

Reform and Opening-up: Chinese Lessons to the World

—

Marcus Vinicius De Freitas

PP-19/05

About Policy Center for the New South

Policy Center for the New South, formerly OCP Policy Center, is a Moroccan policy-oriented think tank based in Rabat, Morocco, striving to promote knowledge sharing and to contribute to an enriched reflection on key economic and international relations issues. By offering a southern perspective on major regional and global strategic challenges facing developing and emerging countries, the Policy Center for the New South aims to provide a meaningful policy-making contribution through its four research programs: Agriculture, Environment and Food Security, Economic and Social Development, Commodity Economics and Finance, Geopolitics and International Relations.

On this basis, we are actively engaged in public policy analysis and consultation while promoting international cooperation for the development of countries in the southern hemisphere. In this regard, Policy Center for the New South aims to be an incubator of ideas and a source of forward thinking for proposed actions on public policies within emerging economies, and more broadly for all stakeholders engaged in the national and regional growth and development process. For this purpose, the Think Tank relies on independent research and a solid network of internal and external leading research fellows.

One of the objectives of Policy Center for the New South is to support and sustain the emergence of wider Atlantic Dialogues and cooperation on strategic regional and global issues. Aware that achieving these goals also require the development and improvement of Human capital, we are committed through our Policy School to effectively participate in strengthening national and continental capacities, and to enhance the understanding of topics from related research areas.

Policy Center for the New South

Suncity Complex, Building C, Av. Addolb, Albortokal Street, Hay Riad, Rabat, Morocco.

Email : contact@policycenter.ma

Phone : +212 5 37 54 04 04 / Fax : +212 5 37 71 31 54

Website : www.policycenter.ma

©2019 Policy Center for the New South. All rights reserved

The views expressed in this publication are those of the authors and do not reflect those of their institutions.



Reform and Opening-up: Chinese Lessons to the World

Marcus Vinicius De Freitas

About the Author

Marcus Vinicius De Freitas

Marcus Vinicius De Freitas, a Senior Fellow at the Policy Center for the New South, previously known as OCP Policy Center, focusing on International Law, International Relations and Brazil, is currently a Visiting Professor of International Law and International Relations at China Foreign Affairs University (www.cfau.edu.cn) in Beijing, China. He is a licensed Professor of The Armando Alvares Penteado Foundation in Sao Paulo, where he served as the coordinator of their International Relations Program from December 2012 until December 2013. He was president of the Sao Paulo Directorate of the Progressive Party, having run for vice governor of the State of Sao Paulo in 2010, where his party polled in third place with more than 1.2 million votes. He also served as the Administrative Director of the Sao Paulo Metropolitan Housing Company until December 2015. Early in 2017, Mr. De Freitas, was a Visiting Fellow of Practice at the Blavatnik School of Government at the University of Oxford. Prior to his current appointment, he was advisor to several investment companies investing in Brazil and Latin America, with particular emphasis on export financing, crypto- assets, crypto-currencies and Blockchain technology. Mr. De Freitas holds an LL.B. (Bachelor of Laws) degree from the University of Sao Paulo, a master of laws from Cornell University and a master of arts in economics and international relations from The Johns Hopkins University School of Advanced International Studies (SAIS).

Summary

Reform and Opening-up profoundly altered the face of China. From an agricultural backwards country, which had suffered humiliation by Western powers and Japan in the 19th and early 20th century, to the largest economy in the world in Purchasing Power Parity terms, the Chinese saga for reinsertion into the global scene is not a miracle. It is the result of hard work, visionary leadership and the wise use of its most widely available commodity: its hard-working people. Of course, there are many criticisms against China: human rights, democracy, authoritarianism etc. The list - some will say - is extensive. Many authors have covered such topics with great care. One thing, however, is true and should be stressed: the Chinese record of social inclusion and development is admirable. Their economic model, which may not be reproducible entirely, has delivered effective results. The purpose of this paper is to present some of the measures China has been implementing for the last 40 years. The road has not been easy. The Chinese have been masterful in navigating several periods of turbulence. One lesson, however, is fundamental to learn from China: a visionary leadership can be transformative. This is what Deng Xiaoping did to China. And somehow, this is what China is trying to do to the world.

and in paving the way for the private sector to thrive. China has reinvented itself and its population to meet the challenges imposed by globalisation and the 21st century like no other country in the world. This reinvention process of a 5,000-year old civilization has been quite challenging. Despite its domestic challenges - which are sensitive and are still there - the world, particularly developing countries, has a lot to learn with and from China.

China has embraced modernity and its vibrancy, with a very positive perspective for the future... This Policy Paper will seek to address some of China's recent history of Reform and Opening-up and provide a few perspectives on what lies ahead in the road to the future, together with some of the policies that have been implemented leading to the current Chinese success story.

Challenging years and the Fall of Communism

The 1970s and 1980s were challenging years for the world. Oil crises, high inflation rates in many countries, political instability in Latin America and the ever-present fear of a clash of the nuclear powers generated an enormous and challenging scenario where minor mistakes could have led to devastating consequences.

Yet a constellation of exceptional world leaders rose up to the occasion. Whether we like them or not, one should recognise the impressive list of world leaders who then redesigned the world order. Margaret Thatcher in the United Kingdom, Ronald Reagan in the United States, Mikhail Gorbachev in the Soviet Union, Helmut Kohl in West Germany, Menachem Begin in Israel, Anwar el-Sadat in Egypt, Francois Mitterrand in France, John Paul II in the Vatican and Deng Xiaoping in the People's Republic of China, were some of the representatives of this impressive crop of global leadership, which altered the course of the world leading to a new period of growth, prosperity and increased overall stability.

There may be restrictions, here and there, on their records. In an era of no absolutes like nowadays, it is almost impossible for one's record to be considered blameless. Yet, one should recognise that the world at that time produced capable leadership to address its existing challenges. Historians and time in the future will tell the factors that allowed them to rise. One thing is true, however: the world went through monumental changes, which eventually resulted in the Fall of the Berlin Wall in 1989 and the collapse of the Soviet Union on 23 December 1991.

To the West, the collapse of the Soviet Empire was perceived, celebrated and advertised as the end of Communism and the victory of the Free World. Now, freed from the strings of Communism, Eastern Europe, and Russia, the so-called Iron Curtain, could breathe the fresh air of democracy and capitalism and open themselves to a new reality. The West celebrates 1989 as the year Communism ended. Though true that many of the Iron Curtain countries started their transition to the market economy then, the choice made by the West is inaccurate. Communism, in its economic aspect, died on 18 December 1979, in Beijing, China.

On that day, the Communist Party of China (CPC), under the leadership of Deng Xiaoping, held its Third Plenum Session kick-starting the deepest change in Communism known until then, with the so-called "Reform and Opening-up" to the world, leading to "socialism modernisation" and "Socialism

with Chinese Characteristics”³.

China was still facing the negative impact from sluggish economic growth, the Cultural Revolution and the brink of economic collapse, navigating through a period of great distress that led Deng Xiaoping to recognise that reform was the only way forward; otherwise, China would drown and be ruined. Poverty was rampant. With an income per capita of approximately US\$ 165.00 per year⁴, there were millions of people living below the poverty line. Far too many - Deng believed - were starting to believe that socialism really meant poverty, an idea Deng chose to fight intensively against. His affirmation “to be rich is glorious” clearly emphasizes his understanding that socialism could still deliver wealth if fully adjusted to what China really needed to achieve.

