

Emerging China's Economic Visions during the Five Year Plans and the Evolution of the Doctrine of "the Scientific Concept of Development"

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Abstract

In this article let us examine emerging China's economic visions during the Five Year Plans and the evolution of the various political doctrines that epitomizes in "the Scientific Concept of Development" proposed in the 11th Five Year Plan. Since China started its 1st Five-Year Guidelines more than 50 years ago and its opening-up more than 20 years ago, the country has been in a constant quest for social and economic development. Economic performance has been remarkable, if not unprecedented since the introduction of "Deng Xiaoping Theory" of "growth first" approach. In continuation with "Deng Xiaoping Theory", Jiang Zemin's "Three Represents" strengthened the economic development process. The "growth-first" policy and the "three represents" while on the one hand, put the country into the economic development path, on the other, we notice that along with the rapid expansion of the economy, there also arise growing imbalances and disparities in the economy. In order to overcome this contradiction in a socialist development path, we notice a shift from Deng Xiaoping and Jiang Zemin theories to the new theory of "the Scientific Concept of Development" proposed by Hu Jintao. Our analysis of China's Five Year Plans and its shift from "the Growth-First" policy towards the doctrine of "the Scientific Concept of Development" has shown us the current Chinese path of economic development with a new vision.

Chinese economic development showcased its zenith when President Hu Jintao declared open the 29th summer Olympic Games of Beijing on August 8, 2008 with the theme of "one world one dream". The exciting announcement came after a nearly-one-hour art performance highlighting China's 5,000-year civilization and modern achievements, and a 2.5-hour march-in of more than 10,000 athletes from 204 countries and regions. "Hosting an Olympic Games has been a century-old dream for the Chinese nation. For seven years, ever since Beijing won its Olympic bid, the hearts of 1.3 billion Chinese people have been pulsating in unison with the Olympic Movement...The 16-day sport event has brought enormous joy and enthusiasm to the humanity, and has won glory for both the host city Beijing and the Olympics."¹⁾ The Beijing Olympic Games are an opportunity for China. The hosting of these Games has boosted the Chinese people's self-esteem, enhanced national cohesion, and reinforced the country's faith in pursuing a peaceful development. The Beijing Olympic Games have helped the world to better understand China's social system and development mode, and have added impetus to China's opening-up to the outside world. Through the Beijing Olympic Games, the world has had a better knowledge of what China is like—a country that makes constant progress. As the main host city, Beijing has benefited directly from the Olympic Games, which have left such modern, iconic architecture as the Bird's Nest and the Water Cube, and also greatly promoted the local infrastructure construction. More importantly, these Games have infused the public with the concept of "green Olympics, high-tech Olympics and people's Olympics," which will play a significant role in promoting China's environmental protection, scientific

innovation and public participation in social affairs. The Beijing Olympic Games also mark the integration of the Western civilization with the Chinese civilization. The Olympic Games have become a symbol of modern civilization since their revival 112 years ago. A successful Olympic Games in Beijing—it is indeed the most precious gift the Chinese nation has presented to the world.²⁾ As the world marvel at the success of Beijing Olympic Games, in this article let us examine emerging China's economic visions during the Five Year Plans and the evolution of the various political doctrines that epitomizes in “the Scientific Concept of Development” proposed in the 11th Five Year Plan. The developmental journey that China undertook since 1949 has a Marxian political and a socialist economic system.

In order to understand the Chinese social-political and economic system, it is necessary to know the relation between Chinese Communist Party (CCP) and the National People's Congress (NPC) before we undertake any policy analysis of the People's Republic of China. According to China's Constitution, the NPC is the country's highest state power. It has the power to make laws, elect (and depose) state leaders, including the State President and Premier, approve state budget and policies, and declare war against a foreign country. But in China, NPC is always called a rubber stamp due to its sub-ordination to CCP. Although not explicitly written in the Constitution, any action the NPC takes in utilizing its constitutional powers is in fact carrying out the order of the Party. After the Party decides, it leaves them to the NPC to faithfully turn them into state acts. As the Party's influence is diminishing in recent times, it is good to raise the question whether NPC will assume its lawful role as the representative and legislative organ of the people, the people's congress in the true sense.³⁾ It is only within the matrix of CCP-NPC framework, one can analyze the ideological, political or economic policies and thinking that controls the everyday life of Chinese people.

The economic planning is a characteristic of Chinese Socialist System and China introduced the Five Year Plan model for its economic progress. The Five-Year Plan for National Economic and Social Development, or the Five-Year Plan, mainly aims to arrange national key construction projects, manage the distribution of productive forces and individual sector's contributions to the national economy, map the direction of future development, and set targets. From 1949 to 1952, the economy was in its so-called recovery period. In 1953, the central government implemented its first five-year plan. Except for a period of economic adjustment between 1963 and 1965, a total of ten five-year plans have been made and implemented to date. The five-year plan for 2006-2010 is called the 11th Five-Year Development.⁴⁾ For our study, let us begin with a short survey of the Five Year Plans that China began in 1953.

Five Year Plans and Their Objectives

In this survey we will limit to the objectives of various plans that will provide us an understanding of the herculean task of economic infrastructure that China built during her developmental journey. According to the Communist Party of China (CPC)'s⁵⁾ general line for the transition period, the first Five-Year Plan from 1953-1957 set the basic tasks as to: assemble all forces for industrial construction centered on 156 construction projects designed by the Soviet Union, and 694 large or medium sized construction projects. It also established the foundation for socialist industrialization and developed socialist collective ownership to establish the foundation for agriculture and handicraft industries' socialist reform. It includes capitalist industry and commerce in various forms of state capitalism to set up the foundation for privately owned enterprises' socialist reform.

During the 2nd Five-Year Plan from 1958-1962, the main tasks that were set in motion during the earlier years

continued. It continued industrial construction with heavy industry at its core, advance technical improvement of the economy, and establish a firm foundation for socialist industrialization. While continuing socialist reform, enhance and extend socialist collective ownership and public ownership. On the base of infrastructure development and socialist reform, further develop industrial production, agriculture and handicrafts, as well as transportation and commerce. During this plan period, China strived to train constructive talent, reinforce scientific research to meet the demands of the socialist economy and cultural development. Under the precondition of growth in industrial and agricultural production, steps were taken to strengthen national defense and improve people's material and cultural life.

