the society, multiplied by 1.3 billion, will be enlarged sharply to a huge one. In addition, the external world is worried about the high-speed development of China and it is hard for them to fully adapt to the new situation. Due to these factors, China will be doomed to be an introverted country focusing on internal development in the following 20 to 30 years. China will give its priority to solving internal problems, including maintaining political stability, promoting sustainable economy, keeping the unity of the nation, unswervingly following the road of peaceful development and maintaining the existing international order. In this regard, the

international society should render correct cognition and full understanding.

The development of all things is never easy and it can hardly be accomplished at one stroke. This is particularly true for a huge country like China. At present, China is in a crucial period of reform and development. In 2010, the per capita GDP of China was more than 4,000 dollars, which led China to the middle-income countries or relatively high-income countries. Now together with a variety of increased conflicts and serious problems, China is also faced with an extremely important transitional period, in which there is a broad road leading to a moderately developed country and to basically accomplishing the modernization process. Both history and reality have proven that it is more crucial and dangerous at this stage and China may encounter the “middle-income trap” which is often mentioned. “Middle-income trap” is a concept first put forward in the *East Asian Economic Development Report* of World Bank in 2006. It refers to a “development paradox” which may occur when the per capita GDP of a country or an economy reaches somewhere between \$3,000 ~ \$10,000, the standard of a middle-income country. When this paradox occurs, a country can hardly achieve the smooth transition of development strategies and development mode. It will also experience the strategic failure and external shocks and have some difficulties in overcoming their own economic development contradictions. Thus, the economic growth will be hindered or stay in a long-term stagnation. At the same time, the problems accumulated in the fast development process will break out intensively, resulting in sharp polarization between the rich and the poor, hardships in industrial upgrading, social unrest, and lack of faiths. As a consequence, a country will not necessarily get higher income. Instead, it will meet “trouble”, “frustration”, and even “failure”

in its development. From a global perspective, some countries in Latin America and Southeast Asia have become middle-income countries as early as 1960s or 1970s, but until today, the per capita GDP still lingers around \$5,000. Some of them have been kept in the period of middle income for 40 or 50 years. So it is crystal clear that there is no “free lunch” for economic growth. Growth does not necessarily mean progress. Now China is right at this critical stage. In face of such an important historic period, no one can say that the “middle-income trap” will not occur, since China now faces many prominent contradictions at home, and the internal and external development environments are getting increasingly complex day by day. China is still exposed to economic, social, political and diplomatic risks and challenges at home and abroad.

Challenge I : Economic restructuring hits bottlenecks and national development faces more and more risks and challenges.

Over the past 30 years, Chinese economy has been promoted mainly by relying on resources, including cheap labor, extremely cheap resource prices and so on. However, it is the unsustainable growth. With the soaring of the prices of land, labor and other resources, the approaching of “Lewis turning point”, and the decreasing of marginal effect for demographic dividend, the comparative advantage of China’s development has weakened. The structure of China’s economic growth is not reasonable enough yet. Of the “troika” for stimulating economic development, export and investment play a leading role, while domestic consumption obviously lacks strength. It is easy to find out that Chinese economy excessively depends on export and investment. In this regard, in 2009, the chief economist of Morgan Stanley Stephen S. Roach believed that “it is definitely the time to ring the alarm bell for

Chinese economy.” The growth mode of Chinese economy is in difficult transition under great pressure. China's modernization process mainly relies on the rapid industrialization and it is in the phase of large consumption of resources. On the one hand, it faces the bottleneck in inadequate resources and energy; on the other hand, it has also exerted negative effects on environment, even causing environment degradation. The quality of economic growth needs to be improved. Because of a shortage of core technology and core competitiveness, the manufacturing industry is huge but not strong or professional. There is an urgent need of changing “Made in China” into “Created in China”. There are still uncertainty and instability in economic development. The financial crisis may get even worse while the external demand tends to decline. Trade protectionism rises again and trade frictions have increased. Export has got into the grim situation and there is a high dependence on foreign resources and energy. For example, in June 2011, the external dependence of China's crude oil has approached 55%, which is vulnerable to the impact of international market turmoil and pushes up the economic cost and risky crisis.

