

中印对话

Comparing  
Economic Reforms  
in India and China

# CHINA-INDIA DIALOGUE

Realistic Attitude  
Further Sino-  
Indian Cooperation

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## A New Horizon

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# 塞罕坝

牢记使命 艰苦创业 绿色发展

半个多世纪，三代人耕耘。

沙地变林海，荒原成绿洲。

寒来暑往，

塞罕坝机械林场的森林覆盖率

已达80%。

栽种树木按二米株距排开，

可绕地球赤道二圈。

Saihanba is a cold alpine area in northern Hebei Province bordering the Inner Mongolia Autonomous Region. It was once a barren land but is now home to 75,000 hectares of forest, thanks to the efforts made by generations of forestry workers in the past 55 years. Every year the forest purifies 137 million cubic meters of water and absorbs 747,000 tons of carbon dioxide. The forest produces 12 billion yuan (around US\$1.8 billion) of ecological value annually, according to the Chinese Academy of Forestry.

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## India and China hold 9th Annual Defence & Security Dialogue

On November 13, 2018, the 9th Annual Defence & Security Dialogue between China and India, co-chaired by Shao Yuanming, deputy chief of the Joint Staff Department of China's Central Military Commission (CMC), and Indian Defence Secretary Sanjay Mitra, was held in Beijing. They discussed the relations between China and India and the two armies, border management and control, and the international and regional security issue concerning the two countries. They agreed to improve the relations between the two armies based on the consensus, reached by the leaders of the two countries and make sure that this was implemented by all departments and the first front troops, and secure the peace and tranquility of the border areas.



## China and India reach important consensus on boundary issues

The 21st round of talks between Chinese and Indian special representatives on boundary issues was co-chaired by Chinese State Councilor and Foreign Minister Wang Yi and India's National Security Advisor Ajit Doval on November 24, 2018 in Chengdu, capital of southwest China's Sichuan Province.

Both sides agreed to continuously promote the process of special representatives' talks in line with the important consensus reached by Chinese President Xi Jinping and Indian Prime Minister

Narendra Modi on properly resolving border issues and developing China-India relations, to reach a fair, reasonable and mutually acceptable solution as soon as possible, said the press release.



## Chinese President Xi Jinping meets with Indian Prime Minister Narendra Modi

Chinese President Xi Jinping met with Indian Prime Minister Narendra Modi on the sidelines of the Group of 20 (G20) Summit on November 30, 2018 in the Argentinian capital Buenos Aires. They agreed to increase mutual trust and bring the bilateral ties to a higher level.

Noting that the meeting is the fourth between the two leaders this year, Xi said that the various important consensuses between him and Modi are being earnestly implemented and the bilateral ties have witnessed stable development.

China-India relations have seen an increasingly positive momentum, which not only brings strong growth impetus for the two countries, but also injects stability and certainty into the profoundly dynamic international situation, said Xi.

The two sides should work together to build an open world economy, and make economic globalization more open, inclusive, balanced and beneficial to all, said Xi.

President Xi attaches great importance to India-China ties and gives a vigorous boost to the relations, said Modi.

India appreciates China's timely offer of hydrologic data, which is of great importance for flood management in India, said Modi.

The Indian side is willing to increase mutual trust between the two countries, and make good use of the meeting mechanism of the special representatives of China and India on the boundary issue and maintain peace and stability in the border areas, said Modi.



## China and India conclude joint anti-terrorism drill

A joint anti-terrorism training drill code-named “Hand-in-Hand 2018” between the Chinese and Indian armies was held from December 11 to 23, 2018, in Chengdu, capital of southwest China’s Sichuan Province.

The joint training has not only upgraded combat capabilities but also enhanced mutual understanding and friendship between Chinese and Indian officers and soldiers, said Major General Li Shizhong, a senior representative of the Chinese People’s Liberation Army.

The 12-day event has been the seventh joint anti-terrorism training between the Chinese and Indian armed forces since 2007.

## 3rd India-China Technology Transfer, Collaborative Innovation & Investment Conference held

From December 18 to 19, 2018, the third India-China Technology Transfer, Collaborative Innovation & Investment Conference was held in New Delhi. 150 representatives from associations, enterprises and research institutes from both China and India attended this conference. After discussions on topics including modern agriculture, biomedicine, renewable energy, internet of things, smart cities and environmental protection, they reached initial agreement on cooperation in many areas.

## China and India hail high-level people-to-people exchange mechanism


The first meeting of the China-India high-level people-to-people exchange mechanism was co-chaired by Chinese State Councilor and Foreign Minister Wang Yi and Indian External Affairs Minister Sushma Swaraj on December 21 in New Delhi.

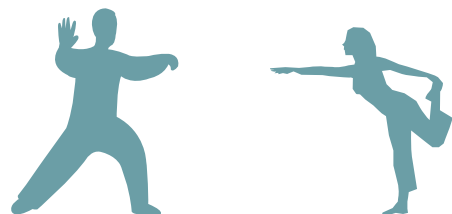
Addressing the meeting, Wang said the formal launch of the mechanism is an important step taken by the two countries to implement the consensus reached by the leaders of the two countries, an important measure to push forward the development of all-round bilateral ties between the two countries and an important platform to realize revival of the Asian civilizations.

The mechanism will help in consolidating the public opinion foundation for the development of bilateral ties, promoting the healthy development of bilateral ties, pushing forward peaceful coexistence among different civilizations and jointly maintaining world peace and stability, Wang said.

Swaraj said that leaders of the two countries agreed at their Wuhan meeting to establish the mechanism for high-level people-to-people exchange, demonstrating great foresight and vision.

For India and China, two countries with a long history and great civilization, the mechanism would provide a new platform for bilateral people-to-people exchanges, adding new impetus to bilateral relations and cooperation, she said.

At the meeting, delegates from the two sides held discussions on a range of issues including culture, media, sports, tourism, traditional medicine and yoga. 



# Opening Up, a China Miracle

By Justin Yifu Lin



Compared to developed countries, China's experience and theory on reform and opening up present a more significant reference for other developing countries.

This year marks the 40th anniversary of China's reform and opening up. Just as Chinese President Xi Jinping pointed out in the report delivered at the 19th National Congress of the Communist Party of China (CPC), Chinese people today are closer, more confident, and more capable than ever before of making national rejuvenation a reality. The major reasoning for President Xi's statement is China's achievements over the past 40 years.

In 1978, China's per capita GDP stood at only US\$155, and more than 80 percent of its population lived in rural areas. At that time, China's imports and exports accounted for only 9.7 percent of the country's total GDP. Essentially, 90 percent of the country's GDP was not related to the international economy. However, over the 40 years since China's historic reform and opening up, the country's GDP has averaged an annual growth rate of around 9.5 percent in comparable prices.

In human history, never has a country with such a huge population and weak foundation been able to realize such a high-speed and long-term growth. It is more than appropriate to call China's progress over the last 40 years a "China miracle."

In the 1980s and 1990s, almost all developing countries, socialist countries included, carried out reform and opening up. However, instead of prosperity, these reforms caused economic collapse, stagnation and



In December 1978, 18 farmers from Xiaogang Village in Anhui Province signed a contract, according to which its farmland would be separated and contracted to each household. This was the start of what was then called the Household Contract Responsibility System, raising the curtain on China's reforms for rural production management systems as well as the country's entire economic system. Pictured are three of the 18 farmers. CFB

crises in most places. Some economists dubbed the 1980s and 1990s the “lost 20 years” for developing countries. However, in the same international circumstances, how was China able to realize consistent high-speed economic growth?