The initial years of the Cultural Revolution from 1965-1968 had a massive impact on China and continued its influence in various ways into later years also.

During the 3rd Five-Year Plan from 1966-1970, the attention was to spare no effort to develop agriculture, solve problems concerning people's food, clothing and other basic needs and strengthen national defense, endeavor to make breakthroughs in technology. In order to support agriculture and strengthen national defense, enhance infrastructure, continue to improve the production quality, increase production variety and quantity, building the country's economy on self-reliance, and develop transportation, commerce, culture, education and scientific research. The 3rd Five-year Plan also asked the nation to prioritize national defense in consideration of a possible big war, actively preparing for conflicts and speeding up construction along the nation's three most important frontlines (referring to national defense, science and technology, and industry and transport infrastructure).

During the 4th Five-Year Plan from 1971-1975, the objective was to ensure the average annual growth rate of gross output value of industry and agriculture can reach 12.5 percent. With 130 billion yuan budgeted for infrastructure construction, grain output should reach 300-325 billion kg, cotton output 65-70 million piculs (1 picul is 60 kg), steel output 35-40 million tons, coal 400-430 million tons, electricity 200-220 billion kWh, railway freight 900 million-1 billion tons.

During the 5th Five-Year Plan from 1976-1980, the plan goals were as follows: by 1985, steel and petroleum outputs should reach 60 and 250 million tons respectively, and 120 large projects, including 10 steel production bases, 9 non-ferrous metal bases, 8 coal bases and 10 oil and gas fields, should be built. To achieve these goals, the government would invest 70 billion yuan in infrastructure construction, equaling total national investment in the previous 28 years. As this was impossible, soon after the 3rd Plenary Session of the 11th CPC Central Committee, the central authorities put forward new principles of readjustment, reform, rectification and improvement in April 1979 and started rectifying the economy.

The 6th Five-Year Plan from 1981-1985, continued to enforce the principles of readjustment, reform, rectification and improvement, further resolve various issues against economic development left unsolved from past years.

During the 7th Five-Year Plan from 1986-1990, further efforts were made to create good economic and social environments for economic reform to guarantee the general balance between total social demand and total social supply. The objective was to let reforms proceed smoothly, and try to lay the groundwork for the new socialist economic system with Chinese characteristics. This was made possible by making economic growth continuous and stable, and under the precondition of proper control over total input in fixed assets, spare no effort to enhance key constructions, technological improvement and intelligence development, preparing for the ongoing

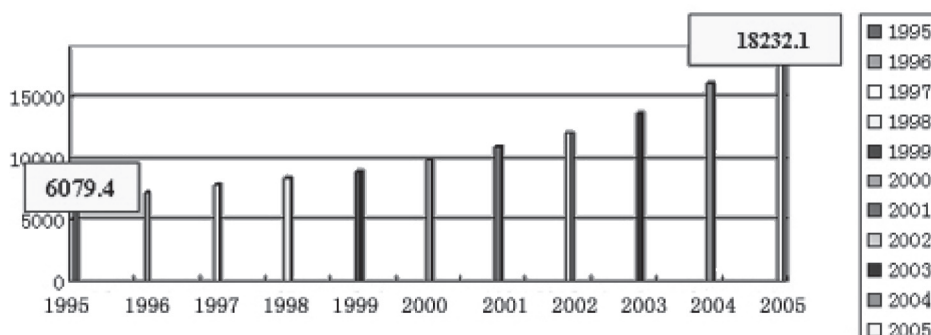
development of economy and society. While boosting economic growth and benefits, keep improving people's lives has become a prime target.

During the 8th Five-Year Plan from 1991-1995, China's reform, opening-up and modernization reached a new stage, with GNP reaching 5,760 billion yuan in 1995, about five years ahead of target.

During the 9th Five-Year Plan from 1996-2000, the objective was to accomplish the second strategic phase of modernization and reduce poverty. This was made possible by speeding up the establishment of a modern enterprise system and building the socialist market economic system. The main objectives of national economic and social development by 2010 were to double 2000's GNP and so people could lead a richer life.

During the 10th Five-Year Plan from 2001-2005, the major anticipated objectives of macro-control during this plan were: economic growth rate of 7 percent per year, GDP to reach 12.5 trillion yuan by 2000 prices, and per capita GDP to reach 9,400 yuan. Table 1 below shows the expansion of GDP during this period. New jobs amongst town and rural migrant laborers number 40 million, and urban registered unemployment is controlled at 5 percent. The general price level should stay steady, and the balance of international payments maintained. The major anticipated objectives of economic structural adjustments were to optimize and upgrade industrial structures and strengthen world competitiveness. By 2005, the added value of primary, secondary and tertiary industries in GDP should be 13.51 and 36 percent respectively, while their share of employment should be 44.23 and 33 percent. Levels of economic and social coordination should be enhanced and infrastructure further improved. The trend of widening development gaps between regions should be effectively controlled and levels of urbanization raised.

Table 1 Gross Domestic Product (Unit: billion yuan)



The 16th Central Committee of the Communist Party of China (CPC) examined and approved proposals for formulating the 11th Five-Year Guidelines for National Economy and Social Development, setting objectives for the next five years. During the 11th Five-Year Plan from 2006-2010, the main objectives are to build new socialist rural areas, optimize and upgrade industrial structures, promote concordant development of regions, build a conservation-minded and environment-friendly society, further system reform and enhance opening-up, efficiently practice strategies to invigorate China through science and education and through human resource development, and give impetus to constructing a socialist harmonious society. Later, we will have a closer look at the 11th Five-Year Plan.

In the above brief survey, we have seen the paradigm shift that was taking place under each five year plans

that steered Chinese economic development. Based on this analysis of development, in the following section of this article, I would like to concentrate on the process and policies of economic development of China and its shift towards the doctrine of “the scientific concept of development” The scientific concept of development means China has to change from over-reliance on a cheap labor force, funds and natural resources to well-educated workers and improvement of science and technology, a development mode that not only values quantity and speed but also high quality and energy-saving The concept was raised by Hu Jintao when visiting Guangdong Province from April 10 to 15, 2003, when he asked people to pay attention to the harmonious development of economy and society, sustainable and all-round development. One year later, it was included in speeches at the 4th Plenary Session of the 16th Central Committee of the CPC. The Political Bureau of the CPC Central Committee held meetings to work on the drafting of the Guidelines. They agreed to adhere to Deng Xiaoping Theory and the “Three Represents” and further implementation of the scientific concept of development. We can notice the shifting philosophical paradigms of Chinese development from the “growth-first” policy towards the doctrine of “the scientific concept of development.”