After that Third Plenum Session, Deng managed to unite the CPC around his liberalising ideas and the future of Communism. His “Socialism with Chinese Characteristics” required economic modernisation, a new development strategy and a long-term perspective, together with a comprehensive reform of the Chinese economic structure and the State. This was required so that the CPC could retain its “mandate of heaven”⁵, an old concept whereby the rules would only stay in power as long as they were able to deliver improvement in the lives of the ruled people. Such delivery needed to be effective. If expectations were not met, the situation of the ruling group would deteriorate and lead to political turmoil and structural changes in the power system. Improved living standards were therefore essential for the CPC to re-establish political legitimacy, even if it meant a new reading of its ideological narrative.

Deng implemented effective incentives for output and performance. His bold vision, calibrated from time to time, was crystal clear despite the still murky road ahead. He was fully aware of the sequencing of the reforms: initially, agriculture, then, foreign investment facilitation for the creation and strengthening of its industrial base. Finally, a laissez-faire approach to many sectors, where Deng felt market forces could handle better based on the empirical evidence of prior mistakes during the Mao period.

This effort led to a successful story and positive results such as the reduction of poverty despite the challenges such as income inequality, regional economic disparity and environmental degradation. The centralised government aspect allowed China to move quickly to fix existing gaps, allowing the market to mature intensively, though still facing challenges to become more competitive.

Deng’s reform was wide-reaching: economic, political, cultural, educational, foreign policy, and science and technology. His reforms affected the institutional structure of China unleashing and developing productive forces to achieve social and economic prosperity and growth. His reforms - “China’s Second Revolution” - sought to remove the existing defects that were hindering Chinese development.

Deng transformed China’s communist economy completely through incremental modifications and the establishment of special economic zones in coastal cities. Drawing upon the experiences and achievements of other countries, China sought the best management techniques to manage existing

3. In order to create a sound ideological basis for Reform and Opening-up, Deng coined this term as a reformist formulation of the ideology, adding China’s special situation and features to the Marxist-Leninist creed, broadening the basis even more to include all reforms to be carried out during the Second Revolution.

4. See UNICEF, <http://www.unicef.cn/en/atlas/economy/811.html>.

5. The concept of “Mandate of Heaven” is based on the notion that the rules – the son of heaven – governed by divine right, but dethronement could help if proven that he had lost the mandate.

challenges along the road. Reform and Opening-up were two sides of the same coin sharing the same goals to promote all the necessary measures to bring prosperity to China and its people, and ultimately secure the Mandate of Heaven necessary for the ruling elite to remain in power. Such policies invigorated China driving it to greater prosperity and significant improvement in its global status.

The historical Third Plenum of The Eleventh Central Committee would have Deng Xiaoping break up with the Maoist past and introduce Reform and Opening-up in order to create a new pathway for China. That moment in December 1978 thus required reflection and capacity to think anew and innovate. Pragmatism should be the driving force to renew the CPC with a new approach on how to address existing challenges and secure the longevity of the political establishment. Deng confronted high unemployment, deteriorating life condition, rural poverty and slow production. There were a few alternatives on how to handle such challenges:

- (i) return to the Soviet-style planned economy; or
- (ii) apply a different model leading to a market economy.

The first option seemed more appealing. After all, planned-economic was one of the first lessons taught by the Soviet model. The Chinese were used to State planning. However, Deng's choice for market economy resulted from an obvious reality: the Cultural Revolution had destroyed the planned economy possibility since it had almost wiped out the bureaucratic system that a planned economy would have required. The human capital was reduced due to the closing of the universities and an educational system did not favour or stimulate ambition and personal growth.

“Gaiige Kaifang” (Reform and Opening-up) was the answer to the transition from a chaotically planned to a market economy seeking a greater role globally. Such reforms - Deng recognised - would unleash China's potential to become Asia strongest and fiercest power.

Events Leading to Reform

Changes did not happen suddenly in 1978. A series of events took place leading to the decision to reform. The death of the modernising Prime Minister Zhou Enlai⁶ on 8 January 1976, who opposed many of the policies implemented by Mao Zedong, was greatly felt by the population.

The death of Chairman Mao sometime later on 9 September 1976 brought to an end 27 years of a strong, yet controversial leadership. Mao unified the country and started the process of reversing the one-hundred years of shame⁷, yet the Great Leap Forward⁸ and the Cultural Revolution⁹ generated major scars in Chinese society. With the arrest of the Maoist Gang of Four¹⁰, responsible for social

6. Zhou Enlai, who was the first Prime Minister of the People's Republic of China (PRC), from 1949 until his death on 8 January 1976, played an essential role consolidating the ascension of the CPC to power and an important role in the PRC's foreign policy.

7. One-hundred years of shame (or “Century of Humiliation”) refers to the period China suffered intervention by Western powers and Japan (1839-1949). The period starts with the First Opium War against the United Kingdom and ended after the Second Sino-Japanese War in 1945.

8. A CPC social and economic campaign (1958-1962) led by Mao Zedong to transform the country into a socialist society migrating from agriculture to industrialization and collectivization, which eventually leading to millions of death in the Great Chinese Famine.

9. A movement led by Mao Zedong (1966-1976) to purge remnants of capitalism and tradition (“the bourgeois infiltration”) within the CPC and to re-impose Mao's thought as the CPC dominant ideology.

10. A political faction of 4 CPC officials - Jiang Qing (Mao's last wife), Zhang Chunqiao, Yao Wenyuan and Wang Hongwen - during the Cultural Revolution.

unrest in China, the situation started to normalise and reduce the instability represented by Mao's sunset.

Hua Guofeng¹¹, whom Mao had nominated as his preferred successor, took over as CPC Chairman. In his first active role, the Eleventh Congress, Hua showed no desire to modify policies implementing market economy or to change Mao Zedong's thought were still surging. Deng Xiaoping, however, rose up from the ashes, with a firm belief that there was a need for profound social and economic reform. Deng worked out intensively to obtain support from the CPC leadership to implement his reform agenda. The CPC was fully aware that the Maoist policies would not be able to deliver satisfactory economic results and risked to collapse China and eventually lead to the CPC debacle. Employing his political skills, Deng tactically appeased CPC "hard-liners" and secured the position of the party leadership, preserving its dominance and relevance in China's socio-economic system, by implementing the vision that it was imperative for the CPC to retain control over China to lead it forward. To implement his policy redirection, Deng placed key allies in the Political Bureau and in the CPC.¹²

Deng Xiaoping, an enlightened leader

"My perspective is that of an economist concerned with applying economic ideas in the real world. It is difficult to think of any political figure in history whose application of economic principles did so much to transform human welfare for the better. Perhaps Franklin D. Roosevelt comes close, at least in the developed world." (Vince Cable)¹³

The previous statement by Vince Cable, a renowned British political leader, stresses the important role played by Deng, the Chinese leader who kick-started Reform and Opening-up. Deng, who ruled China from 1979 until his death in 1997, became the guardian of Reform and Opening-up. A truly skilful leader, who had spent six years early in his youth studying and working France, Deng ruled over China without assuming top nomenclature personally. With great acumen, Deng, who had also spent a brief period of life in Moscow during his youth, rose quickly within the CPC to become one of the main pillars even during Mao Zedong's rule.

With ups and downs in his personal and political life, several relocations to the countryside, Deng developed the traits of a visionary, nationalist and patriotic leader. He took over the reins of China sometime after Mao died. China had been left without a major authority figure. Though the Gang of Four was dismantled, Chairman Hua Guofeng insisted on keeping Mao's policies alive. The chart below highlights some important events of Deng's leadership period:

11. Hua Guofeng served as CPC Chairman and PRC Premier, having occupied important positions even during Mao's government. After Mao's death, Hua attempted to make some reforms and reverse some of the Cultural Revolution excesses, but due to a continued effort to enforce Maoist policies and his unwillingness to make the reforms China desperately needed, he was forced from power by Deng Xiaoping's group.