The rapid growth has primarily been attributed to China's “latecomer's advantage” and flexible developmental mentality enabling it to adapt to changing situations. A country's economic growth mainly depends on technological innovation and industrial upgrading. Technological innovation involves the introduction of technologies that improve on current technologies, and industrial upgrading refers to greater added value in a certain industry. Thus, technological innovation and industrial upgrading can be achieved by imitation, importing or integration of existing and mature technologies and

industries from other countries. This avenue was dubbed the “latecomer's advantage” in economics. When its economic foundation was weak, China capitalized on its latecomer's

**China's rapid growth has primarily been attributed to its “latecomer's advantage” and flexible developmental mentality enabling the country to adapt to changing situations.**

advantage to achieve faster economic growth than developed countries.

Due to a contrasting developmental mentality, China's economic performance was totally different from other countries during the transition. Back in the 1980s and 1990s, the popular idea then was that since the market economy was superior to the planned economy, all countries' reforms should point towards a market economy. This trend advocated shock therapy to promote

immediate trade liberalization, large-scale privatization and marketization within a country coupled with sudden release of governmental control as well as withdrawal of state subsidies and protections.

This practice totally overlooked a large group of capital-intensive state-owned enterprises of great scale. Overnight reform removed almost all protections and subsidies fueling these enterprises, which forced them to shut down immediately, leaving a great number of people out of a job and creating social instability. During its 40 years of reform and opening up, China has placed great importance on emancipating the mind, seeking truth from facts and “crossing the river by feeling for stones,” which calls for prudence and pragmatism

in navigating forward in unfamiliar territory. Large state-owned enterprises were given necessary protections during China's transition period. At the same time, market access for China's labor-intensive processing industry which had advantages over many countries opened. Optimizing the available circumstances, China's labor-intensive processing industry embraced development at a breakneck speed. Rapid development amassed capital which gradually transformed




People read the news about China's accession to the World Trade Organization (WTO) at Tian'anmen Square, Beijing, in 2001. Since China joined the WTO, it has been actively fulfilling its WTO commitments and making greater contributions to the world economy. CFB

China from a capital-scarce country to a capital-rich one. Many industries in China which previously lacked comparative advantages became competitive quickly. Enterprises improved their viability by leaps and bounds. Due to these changes, the Third Plenary Session of the 18th CPC Central Committee held in 2013 made the decision to comprehensively deepen reform and pointed out that China must further economic system reform by focusing on the decisive role of the market in allocating resources.

Looking back across the 40 years, experience that will enhance China's future development is providing guidance. First, to realize high-quality development, comparative advantages must be optimized to create competitive advantages. China is now a middle-income country. Its per capita GDP

at market exchange rates is around US\$8,100, compared to the United States' figure of around US\$57,000. The big gap illustrates China's comparatively backward labor productivity compared to developed countries, and China is still sitting on abundant latecomer's advantages yet to be explored. Second, China should continue to emancipate the mind and seek truth from facts. As the largest developing country in transition on the planet, China must steadfastly promote the emancipation of mind and the value of truth. It should keep innovating in practice rather than simply copying experiences or theories from developed countries.

If China can achieve both of the two points as mentioned above, its economic development can improve in quality while maintaining a relatively

high speed. By 2035, the country will basically realize socialist modernization, and by the middle of this century, China will become a great modern socialist country that is prosperous, strong, democratic, culturally advanced, harmonious and beautiful. National rejuvenation is a dream for all Chinese people. And presumably every developing country has the dream of becoming a modern, industrialized and high-income country. Compared to developed countries, China's experience and theory carry more referential significance for other developing countries. 

*A renowned economist, the author is honorary dean of the National School of Development and dean of the Institute of South-South Cooperation and Development at Peking University.*



# Opening the Door

By Sreemati Chakrabarti



The respective paths charted by China through its reform and opening up and India through its policies of economic liberalization have complemented each other in their journeys towards economic development and prosperity.

**T**he year 1978 marked the beginning of the “second revolution” of China when Deng Xiaoping announced at the Third Plenary Session of the 11th Central Committee of the Communist Party of China (CPC) that the country would follow the policy of Four Modernizations. These comprised the modernizations of agriculture, industry, defence, and science and technology. While all

observers regarded this as a paradigm shift in China’s domestic policy, no one ever thought that it would transform the country completely.

These modernizations marked the beginning of what has come to be known as China’s reform and opening up – a landmark set of reforms that has led to the country achieving and consolidating its position as the world’s second-largest economy today.

The narrative of China’s

reform and opening up is one of spectacular growth and development never before seen in human history. For nearly three decades, from the early 1980s to around 2012, China’s GDP growth averaged at nearly 10 percent a year. The per capita income went up from US\$300 to US\$8,000. Improved standards of living of the Chinese people became evident within one decade.

In the first round of reforms, the main beneficiaries were the farmers. The household



A tea production enterprise in Darjeeling, India. The scale of India's tea industry ranks second in the world, with the industry serving as an important pillar of the country's economy. The black tea produced in Darjeeling district in West Bengal is world-famous. VCG

contract responsibility system introduced as part of the reforms in agriculture enabled farmers to sell their surplus produce in the open market, leading to increased income. Industrialization also received a push. The second round of reforms initiated after the 14th CPC National Congress in 1992 gave a massive boost to growth through investments in infrastructure, expansion of the manufacturing and industrial base, promotion of trade and tourism and prioritizing higher education.

China's reform and opening up has had many positive consequences. The most important one is that hundreds of millions of people have been lifted out of poverty within four decades. Reforms-related policies created a huge middle-class group. Wealth generation led to the overall improvement and

growth of higher education, science and technology. Expansion in the number of universities, the subjects taught, and the number of students going for university education – all of these evidenced the rejuvenated higher education scene in China. Massive state funding of selected universities led to world-class research. This in turn helped innovation. The exchange of scholars and joint research projects between Chinese and foreign universities and research institutes lent an added impetus to scientific progress. Many Chinese inventions were patented and large numbers of Chinese scientists and researchers published their academic papers in prestigious international journals. In addition, many research institutes and think tanks were set up, helping not

only advance their research agenda but also promote face-to-face interactions with their counterparts in foreign countries.

Trade and foreign direct investment (FDI) both expanded phenomenally. The number of countries with which China promoted trade relations went up each year. American, Japanese and European multinationals among others entered China. Soon China became the most favoured destination for foreign investors. Tourism expanded greatly as the number of both inbound and outbound tourists went up and continues to grow. Another sector which grew at a very rapid pace was real estate. Numerous apartment complexes were constructed all over urban and suburban China. Volumes can be written about the China growth story which is still unfolding.

However, there have also been certain negative side effects of this massive growth and development. These include regional imbalance, environmental degradation, corruption, and a wide rural-urban divide. A fact too well-known to be elaborated on is that rapid economic growth in any developing country will lead to disparities. The Chinese people and their leaders are well aware of these issues. While it is not possible to completely eliminate these problems in a short span of time, it can be hoped that measures and policies to keep them to a minimum can be pursued.