Philosophy of the “Growth-First” Approach

Economic performance has been remarkable, if not unprecedented since the introduction of “Deng Xiaoping Theory”.⁶⁾ Deng Xiaoping Theory is the series of political and economic ideologies first developed by Chinese leader Deng Xiaoping. Traditional Maoist theory put China's development focus on the building of socialism and class struggle, while Deng's Theory emphasized economic construction and stability. Deng's social philosophy included socialism with Chinese characteristics. Deng believed that “It doesn't matter whether a cat is white or black, as long as it catches mice.” In other words, he did not worry too much about whether a policy was capitalist or socialist as long as it improved the economy. China's phenomenal economic growth largely owes its success to Deng Xiaoping Theory.

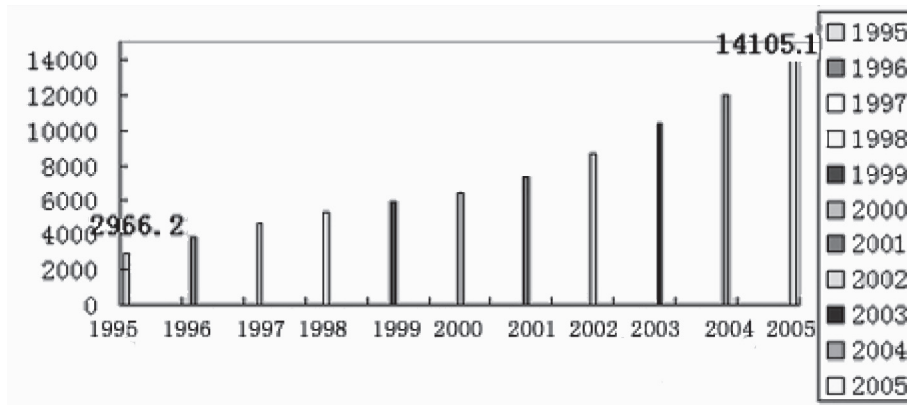
In continuation with “Deng Xiaoping Theory”, Jiang Zemin's “Three Represents”⁷⁾ strengthened the economic development process. Jiang Zemin's speech at the 16th CPC Congress, November 2002, credited him with the theory of “Three Represents”. According to him, “Reviewing the course of struggle and the basic experience over the past 80 years and looking ahead to the arduous tasks and bright future in the new century, our Party should continue to stand in the forefront of the times and lead the people in marching toward victory. In a word, the Party must always represent the requirements of the development of China's advanced productive forces, the orientation of the development of China's advanced culture, and the fundamental interests of the overwhelming majority of the people in China”. The actual function of the theory is two-fold. It legitimizes the inclusion of capitalists and private entrepreneurs within the Communist Party, and as a result has been the subject of quiet but heated opposition within the party. Second, it is an attempt to cement Jiang Zemin's historical legacy as a Marxist theorist on the level of Mao Zedong for Mao Zedong thought and Deng Xiaoping for socialism with Chinese characteristics. One possible interpretation of the “Three Represents” is as follows:

“Represents advanced social productive forces” = Economic production

“Represents the progressive course of China's advanced culture” = Cultural development

“Represents the fundamental interests of the majority” = Political consensus

Following the ideological shift, we can notice that from 1978 to 2006, real GDP grew by 9.6 per cent a year on average. In the same period, per capita GDP income rose by 8.5 percent a year as 400 million of people

Table 2 Savings Deposits (Unit: billion yuan)

were pulled out of poverty. In recent years, since China joined the World Trade Organization, China's economy has gained new momentum and grown by more than 10 percent annually to become the world's fourth largest economy and the third largest trading nation. Table 2 shows the growth of savings deposits as a sign of the economic expansion.

There is little doubt that international trade has played a crucial role in China's economic growth in recent decades. This is particularly true in the last couple of years, when net export contributed to over 20 percent of GDP growth. Indeed, combined trade surplus for 2005 and 2006 reached US \$279 billion (US \$102 billion for 2005 and US \$177 for 2006 respectively), equivalent to the sum of trade surpluses of the previous 11 years from 1994 to 2004. In the first 10 months of 2007, trade surplus has reached a new high of US \$212 billion. More significantly, China's trade surplus is severely biased and concentrated primarily in the US and Europe.⁸⁾

Imbalances and Disparities

The "growth-first" policy, while on the one hand, put the country into the economic development path, on the other, we notice that along with the rapid expansion of the economy, there also arise growing imbalances and disparities in the economy. Premier Wen Jiabao cautioned during the National People's Congress, "the biggest problem with China's economy is that the growth is unstable, unbalanced, uncoordinated, and unsustainable." In the Report delivered in the 17th Party Congress, Hu Jintao specified a number of challenges, including particularly environment, development gaps between rural and urban as well as across regions, stagnation in agriculture development and in rural income and the lack of employment generation. While rising imbalances during economic expansion is not a unique phenomenon for China, the problem for China is much larger in scale and the potential damage more serious. The first pressing concern is the increasing income disparity. The ratio of urban to rural per capita disposable income increased from 2.5 in 1996 to 3.3 in 2006. Per capita GDP ratio between rich coastal regions and poor inland provinces also increased significantly, especially in the late 1990s and early 2000s. In addition to potential social and political consequences, growing income disparity, as shown in the Tables 3&4 below, may seriously impede the development of a strong domestic consumption, leaving the economy to depend heavily on export and capital spending. While the per capita disposable income of urban residents is 10493 yuan, the per capita net income of rural residents is only 3255 yuan.

Continued investment expansion will no doubt put further strain on the supply of energy and other resources. Heavy dependence on export means China is vulnerable to potential shocks in external demand.⁹⁾ Visiting the Chinese political capital city as well as 2008 Olympic city of Beijing, the traditional city of Ningbo, the commercial-financial capital city of Shanghai, the developmental model city of Shenzhen and the emerging city of Guangzhou from February 27th to March 6th of 2008 as part of a research project helped me to understand the Chinese issues about development. As we traveled from city to city, we could see the high rise buildings as symbols of economic expansion and the stories that we heard of the migrant workers as evidence of the economic imbalances and disparities.