12. Some of these placements in the Political Bureau included Chen Yun as an additional Vice Chairman and Hu Yaobang as a member of the Bureau, and who would also serve as CPC Secretary General and head of the CPC Propaganda Department.

13. Cable, Vince. *Deng: Architect of the Chinese Superpower*. London: LSE Special Report (2017)



August 22, 1904 - February 19, 1997

Main contributions:

Chief architect of Reform and Opening-up policy, leading China out of chaotic political movements and into prosperity.

1977: Chinese government resumed the *gaokao* (national college entrance examinations).

1978: China's **reform and opening-up starts**, a key and growth development strategy

1980s: “**One Country, Two Systems**” solution dealing with Hong Kong's return to China.

1992: Tour of Southern cities (Wuchang, Shenzhen, Zhuhai and Shanghai) from 18 January to 21 February, updating **further reform and opening-up**, thus ending long-term debates over capitalism and socialism.

Source: Global Times¹⁴

A Strategic Perspective on Reforms

Deng reached the top CPC leadership with a clear vision of the reform measures the economy and the governmental institutions needed to meet the global realities and challenges. His ascension to power reflected sensitive political skills to exploit the power struggle within the CPC and to overcome the military and radical Maoists. Ideological pragmatism, together with a strong reliance on incremental modifications, allowed Deng to gather the necessary political support built upon three major guidelines:

- No political leader should ever retain as much power like Mao Zedong and the Gang of Four;
- The CPC should develop stronger intra-party democracy, and
- Pragmatism should prevail over ideology in order to preserve the CPC at the helm of the political process of China.

This last perspective - pragmatism - was the quintessential factor for success: “I don't care if the cat is black or white, so long as it catches mice” was the motto Deng carried out throughout his term. This level of political pragmatism, however, should not be mistakenly read as a full rejection of Marxism-Leninism or even Maoism. Deng's objective was to adapt such ideologies to China's newly existing conditions and prompt China to economic development and overall renaissance. Deng sought modernisation, while simultaneously preserving the CPC ideological identity and unity.

14. See, <http://www.globaltimes.cn/daily-specials/Deng-xiao-ping/>

Deng was not alone in the challenge to modernise China. Zhou Enlai’s “Four Modernisations¹⁵”, designed in 1964, provided a guiding model and perspective, particularly with regard to agriculture, industry, science and technology and national defence.

Such modernizations would restore the concept of development, an issue Deng mostly valued. Development and growth became the mantra through which prosperity and power would eventually return to China to avenge the “one-hundred years of humiliation” and place China back to its most glorious peak in its 5,000 years of existence.

Deng relied on two important factors to pursue greater economic growth: (i) the enormous demographic dividend, represented by a vast, cheap workforce; and (ii) a much less stricter environmental regulation, which allowed China to absorb many of the polluting industries countries the West no longer wanted to host due to ever stricter domestic environmental regulations.

China’s greatest and most widely available commodity was the demographic dividend: the working-age population exceeded that of the dependent population. This was essential to secure positive results from Reform and Opening-up and higher savings rate, a factor which later became the main driving engine for growth in China. The abundant supply of labour – and the effective use thereof – constituted the most favourable factor for rapid Chinese growth. China was able to advance the years of schooling of its population, steadily improving the quality and competitiveness of its workforce, leading to higher productivity and positive impact on GDP growth.

1) Education Opening

The Cultural Revolution had a devastating effect on China. Initially proclaimed as an effort to cleanse and redesign the CPC and China, the Cultural Revolution led to the backwardness of the Chinese educational system.

Additionally, access to university education was restricted to the class background and not individual performance. The need to incentivise more students into the system, who would later be required as specialized workforce for the economic recovery and growth China would later face, led Deng to reintroduce the National Entrance Examination to all universities, the so-called gaokao. Therefore, any student would be able to participate and join the university. Despite the uncertainties of its reintroduction, when it finally happened in December 1977, after 15 years of suspension, student participation was beyond expectations¹⁶.

With gaokao, competence and performance became the key factors for university admittance, ingraining and spreading the concept of meritocracy in the entire Chinese society with a particularly positive impact on government recruitment and even for CPC cadres.

Party loyalty and ideological submission – two prior requirements - gave way to skills and higher qualification, in restoration of Confucian values that had highly influenced China throughout history,

15. The Four Modernizations, introduced in 1963, comprised agriculture, industry, national defense, science and technology. This idea was later adopted by Deng Xiaoping, formally being implemented with Reform and Opening-up. The purpose of the four modernizations was to place economic progress and development above the Maoist goals of class struggle and permanent revolution.

16. Around 5.7 million high school graduates competed for 270,000 university spots, according to Muhlhahn.

where only the best talent should serve the State.

Deng pushed the increase of Chinese students to study abroad, based on his previous personal experience in France that helped solidify his understanding on the importance of gathering the best existing knowledge in the world and bringing it back to China. An example of such a strategy was reflected on Deng's visit to the United States, where the first student exchanges started. Later on, in the first five years of exchanges, around 19,000 Chinese students would study at American universities, mainly in physical sciences, health sciences and engineering.

Deng affirmed:

“Most of our ideological and theoretical workers should dig into one or more specialized subjects. All those who can do so should learn foreign languages, so as to be able to read important foreign works on the social sciences without difficulty. We have admitted that we lag behind many countries in our study of the natural sciences. Now we should admit that we also lag behind in our study of the social sciences, insofar as they are comparable in China and abroad. Our level is very low and for years we haven't even had adequate statistical data in the social sciences, a lack that is naturally a great obstacle to any serious study.”

This shift on education allowed China to go through enormous domestic changes, emphasizing an even more merit-based society. With this strategy, China began to open to take advantage of the developments created or implemented by foreign countries.

2) Agriculture and Rural Economy

The central feature of China's agricultural reform was the revival of household farming. Food supplies in the 1970s were so deficient that there was fear of repeating famines from the past, which had killed millions of people, particularly during the Great Leap Forward.

Deng de-collectivized agriculture and stressed household responsibility, allowing peasants to exercise formal control over land if they sold a contracted portion of their crops to the government. This innovative bottom-up approach greatly contributed to China's economic transition. Securing food supply for the world's largest population demanded a redefinition of the relationship between rural producers and the government. During the initial years of Reform and Opening-up, individual households were steadily allowed to establish rural firms to produce machinery and services for their activity. Their main responsibility would be to pay taxes and other fees derived from their income.

By reintroducing household farming and private production, China smoothly and gradually transitioned to a rural market economy, with collective ownership, allowing a smoother transition from the command economy to a more market-oriented dynamic. Such reforms resulted successfully. The gross value of agriculture went up exponentially with an annual average of 9% from 1978 until 1984, impressive growth in labour productivity and rural income doubling within 6 years. Grain production jumped exponentially with larger growth for meat and eggs, and peasant income increasing, which resulted in hundreds of millions of peasants lifted out from poverty.

3) Political Reform

During Deng's period, the CPC moved from a personality-ruled party into a system of clear rules and improved decision-making institutions, valuing meritocracy instead of seniority or personal ties. Deng implemented new measures to the political process, with the introduction of term limits and the periodic exchange of government leadership. A term limit for offices was set up: two terms of five years and mandatory retirement for all government and party positions, depending on rank, for those between 55 and 72 years of age.

With such measures, the political leadership transition was successfully secured, widening the possibilities of constant renewal in leadership. Though the political framework still remained in place and mostly intact, new entrants would allow ideas to come through to ensure a constant rejuvenation of the CPC leadership, enhancing a meritocratic system of ascension and quality competition, a race to the top for promoting highly dedicated personnel to top governmental positions.

Additionally, competition among county and provincial leaders was stimulated by rewarding with recognition and promotion, if their administration delivered accelerated economic growth and development in their localities.