Let us now turn to the India story which is also remarkable. The government

of Prime Minister Narasimha Rao, which came to power in 1991, introduced policies of liberalization and privatization. Government control in many sectors was withdrawn. The private sector and individual private entrepreneurs took full advantage of the liberalized system. This liberalized economic environment, along with a speedily developing computer software sector, enabled innovation and rapid growth of the economy in an all-round way. Wealth generation was a visible outcome and employment opportunities were created. There was impressive growth in the infrastructure and industrial sectors. The micro, small and medium enterprises (MSMEs) emerged as an important arena for products and employment generation. These also boosted India's trade to a great extent. Purchasing power of Indians increased, which in turn benefited small and big industries. FDI went up exponentially. Multinational companies set up factories and outlets in many parts of the country and this created employment opportunities for workers, technicians, managers and engineers. This economic transformation created the demand for more engineers, software professionals, lawyers and accountants, among others.

The higher education sector responded. Universities, which until then had been primarily in the government sector, were unable to meet the rising demand, leading to the establishment of

some private universities, engineering colleges and technical institutes.

Privatization in higher education was introduced mainly to ease the pressure on public universities. The latter grew at a relatively slow pace but many new departments and disciplines were introduced. The emergence of a globalized world combined with these policies helped the Indian economy grow at a fast pace. Like China, India began to see unprecedented development. The country's massive investments in infrastructure saw the building of roads, bridges, airports, shipyards, etc. From the early 1990s, India began emerging as a major computer software power and this sector developed further with liberalization so much so that there was a huge global demand not only for Indian software products but also Indian computer professionals and engineers. This increased the volume of foreign exchange which further nourished the economy.

The negative consequences of India's otherwise successful growth story have found parallels with China. The rural-urban divide, environmental degradation and corruption are common to both. However, in India, the number of people still living in poverty is much higher than that of China. In addition, uneven development in India has led to the re-emergence and revival of the Naxalite movement in almost one-third of India. Destruction of forests for construction projects has ended up displacing tribal communities from their homes.

India's reform process started at about the same time as China's second phase of reforms. Although India maintained a steady and stable pace of development in the subsequent years, its gap with China increased with each passing year. India's 'Look East' policy (now called 'Act East') paved the way for economic cooperation with China as well as other East and Southeast Asian countries. Trade with China began to increase phenomenally and within a decade China became India's largest trading partner, replacing the United States. Chinese goods began to flood Indian markets.

While in the early years it was only low-cost consumer goods, the last decade has witnessed Chinese electronic goods like air conditioners, refrigerators, televisions and washing machines entering the Indian market. The most unprecedented, however, is the mobile phone sector whose market share is increasing by the day. While South Korean companies currently have much of the market share in India's electronic goods sector, Chinese companies are expected to give them tough competition in the foreseeable future.

However, this turn of events has also resulted in a trade imbalance between the two nations. Finished Chinese goods have long been very much in demand in India as they are less expensive. However, Indian goods have had limited demand in China, and India's exports to China have mainly comprised raw materials and minerals.



The trade imbalance has been an issue between India and China for more than a decade. India's desire to have access to the Chinese market in the areas of IT services, pharmaceutical products and agricultural goods is yet to be fulfilled. However, much of the trade deficit can perhaps be met by increased bilateral investment which has been a relatively recent positive development.

India and China have complemented each other in their path towards economic development and prosperity. The trade with China has been a big boon for many of India's small and medium traders as well as shopkeepers. Here we ought to keep in mind that India has a massive informal sector, believed to account for as much as 80 percent of its total employment. Raw materials and minerals from India have gone a long way in helping China's industrialization.

Cooperation in higher education and research, in my view, is the most

mutually beneficial step for the two countries. Over the last two decades, large numbers of Indian students have studied medicine in China. Exchanges through research projects in science have seen a modest increase but there is a lot of potential for more cooperation in research. Innovations in science and technology and new scientific arenas like artificial intelligence have greater potential for advancement if the best brains of India and China cooperate. In other academic disciplines like languages and social sciences, student exchanges are growing slowly but steadily. Ayurveda and yoga have entered China and are now known to many Chinese people. The popularity of Bollywood films in China not only helps the Indian film industry financially but also binds the people of the two countries together. I find that many Chinese now wish to familiarize themselves with India.

Border trade, which is growing at a modest pace, has helped communities living near the borders to improve their livelihoods through increased incomes. At present, it is only in the Nathu La area where border trade takes place in the summer months. Other borders need to open up to expand this sector. This will greatly benefit the people living in these areas, many of whom are underprivileged. Let us not forget that in the bygone era, when borders did not exist, there was flourishing trade between Indians and

Chinese, particularly the Tibetans. Being neighbouring countries, India and China can benefit much from border trade as it reduces transport expenses in a big way.

The security dimension in India-China relations has been a major block in the normal development of relations between the two emerging nations. However, despite this, the two nations have played a significant role in each other's economic growth. Among the many positive effects of the reform and opening up in China and policies of economic liberalization in India has been the emergence of a huge middle-class group in both countries. This section of society, through combining its skills and entrepreneurial initiatives with global ambitions, has greatly added to the growth story of India and China.

China's reform and opening up and India's economic liberalization opened the doors of both countries wider to the world. Over the decades since, development in both countries has constantly expanded and deepened across various sectors, and cooperation between the two nations has grown manifold. With India and China having lately begun to explore newer avenues of cultural, economic and political exchange, the next chapter of their respective growth narratives is expected to shine even brighter. 



April 15, 1978: A docent (right) introduces the development of Xianghuangqi Banner, Xilingol League, Inner Mongolia Autonomous Region in China to Indian merchants attending the Canton Fair held in Guangzhou City. by Chen Xuesi/Xinhua

The author is vice chairperson at the Institute of Chinese Studies, New Delhi.

# China and India: Building a Shared Future

By Swaran Singh

China-India cooperation can accelerate the pace of comprehensive human development.

China and India are two peer civilizations which today are among the world's largest and fastest-growing economies. They are also rapidly transforming large societies with system-shaping capabilities. Their potential in determining the future of human society is widely recognized and their successes lie in merging their efforts into joint strategies for global transformation. Their cooperation can accelerate the pace of comprehensive human development, a phenomenon which can already be seen inside these two societies as well as in their immediate peripheries. The consequent shift of global focus from the north Atlantic to Asia-Pacific has since unleashed new discourse on the changing nature of global geopolitics with Chinese and

Indian experts contributing to emerging innovative and out-of-the-box narratives. At the very least, the promise of their potential provides China and India an exciting historical opportunity to work together to build a community of shared future for humankind.

China-India relations have thus become one of the most important bilateral relations in the world. Recent years have indeed brought promising signs of growing mutual coordination between New Delhi and Beijing. This can be seen in increasing cooperation on issues like climate change, energy security or terrorism through forums like G20, BRICS, SCO and many other multilateral forums where China and India now coordinate their stances and strategies.

This year marks the 40th anniversary of China's reform

and opening up. While this moment is particularly significant for China, it also provides a very important opportunity to examine the transformation of the China-India relationship over the decades and seek insight on their possible future trajectories.