Table 3 Per Capita Disposable Income of Urban Residents (Unit: yuan)

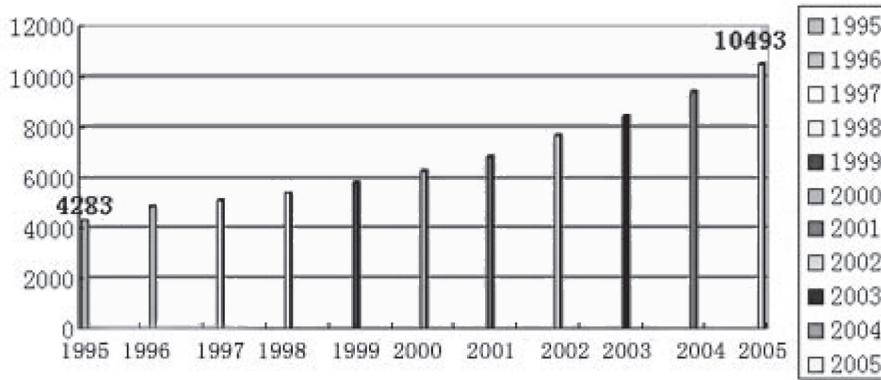
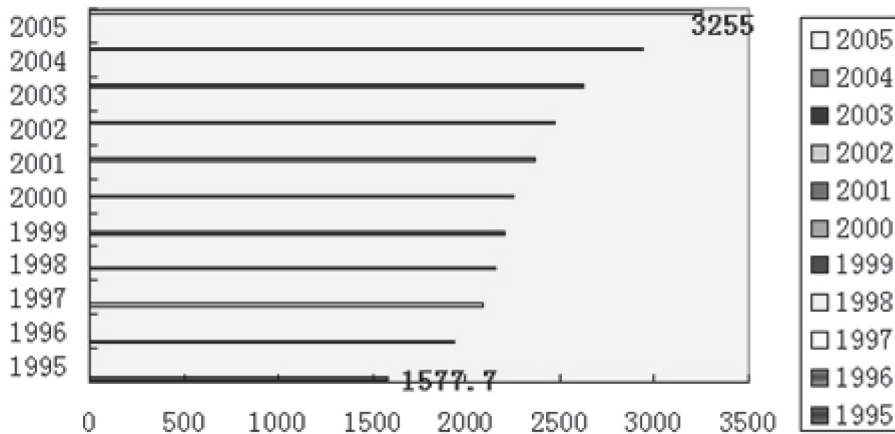


Table 4 Per Capita Net Income of Rural Residents (Unit: yuan)



The Chinese leaders have been especially sensitive about the heightened public complaints about pollution, recognizing that they must change course through adjusting the growth-first philosophy of the Deng Xiaoping era and embrace a new model of “Scientific Development” that includes environmental protection and other contents relating to balanced development. Environmental issues, once marginalized in China’s decision-making process, have become new policy focus. With mounting environmental problems across the country, the ruling

CPC included the notion of “Conservation Culture” in its political report for the first time as new content of “Building a Comprehensive Well-Off Society”. The change means that “coordinated development” with focus on green issues will permeate future economic reform.¹⁰⁾

The Doctrine of the “Scientific Development Concept”

We have analyzed the “growth-first” policy and the resultant imbalances and disparities in economics and environment. Although the objective of building a comprehensive well-off society remains, the report of the 17th Party Congress has cited the “reduction of energy consumption and protection of the environment” alongside “optimization of structure and improvement of economic results” as the basis for economic development. This shift in policy is explained in the “scientific doctrine of development”. By writing the doctrine of the “scientific concept of development” (kexue fazhan guan) into the party constitution, the National Party Congress formally elevated Hu Jintao to the ranks of major ideological contributors in Chinese Communist history, taking the place alongside Mao Zedong, Deng Xiaoping and Jiang Zemin¹¹⁾ To address the increasing imbalances, the Hu-Wen leadership has in recent years campaigned for more balanced development strategies, the core of the “Scientific Development Concept”. As stated in Hu’s Report, the concept “takes development as its essence, putting people first as its core, comprehensive, balanced and sustainable development as its basic requirement, and overall comprehensive consideration as its fundamental approach”. In another word, growth and development remain the Party’s foremost objective. At the same time, the leadership will adjust its economic policies when necessary to ensure sustainability. This pragmatic approach has become evident from the transition from “Deng Xiaoping Theory”, to Jiang’s “Three Represents”, and to Hu-Wen’s “scientific Development Concept”¹²⁾

China has built robust economic institutions under Deng Xiaoping and Jiang Zemin. It is now moving towards building robust social institutions under Hu Jintao. Hu’s concept of scientific outlook on development endorsed a platform for shifting the party’s focus from an all-out economic growth to a more balanced development that takes vulnerable groups into account. Building robust social institutions become imperative for the CCP in the new millennium just as building robust economic institutions was imperative three decades ago. Hu’s scientific outlook on development is a partial response to the new imperative. It is a guideline calling for less income inequality, less regional disparity, more social justice, more protection of the vulnerable, more energy efficiency, and more environment friendly development. Particularly, on the social front, Hu’s scientific outlook on development envisions a “harmonious society” where the Chinese people enjoy their rights to education, employment, medical and old-age care, and housing. Hu also emphasizes the need to gradually raise the share of personal income in the national income, and increase that of labour income in primary distribution. He has vowed to raise the income of low-income groups and increase poverty-alleviation aid and minimum wage. For the first time in the party history, the CCP is encouraging more citizens to have income from assets and properties.¹³⁾

Hu pays more heed to the rising social need for cultural products. His cultural policy is threefold: ensuring access to public-cultural services for rural and urban poor, promoting elite culture as part of national pride-building and identity-forming, and nurturing globally competitive cultural industries. For the most part, Hu’s scientific outlook on development involves building and expanding social institutions that offer better protection against poverty, unemployment, illness, and old-age.¹⁴⁾

Social harmony, human centered approach, industry repaying agriculture, rural reconstruction, etc., are a few innovative concepts in this theory. Scientific development includes the aim of “building a harmonious society”.