4) Foreign Policy

On the issue of Foreign Policy, Deng sought to strengthen China without attracting too much attention. Deng understood that it was not in the interest of China to fall into the trap of developing a similar type of unstable relationship like the US had with the Soviet Union.

China has a complicated neighbourhood. Bordering 14 countries, 4 of them nuclearized (India, North Korea, Pakistan and Russia), historically the country has faced years of wars, land and resource disputes. Having such a challenging neighbourhood, Deng understood that mistakes in foreign policy could side-track the economic policies and the goals that China needed to meet to compete globally and reach a new level of development. China had to modernize, including its military. Resources, however, were limited to prompt growth, China could not be involved in conflicts during this transition period. As a result, the size of the military force was reduced and more resources were allocated to secure Chinese growth.

Deng also insisted China should not seek hegemony or impose its values or ways on other countries. He affirmed:

«China is not a superpower, nor will she ever seek to be one. If one day China should change her colour and turn into a superpower, if she too should play the tyrant in the world, and everywhere subject others to her bullying, aggression and exploitation, the people of the world should identify her as social-imperialism, expose it, oppose it and work together with the Chinese people to overthrow it.» (Deng Xiaoping)

Chinese economic growth and proper restoration to a glorious past would necessarily lead to clashes between this new ascending power and the more established countries. Deng believed that a position of no threat constituted the best strategy to grow without raising unnecessary resistance to China's eternal destiny of greatness. Such a strategy aimed at growth without creating threats or enmity with

the established powers, more particularly the United States. Nonetheless, Michael Pillsbury¹⁷ reminds us that despite this facade:

“... the Communist Party is realizing its long term goal of restoring China to its proper place in the world.”

Throughout Reform and Opening-up, Deng solidified Chinese Foreign Policy on principles, like predictability in action, peace as a goal and a long-term perspective of Chinese interests in the world, with a clear understanding of short term restraints and long-term goals to improve China’s global stature.

Pragmatism was one key element of his vision of foreign policy. The “One Country, Two Systems” solution to address the Hong Kong situation and its gradual incorporation into mainland China, represents one of Deng’s greatest foreign policy accomplishments and a monument to his pragmatic approach to settle the Sino-British conundrum.

Deng’s image as a pragmatist and strategist statesman is widely recognised. Yet the Tiananmen Square events stained the brilliance of the way he built China’s image globally, particularly how it was fought. Despite this, Deng was able to see the wave of globalisation much before many leaders in the world and was able to realign China to meet the challenges and opportunities represented by such a wave.

5) Economic Reform

Mao Zedong ran a centrally planned economy, whose economic output was controlled by the state, which was responsible for setting up production goals, pricing and the allocation of the resources.

In order to expedite industrialisation, the Chinese government implemented large-scale investments in production, mostly by state-owned enterprises, which controlled nearly 3/4 of industrial production. External sources, such as private enterprises and foreign investment, were generally barred to secure self-sufficiency, including reduced foreign trade, limited to obtaining goods China was not able to produce.

As a result of central government running and the absence of market competition mechanisms, distortions, such as inefficient allocation of resources, few incentives for increased productivity and decreased quality of production became a reality with disastrous outcomes. Mao Zedong’s policies, such as the Great Leap Forward and the Cultural Revolution, created political chaos with enormous disruption on the economy, impacting Chinese living standards, purchasing power and even life outlook. The need for economic modernisation was required to improve the reality of Chinese existing conditions.

However, great care was necessary. The Great Leap Forward had been dramatic to China since it failed to address the local necessities and take into consideration the comparative advantages of the regions and provinces. Reform was essential in order to address the challenges imposed by the urban economy and to implement a dynamic new way to invigorate economic activity and productivity.

17. The Hundred Year Marathon

By separating business from government, investment grew exponentially due to diminishing political interference. Diversification resulted in economic openness, cooperation and foreign investment. Deng was fully aware the world was moving into globalization and the CPC's economic doctrine had to change. Since Deng was greatly impressed with Japanese industrial advances, particularly after the Meiji Restoration, the hindsight of Japanese growth stimulated Deng to foster a new economic path. The Meiji reforms in the 1870s had transformed Japan into an industrialised economy and could affect China in a similar way. Japan, which in 1870 was a small country with very few resources, pioneered a growth and economic development model based on exports to pay for its industrialization process and to secure food for its population. This strategy consolidated Japanese growth and eventually led Japan to become one of the wealthiest countries in the world.

By touring the South of China in 1992, Deng provided the necessary assurances to the Chinese and the world that China was open for business and a true restoration was effectively taking place in mainland China. Deng sought to end autocracy, with an open perspective on how to learn more from the world's practices in science, technology, and management. China had to open up to the world, Deng believed.

The death of Mao Zedong in 1976 led the Chinese to experiment with a new economic model, applying several reforms applying free market principles and opening up to Western trade and investment. The purpose was to increase growth and living standards, retain power and renew the "Mandate of Heaven", which is the trust required by the population. Early in 1979, the Chinese government implemented several policies reflecting this new spirit. The economic reforms produced positive results and reflected Deng's strategy to "cross the river by touching the stones". The positive experience with market pricing and ownership incentives for farmers allowed the sale of a certain portion of crops on the free market by planting the seeds of capitalism and strengthening its roots and depth. Incentives were also given to individuals to start their own business activities.

The most important relevant aspect of the economic reform was the establishment of four special economic zones, alongside the coast of China, to attract foreign investment and boost international trade, particularly with regard to technology. Economic policy-making became decentralized and the state control of several enterprises was transferred to provincial and local governments, who should operate on free market principles and abandon centralized planning. Among the gradual changes, a few should be emphasized:

- (i) Gradual elimination of price controls over several products;
- (ii) Removal of trade barriers to incentivise competition and bring in foreign investment; and
- (iii) Designation of additional coastal regions and cities as open development zones, allowing free-market reforms, tax and trade incentives to attract foreign direct investment.

The Special Economic Zones (SEZs), in Shenzhen, Zhuhai and Shantou in Guangdong Province and Xiamen in Fujian Province showed China's opening to the outside world. This initiative was later extended to 14 large cities in coastal areas in 1984, Hainan in 1988, a host of other cities along the Yangtze River and the interior border cities in the early 1990s.

Chinese production grew exponentially and its expansion was felt throughout the world. Due to its

high productivity, cheap labour and an effective logistics infrastructure, China started to displace the axis of world industrialization to Asia, even leading to the deindustrialisation of many developed countries. This is what led to an ever-increasing discrimination against Chinese products.

China, however, could not afford such a trend to keep going on. It needed more globalization, global markets and to suffer fewer restrictions to its products. This is where the Chinese accession to the World Trade Organisation (WTO) became a necessary target, ultimately culminating with China's WTO entry in November 2001. The entry into WTO represented China's major step into a freer and more market-based international trade system, eventually leading to an increase in exports and greater economic growth and development, due to the lower tariff, less protectionism and fewer barriers to Chinese trade with the world.

With such accession, China began to replace direct central government involvement and increased local decision-making, eventually enhancing the role of private enterprises. The chart below demonstrates the success of Deng's policies reflected in recent years and how China has steadily become the world's main economy and the largest trading nation. The chart also shows that the foundations Deng laid created the necessary basic structure and framework for his successors to operate.

