

Chapter 17

Overview: China's 70-Year Development and the Building of a Community with a Shared Future for Mankind



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17.1 Introduction

October 1st this year marks the 70th anniversary of the founding of the People's Republic of China. Throughout this period China has accomplished a milestone achievement by rising from one of the Third World countries to one of the world's economic powers. The achievement in lifting 800 million people of poverty in a relatively short time was the result of its profoundly changing the way it engaged with the rest of the world. Openness to international trade and investment has been integral to the Chinese economic transformation over the past decades. Of late, witnessing the world amidst numerous crises and issues namely climate change, terrorism, and other non-traditional security threats, China has proposed the new concept of addressing those issues by advocating the theme of community with a shared future for mankind. This proposal aims to reap the benefits for every nation and install a prosperous community for mankind.

The following will examine China's development in the past 70 years and the pursuit of the community with a shared future for mankind based on the community of common interest and the community of shared responsibility.

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17.2 The 70-Year Development: Reforms, Achievements, and Challenges

In 1949, at the time of the founding of the People's Republic, China was one of the poorest countries in the world. The per capita income was barely 5% of that of the United States at a little over US\$700.¹

In the early days of the PRC, China made strides in the planned economy. By 1952, China had placed inflation under control, collectivized property, and devised the country's first five-year program by the newly established State Planning Commission. Nationalization and collectivization intensified with the introduction of the General Line of Socialist Transformation by Mao Zedong. Subsequently, the planned economy was to remain the cornerstone of the state until 1978, continuing with Soviet model and support.²

The First Phase of Reforms: Openness

Forty years of development have made China the world's second-largest economy, the largest producers and exporters and the second-largest expender of R&D.³ Now the majority of Chinese are living in cities.⁴ In the coming decade, China is expected to complete its journey to becoming a high-income country and end extreme poverty next year. Per capita income has increased 25 times in continuous dollars, from \$308 in 1978 to \$8,800 in 2018.⁵

The success of China in reducing poverty can to a large extent be ascribed to the sustained rapid economic growth brought about after 1978 by the reforms. Deng Xiaoping famously said, "Poverty is not socialism, and neither is it communism." Prices were liberalized, wealth was diversified, and the private sector expanded, property rights increased, and investments were made in infrastructure and citizens. Macroeconomic stability has resulted in high savings and rapid urbanization, allowing quick structural changes and productivity growth. Deng's main economic reform initiative, "it doesn't matter if the cat is black and white, so long as she catches

¹ Bert Hofman, "Commentary: The People's Republic of China at 70—Reforms, Achievements, and Challenges," CNA, September 28, 2019, p. 1. Hereinafter "Hofman's Commentary", <https://www.channelnewsasia.com/news/commentary/china-70-years-xi-jinping-challenges-us-trade-war-ccp-reforms-11945014>.

² Jeffrey Sachs (2005), *The End of Poverty: Economic Possibilities for our Time*, New York: The Penguin Press, pp. 155–157.

³ "China Maintains World's Largest Pool of R&D Personnel," Xinhua, accessed October 29, 2019, http://www.xinhuanet.com/english/2019-07/23/c_138250922.htm.

⁴ Michael Wines, "Majority of Chinese Now Live in Cities," *The New York Times* January 17, 2012, <https://www.nytimes.com/2012/01/18/world/asia/majority-of-chinese-now-live-in-cities.html>.

⁵ "China," *Forbes* (Forbes Magazine), accessed October 29, 2019, <https://www.forbes.com/places/china/>.

the mouse,” the credo for pragmatic reformers to do what works, was used for the first time in 1962 after the Great Leap Forward.⁶

In the framework of this broad leadership guidance, reforms have been implemented experimentally and often begin in several regions, and only expand nationally if success is proven and the level of development and implementation has been taken into account. Thereby the room for the country's institutions and the path to growth was given to gradually be identified instead of a pre-set formula for development and shock therapy. Local officials were also urged to successfully implement this reform agenda—their assessment of results relied on their region's progress. Competition between localities for investment produced good conditions for growth.⁷

The Second Phase of Reforms: Market Building

The second phase of the reforms, between 1993 and approximately 2003, or the Zhu Rongji years, involved clearer market reforms. The socialist market economy was declared the prevailing system in China by the third plenary session of the 14th Congressional Central Committee in 1993.⁸

Decisions from the Plenum in 1993 included several aspects of China's current economic management, including tax sharing, a modern central bank able to formulate and enforce monetary policy and political banks which relieved commercial banks from their political role. It also implemented state-owned business reforms, which have been undertaken aggressively after the Asian financial crisis under the slogan of “Grasp the Big One, Let the Small One Go.” These measures also culminated in the sale of small public companies, housing redistribution, and social security institutions independent from workers.⁹

China's accession to the WTO in 2001 caught up in market reform and made China a chosen platform of production for Asia's supply chains.¹⁰ Exports have been booming and economic growth has reached 10% each year, fueled by productivity increases triggered by the WTO reforms, until the global financial crisis shortened them.