Among the concrete interpretations of social harmony which help provide agencies with actual working targets is the concept of “social justice”. The Big Three social justice issues-health, housing and education-are dealt with concretely, along with some others like increasing the proportion of financial-type assets in ordinary people’s wealth, increasing the equity (i.e., fairness) of “primary distribution”, an expression that in the first place refers to salaries and wages. In the Report, Hu-Jintao called for social equity to be observed in primary distribution. “A proper balance will be struck between efficiency and equity in both primary distribution and redistribution, with particular emphasis on equity in redistribution.” It is a significant departure from Deng’s “getting rich first” and Jiang’s “three represents”, which seek to build pro-growth economic institutions. With Hu’s scientific development and social harmony written into the party constitution, the 17th Party Congress marks the first step in the transition from building pro-growth economic institutions to building pro-people social institution.¹⁵⁾

One of the core characteristics of the reform can be termed as that it is a human development oriented reform: “Putting people first, setting up a sustainable development concept, advancing the economic society’s and people’s all-round development,” was how the 3rd Plenary Session of the 16th CPC Central Committee summed up the concept of scientific development. “Putting people first” is not entirely new, since politicians such as Guan Zhong of the Qi Kingdom during the Spring and Autumn Period (770-476 BC) more than 2,000 years ago and Mencius of the Warring States Period (475-221 BC) proposed similar concepts.¹⁶⁾ Yao Xuange, deputy chief and secretary-general at Shaanxi Ethics Research Academy, said it meant polices should consider people’s feelings, respect people’s rights, not ignore people’s needs and take people’s freedom and all-round development as the final aim. The new Five-Year Guidelines aims to stress people’s development rather than only measures of material increases such as GDP. Another characteristic could be termed as systematic reform. Two key changes -- the household contract responsibility system at the beginning of the 1980s and the establishment of the socialist market economy since the 1990s -- will be furthered during the 11th Five-Year Guidelines. The key breakthrough will be made in sweeping obstacles from the present system. Past experiences have shown that the root causes of many economic problems confronting China lie in the country’s present systems and mechanisms. The doctrine of the “scientific concept of development” and the aspirations that are enshrined in this vision are to be translated into reality during the 11th Five Year Plan period.

China’s 11th Five Year Plan: New phase of Development

Since China started its 1st Five-Year Guidelines more than 50 years ago and its opening-up more than 20 years ago, the country has been in a constant quest for social and economic development. The 11th Five-Year Guidelines is based on the experience of the past years. It also benefits from a comparatively mature and well-developed systematic theory of reform. The “Communist Party of China (CPC) Central Committee’s Proposal on the Formulation of the 11th Five-Year Guidelines (2006-2010) for National Economic and Social Development” adopted by the Fifth Plenum of the 16th CPC Central Committee put forward many new thoughts, new ideas and new moves. This will definitely exert major influence on the new practice of China’s economic and social development. Let us analyze the important key words of this document that merit attention¹⁷⁾

New development mode: Problems such as the rural-urban gap, polarization of rich and poor, waste of resources, environmental deterioration, administrative corruption and low efficiency have amassed over years. Overheated investment since 2003 brought to light the problems that accompanied China’s old development

mode. The formulation of the 11th Five-Year Guidelines signals a complete transformation of China's social and economic development mode. It will, for the first time, incorporate the idea that economic growth does not equal economic development, economic development does not necessarily result in society's development and that growth is not the goal, but the means of development. It aims to realize the following strategic goals: to improve innovative capacities, transform the mode of economic development, encourage a cyclic economy, adopt a new route of industrialization and build a society that is energy-efficient, environment-friendly, wholly coordinated and sustainable.

Adjustment of industrial structure: During the "11th Five-Year Guidelines" period, adjustment of the industrial structure includes two-layer meanings: One is raising the level of industrial technology. The "Proposal" points out: To realize the adjustment of the industrial structure, "the key is to comprehensively enhance independent innovative capability, strive to master core technology and key technology, strengthen ability for the transformation of scientific and technological achievements and improve the overall technological level of industry". Second is developing key industries. The "Proposal" points out that the important tasks for adjustment of the industrial structure is to develop advanced manufacturing industry, increase the proportion of the service trade and strengthen infrastructure construction for basic industries.

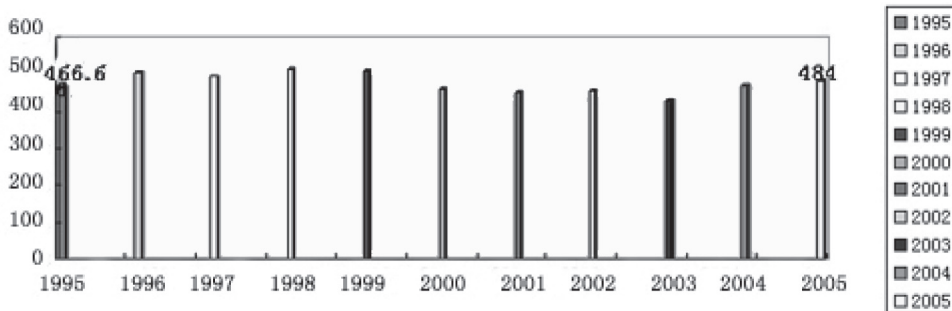
Cycling economy: The "Proposal" points out that developing a cycling economy is an important way for the building of a resources-saving and environment friendly society and realizing sustainable development. Vigorously developing a cycling economy requires adoption of comprehensive measures: Changing the concept of development, rationally adjusting industrial structure and distribution, establishing a technical supporting system for the development of a cycling economy, perfecting the system and mechanism for promoting the development of a cycling economy, strengthening laws and regulations and a standard system for developing a cycling economy, organizing and launching a pilot project for the cycling economy and intensifying publicity and education.

Independent innovation: The "Proposal" notes that regarding enhancement of independent innovative capability as the strategic basic point of scientific and technological development and a key link in adjusting the industrial structure and changing the mode of economic growth, vigorously improving primitive innovative ability, integrated innovative ability and the re-innovative abilities for introduction, assimilation and digestion of technology. Enhancing independent innovative capability requires: First, accelerating establishment of a technological innovative system that takes enterprise as the mainstay and market as the guide and features the integration of production, emulation and research. Second, it requires, improving the market environment for technical innovation. Third, implementing policies related to finance, taxation, banking and government procurement for supporting independent innovation, and perfecting an incentive mechanism for independent innovation. Fourth, it requires, making proper use of global resources of science and technology. And, fifth, it requires, strengthening protection of intellectual property rights (IPR).