China Economy Data

	2013	2014	2015	2016	2017
Population (million)	1,361	1,368	1,375	1,383	1,390
GDP per capita (USD)	7,124	7,662	7,948	8,103	8,806
GDP (USD billion)	9,694	10,480	10,925	11,204	12,241
Economic Growth (GDP, annual variation in %)	7.8	7.3	6.9	6.7	6.9
Consumption (annual variation in %)	6.8	7.9	7.2	7.8	-
Investment (annual variation in %)	9.8	7.3	6.9	6.6	-
Unemployment Rate	4.1	4.1	4.1	4.0	3.9
Trade Balance (USD billion)	259	383	594	510	419
Exports (USD billion)	2,209	2,342	2,273	2,098	2,263
Imports (USD billion)	1,950	1,959	1,680	1,588	1,844
Exports (annual variation in %)	7.8	6.0	-2.9	-7.7	7.9
Imports (annual variation in %)	7.2	0.5	-14.3	-5.5	16.1
International Reserves (USD)	3,880	3,899	3,406	3,098	3,236
External Debt (% of GDP)	8.9	17.0	12.7	12.7	14.0

Source: Focus Economics¹⁸

China's economic results greatly exceeded Deng's expectations. He expected China to become a middle-income country. Currently, China is the second largest economy in the world in Gross Domestic Product (GDP) numbers in dollars while the largest one in PPP terms.

18. See, <https://www.focus-economics.com/countries/china>

Implementing Decisions

Deng implemented a new political and economic framework to advance China. Most importantly, he recognised past mistakes, was willing to change and to lead the process that eventually buried the negative impact from the Gang of Four and the Maoist period. In a historic document, entitled “Resolution on Certain Issues in the History of Our Party since the Formation of the People’s Republic of China”, in 1991, the historic achievements of Mao Zedong were recognized, but mistakes like the Great Leap Forward (1958-1960) and the Cultural Revolution (1966-1976) were also mentioned, as stated:

“The main responsibility for the grave, left-wing error of the Cultural Revolution, a mistake of huge size and lengthy duration, lies indeed with Comrade Mao Zedong.¹⁹”

Following the decision of the Third Plenum Session of the Eleventh CPC Central Committee. Deng built up the strategy of China’s socialist modernization. This gradually culminated in a three-step strategy, based on three steps:

- Double China’s GNP during the 1980s in order to meet the basic living needs of the Chinese people;
- Double China’s GNP again during the 1990s and reach a moderately prosperous standard of living; and
- Raise China’s economy to the level of a moderately developed country and attain the goal of modernization in another 30-50 years.

This three-step strategy ensured fully attainable goals. The achievement of such goals renewed the Chinese society a belief in its future, consolidated a common perspective and ultimately gave a sense that the country was moving in the right direction.

Impact of 1979 Reforms

Deng’s reforms met great success initially. The positive results reduced the opposition from Party traditionalists, in addition to public support. The reforms addressed the concerns of some of the Party Conservatives²⁰, including effective sugar-coating of the measures with socialist and nationalistic cover. Thus, “Market Socialism with Chinese Characteristics” was created, strategically aligning capitalism and socialism. By doing so, Deng was able to navigate the situation without creating internal resistance that could delay the Chinese transformation process.

China was able to grow due to large scale capital investment, from its large domestic savings and foreign investment. It also relied on fast productivity growth. The reforms improved efficiency, increased output and resources for investment in the economy. Additionally, such results increased China’s historically high rates of savings, both at the individual and at the corporate levels. Such savings enabled China to boost domestic investment leading to savings levels that far exceeded its

19. See, Muhlhahn.

20. Conservatives were those members of the post Mao who either adhered to Maoist orthodoxy (though less radical) or accepted Reform and Opening-up but with a slower pace, restricted scope, or even the opposed the methodology of Deng’s policies.

domestic investment levels, transforming China into a net global lender.

China increased efficiency and productivity by reallocating resources for better usage, particularly in agriculture, services and trade. Decentralization gave rise to more market-oriented private firms, boosted production, increased manufacturing and fostered greater competitiveness in the export sector. Over the last decades, in order to overcome the middle-income trap, China has also expanded its reach into technological sectors, with China fastly converging with developed countries based on its higher level of productivity, GDP growth and greater economic efficiency.

China's profound changes since 1978 have allowed it to move quicker and benefit indirectly from the Washington Consensus²¹, which was designed to support market-based economic system. China's early transformations allowed it to advance much faster than its Eastern European counterparts, who were still lost in the ideological debate of whether Communist economic policies could work. By anticipating its exit from the Soviet-economic model, China became the recipient of many funds that would no longer reach the former Soviet-satellite states in Eastern Europe.

The Gradual Rise of China

As China still celebrates 40 years of Reform and Opening-up, it is clear that the country has navigated successfully through a turbulent, yet very rewarding period. It has faced great challenges, economic difficulties, financial crises, but with great resilience, the country has been able to move on and up the development ladder in a very effective way.

Since Reform and Opening-up was implemented, the Chinese GDP has grown exponentially. In 1977, it was 367.9 billion Yuan, while in 2017, that number reached 82.7 trillion Yuan, with an average annual growth of 9.5 per cent. The Chinese share of global GDP went from 1.8 per cent to 15.2 per cent.

These numbers had an enormous economic impact and on the national pride. People's living standards have improved, with greater access to childcare, education, housing and employment. More than 740 million people have been lifted out of poverty over the last 40 years of Reform and Opening-up. It also has made China one of the most active players in the world economy. In recognition of the positive impact of Reform and Opening-up, current President Xi Jinping affirmed:

“The last four decades of reform and opening-up in China has been an epic journey for the Chinese people. With determination and through self-reliance and hard work, we have forged ahead on the road to national development and progress. China has pursued development with its door open and succeeded in transforming a closed and semi-closed economy into a fully open economy. Openness has become a trademark of China. China has grown by embracing the world, and the world has also benefited from China's opening-up.”²² (Xi Jinping)

21. The Washington Consensus, a term coined by British economic John Williamson, consisted in a series of free market economic policies, supported by the International Monetary Fund, the World Bank and the U.S. Treasury, to help developing countries facing economic crises, by recommending structural reforms emphasizing the role of market forces, free trade and free-floating exchange rates.

22. Keynote speech by President Xi Jinping at opening ceremony of 1st China International Import Expo on 05 November 2018. See Dalian News (http://english.runsky.com/2018-11/06/content_5930472.htm)

Mao Zedong, though controversial, is still considered the man who finally consolidated China. Deng Xiaoping was the man who brought China out of poverty and changed the course of its History by making its people wealthier. Currently, Xi Jinping, China's most powerful leader since Deng, is seeking to lead the country to a new level of economic development and power, overcome many of the traps the country still faces and eventually be the man who transitioned China to become a superpower. As affirmed previously, as part of Deng's long-term strategy for economic growth, China became the world's recipient of pollution in order to achieve the goal to lift China from poverty to wealth through production. Xi, however, in a much different moment of Chinese history, wants clean air and more strength from intellectual capital. The visions may sound conflicting, but they are in unison in their view to rebuilding China's past of glory and relevance.

Henry Kissinger, in his 2015 book *World Order*, recognised that the world is growing in disequilibrium. China and the United States, two nations with historical exceptionalism, located in opposite ends of the earth, have become the centre of gravity of the international system. China was thrust into the liberal order, led by the West, without having written the rules of the system. As it grows in increased relevance, China is most likely to demand a revision of the rules of the world in order to reflect its needs. The existing liberal order has been essentially American-led, addressing the interests of the United States. China will certainly seek to implement incremental adjustments to shape it in a way that fits its needs. However, the current circumstances are much different from the time when the United States did that since it was the sole superpower remaining after the II World War. Kissinger also affirms that a collision between the Chinese growth and the American desire to retain global dominance seems likely unless a balance is found and both can coexist peacefully. Tragedy in great power politics could eventually become a reality.

There is a growing sense that the current world order is no longer sustainable. Despite its efforts to remain the leading superpower, the US is facing growing challenges to its leadership. The new world order, announced by President George Herbert Walker Bush, where the US was the hegemon in a unipolar world, is being redesigned with a different player leading the process: China.