Challenge II : Social transition has entered the phase of increasing social contradictions and risks.

China has to pay a high price for its rapid development. In just over 30 years, China has covered the road to industrialization which took developed western nations over a century's time. China is now one of the major industrial countries in the world, but in the last 30 years, she also faces a high concentration of contradictions which may occur at different stages in the whole process. The rapid development leads to the high frequency and concentrated resonance of social contradictions and problems such as the widening gap between the rich and the poor. Now

the Gini Coefficient of China has exceeded the alarming line, reaching at 0.46, thus social equity, social justice and some other problems have drawn wide attention. There are big changes in social structure, organization and values. Various ideas are in collision with each other. Moral anomie increased and even “anarchy” appeared in the spiritual realm. In general, social management still lags behind economic development and social progress. Under the circumstances of increasingly prominent aging of population and the accelerating flow of population, people’s well-being is threatened. The phenomenon of getting old without being rich gradually revealed itself. Although the spending for public services such as education, health care, and social security is increasing continuously, it still cannot keep up with the rapid development and diverse needs. Social development focusing on safeguarding and improving people’s well-being still lags behind economic growth. With the market-oriented transition, a large number of new economic organizations and new social organizations come into being. However, the traditional management structure and institution have yet to adapt to the most active component in the economic and social development. It has become increasingly difficult for the traditional way of political and economic interaction to comply with the new requirements of national governance.

Challenge III : National governance has become much more difficult with the political transition and the decline of political authority.

Under the framework of totalitarian regime, it is easier to reach a consensus and to fully reflect the advantages of concentration efficiency and political organizations. The government will spend less on social management but achieve much more effective results. However, with the transition from charismatic leadership to normal politics, China bid

farewell to charismatic authority defined by Max Weber. It is a fact that the personal political authority is declining and authoritarian and its mystery begin to dispel. Leader's personal prestige has changed nowadays. New generations of politicians, who are no longer the revolutionaries in the bloodshed of war, build their leadership on personal efforts and good performance. It will be a major challenge for the leaders to promote unity by new consensus. Traditionally, the leaders are strong in control and weak in coordination. But now due to the diversification of domestic demands, there are different interest groups with different interest demands and value orientation. Coupled with external pressure, coordination will be quite arduous. It is also very difficult to reach the social consensus of "the greatest common divisor". In addition, public participation in politics is in expansion. Nearly 500 million "independent" Internet users are growing and the information "barriers" are disappearing. The changes in state-society relations have led to the significant enhancement of social forces, which is becoming a remarkable factor that affects China's future development. Thus besides stimulating social vitality and revealing independent personality, it also brings the national decision-making into a complex environment. Increasingly, the government needs to strike a balance between rational decision-making and responses to nationalist sentiment, in order to avoid major and strategic decision-making mistakes.

Challenge IV : The growing pains of a "great power" in the outside world

China's rise will inevitably invoke certain response from the outside world. More and more countries regard China as a great power. A majority of countries in the world are glad to see China's great

achievements in development, but there are still some countries which are not used to China's rise as a big power. Thus a variety of sayings come one after another, such as "China Threat", "China's Responsibility", "China's Tough Attitude", "China's Arrogant Attitude" and so on. All these theories have destroyed China's image and it is common to see many doubts, misunderstandings, worries and prejudices. Some countries take an ambiguous attitude toward China. While hoping to cooperate with China and share China's development achievements under a win-win situation, they also doubt and are worry about China's rapid development. But these countries still maintain a friendly relationship with China. Some countries, such as the vested interest groups of the existing international order, take a negative attitude toward China. They are not willing to see China's rise and they set up barriers to China's development. From time to time, they issue some discordant notes and deliberately sing a different tune, or even implement "soft containment" toward China. For example, the Sino-US relations have been very tense recently. Together with intensive layouts and various military exercises, the US claims to return to Asia with a high profile, making the situation of the surrounding areas complicated and confusing. The maritime disputes between China and its neighboring countries arise frequently, throwing the South China Sea into chaos. Some countries attempt to find a balance between the great powers and they can benefit from both sides. Some countries even try to blackmail China by flaunting their powerful connections. Some have misinterpreted the meaning of China's rise, thus they started to guard against that. Some countries use financial weapons and try to suppress China by means of exchange rate issues and trade protectionism. All these have shown the tension and anxiety of the outside world toward China's rise. It is based on a fact that China is developing at full speed. Obviously,

neither China nor the outside world has prepared fully for this fact. Therefore, in this situation, China needs profound reconsideration and adjustment. She should learn to implement a better diplomatic strategy. In addition, she needs to constantly adjust to the outside world, to maintain a modest and responsible attitude and to improve its international image.