## RETURN TO RAPPROCHEMENT

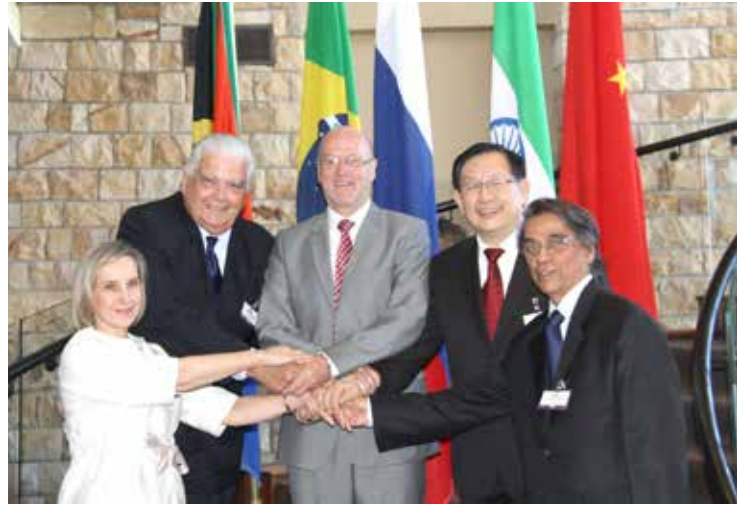
Without a doubt, the indelible imprint of their colonial and Cold War legacies remains critical in determining their mutual perceptions and policies. Much effort was devoted to fighting their colonial legacies of divisiveness that were further reinforced by Cold War dynamics that saw China and India on opposite sides of the East-West divide.

The process of reconciliation, which began in the early 1970s, was enduring even though

it was fragmented and often peripheral. To keep things moving forward, the axiom to focus on agreeing on agreeables first emerged. This was the time when China was undergoing historic upheavals in internal affairs, and India declared an internal emergency in 1975. However, starting in the early 1980s, both sides discovered trade to show potential to build mutual understanding and trust. Among some historic initiatives, the breakthrough visit by young Indian Prime Minister Rajiv Gandhi in December 1988 provided a much needed reset for bilateral relations. In the early 1990s, bilateral trade emerged as the most agreeable and reliable pillar of their newfound rapprochement, and focus was placed on building mutual confidence. This provided a very encouraging political and geopolitical climate that facilitated the two confidence-building agreements signed in 1991 and 1996 during historic visits to India by Premier Li Peng and President Jiang Zemin, respectively. These groundbreaking visits laid the foundations for strong China-India relations that launched the trend of Chinese leaders making India-specific visits not combined with other countries.

This period also saw the two sides set up various bilateral consultative mechanisms including their most enduring joint working group on the boundary question, which became the default forum to discuss all important issues related to ensuring mutual peace and security.

The 1990s was the decade of China's unprecedented



March 19, 2014: The Sixth BRICS Think-Tanks Forum is held in Rio de Janeiro, Brazil, at which scholars from China, Brazil, Russia, India and South Africa discussed problems faced by developing countries. by Gao Yuan/Xinhua

rise. It was also a period in which India launched its own experiment with opening up and structural reforms. By then, Beijing's decade-long experiment with opening up and economic reforms had presented to the world a whole new realm of interstate relations. China was building strong economic relations with all countries, including its so-called adversaries. This was to become China's magic trick to avoid Graham Allison's Thucydides Trap thesis and render Western narratives of the China threat theory ineffective. This was an era in which both China and India joined a whole range of regional forums such as the Association of Southeast Asian Nations, and many more. Quickly, China and India began working together in regional forums to address regional issues. In the early 1990s, China joined a whole range of international forums

in which India was already a member. These moves enhanced bilateral trade and deepened interactions which further facilitated improvements in mutual understanding and trust. This trend was briefly disrupted by nuclear tests by India and Pakistan in May 1998, but both China and India soon returned to the dialogue table. This rapprochement was accelerated again by the terrorist attacks of September 2001. Indeed, since the late 1990s, there has been growing consciousness on both sides that multilateralism is the only way to resolve security and development challenges.

### **RISE OF CHINA, EMERGING INDIA**

The new millennium has heralded China's emergence as the world's second-largest economy and India as the fifth largest. Underlining their global engagement has become a new form of activism for overseas Chinese and Indians



who are empowered by their countries emerging as major markets, so they become new donors and investors. Both countries are now involved in major third country projects. China's Belt and Road Initiative (BRI) has seen India participating in agencies like the Asian Infrastructure Investment Bank, BRICS New Development Bank and Shanghai Cooperation Organization as well as projects like the Bangladesh-China-India-Myanmar Economic Corridor. Another proposal for a China-Nepal-India Cultural Corridor is currently under consideration. China's BRI has been seen by some in India as a new contentious point. Some media outlets in India have discussed boycotting the BRI. New Delhi, however, has only been absent from one Belt and Road forum in May 2017 and officially objects only to the China-Pakistan Economic Corridor. Indirectly, India has shown concern for the BRI enhancing Beijing's access and influence amongst India's immediate neighbors and becoming increasingly present in the Indian Ocean. But the Indian Ocean has also welcomed the Chinese and Indian navies to hold joint naval exercises, and joint anti-piracy operations were conducted in the Gulf of Aden. It is important to note the strong equilibrium of this mosaic of cooperation and that contestations have not been allowed to derail interactions.


It has become clear that increasing engagement at multilateral levels has produced a positive impact on bilateral relations. With a

rising China and an emerging India expanding their respective focus in space and time, they are becoming capable of placing various irritants in perspective and seeking diplomatic solutions to standoffs and deadlocks. It has been especially encouraging that President Xi Jinping and Prime Minister Narendra Modi—both decisive, ambitious and energetic leaders—have built and showcased real personal camaraderie. Their repeated interactions at various multilateral forums have provided opportunities to address bilateral matters without any pressures of public expectations or the media seeking details of bilateral outcomes. This method was successfully applied during the 2017 Dong Lang (Doklam) standoff when a series of bilateral meetings on the sidelines of successive multilateral interactions in the run up to the BRICS summit in Xiamen helped resolve border tensions. And then the informal summit between Modi and Xi in April 2018 is now credited for providing another reset for China-India relations, which are now guided by the “Wuhan Spirit” of coordination and cooperation.

### THE WAY FORWARD

While the China-India border dispute remains the most enduring and complicated problem hindering bilateral relations, other issues can be resolved much faster to create a better atmosphere for addressing

the more difficult knots. The enduring and formidable trade deficit reaching nearly US\$60 billion of bilateral trade of US\$84.44 billion in 2017 is one. Recent moves by China to allow imports of India's non-basmati rice and sugar provide a promising start for China to appreciate the value of maintaining balanced trade to ensure faster growth in mutual economic engagement. Recently, China's investment in India also witnessed a rapid rise. China's investments in India's manufacturing sector will not only reduce the need for imports from China but also make India's exports competitive to bridge the trade deficit. The second most important initiative has been revival of hand-in-hand anti-terrorism exercises and exchange of officers from training institutions. India has likewise sought to address China's various sensitivities on issues like the Indo-Pacific or the Quartet of U.S.-Japan-India-Australia.

The uninterrupted flow of regular interactions at all levels, especially between President Xi Jinping and Prime Minister Narendra Modi, is now providing promise for greater coordination which is creating grounds for greater cooperation in maximizing mutual peace and prosperity and enhancing efficacy of contributions transforming global governance structures. 

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# How Long Can India's Balancing Act at G20 Continue?