The old Thucydides trap gains life frequently in the international debate regarding the challenges and possible confrontations that may happen between the US, the declining, versus China, the rising power. This outcome, however, may not become reality since China seems unwilling to rewrite the liberal order but just to edit it. This editing will be done after China concludes three major processes: (i) the transition from global factory to global marketplace; (ii) the transition from hardware to software producer; and (iii) the conversion of Renminbi into the world's reserve currency and global payment platform.

China is on a steady route to regaining its XV-XVI century position as the world's largest power. Economic globalization has brought China from the periphery into the core of the international system. Since opening up to foreign trade, investment and free-market reforms in 1978, China has become the world's largest economy (on a Purchasing Power Parity (PPP) basis), manufacturer, trader and holder of foreign exchange reserves, although recently China has seen its real GDP growth slow down significantly, from 14.2% in 2007 to 6.9% in 2017.

The success of the Chinese economy, affirmed Deng, is essential for its current political ruling party system to remain in power. Reform and Opening-up have secured resilience and preserved stability. Through BRI and "Made in China 2025 Plan", Xi Jinping is rejuvenating the country and strengthening

faith in the CPC to preserve the mandate of heaven and deliver effective welfare improvement. Xi's strategies aim at overcoming the middle-income trap China suffers, guarantee the survival for the current political establishment and to step in as the United States slowly moves down the ladder as the world superpower.

This has been done slowly but strategically. China has been able to implement a very successful strategy to become the main trading partner for a majority of the countries through trade and investments. China's effort to expand its economic and political influence around the globe is outpacing the US, particularly with current policies deriving from BRI.

The Consequences and Lessons Learned from Chinese Reforms

One of the most important implications of China's economic rise is its implications on world politics. China's peaceful rise seems to be a distant past, ever since its economic growth has been steadily reshuffling political patterns, particularly in trade and investment flows around the world.

China's global status has improved not only because of its hard power but also due to its growing political and economic influence in the world. Continuous high growth has made China one of the most fundamental pillars of the global economy and an engine for global economic growth.

“China is the world's second-largest economy. We have a market of more than 1.3 billion consumers who live on the land of over 9.6 million square kilometres. To use a metaphor, the Chinese economy is not a pond, but an ocean. The ocean may have its calm days, but big winds and storms are only to be expected. Without them, the ocean wouldn't be what it is. Big winds and storms may upset a pond, but never an ocean. Having experienced numerous winds and storms, the ocean will still be there! It is the same for China. After going through 5,000 years of trials and tribulations, China is still here! Looking ahead, China will always be here to stay!²³” (Xi Jinping)

In 1949, when Mao Zedong led the Communist Revolution, the Chinese adopted the Soviet political and economic model of governance. This model proved dysfunctional, ineffective and unable to address the ever-growing needs of the Chinese society. That is why, after 1978, under the leadership of Deng Xiaoping, China adopted a new ideological perspective, admitting that the leadership had made serious political mistakes and economic success should be the driving factor of the country. This strategy also sought to adapt the country to the challenges would eventually face ahead.

China began and accomplished a very successful transition from a planned to a globalized market economy, positively impacting its population, raising millions from poverty and transforming China into a key world leader. Despite occasional turbulence, China has delivered prosperity to its population.

On the political side, nonetheless, China kept things unchanged. The CPC is still a centralised and disciplined party, with control over the government and the State, though constantly facing enormous pressure from the West. With the economic success China has had, the CPC has been resilient in holding power and major changes in the power system seem unlikely to happen anytime soon.

23. Keynote speech by President Xi Jinping at opening ceremony of 1st China International Import Expo on 05 November 2018. See Dalian News (http://english.runsky.com/2018-11/06/content_5930472.htm)

China has also increased its role in global trade since its accession to the WTO. Considering that 2.6 per cent of consumption in the rest of the world is imported from China today, compared with only 0.8 per cent in 2000 and that Chinese imports now account for 2.0 per cent of the gross output of the rest of the world, compared with 0.4 per cent in 2000. In recent years, China has become the ultimate global trader. Yet, China has to become far more reliant on its domestic economy to drive growth. In 2008, China's net trade surplus reached 8 per cent of GDP; by 2017, that figure was only 1.7 per cent – less than either Germany or South Korea, where net trade surpluses amount to between 5 and 8 per cent of GDP.

In the early 1990s, China implemented substantial economic reforms, still as part of its Reform and Opening-up to the world, like the following:

- (i) Privatisation or liquidation of most of the state-owned companies, except large monopolies;
- (ii) Expansion of the role of the private sector in the economy;
- (iii) Reduction of tariff and non-tariff trade barriers;
- (iv) Promotion of competition, deregulation and new taxes;
- (v) Reform and bailing out the banking system;
- (vi) Gradual reduction of the income gap between the coastal cities and the countryside;
- (vii) Increased subsidies, elimination of agricultural taxes, and social welfare promotion.

China's Reform and Opening-up show some lessons that can be learned by developing countries, despite the peculiarities of the Chinese government and its historical circumstances, such as follows:

- **Committed ruling elites willing to improve the country is essential.** Such elites should be resolute in their attitude in pushing reforms and maintaining a steady course when facing opposition from sectors that may be more resistant to change and prefer the old system, since they derive benefits thereof, or are just unwilling to change. With such commitment, the senior political leaders addressed the need to reform, leading to a more productive environment, where entrepreneurship was able to flourish.
- **The synergy of a committed leadership together with a hard-working labour force.** This equation allowed China to engage in continuous improvement, securing a smooth, yet steady transition from planned to a market economy, by unleashing the business potential of the private sector. Modernization would be the result of hard work. And work is recognised even in the Chinese Constitution as the essential tool for such progress. Article 42 of the Chinese Constitution affirms:

Article 42. Citizens of the People's Republic of China have the right as well as the duty to work.

Using various channels, the state creates conditions for employment, strengthens labour protection, improves working conditions and, on the basis of expanded production, increases remuneration for work and social benefits. Work is the glorious duty of every able-bodied citizen. All working people in state enterprises

and in urban and rural economic collectives should perform their tasks with an attitude consonant with their status as masters of the country. The state promotes socialist labour emulation and commends and rewards model and advanced workers. The state encourages citizens to take part in voluntary labour. The state provides necessary vocational training to citizens before they are employed.

It is quite interesting that the Constitution of the People's Republic of China clearly states that Chinese citizens have not only the right but mainly the duty to work. This perspective places enormous importance on the relevance of each worker in the process of building up the future of Chinese society

- **Trade-off current discomfort for future welfare.** China's rapid development happened at the cost of and environmental preservation. Factories and buildings were erected rapidly, producing goods and providing housing for a growing population, often at steep costs to the environment. This was the cost the Chinese society paid for development and growth. Now, at a much later stage of progress in the process, China has seeking ways to ameliorate the toll on the environment.

All such factors also required a firm attitude from the country's ruling leadership, whereby there was an underlying promise of current discomfort for future benefits. The social fabric of China at that time was willing to make such a sacrifice.

Belt and Road: the culmination of China's Reform and Opening-up

The Belt and Road Initiative (BRI), previously known as One Belt One Road (OBOR), has been the hallmark of Xi Jinping's governmental strategy, a new step in the Reform and Opening-up of China. Through BRI, China seeks to implement a new development strategy on infrastructure and investments, regional connectivity and increment China's global presence through its trading network. BRI, which was launched by Xi Jinping in a visit to Kazakhstan and Indonesia in 2013, stands as China's utmost project of building the world's largest integrated market, with particular emphasis on the infrastructure gap that many of the countries it trades with still have and where China believes there is a potential for more growth and economic development. The choice for infrastructure is based on the gains such investments can generate in the communities where BRI invests. This basically implements a Chinese perspective, similar to the strategy it pursued throughout its Reform and Opening-up period, with a firm belief that infrastructure is essential to deliver better welfare.