History has shown that the road to modernization is long and formidable. In a country with a large population and complex conditions like China, it is extremely difficult to bring about reform and development. The country may be strong but the people are not rich. There are still many problems and challenges which will exist for a long time and be very arduous, complex and difficult to deal with. Since China is now facing so many problems, is it possible that there will be any economic recession and stagnation? Actually, I don't think so. In fact, China has a strong ability for self-adjustment, problem-solving and learning. She is able to successfully relieve the growing pains to achieve modernization. The first thing for China to do now is to make things right domestically, which requires China to cast aside all the distractions and seize every minute to focus on construction and development. All the work and efforts should serve the purpose of improving people's well-being, promoting harmony and solving all the problems that hamper economic and social development. China will rely on herself to achieve the established goals.

Practice has proven that the reason for China's remarkable achievements is that she has selected and kept going on a peaceful development road which suits her best. She will adhere to this road in the future. First of all, China's achievements in modernization benefit from the insistence on peaceful development. While striving for a peaceful international environment to achieve self-development, China

also maintains the world peace and promotes mutual development by self-progress. By choosing such a road, China inherits and adheres to her history and culture, complying with the trend of seeking peace, development and cooperation in the international community. At the same time, it also corresponds with China's strategic thinking of scientific development and opening-up to the outside world. The development is conducive to a balanced development of the world pattern, a new path for global governance and a new historical stage of the industrial civilization. It enriched the theory and practice of national development. Secondly, China's modernization achievements benefit from the stable environment for development. China has a stable political regime and a relatively perfect political system. The intergenerational handover of political power is gradually institutionalized. On the whole, China enjoys political stability and unity. It is a consensus in China to maintain a harmonious and stable environment at home and abroad. Thus China will spare no efforts in striving for this environment. Lastly, China's modernization endeavor also benefits from the opening-up policy, the integration into the international system and the close and universal connection to the world. China's fate is bonded together with the future of the world. China's development is inseparable from the world and the world can hardly maintain prosperous and stable without China. In the process of pursuing her own development, China gradually becomes a constructive participant and partner of the existing international system, rather than a destroyer or challenger. China will not seek her own development at the cost of other countries' interest. On the contrary, Chinese people have been working hard to provide affordable consumer goods for western consumers. At the same time, China uses the foreign exchange gained by export to buy US bonds to support the stability of the world's financial system. China's every

progress will add a positive force to the peace and development of the world and bring more development opportunities to the world. It is believed that China will definitely try her best to undertake international obligations which match with her national strength, identity and status. As a responsible stakeholder, China will play her due role in the world.

It is undoubtedly true that China sincerely hopes that the international environment is equitable and rational, free and open, peaceful and cooperative. However, it should also be recognized that it is almost impossible for a country's interest to be fully consistent with that of other countries. China is no exception. It is an objective fact that competition exists among all the countries in the world. With competition, we can achieve greater development. By competing through cooperation, the countries can enjoy a win-win result. The world today is undergoing profound and unprecedented changes. The international relations have been developing and progressing all the time. It is not a pessimistic historical cycle. The development of China has already provided the world with useful and valuable experiences, which proves that we shall never go against the historical trend and never pursue hegemony. The response of other countries to China's peaceful development efforts will have an important impact on China's internal orientation, external behavior and the direction of development. The true threat is the failure of China, but not the development. The international community should make corresponding adjustments to give China due respect, understanding and trust. The international system should also be more open to the peaceful rise of China. With relatively developed economy and better-off people, China also has a democratic and law-based, fair and just, open and inclusive, civilized and harmonious society. The international community should