⁶ Ibid. p. 3.

⁷ Chen Jue, “Reform and Opening Up: A Boon for China and the World,” Reform and Opening Up: A boon for China and the world—Chinadaily.com.cn, accessed October 29, 2019, <http://www.chinadaily.com.cn/a/201812/19/WS5c19f320a3107d4c3a001ab4.html>.

⁸ “As China Ponders Economic Changes, Lessons from a 1990s Reformer,” *Voice of America*, accessed October 29, 2019, <https://www.voanews.com/east-asia/china-ponders-economics-changes-lessons-1990s-reformer>.

⁹ Hofman's Commentary, p. 2.

¹⁰ “China's Accession to WTO Has Been a Boon, Not an Error,” *Financial Times* (Financial Times, February 15, 2018), <https://www.ft.com/content/9ebf9e36-1271-11e8-940e-08320fc2a277>.

The Third Phase of Reforms: Enhancing the Market

Chinese authorities have steadily tried to expand the economy in the third phase of reforms. Market-related reforms are pursued in two ways: first, rapid growth in social security and insurance policies, such as pensions, health and welfare schemes, and a sharp reduction in rural taxes. Second, industrial policy has come back on to the stage.¹¹ The Science and Technology 15-Year Long-Term Plan laid the groundwork for China to move from a labor-intensive manufacturer of low value to a new industrial superpower in 2006.¹²

The concrete implementation of the idea became the infamous “Made in China 2025” at the root of the trade dispute with the USA.¹³ In 2013, the Third Plenum of the 18th Central Committee granted a decisive role in the economic stimulus that was introduced after the global financial crisis also affirmed the leadership role of the state-owned companies in China’s economy.

The 2013 Communiqué on the State of the Ideological Environment of the Chinese Communist Party reminds everyone that China is not going to become a Western liberal economy and does not make any concessions to the leading role of the Communist Party. Nonetheless, China claimed that the global financial crisis revealed to some that the Western system had failed and could no longer serve as an example.¹⁴ The anti-corruption drive of the Party was also intended to ensure China remained fit for governance. The fusion of business and government, which in the earlier days of reform had served China so well, had now become a source of corruption.¹⁵

A new policy direction has been stated by the 19th Party Congress in 2017: Market distribution, a leading role for the public sector, and a strong emphasis on industrial development, science, and technology to achieve the goals of the First Phase of the New Era (2020–2035).

¹¹ Social Security System, “China Labour Bulletin,” October 24, 2019, <https://clb.org.hk/content/china's-social-security-system>.

¹² “China issues S&T development guidelines,” accessed October 29, 2019, http://www.gov.cn/english/2006-02/09/content_183426.htm.

¹³ “Is ‘Made in China 2025’ a Threat to Global Trade?,” Council on Foreign Relations (Council on Foreign Relations), accessed October 29, 2019, <https://www.cfr.org/backgrounder/made-china-2025-threat-global-trade>.

¹⁴ Alicia García-Herrero, “Ten Years after the Crisis: The West’s Failure Pushing China towards State Capitalism,” Bruegel, accessed October 29, 2019, <https://bruegel.org/2018/10/ten-years-after-the-crisis-the-west-s-failure-pushing-china-towards-state-capitalism/>.

¹⁵ Eric Baculinao, “China’s President Xi Beefs up His Anti-Corruption Crackdown,” NBCNews.com, NBCUniversal News Group, February 27, 2018, <https://www.nbcnews.com/news/china/china-s-president-xi-beefs-his-anti-corruption-crackdown-n851491>.

Challenges

China is on the path to becoming a country with high incomes. At the same moment, the income level is only one-quarter that of the OECD average. Nevertheless, to meet its centennial targets, China still requires relatively rapid development. Sustaining rapid growth has become tougher for China, now that rural surplus labor is virtually depleted, demographics are no longer providing dividends, and nominal capital returns are likely to decline. The 2013 Third Plenum of the 18th Party Congress and the report of the Secretary-General to the 19th Party Congress represent the leadership's perception that China's development will increasingly have to depend on increased productivity and creativity.