Expanding domestic demand: The "Proposal" points to the need of further expanding domestic demands, adjusting the relationship between investment and consumption, and increasing the role of consumption in

boosting economic growth. The contribution rate of China's consumption to the growth of GDP has witnessed a continuous sharp drop in recent years. The growths of investment and consumption are inharmonious. During the "11th Five-Year Guidelines" period, China will focus its efforts on expanding consumption demands from four aspects, and give further play to the role of consumption in pulling along economic growth. First is to change the situation of the sluggish rural consumption through increasing farmers' incomes, intensifying the government's public services to rural areas and accelerating the pace of urbanization, etc.; second is to intensify efforts in regulating income distribution through raising the income levels of medium- and low-income earners and guide urbanites to expand consumptions; third is to gradually improve the country's social security system, so as to relieve consumers of their "worries" about consumption; fourth is to improve the consumption environment and thus guarantee civilians' consumption safety. As shown in Table 5, one of the reasons for low consumption is that total grain production during 1995-2005 has not expanded much.

Table 5 Total Grain Production (Unit: million tons)



Boosting "four new -izations": During the "11th Five-Year Guidelines" period, the process of the "four new -izations" characterized by industrialization, urbanization, marketization and internationalization will be fully accelerated, and the Chinese economy will thus release tremendous vigor. Acceleration of industrialization refers to the fact that currently the output of China's principal industrial products have ranked first in the world, the country is becoming the world's largest industrial production base. Faster urbanization refers to the rapid growth of China's urban population. Quickening marketization refers to the fact that China has become one of the most open markets in the world, as well as a market which witnesses the fiercest competition in the world, of the world's top 500 enterprises, 450 have entered into the Chinese market. Acceleration of internationalization means that the proportion of GDP in relevance to international capital increased from 25.4 percent in 2000 to 37.7 percent in 2004. Promoting the development of "four new -izations" provides an important condition for maintaining the rapid development of China's economy.

Building socialist new villages: The "Proposal" clearly states: "Building socialist new villages is a major historical mission in China's modernization process." The target and requirement for building socialist new villages can be summed up as follows: Developed production, well-off life, civilized rural customs, a neat and tidy appearance of village and democratic management. Such scenarios give full expressions to the requirements for rural economic, political, cultural and social development under the new situation. Building socialist new

villages requires upholding the principles of “giving more to villages, taking less from them and breathing new life to them”, and “industry nurturing agriculture and cities supporting villages”, improving farmers’ living quality, bringing about a relatively big change in the outlook of rural areas as a whole. Emphasis is placed on strengthening plans for the construction of villages and towns and improving the environment, developing various social undertakings in rural areas, fostering new farmers; strengthening construction of rural democracy and legal system and construction of spiritual civilization and encouraging new social practices.

Deepening reforms: The “Proposal” has the following salient characteristic: Promoting the strategic adjustment of structures and social progress through intensifying reform efforts. The many contradictions and problems currently arising in China are rooted in the fact that the reform is not in place and the system imperfect: The reason for the periodical fluctuations appeared in China’s macro-economy lies in the fact that reforms of the macro-management system and the micro-operational mechanism are not put in place; the reason for the extensive mode of economic growth is directly related to the fact that the change of government functions is not in place, the finance, taxation and banking systems are imperfect and enterprise reform is not in place; and the serious waste and low efficient use of resources is directly related to the indistinct defined property right systems of land, water and important mineral resources and to the irrational formation of mechanism. The “Proposal” has worked out plans in regard to the emphasis on deepening reforms: First is to vigorously press ahead reform of the government’s administrative management system. Second is to uphold and improve the basic economic system. And third is to push forward finance, taxation and banking system reforms

Raising the level of opening to the outside world: During the “11th Five-Year Plan” period, China’s opening program is faced with a more complicated international environment and new requirements set forth by domestic development. Such being the case, China must raise the level of opening to the outside world. The “Proposal” clearly calls for implementation of a mutually beneficial and win-win opening strategy, this is a major guiding principle for balancing domestic development and opening to the outside world during the “11th Five-Year Plan” period and is a guideline for further and wider opening to the outside world. Carrying out the mutually beneficial and win-win opening strategy requires: First, accelerating the change of the trading growth pattern, actively developing foreign trade, optimizing the mix of import and export commodities, and striving to bring about a basic balance of imports and exports; second, continuing an active and efficient use of foreign capital, focusing efforts on improving the quality of the utilization of foreign capital and strengthening guidance to foreign-funded industries and regions; third, supporting qualified enterprises in “going global” and investing abroad in accordance with common international practices.

Public service: The “Proposal” particularly stresses the need to further change government functions, to concentrate major government energy on economic regulation, market supervision and administration, social management and the functions of various public services. During the “11th Five-Year Plan” period, public service is raised to an unprecedented height. In relevance to the reduction in the economic indexes, human and social indexes are added to the projected targets of the “11th Five-Year Plan”, such as civilian-concerned employment, social security, compulsory education, public health and public security. And

Social development: The “Proposal” points out that development must be a scientific one, it is necessary to incorporate the building of a socialist harmonious society into the connotation of development, to coordinate and promote economic construction, political construction, cultural construction and social construction, and propel humans’ all-round development. The words social development are especially eye-catching in the “Proposal”. While impelling economic development, it is essential to pay attention to the problems concerning social development, such as how should wealth be distributed, how interests be coordinated and how contradictions be defused. Regarding this, the “Proposal” clearly points out the need to begin with tackling the practical problem that involves the vital interests of the people, to lay more emphasis on the coordinated economic and social development, to speed up the development of social undertakings; greater attention should be paid to social justice, so that all people can share the achievements of reform and development; more attention should be given to the coordination of reform, development and stability and maintenance of social tranquility and unity.¹⁸⁾