China is going through a period of enormous domestic changes in an effort to modify its growth model from quantity-oriented to quality-oriented. High technology goods and services, mastering of Artificial Intelligence and leadership in the new wave of communications, particularly 5G, are certainly some of the most relevant elements of the Chinese strategy to overcome the middle-income trap and to become a standard-setter in the 21st century.

Having greatly benefited from globalization - which, it should be said, may not have been fair and equitable to some countries and groups of people - China has also been steadily creating more trade interaction opportunities through BRI to its member countries. BRI, as proposed by Xi Jinping, with 125 countries, 29 international organizations, and 173 cooperation agreements under the initiative

framework²⁴ has been seeking to revive industries, exports and production in its member countries, somehow spreading some of the positive results China has had from its own Reform and Opening-up. With more than eighty (80) economic and trade cooperation zones in several member countries, involving more than 4,000 companies, the BRI framework plays an important role in improving the infrastructure of partner countries without some of the restrictions imposed by the United States, the European Union, and the United Nation's system of international organisations. China intends to build massive infrastructure projects connecting China to the globe, through ports, bridges, railways and pipelines, creating a modern "Silk Road" as a new era globalisation.

Reform and Opening-up transformed China, mostly focusing on its coastal regions, where it brought major development. BRI, on the other hand, constitutes a new development strategy to develop the remainder of China - mostly the interior and Western provinces -, use some its foreign currency reserves and even change China's economic position in the world by serving as the new platform of multilateralism in replacement of the current world liberal order, rebalancing the role of the United States in Asia, Africa and even Europe. BRI also raises the global profile of China, a grand strategy to present China as a superpower and eventual heir to the position currently held by the United States. China seeks to provide the necessary comfort level for countries to transition their relationships from the US to China.

BRI also presents major domestic and international economic opportunities for China, currently facing issues like overproduction in several sectors and the constant concern for the employment of its sizable population to which BRI can secure buying markets. China also faces the challenge of growing labour costs, which have forced China to restructure expansion into new products and consumer frontiers, using widely available Chinese net capital to investment opportunities abroad. BRI, though a new vision presented by Xi Jinping for China and the world, is the culmination of Reform and Opening-up, as a platform for China to export its development model, particularly to countries seeking to modernise and solve their internal structural problems, particularly where the liberal framework has not been the best tool for achieving modernisation and where infrastructure may generate the highest gains and the best long-term results.

China's development path has been the result of visionary leadership and the willingness to change course when required, including its economic principles, governance, development and political positioning. China is steadily becoming more assertive in the global arena and willing to modify the current global system to address the issues it deems more relevant for the international agenda. Though facing growing opposition from the United States - some have coined the term "China Threat" to reaffirm a Cold War mind frame against China - including the Chinese Achilles' heel of energy security, China has kept a steady course by seeking to create a new model for "major power relations" to address issues related to global peace and development.

By enhancing the reach of BRI, China will be able to impact billions of people in several countries. For this China has made several investments of billions of dollars in multiple projects to advance cooperation and partnerships. BRI seeks to apply the concept of a "community of common destiny for humankind". Such approach grows in relevance as Chinese global status improves and also the resistance by established nations surmounts.

24. See, Belt and Road projects: Past, present, future (<http://www.chinadaily.com.cn/a/201904/22/WS5cbcf141a3104842260b7627.html>)

Trade War with the United States

The China-United States so-called Trade War has centred on tariffs and trade imbalance between the two countries. The Trump Administration has argued bilateral trade is unfair. In this claim, they found support also from other European governments who believe China has been an unfair competitor. It should be noted, however, that US exports to China have grown steadily since 2001 when China joined the WTO.

With that background, the claim of unfair trade involves much more. Firstly, it is part of the American imaginary fight against a rising power like China. Secondly, the true issue is that China has been slowly transitioning to compete globally in high technology manufacturing, one of the U.S. historical strengths. Steadily, Beijing is becoming more important as a technology hub and investor than any other place in the world, including Silicon Valley.

Manufacturing has been declining slowly in China, though it still remains as the world's global factory. As wages rise in China, labour-intensive manufacturing seeks other places where the cost of labour is still lower. Also, many of such industries are still highly pollutant businesses and the Chinese population has been demanding better environmental standards. As the cost of labour has increased in China, but also due to its previous competitiveness in pricing, countries like Japan, United States and Germany – three major international trade exporting powerhouses – have long been implementing technological innovation and artificial intelligence to gain an edge in production. The understanding of such threat, plus the need to raise China from the middle-income trap, has made the country apply all its efforts into technology as a driving, yet saving force, for economic prosperity. That is why China, since 2005, has implemented a measure to surpass competitors in several key sectors. “Made in China 2025” is just another example of this enormous effort by the country to pursue such goal, particularly in sectors like information technology, robotics, aerospace, high-technology shipping, rail transportation and artificial intelligence. To pursue such strategy, China has invested billions of dollars into start-ups with innovation in technology or even buying already established tech companies in many countries of the world, an initiative that has generated resistance in many countries in the world.

Thus, the issue of most relevance in the trade war between the United States consists of three back issues:

- (i) Chinese acquisition of advanced technology by corporations in developed countries;
- (ii) High subsidies given by the Chinese government to encourage high-technology companies for invention or reinvention; and
- (iii) Possible breaches of Intellectual Property Rights by Chinese companies without the proper legal restraints.

This power struggle will continue. Trade negotiations and sanctions may eventually vanish, but the issue of technology domain will be part of the new normal of the global society until one of the players prevails.

Conclusion

The successes of Reform and Opening-up in both rural and urban life in China led to the adjustment of ownership structure and the inclusion of more people into the process of rebuilding the country. This new air of openness allowed products to circulate more freely, with prices being determined by the market and significant expansion in sectors such as technology, economic and international trade. Though difficult at times to implement, seeking to avoid major disruptions and decline in production, like previous measures implemented by Mao Zedong, had proven, or even due to lack of experience with the market economy, China took all the necessary steps to transform a lethargic economy into one of the most dynamic. China had to rebuild its legal and judicial system and overcome its bureaucratic and political obstacles. The political support of a committed elite allowed the country to experiment, make mistakes, correct them and grow economically and in collective welfare.

Deng's policies changed the destiny of generations in China and in the world. In 1992, Deng, during his Southern Tour, reminded the officials to be bold in reform and courageous to experiment. Boldness and courage thus summarised as the two main aspects that made Deng Xiaoping a stellar leader in Chinese history. With great effort and political acumen, Deng had the courage to abandon the Soviet-style economic model and the boldness to propose market economy in a country that had ingrained so much of the Communist ideology into its daily life.

With boldness and courage, Deng was able to lift millions of Chinese out of poverty and transform China into the linchpin of global trade. China became wealthier and was able to deliver real effective development and growth. Deng's intelligence rejuvenated and modernised China. More importantly, such reforms strengthened the CPC and have secured its political survival and long-term resilience. Visionary leadership, boldness and courage have transformed China, generating an outstanding result, under a system where meritocracy has been key to alter the course of its history.

There have been occasional accusations of neo-colonialism against China, particularly due to BRI. Such allegations do not reflect the reality of what improved infrastructure and stimulated industrialization have already done to partner countries. What China wants to do, as time goes by and it asserts itself as the new global power, is to provide a new development model and, by developing infrastructural ties, reduce physical and regulatory barriers to trade and set new international – as well as industrial – standards.