By Lin Minwang

To cope with the 2008 worldwide financial crisis, the G20 was forged to unite major economies around the world together to fight global economic risks. A decade later, with the landing of the risks from the financial crisis, strategic competitions between major countries under the G20 framework began to emerge and escalate. In this context, the international community has given much attention to interactions amongst leaders of major countries at the G20 summit in Argentina: Could the meeting between President Xi Jinping and President Donald Trump put an end to the China-U.S. trade war? Would President Trump meet with the Saudi leader? Evidently, expectations for bilateral and multilateral meetings have outweighed those for the G20 summit itself.

For India, the G20 is an

important international platform. Former Indian Prime Minister Manmohan Singh exclaimed that “we finally sat at the top table” when he attended the G20 summit for the first time. India considered its attendance of the G20 a symbol of the rise of its national strength and international status. At the 2018 G20 summit, Prime Minister Narendra Modi met with leaders of several countries, of which his meetings with Chinese President Xi Jinping, U.S. President Donald Trump and Russian President Vladimir Putin drew particular attention.

During the bilateral meeting between President Xi and Prime Minister Modi, both leaders agreed that their informal meeting in Wuhan marked a milestone in the history of China-India relations, and the two sides

should put into practice the spirit of the Wuhan summit and further consolidate mutual trust and friendship. During the informal meeting of BRICS leaders, President Xi and Prime Minister Modi both expressed their worries about the challenges faced by world politics, economy and trade and the trends of unilateralism and protectionism, and called on BRICS countries to enhance solidarity and cooperation in supporting multilateralism, defending the rule-based multilateral trade system and opposing protectionism. They also noted that all parties should continue speaking with one voice at the G20 summit on issues such as the implementation of the 2030 Agenda for Sustainable Development and the Paris Agreement that aims to address climate change.

Besides bilateral meetings



November 30, 2018: Chinese President Xi Jinping meets with Indian Prime Minister Narendra Modi in Buenos Aires, capital of Argentina. by Li Xueren/Xinhua

and BRICS meetings, China and India made a breakthrough in forming a trilateral meeting mechanism together with Russia. During the G20 summit in Argentina, Chinese, Russian and Indian leaders held their first trilateral informal meeting. As early as the late 1990s, then-Russian Prime Minister Yevgeny Primakov drafted the concept of a Russia-China-India “strategic triangle.” In September 2002, foreign ministers of the three countries held their first meeting on the sidelines of the 57th session of the United Nations General Assembly, which gradually evolved into a mechanism of annual trilateral foreign ministers’ meeting.

However, there has never been a regular meeting mechanism for heads of state of the three countries. With India’s inclusion into the Shanghai Cooperation Organization in 2017, as three major countries on the Eurasian Supercontinent, China, Russia and India have obviously strengthened their strategic collaboration. In this context, leaders of the three countries held their first trilateral meeting during the G20 summit in Argentina. They agreed to enhance trilateral coordination, consensus and cooperation and further strengthen the China-Russia-India cooperation mechanism.

As a balancing act, India, together with the U.S. and

Japan, held their first-ever trilateral summit on the sidelines of a multilateral event. This is considered an upgraded version of their foreign ministers’ meeting mechanism. During his meeting with U.S. President Donald Trump and Japanese Prime Minister Shinzo Abe, Modi said that both Japan and the U.S. are India’s strategic partners and leaders of both countries are his friends. “When you look at the acronym of our three countries—Japan, America, and India—it is ‘JAI’, which stands for success in Hindi,” he added. A spokesperson of India’s Ministry of External Affairs also tweeted that the JAI meeting is dedicated to democratic values and leaders of the three nations exchanged views on the Indo-Pacific, maritime affairs and connectivity. However, although all of the three countries agreed on the importance of holding trilateral summits on multilateral occasions, they haven’t pledged to make the JAI summit a regular mechanism.

It is clear that India once again played a balancing act at the G20 summit. Perhaps India takes pride in its flexible policy to strengthen cooperation with both Eurasian countries and maritime powers. The question is how long it can continue this balancing act against the backdrop of increasingly fierce geopolitical competitions. 

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# 40 Years of Achievements and Experience

*By Hu Biliang*

Rethinking the achievements and lessons of China's reform and opening up over the past four decades will help enlighten and inspire the future development of China and the world at large.



The Third Plenary Session of the 11th CPC Central Committee, held from December 18 to 22, 1978, decided to shift the focus of the Party and the government's work to economic development and adopt the reform and opening-up policy. CFB

**F**orty years ago, Chinese leader Deng Xiaoping launched China's reform and opening up, pushing the country's development into a new historical period. Today, the times call for a careful review of the nation's achievements and experiences over the past four decades, which will enlighten and inspire the future development of China and even the world.

### ACHIEVEMENTS AND EXPERIENCES

The achievements China has made in its 40 years of reform and opening up are mainly evidenced by institutional innovation and economic development.

Institutional innovation includes five key aspects: First, China has explored a path of socialism with Chinese characteristics that meets the country's national conditions. Soon after the founding of the People's Republic of China in 1949, it introduced the development mode of a planned economy practiced in the Soviet Union. In 1984, China presented the idea of building a "system of planned commodity economy;" and then set the goal of building a "system of socialist market economy." After decades of explorations, the nation has established and constantly improved the system of socialist market economy with Chinese characteristics, laying the basic institutional foundation for its rapid economic growth.

Second, socialism with

Chinese characteristics has entered a new era. From reform to comprehensively deepening reform, from opening up to creating a new landscape for all-round opening up, China's reform and opening up has also entered a new era.

Third, the persistent urban-rural dual structure has been basically broken, and breakthroughs have been made in forging a framework for urban-rural integration.

Fourth, based on its national conditions, China has established and improved upon a poverty eradication system with Chinese characteristics, which has been proven effective in reducing poverty. To date, nearly 800 million impoverished people in the country have been lifted out of poverty.

Fifth, the new type of urbanization has been increasingly progressing. China's urbanization rate rose from 18 percent in 1978 to 59 percent at the end of 2017. Moreover, its urban service level and capacity, energy utilization efficiency, and social governance capacity have constantly improved.

China's achievements in economic development are demonstrated in the following five aspects: First, its overall economic strength has been remarkably enhanced. In 1978, its GDP was only US\$150 billion, ranking 11th in the world. The figure rocketed to US\$13 trillion in 2017, second in the world. Second, the added value of its manufacturing industry ranks first globally after increasing from US\$60 billion in 1978 to today's nearly US\$4 trillion.