Common prosperity: China’s per capita GDP has surpassed US\$1,000 and is expected to reach US\$3,000 in 2020. Other countries’ experiences indicate that the disparity between rich and poor increases in unemployment and the disparity between urban and rural is likely to sharpen at this point of development. According to Professor Zhu Li, from Nanjing University’s Social Science Department, “The government must regulate market deficiencies and support and help people who need it. The more important point is to create a social system and environment that provides equal opportunities.” Hu Angang, chief of Tsinghua University’s State Condition Research Center, said common prosperity is not an unreachable aim and would assure social stability and long-term security.¹⁹⁾

Regional Development and coordination: The “Proposal” points to the need of carrying out development of the western region, revitalizing northeastern old industrial bases, promoting the rise of the central region, encouraging the eastern region to take the lead in development, so as to form a pattern in which the eastern, central and western regions act together, take advantage of each other’s strengths, promote each other and enjoy common development. The “Proposal” points out the way for implementing the strategy of regional development mainly in three aspects. First, strengthening regional coordination and interaction mechanisms, which include the market mechanism, cooperation mechanism, mutual-aid mechanism and supporting mechanism. Second aspect is to clearly define the functional positions of different regions. Carrying out optimized development, selected point development, restricted development and prohibited development in accordance with the populations, resources, environment bearing capacity and development potentialities of various regions. Third aspect is for expediting a sound development of urbanization. This is possible by vigorously and steadily pressing ahead with urbanization in line with the principles of advancing in an orderly and gradual way, saving lands, engaging in intensive development and making rational arrangement.

Ma Kai, director of the NDRC, said the new Five-Year Guidelines would prioritize the Yangtze River Delta, Beijing-Tianjin-Hebei, Chengdu-Chongqing and the old industrial base in the northeast in regional Guidelines. The replacement of the Pearl River Delta with Chengdu-Chongqing is a reflection of the area’s establishment as a well developed economic region with no more need for preferential policies. Regional economic guidelines in China focuses on spreading development gains from south to north, east to west and

from periphery to center. South to north development began with the Pearl River Delta economic region in the 1980s, with Shenzhen taking the leading role. It was followed by the Yangtze River Delta economic region led by Shanghai's Pudong area. The Bohai Sea Ring economic region led by Tianjin's Binhai New District plus the reinvigoration of the old industrial base in the northeast are its latest focuses. East to west development started in the coastal region before shifting toward the west development strategy. The incorporation of Chengdu-Chongqing is an important measure in promoting development of the western region and coordinating regional development. Periphery to center development prioritizes central areas, following the strategies for the eastern coastal region, the western region and the old northeast industrial base. Independent innovative capabilities better appreciated. China has become the biggest consumer of the world's major resources, and estimates by international energy institutions predict that between 2002-30, 21 percent of new energy consumption will come from there. Since opening-up, China's economy has benefited from the introduction of advanced technology and management from abroad. But as it lacks core technology and its own intellectual property, it relies heavily on cheap labor, energy consumption, land resources and preferential policies for a competitive edge. Seventy-five percent of economic growth in developed countries is attributed to technological advancement, and 25 percent to an increase of investment in and consumption of energy, raw materials and labor. The situation is quite the opposite in China, but it has begun endeavors to boost its own technological capacities.²⁰⁾

As a socialist economy, China has straddled the development path with a planned economic system. While on the one hand, we see the shift of policy, on the other, it is important to notice the implementation policy. China has begun the economic leap with Shenzhen Special Economic Zone. In our visit to the city of Shenzhen, we could notice the economic development that has taken place there. Shenzhen Special Economic Zone has become a showpiece for China to exhibit how it has put poverty into the shelves of the museum. Similar cases are redesigning the economic, social and environmental landscape of China. China's 11th Five Year Programme has singled out The Tianjin Binhai New Area (TBNA) as part of its overall national effort to boost the regional development of the Beijing-Tianjin-Hebei region (Jing-Jin-Ji area) in particular, and the Bohai Gulf region in general. The project was initiated by the Tianjin city government in 1993, but it was not until March 2006 that the TBNA officially gained high profile attention from the central government. TBNA has been listed as one of three most important national development projects to enjoy the special status after Shenzhen Special Economic Zone of Guangdong was established for the development of the Pearl River Delta in the 1980s and the Pudong New Area of Shanghai was developed in the 1990s to propel growth of the Yangtze River Delta. On this count, the TBNA is also dubbed the "Pudong" or "Shenzhen" of north China. The development of the TBNA is a result of uneven development within coastal China. China's economic reform over the past three decades generated great development disparity not only across China (coastal vis-à-vis inner regions) but also within three economic areas of coastal China: the Pearl River Delta, the Yangtze River Delta, and the Jing-Jin-Ji area. In 2004, in terms of GDP per capita, the Jing-Jin-Ji area was only RMB 20,000 or only 60% of the Pearl River Delta's (RMB 35,000), and 40% of the Yangtze River Delta's (RMB 42,000). Similarly, the Jing-Jin-Ji area only attracted US\$ 7 billion of foreign direct investment and US\$ 150 billion of trade, which were way below that of the Pearl River Delta (US\$ 12 billion and US\$ 400 billion) and the Yangtze River Delta (US\$ 30 billion and US\$ 340 billion). The TBNA is designed as a new growth pole of the Jing-Jin-Ji area to catch up with the prosperity of these two river deltas.

There are three main challenges to TBNA. First, TBNA has a relatively underdeveloped hinterland, as

compared with the Pearl River Delta and the Yangtze River Delta. Second, historically there has been limited regional coordination between Beijing, Tianjin and Hebei. Within Tianjin, there is even serious resource competition between the TBNA administrative committee vis-à-vis the administrative committee of Tianjin Economic and Development Area, Tianjin Free Trade Area and Tianjin Port. Third, like many cities in northern China, Tianjin faces environment challenges, particularly in air quality and accessibility of drinkable water. In the short term, the TBNA will have to depend on water diverted from the Yangtze River Basin and desalinated seawater from the Bohai Sea, both of which are costly. Without substantial solutions to these challenges, TBNA's ability to catch up with the Pearl River Delta and Yangtze River Delta remains questionable.²¹⁾ Though there is a policy shift in economic development approach, in our discussions, it was clear that the emphasis to get economically advanced first approach still rules the day and the special economic zones are surely part of that engraved strategy.