Since the global financial crisis, productivity growth has been lagging, and not just in China. Nonetheless, the relative importance placed on state-owned enterprises inside China is not beneficial as most evidence suggests that they are less effective, partially because even inefficient state-owned enterprises are not going bust. There is also proof that a large presence of state-owned companies in a market discourages private firms from joining—yet the entrance of new firms is essential to growth. Yes, there is no high-income OECD country with a large share of state-owned businesses in the economy. The trade dispute with the United States generates a second headwind for future growth. There are multiple causes for this conflict, and the trade war is rapidly turning into a tech battle, and perhaps even a new Cold War. In this, US domestic politics played its part, but the potential reversal of China's transition to a more market-based economy and more open polity is also a major cause.

All parties will need consensus to reach a deal, but any lasting solution to this conflict would require more changes in China—strengthening structures that will make China's mixed economy function, further expanding its markets, and gaining strategic expertise and innovations to catch up with more advanced countries. More opening will also intensify competitiveness among its firms, stimulate creativity, and increase productivity, which will be the main source of future growth.

Eventually, China would do well to support international trading system reforms—a system it has been a big beneficiary of. Although China's history of living by WTO decisions is on par with its current opponent, the regulations are ambiguous in areas of industrial policy, subsidies, and state-owned companies, and too detailed in the domestic security region. Ending them will help the conflict on both sides and the rest of the world.

17.3 The Community with a Shared Future for Mankind: Community of Shared Interest and Community of Shared Responsibility

The community of Shared Future for Mankind is the catchphrase that has been used by many Chinese officials in various meetings. This concept first appeared

in President Xi Jinping's speech in Moscow in 2013.¹⁶ Since then, the President has used this phrase on many occasions, including in the United Nations General Assembly in 2015¹⁷ and in the UN Headquarters in Geneva in 2017.¹⁸ In those speeches, President Xi raised many concerns of the world civilization as well as suggested many recommendations for the world to work together to tackle global issues, from fighting poverty to geopolitical issues. In 2017, the phrase "community of shared future for mankind" appeared for the first time in the United Nations' document.¹⁹

Nevertheless, this concept remained somehow broad as many scholars and officials had different views on the scope of this new international system. Wang Yi, the Chinese Foreign Minister, said in his 2016 speech²⁰ that this initiative has gone through three stages of evolution, namely "community of shared interests", "a community of shared responsibility," and "community of shared future" as a community of shared interests and shared responsibility are the path to the community of shared future. According to Wang Yiwei,²¹ the community of shared interests refers to economic interdependence, while the community of shared responsibility covers the scope of politics and security. In addition to these, Jia Wenshan²² added that the "community of universal security" is also the way to the community of shared future.

The Community of Shared Interests

Despite the fact of parities or disparities of the historical relationship between countries around the world, common interests are the catalyst that tightens the ties between every state. In recent years, against the backdrop of rising unilateralism and

¹⁶ Ministry of Foreign Affairs of the People's Republic of China, March 23, 2013, *Xi Jinping Calls for the Building of New Type of International Relations with Win-Win Cooperation at the Core in a Speech at the Moscow State Institute of International Relations*, Retrieved from https://www.fmprc.gov.cn/mfa_eng/topics_665678/xjpcfl_665694/t1024781.shtml.

¹⁷ UN, (2015), *Working Together to Forge a New Partnership of Win-win Cooperation and Create a Community of Shared Future for Mankind*, Retrieved from https://gadebate.un.org/sites/default/files/gastatements/70/70_ZH_en.pdf.

¹⁸ Xinhuanet (2017), *Work Together to Build a Community of Shared Future for Mankind: Speech by H. E. Xi Jinping*, Retrieved from http://www.xinhuanet.com/english/2017-01/19/c_135994707.htm.

¹⁹ United Nations (2017), *Seventy-Second Session*, Retrieved from https://www.un.org/ga/search/view_doc.asp?symbol=A/C.1/72/L.53.

²⁰ Ministry of Foreign Affairs of the People's Republic of China, May 31, 2016, *Work Together to Create a The community of Shared Future for Mankind : Wang Yi*, Retrieved from https://www.fmprc.gov.cn/mfa_eng/wjb_663304/wjbz_663308/2461_663310/t1369269.shtml.

²¹ Jacob Mardell (2017), "The 'Community of Common Destiny' in Xi Jinping's New Era," *The Diplomat*, Retrieved from <https://thediplomat.com/2017/10/the-community-of-common-destiny-in-xi-jinpings-new-era/>.

²² Jia Wenshan (2019), "Shared Future for Mankind Highlights Interactional Dynamics," *CGTN*, Retrieved from <https://news.cgtn.com/news/3d3d674e786b444e33457a6333566d54/index.html>.

protectionism in the international community, China has resolutely pushed forward economic globalization, expanded the Belt and the Road international cooperation, and worked for win–win cooperation among all countries. China's role in promoting global openness and cooperation, in fact, is very significant and is initiated at the right time. The Belt and Road Initiative is progressing at a great pace and has achieved numerous goals. This cooperation has brought countries closer as more than 70 countries are now partners. Moreover, this has enhanced the progress of globalization to the next level and more countries can see the advantages and join the ride.