The reform and opening up has enabled many Chinese farmers to become wealthy. Here, Sun Guiying, a chicken farmer in Beijing's Changping District, poses for a picture with her family beside a car they just bought in 1984. Sun was the first farmer to own a private car in the history of the People's Republic of China. by Li Xi/CFB



Back in the 1980s, Bu Xinsheng (center), director of a state-owned T-shirt factory in Zhejiang Province, introduced management methods of a market economy that led to a wave of enterprise reform. For this reason, he was dubbed a "pioneer in China's urban economic system reform." The picture shows Bu working on a new design with employees at a workshop in 1984. by Dai Jiming/Xinhua



1990: People rush into the stock exchange to buy shares in Shenzhen, Guangdong Province. The scene reflects the economic vitality brought by China's implementation of the reform and opening-up policy and people's confidence in the future development of the society. by Zhang Xinmin



— The important speeches made by Deng Xiaoping, “chief architect” of China’s reform and opening up, during his 1992 inspection tour to southern China pushed the country into a period of fast economic growth. The picture shows pedestrians in front of a huge portrait of Deng Xiaoping, on Shennan Avenue in downtown Shenzhen. by An Ge/CFB



— July 1, 1997: The national flag of the People’s Republic of China (PRC) and the regional flag of the Hong Kong Special Administrative Region of PRC rise up at the handover ceremony of Hong Kong at the Hong Kong Convention and Exhibition Center, marking the Chinese government’s resuming of sovereignty over Hong Kong. CFB



— December 27, 2002: The South-to-North Water Diversion Project is officially launched to address water shortage in northern China and optimize the allocation of water resources. Since its reform and opening up began in the late 1970s, China has made remarkable achievements in infrastructure construction. by Wu Zengxiang/Xinhua

Third, its cargo trade volume ranks first in the world after rising from US\$21 billion in 1978 to US\$4 trillion in 2017. Fourth, its foreign exchange reserve ranks first in the world after increasing from US\$170 million in 1978 to more than US\$3 trillion at the end of 2017. Fifth, food security in China is now guaranteed. In the early days of its reform and opening up, China’s total grain yield was about 300 million tons—300 kilograms per capita. In 2017, its total grain output exceeded 600 million tons, and per capita output reached 450 kilograms.

Ten key lessons can be drawn from China’s remarkable achievements: First of all, China’s profound history and culture have been converted into driving forces for its development. Second, China has chosen the right, unique development road suited for its national conditions, which is a road to socialism with Chinese characteristics. Third, China adheres to market-oriented reform. Fourth, China has constantly pushed forward its opening up to the world. The country’s opening up can be roughly divided into four phases: introducing foreign investments through building Special Economic Zones (SEZs) starting in 1979, joining the World Trade Organization in 2001 to align China’s trade and investment rules with the world, developing pilot free trade areas (FTAs) since 2013 to facilitate international trade and investment, and introducing the Belt and Road Initiative in the autumn of 2013 to take bolder and wider

steps in opening up. Fifth, China has always placed economic work at the top of its agenda. Sixth, China has maintained political and social stability. Seventh, China has taken active measures to facilitate and protect benign competition. Eighth, China places priority on the development of education. Ninth, China has formulated and enacted a series of development plans. Tenth, the Chinese people are diligent and enterprising.

Another secret behind the success of China’s reform and opening up has been taking gradual steps along the road of reform and opening up. For instance, the household contract responsibility system started in Xiaogang Village in Anhui Province, where it was standardized and institutionalized before becoming nationwide practice via the formulation and implementation of relevant policies after it was proven effective in raising grain yield by a large margin. Just like reform in rural areas, urban reform, SEZs and FTAs all followed a similar progressive process.

### GLOBAL SIGNIFICANCE

The success of China’s reform and opening up has been globally significant.

China’s economic strength has greatly improved due to its reform and opening up, so the country is now able to provide more and better public goods and services for people all over the world and make greater contributions to accelerating global economic growth and safeguarding





— A major project for harnessing and developing the Yangtze River independently designed and constructed by China, the Three Gorges Dam is considered a milestone in China's history of water conservancy. This picture shows tourists looking at the dam from a distance in May 2004. Xinhua

world peace. In recent years, China has contributed more than 30 percent of the world's economic growth.

Specifically, over the five years since it proposed the Belt and Road Initiative, China has invested a large volume of funds in infrastructure construction around the world, including a railway project in Tajikistan, a tunnel project in Uzbekistan, power plant projects in Pakistan, a railway project in

Laos, high-speed rail projects in Indonesia and Thailand, port projects in Myanmar and Sri Lanka, an industrial park project in Belarus, and highway and railway projects in Africa. All of these projects have made direct contributions to improving infrastructure connectivity around the world.

Presently, China imports about US\$2 trillion of goods and US\$500 billion of services from around the world annually and has become a massive commodities and services market. In recent years, China's outbound investment has surpassed its inbound investment, making it a major net capital exporter of the world. China also took the lead in the establishment of the Asian Infrastructure Investment Bank and the BRICS New Development Bank, which have provided remarkable amounts of development funds for less-developed countries.



— July 1, 2014: The first batch of duty-free cargo from China arrives in Basel, the largest inland port in Switzerland. The Belt and Road Initiative, proposed by China in 2013, has provided new opportunities for the development of countries along the routes. by Zhang Miao/Xinhua

Moreover, China has carried out international production capacity cooperation with global partners and built industrial parks in many countries. These measures represent great contributions to promoting the industrialization process of developing countries and helping them create more jobs and revenues.

China is also making greater contributions to improving global governance. Starting in 2019, China will become the second-largest contributor to the UN regular budget, after the United States. Of all of the five permanent members of the UN Security Council, China has dispatched the largest number of personnel to UN peacekeeping missions. China has moderately increased its investment in the International Monetary Fund and the World Bank according to needs. All of these are conducive to improving the global governance system and enabling international organizations to play a more positive role.

On the other hand, the successful experiences China has accumulated across the past 40 years of its reform and opening up, especially those concerning development path suited for national conditions, poverty alleviation, governance and energy structure transformation, will provide useful references for other countries in the world, especially developing nations. 📷

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# Meeting the Other Halfway

By Sudheendra Kulkarni

Deng Xiaoping, the architect of China's reform and opening up, also laid the foundation for a strong, mutually respectful China-India friendship.

“Our world is undergoing profound changes unseen in a century.” This is what Chinese President Xi Jinping said while addressing the Forum on China-Africa Cooperation (FOCAC) in September 2018. This is, of course, so true and so well-known that no one can deny it. But what he said next is something that only a leader with a deep belief in the spirit of internationalism and in global solidarity can say. He remarked: “The well-being of people in all countries has never been so closely intertwined as it is today... We are firm in our conviction that peace and development remain the underlying trend of our times. Indeed, they are the call of the times. The international community

should take our historical responsibility and respond to the call of our times with solidarity, vision, courage and a sense of mission.”

No two countries bear a higher responsibility to “respond to the call of our times with solidarity, vision, courage and a sense of mission” than India and China. Together, our two countries account for one-third of the world's population. Both India and China have a civilizational ancestry that is over 5,000 years old. The hallmark of our civilizations is peaceful, cooperative and harmonious co-existence of all countries in the world, living together like members of a global family. Moreover, in modern times, both carry a huge burden of addressing unmet developmental challenges.

This is indeed the time to learn from each other, and also to further strengthen our resolve to increase mutual cooperation in today's fast-changing world. In the world's quest for a new economic and ecological order, and for a new system of global governance, India and China cannot be competitors, much less rivals. They have to be partners. ‘A duet, not a duel’ is how China's Foreign Minister Wang Yi has Rightly Described India-China relations in his thoughtful article in *Hindustan Times*, a leading Indian newspaper.

As we look at the pluses and minuses in our bilateral relations, we cannot be oblivious to the fact that 2018 marked the 40th anniversary of the Communist Party of China's historic policy of reform and opening up. This

policy, which successive leaders and governments in Beijing have consistently adhered to, has helped China achieve miraculous goals in all-round development. Naturally, China's global influence has also grown substantially, far more than India's. How did China become prosperous and strong so quickly? What role has reform and opening up played in China's transformation? Most importantly, whose leadership pioneered this change? And what were leader's views on China's ties with India?