Conclusion: Policy Implications

The new shift towards the doctrine of "scientific development" has many socio-economic and environmental policy implications. It seems evident that China's leadership has recognized the potential adverse impact of the imbalances and has pushed for strategic changes in development priorities. One is to advance innovation and to increase China's overall technological capacity. In the long run, this may prove to be the most important element to shift China's growth from a reliance on expanding resource utilization to technological upgrading and productivity improvement. For a relatively shorter term, policy priorities are also given to increase domestic consumption, reduce export-promoting incentives, implement stricter environmental regulations and improve enforcement.

For the important issue of income disparity, there are policies initiatives aimed at reducing gaps and at increasing the public provision of basic services such as education, healthcare and welfare. In addition to addressing the structural imbalances in the economy, the leadership is now also facing a more urgent threat of inflation, which is aggravated by the problem of income inequality. It is important to realize that there is probably no easy solution to the numerous problems in the economy. There are indeed potential risks that threaten China's economic growth. The recently announced land reform, if implemented properly, would alleviate the disparity experienced by the rural farmers. However, it is hopeful that the Chinese government, having accumulated experiences and expanded capacity in macroeconomic management, is in stronger position to tackle problems in its effort to become a strong and vibrant economy.²²⁾

In China's 11th Five-Year Programme (2006-2010), the Chinese government set forth a number of ambitious green targets, including cutting energy consumption per unit GDP by 20%, reducing major pollutants discharge by 10%, decreasing water consumption per unit industrial output by 30% and raising forestry coverage rate to 20%. However, the country only managed to cut its energy intensity by 1.23% in 2006, far below the annual 4% target in the 11th Five-Year Programme. Reports from the State Environmental Protection Administration showed that in the first quarter of 2007, China's seven major water systems were slightly polluted, with no major change in water quality from the same period of 2006. The overall water quality of drinking water sources dropped, with only 69.3% of drinking water sources reaching national standards, down 5 percentage points year on year. With the 2008 Olympics around the corner, air quality in Beijing is not becoming any better with more than 1,000 new private cars hitting the roads every day in the capital. Chinese leaders have to enhance

its environmental protection sectors to solve the pollution problem more effectively. They should introduce economic incentives and disincentives to curb pollution and ecological destruction instead of relying too much on short-term administrative orders such as closing polluted enterprises or blocking pollution sources. Institutional innovations such as the levy of reasonable discharge fees as well as resource, fuel and environment taxes can do a better job than administrative orders as they are fair and have long-lasting effect. More public participation is also necessary for environmental protection. The CPC's new concept of "Conservation Culture" only marks the beginning of the long-term effort to clean up the country's severely polluted environment. The world's most populous country certainly has a long way to go before the balance between economy and ecological systems can be regained.²³⁾

Our analysis²⁴⁾ of China's Five Year Plans and its shift from "the Growth-First" policy towards the doctrine of "the Scientific Concept of Development" has shown us the Chinese path of economic development. We have also seen the resultant imbalances and disparities triggered by concentrating only on the elements of economics and neglecting the aftermath of human development and environmental degradation. China's 11th Five-Year Programme is taking into consideration these anomalies and putting in place policies that will enable China to implement the elements of the "the Scientific Concept of Development". Let us hope the Chinese path of development may find a suitable balance between economic, social and human development.

Notes

- 1) Editorial, in People's Daily, voice of the Communist Party of China Central Committee, August 25, 2008.
- 2) Editor, Xinhuanet, 2008.
- 3) Wang Zhengzu, "People's Congress: Still a Rubber Stamp?", East Asian Institute Publication, National University of Singapore, 2007.
- 4) Letian Pan, China.org.cn.
- 5) This section about the Five Year Plans are based on the materials from the www.china.org.cn/political; and writings of Zhang Rui, China.org.cn, November 9, 2005.
- 6) "Deng Xiaoping Theory": Teng Hsiao-p'ing; August 22, 1904 – February 19, 1997, was a prominent Chinese politician and reformer, and the late leader of the Communist Party of China. Deng never held office as the head of state or the head of government, but served as the *de facto* leader of the People's Republic of China from 1978 to the early 1990s. He developed "Socialism with Chinese characteristics" and Chinese economic reform, also known as the "socialist market economy", and opened China to the global market.
- 7) Jiang Zemin's "Three Represents": Chiang Tse-min; born August 17, 1926, was the "core of the third generation" of Communist Party of China leaders, serving as General Secretary of the Communist Party of China from 1989 to 2002, as President of the People's Republic of China from 1993 to 2003, and as Chairman of the Central Military Commission from 1989 to 2004. Jiang himself had wanted his Three Represents theory, called an "important thought" on the Mainland, to become his ideological legacy. Although the theory has been codified into both the State and Party constitutions alongside Mao Zedong Thought and Deng Xiaoping Theory, its actual effect is yet to be assessed, and it seems to be losing ground to Hu Jintao's *Scientific Perspective* and *Harmonious Society* ideologies within the party.
- 8) Sara Tong, "Growth and Sustainable Development the Essential Goal", East Asian Institute Publication,

National University of Singapore, 2007

- 9) Ibid
- 10) Ibid
- 11) David Kelly, "Justice and Development in the 17th Party Congress: Paradigm Shift or Normal Ideology?", East Asian Institute Publication, National University of Singapore, 2007.
- 12) Sara Tong, *op.cit.*, p.3,
- 13) Zhao Litao, "'Building Social Institutions: The Party's New Vision", East Asian Institute Publication, NUS, 2007
- 14) Ibid
- 15) Ibid
- 16) China.org.cn, November 9, 2005.
- 17) "New Thoughts and Moves of 11th Five Year Guidelines", Viewed from 11 Key Words (1), published in People's Daily, October 10, 2005.
- 18) "New Thoughts and Moves of 11th Five Year Guidelines", Viewed from 11 Key Words (2), published in People's Daily, October 11, 2005.
- 19) China.org.cn., November 9, 2005
- 20) Ibid.
- 21) Chien Shiuh-Shen, "The Tianjin Binhai New Area", East Asian Institute Publication, National University of Singapore, 2007.
- 22) Sara Tong, *op. cit.*, p.3
- 23) Chen Gang, "Conservation Culture for a Well-Off Society", EAI Publication, NUS, 2007
- 24) This paper is written based on a research trip to China during March 2008. Also this paper has integrated many of the papers presented and discussed at the International Conference on "China and India: Economic and Social Development" organized by East Asian Institute, NUS and others, at Singapore, from March 17-18, 2008.