Reform and Opening-up altered the face of China. From a country that had suffered tremendous humiliation in the past to one of the fastest growing, the Chinese saga for reinsertion into the global scene is not a miracle. It is the result of hard work, visionary leadership and great inventiveness of its people. There will be several criticisms against China. The road ahead will not be easy. In fact, it will be quite turbulent from time to time. Yet, China has navigated through major turbulence. Its development model has worked and improved the lives of Chinese people. Perhaps this is the greatest lesson of China's recent history: governments still can reach positive results if there is a plan, desire to implement it and willingness to leave a legacy. And this is what Reform and Opening-up effectively is.

On a final point, the dynamism of China's international relations will be greatly based on the successes of its economic policies, domestic and globally. As China pursues to bring greater prosperity to its vast

population, its participation and influence globally will necessarily grow, since though it is a great producer of so many things, China is not self-sufficient in everything. China will depend more on the world and the world will depend more on China. Perhaps this mutual dependence will generate more win-win situations than ever before. Win-win is one of the Chinese favourite expressions. Hopefully, it will be the reality of the new Chinese century.

Bibliography

Allison, Graham. The Thucydides Trap: Are the U.S. and China Headed for War?, *The Atlantic*, September 2015. <https://www.hks.harvard.edu/sites/default/files/centers/mrcbg/files/Allison%2C%202015.09.24%20The%20Atlantic%20-%20Thucydides%20Trap.pdf>

Bramall, Chris. *Chinese Economic Development*. New York: Routledge, 2008.

Brandt, Loren, and Thomas G. Rawski, eds. *China's Great Economic Transformation*. Cambridge, UK: Cambridge University Press, 2008.

Barnett, A. Doak. *Uncertain Pasage: China's Transition to the Post- Mao Era*. Washington: Brookings Institution, 1974

Chang, Chun-Shu. *The Making of China: Main Themes in Premodern Chinese History*. Englewood Cliffs: Prentice-Hall, 1975.

Cranmer-Byng, John. «The Chinese View of Their Place in the World: An Historical Perspective,» *China Quarterly* [London], No. 53, January-March 1973, 67-79.

Garnaut, Ross, and Yiping Huang, eds. *Growth without Miracles: Readings on the Chinese Economy in the Era of Reform*. Oxford: Oxford University Press, 2000.

Garver, John W. *China's Quest: The History of Foreign Relations of the People's Republic of China*. New York: Oxford University Press, 2016.

Hideo Ohashi. The Belt and Road Initiative (BRI) in the context of China's opening-up policy. *Journal of Contemporary East Asia Studies*, 2018.

Keohane, Robert O. and Nye, Joseph. *Power and Interdependence*. Glenview, IL: Longman, 2012.

Kissinger, Henry. *On China*. New York, NY: Penguin Press, 2011.

Mühlhahn, Klaus. *Making China Modern: From the Great Qing to Xi Jinping*. Cambridge, MA: Harvard University Press, 2019.

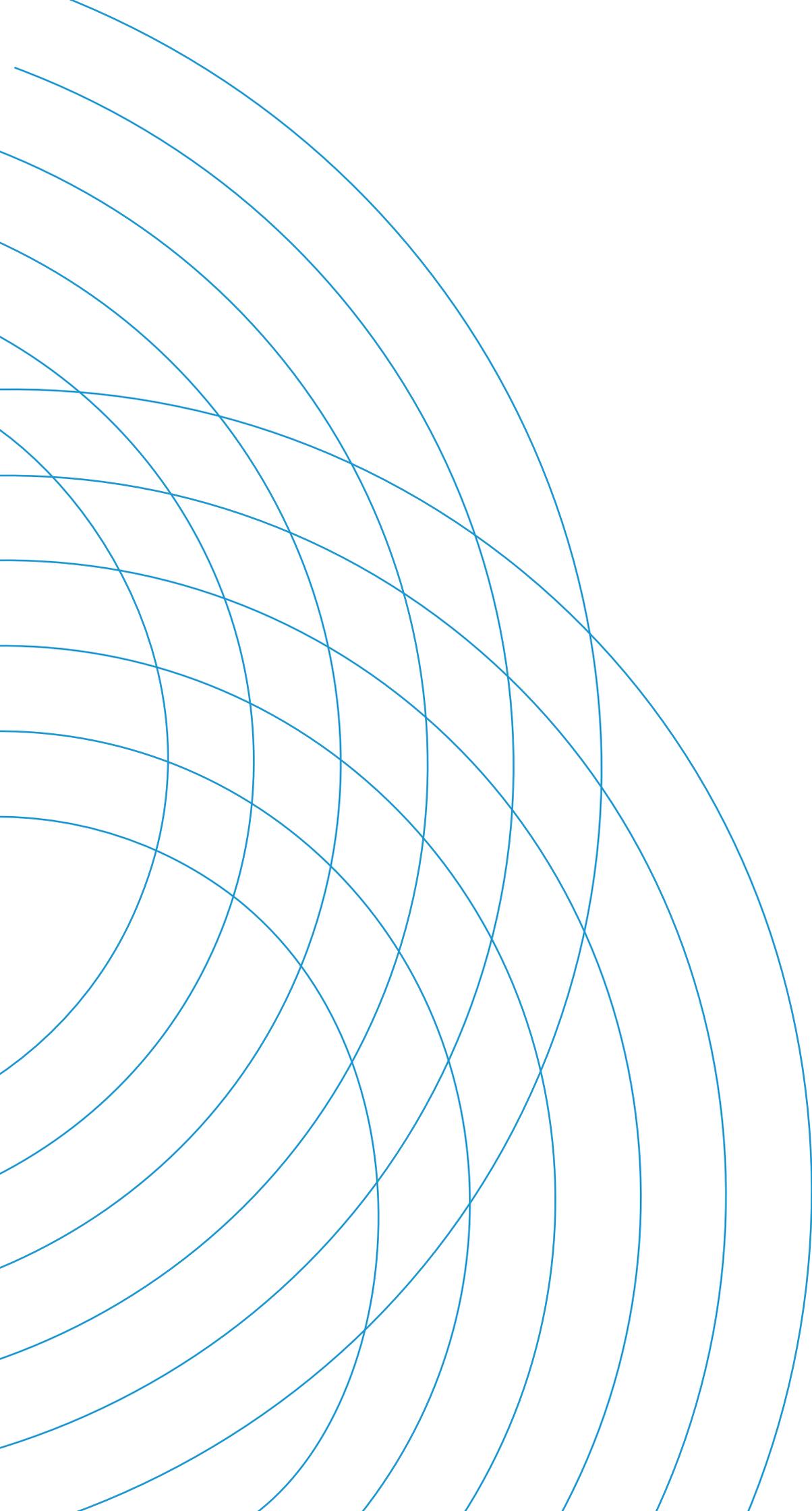
Naughton, Barry. *The Chinese Economy: Transitions and Growth*. Cambridge, MA: MIT Press, 2006.

Ross, Robert S. and Feng, Zhu. *China's Ascent: Power, Security, and the Future of International Politics*. Ithaca: Cornell University Press, 2008.

Wu, Jinglian. *Understanding and Interpreting Chinese Economic Reform*. New York: Thomson Texere, 2004.

Xu, Chenggang. "The Fundamental Institutions of China's Reforms and Development." *Journal of Economic Literature*, 2011

Yee, Herbert S. *China's Rise - Threat or Opportunity?* Abingdon: Routledge Security in Asia Series, 2011







Policy Center for the New South

Complexe Suncity, Immeuble C,
Angle Boulevard Addolb et rue Albortokal,
Hay Riad, Rabat - Maroc.

Email : contact@ocppc.ma

Phone : +212 5 37 27 08 08

Fax : +212 5 37 71 31 54

Website : www.policycenter.ma