It is necessary for Indian friends of China to know the answer to these questions. It involves the remarkable man behind the creation of modern China, one who also laid the foundation for improved relations between India and China: Deng Xiaoping.

### CROSSING THE THRESHOLD

The year was 2004, the birth centenary of Deng, one of the great leaders who shaped the history of the world in the 20th century. He was one of the two main architects, along with Mao Zedong, of modern China. The country's landmark policy of reform and opening up, which he unveiled forty years ago, set China on the path of modernization. As a result of Deng's brilliant leadership that combined persuasion and firmness, China has become the world's second-largest economy in four short decades and is all set, within the next decade or so, to overtake the U.S. as the



December 21, 1988: Indian Prime Minister Rajiv Gandhi is greeted by Deng Xiaoping at the Great Hall of the People in Beijing.VCG

World Number 1 in terms of the size of the economy.

I wrote a longish article in an Indian newspaper in 2004, in which I paid tribute to the leader who saved his nation from the catastrophe of the "Cultural Revolution(1966-76)", helped lift millions out of poverty, and ignited a fire in Chinese people's bellies to overtake America in Olympic golds, Manhattan-like skylines, technological innovations, geopolitical influence – in almost everything.

My praise for Deng was genuine and heartfelt. If any country makes progress by boldly self-correcting to a new path, it must be welcomed and appreciated by all in the international community. If any developing country succeeds in reducing poverty and improving the living conditions of the majority of its people, it too must be welcomed and appreciated by all. Moreover, when a large and powerful nation like

China establishes friendly and cooperative relations with an ideologically different but powerful nation like the United States, it promotes peace and stability in the world.

In addition to these historic achievements of Deng, what greatly enhanced my admiration for him was the book by his daughter Deng Rong, describing his terrible travails as well as his exemplary stoicism during the traumatic decade of the "cultural revolution". Titled *Deng Xiaoping and the Cultural Revolution*, it is probably the best biographical account of this critical period in his life, as also in the life of China.

A leader is tested when history puts him through the grind of trials and tribulations. That is when the world gets to know his innate political convictions and, more importantly, his basic personal qualities. Deng, who refused to endorse the "cultural revolution" and was therefore banished

to do manual labor in the countryside, survived this *agnipariksha* (a Sanskrit word for ‘test by fire’) with courage and hope. Above all, he came out with redoubled determination to rescue his country from the catastrophic path it had taken. Throughout the years of the “cultural revolution”, and till he died in 1997, Deng never developed any bitterness towards his compatriots, and remained remarkably free of the disease of subjectivism and vindictiveness, so common among politicians who undergo undeserved ordeals.

Deng’s conviction in economic reform, his determination to make China a prosperous nation and a will to improve the living standards of its peasants and workers, sowed the seeds for China’s reform and opening-up process. Within 10-15 years of these economic reforms, especially reforms in agriculture, China actually achieved a boom in the number of families owning a radio, TV, bicycles, sewing machines, wristwatches, washing machines, and then soon enough, the internet.

Since Deng’s demise, China has further accelerated its march towards prosperity, and towards ending deprivation of the basic necessities of life for its 1.42 billion people. Scarcity has been replaced with adequacy, if not abundance, of things common people need for decent living. This was vividly stated by Chinese President Xi Jinping in his speech at the Great Hall of the People in Beijing on December 18, marking the

commemoration of the 40th anniversary of reform and opening up. Enumerating China’s accomplishments, Xi said, “Grain coupons, cloth coupons, meat coupons, fish coupons, oil coupons, tofu coupons, food ticket books, product coupons and other documents people once could not be without have now been consigned to the Museum of History. The torments of hunger, lack of food and clothing, and the hardships which have plagued our people for thousands of years have generally gone and won’t come back.”

### **IMPRINT ON INDIA**

It has been 40 years since China’s reform and opening up, and the impact of the economic reforms has also reached its neighbours such as India. But India’s connection with the man who led the reform process goes back further – to the 1962 India-China war that had lent a major blow to the two nations’ ties.

After this war, if there was any one Chinese leader who made a sincere effort to take our bilateral relations beyond that painful milestone, it was Deng. Significantly, the first attempt to break the ice between our two countries took place in 1979 when India’s former prime minister Atal Bihari Vajpayee, who was then our external affairs minister, met Deng Xiaoping in Beijing.

In a tribute to Deng on his birth centenary, Vajpayee recalled, “I have pleasant memories of my meeting with Deng Xiaoping. It was

the first high-level political contact between our two countries after many years. The unfortunate military conflict between India and China in 1962, caused by the border dispute, had left a scar on the centuries old affinity between the two great nations of Asia and the world.”

Vajpayee met Deng in the Great Hall of People on February 19, 1979. “I must say that the genuine warmth with which Deng Xiaoping received me—and I believe that I too reciprocated that warmth in equal measure—helped in overcoming the psychological barrier and looking forward with optimism to a positive new chapter in our bilateral relations.”

Vajpayee added, “My first impression of Deng Xiaoping was how strongly built he was. The greatness of his vision was apparent in the words he spoke: ‘We do have some issues on which we are far apart. We should put those on the side for the moment and do some actual work to improve the climate to go about the problem. Our two countries are the two most populous countries in the world, and we are both Asian countries. How can we not be friends?’”

The creative solution that Vajpayee and Deng discussed to resolve the vexed border dispute was, in a nutshell, this: Let us not allow normalization of bilateral relations to become a hostage to the resolution of the border dispute. Let us develop bilateral relations in an all-round manner. Simultaneously, let us try to resolve the boundary dispute

through dialogue and by ruling out the use of force to change the status quo along the Line of Actual Control (LAC).

Deng referred to his meeting with Vajpayee in December 1982, when a delegation from the Indian Council for Social Sciences Research called on him in Beijing, and put forth his pragmatic view on how the longstanding border problem between the two countries could be settled: “When I met your former foreign minister in 1979, I put forward a ‘package solution’ to the problem. If both countries make some concessions, it will be settled. The problem between China and India is not a serious one. Neither country poses a threat to the other. The problem we have is simply about the border. Both countries should make an effort to restore the friendship that existed between them in the 1950s. As long as we go about it in a reasonable way, I think it will be easy for us to settle our border question.”

This question had a long history, he added, and both nations had to take into account the feelings of their respective people. But if the two agreed to the “package solution” and met each other halfway, they would certainly get their people’s support.

Another breakthrough came when Prime Minister Rajiv Gandhi paid a visit to China in December 1988. The seemingly unending handshake between Rajiv and Deng, full of warmth on both sides, is an image etched in the minds of all those who desire

peace and friendship between our two great countries. Deng told Rajiv, “Welcome, welcome, my young friend. Starting with your visit, we will restore our relations as friends. We will be friends between the leaders of the two countries. The countries will become friends. The people will become friends. Do you agree with me?”

Rajiv responded, “Yes. We have been through a few difficulties in between. I hope we can bring things back and get over these difficulties.”

Deng replied: “So this is our common wish. In the considerable period of time in between, there was unpleasantness at each other. Let’s forget it. We should look forward.” Rajiv agreed, adding that there was a lot of work to be done by both countries.