For now, one could say that the progress of globalization is facing hardship. Nevertheless, one has to consider that only openness can enhance growth and prosperity and, on the contrary, closing down the country means isolation in which the final result is economic ruin. And to this, as countries strive for development and growth; therefore, globalization has the willpower to prevail. For instance, Cambodia, being one of the least developed countries in the world, understands that it has to open itself up to international actors as much as possible for more development assistance and foreign investment. With that in mind, China is one of many friends that Cambodia wants to maintain a close relationship with. China is one of the biggest contributors to the economic development of Cambodia, has been trying to keep itself as close to China as possible through many different initiatives, like Belt and Road Initiative (BRI) and Lancang-Mekong Cooperation (LMC). At the same time, on China's side, the Chinese know the importance of establishing close relationships with Southeast Asia states as it would, directly and indirectly, benefit the Chinese economy and political interests. In the last two decades, China has engaged with ASEAN on many occasions to boost cooperation in both politics and economy.

The Community of Shared Responsibility

The Chinese government has expressed its dedication to the international stage for the pursuit of a new feature of international relations of mutual respect, fairness, justice and win–win cooperation, and the building of a community with a shared future for mankind.²³ China also shares its values of “a shared future for mankind” with the value of multilateralism with international actors on the pathway to global peace, stability, development, and prosperity. The Chinese government also actively engages in fighting global challenges such as climate change, cybersecurity, terrorism, and major natural disasters, as the Chinese government believes that they are the threat to universal security which should be tackled through global responses, and regional and global security must be protected with common efforts.

²³ Ministry of Foreign Affairs of the People's Republic of China, 2019, February 17, *Working for a Community with a Shared Future for Mankind by Promoting International Cooperation and Multilateralism*, Retrieved from https://www.fmprc.gov.cn/mfa_eng/zxxx_662805/t1638512.shtml.

Regarding this value, Beijing has become the largest donor of military aid in South-east Asia, which some proportion of the aid flowing into Cambodia. The engagements are known as the “Golden Dragon,” in which the two states cooperatively engage in several key areas. One of the exercises on the “Golden Dragon”²⁴ originally focused on areas such as natural disaster relief, has gradually expanded to include other areas as well. The 2nd “Golden Dragon” exercise was held on March 2018 with around 500 soldiers and lasted a little less than two weeks. Last but not least, the third round began on March 13, 2019, after weeks of rehearsals by the two sides, featuring a mix of personnel as well as equipment including helicopters, guns, tanks, and other heavy combat equipment and ammunition. Both sides also committed to fight against terrorism, promoting peacekeeping, humanitarian assistance, and disaster relief. Besides, the two states could be seen as having common values on universal security as both countries also share their responsibility to the United Nations peacekeeping force.

17.4 Conclusion

The development of China reflects the importance of peace and stability. Development and investment can only be proliferated and flooded in when one country is fully stabilized and can guarantee and sustain the investment in a long period. Further, it also reflects the pragmatism of gradual and locally-based development. The progress of development is like turning the car at the crossroad which requires the driver to drive at a gradual speed; otherwise, if it is too fast it would cause a severe accident. Adding to that, the drivers also have to understand the condition of the road to comfort the driving as such, as the leaders need to understand the condition of the people to apply the strategic master plan with pragmatism to obtain the best interest and effective development.

Regarding the community of shared future for mankind, the initiative to some extent remains broad and still has room to advance. The concept overall is good in many dimensions, including economic cooperation, political security, and especially the future of humanity. Therefore, there is still room to improve to jointly create a community of shared future for mankind.

- The engagement between China and its partners should be expanded beyond the level of the government. Currently, there are some scholarship programs and cultural exchange culture programs, but they are still limited; therefore, these should be increased. Moreover, there should be more institutional cooperation rather than an individual.
- China’s financial assistance should be more transparent. The funds and loans should be allocated more on the basis of research and development. Further, China

²⁴ Prashanth Parameswaran, 2019, March 21, “China and Cambodia Hold Their Biggest Military Exercise Yet,” *The Diplomat*, Retrieved from <https://thediplomat.com/2019/03/china-and-cambodia-hold-their-biggest-military-exercise-yet/>.

should enhance and boost the role of the newly-established China International Development Cooperation Agency in assisting the international community. The agency should work closely with both the government and the people of a given country. The perceptions of the government can be drastically different from a member of the public, and this can cause a negative perception of Chinese development if the project only consults with the government and the public see a lot of negative impacts.