### STRENGTHENING THE FOUNDATION

Much work has indeed been done since then. Yet again, the highpoint of this mutual effort was Vajpayee’s visit to China in June 2003. I accompanied him on this visit. The visit saw an important breakthrough in improving bilateral relations, including in the talks on the border issue. The bilateral dialogue on the border issue was placed on the fast-track, with a trusted senior official on either side guiding the talks. Our bilateral trade also has seen an impressive growth. To recall Vajpayee’s own reminiscences, “Two things impressed me during my visit to China last year, and both had an imprint of Deng Xiaoping. Firstly, I could see the pragmatic and forward-looking

approach of the new leadership of China, represented by President Hu Jintao and Premier Wen Jiabao. Secondly, the astounding progress China has made on the economic front since my first visit in 1979. I believe that China’s progress in various fields, and especially her success in lifting a large section of the population from the clutches of underdevelopment within a short time, represent the progress of mankind. History will remember Deng Xiaoping for guiding this achievement.”

This foundation of improved India-China relations has been further strengthened, and built upon, by successive leaders in both countries. The most remarkable developments have happened in the past four and a half years, during which Prime Minister Narendra Modi and President Xi Jinping have met as many as 15 times – five times in 2018 alone. This high-level chemistry, which has come to be known as the ‘Wuhan Spirit’, bodes well for India-China relations in today’s fast-changing world. All-sided cooperation between our two great Asian nations, both inheritors of profound civilizational wisdom, will not only be mutually beneficial, but it will also reliably contribute to peace, stability and sustainable development in the entire world. ■

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*The author is a political commentator, and was an aide to India’s former Prime Minister Atal Bihari Vajpayee. He is also the founder of the Forum for a New South Asia, focusing on India-China-Pakistan cooperation.*



# Comparing Economic Reforms in India and China

By Mahendra P. Lama

Economic reform has been the key instrument to elevate growth performance, but it always carries larger development ramifications in both India and China. However, their reform measures, strategies and implementation vary widely.

**E**conomic reform has been the key instrument to elevate growth performance, but it always carries larger development ramifications in both India and China. The respective political economic backdrops that prevailed in each of the countries as they sought to undertake massive economic reform varied sharply. In India, the economic crisis of 1991 coupled with political instability and a historically low growth regime dubbed the “Hindu growth rate” eventually pushed the incumbent government to undertake structural adjustment programmes mostly prescribed by Washington Consensus. As China emerged from prolonged dislocation and

disruption caused by the “cultural revolution” coupled with isolation from the global economic and financial system, the country had to pursue a recovery path based on drastic and yet steady structural and policy changes.

Reform measures and implementation have varied widely in both countries in terms of scheduling, sectoral coverage, intensity and sustainability, political commitment and public acceptance. Each country is now in different phase of economic reform. The respective impacts of economic reform have been varied in terms of visibility, nature and extent. Remarkably visible structural shifts have occurred in both countries. The share of the primary sector led by agriculture has steadily

dropped to less than 25 percent with a side-by-side increase in the tertiary sector. Other indicators like the savings and investment rate, trade-GDP ratio, foreign direct investment and foreign exchange reserves have also shown unprecedented changes.

A striking similarity shared by these two countries has been the slow speed of the implementation of reforms in particular regions of the country. In China, reform that was effectively implemented in the coastal zones like Shanghai, Guangdong and Fujian created fortunes. The introduction of the “Western Development” policy in 2000 evidenced that for almost two decades, reforms and the accompanying fruits rarely reach the southwestern landlocked provinces and

autonomous regions such as Sichuan, Yunnan, Tibet and Qinghai. In India, southern and western states recorded strident progress and reeled out second-generation reforms while backward states like Uttar Pradesh, Bihar, Chhattisgarh, Madhya Pradesh and mountainous states like Himachal Pradesh, Jammu and Kashmir, and Uttarakhand lagged for many years. However, over the last decade, many of these passed-over places in both countries have made exemplary development strides.

### POVERTY AND INEQUALITY

The driving forces of poverty reduction have been economic growth, increased productivity and greater consumption, which have been conspicuous in both countries. The nature of poverty is characterized by symptoms such as socio-economic deprivation, politico-cultural alienation and a lack of access to state resources, technology and spatial distribution. India has recorded a significant decline in poverty from 45.3 percent in 1994 to 21.9 percent by 2012. Despite this drastic improvement, over 270 million people continue to live in abject poverty. Similarly, Gini Coefficient-based inequality in India was estimated to be 36.8 in 2011. India's flagship projects like the National Rural Employment Guarantee, Right to Education and Right to Food have made a huge difference.

When President Xi mentioned in his address to the 19th National Congress of the Communist Party of China (CPC) in October 2017

that more than 60 million people had been lifted out of poverty in the last five years, no one was really surprised. The results of such an incredible feat were already noticeable in China. A decade earlier when the World Bank was re-examining its "dollar a day" global poverty standard, it concluded that "some 407 million Chinese citizens rose out of poverty" during the 14-year period from 1990-2004. Clear vision, specific structural interventions and design of sound trickle-down mechanisms for a higher growth regime were in broad strokes credited for this success. The National Development and Reform Commission (NDRC) set the deadline of the end of the 13th Five-year Plan (2016-2020) to achieve Deng Xiaoping's goal of establishing "a society in which people lead a fairly comfortable life." This goal was envisioned and reiterated by the 16th CPC National Congress in 2002.

### SHIFT IN PRODUCTION

In India, public sector units were once close to the chopping block when the leadership required massive structural changes. A range of interventions have been made from disinvestment to foreign direct investment participation. The country has embraced visible upward shifts in manufacturing sectors like automobiles and domestic consumer items such as food and textiles. However, compared to China, India's allocation of funds for research and development activities in both private



November 26, 2012: The second China-India Strategic Economic Dialogue is held in New Delhi. by Li Yigang/Xinhua

and public sectors has been minuscule.

Unlike India, China's economy boomed first from staggering investment from Chinese people living abroad and further when major Japanese and US companies began shifting their production bases to China. Soon, China was producing Sony cameras, Toshiba laptops, HP machines and other popular international electronics. All these China-made brands flooded the international market under the liberal provisions of the WTO. Today China has emerged as a major foreign investor. India unambiguously recognizes China as a key pivot in global financing. Its *Economic Survey 2014-15* states, "today, China has de-facto become one of the lenders of last resort to governments experiencing financial troubles...(it) is assuming the roles of both an International Monetary Fund and a World Bank as a result of its reserves."

In India, energy is dominated by the public sector, which unbundled services into three separate generation, transmission and distribution agencies in each province. These are broadly monitored by electricity regulatory commissions

at national and provincial levels. This change led to drastic cut in subsidies, the introduction of many private players, a quantum leap in installed capacity and steady improvement in the quality and reliability of the electricity supply. And it all happened amid a much higher consequential tariff. Contrasting such practices, in China, giant public sector units like China National Petroleum Corporation (CNPC) have criss-crossed continents of Asia, Europe and Africa in search of cheaper and sustainable sources of energy.

### **INFRASTRUCTURE LEAPS FORWARD**

An area where China became a model after reforms were adopted has been physical infrastructure like roads, rails, airports, sea ports, communication, banking and even social infrastructure involving education, healthcare and drinking water. Japan and the U.S. have been the model for China to transform its infrastructure including in trendsetting economic zones like Shenzhen. China's widely discussed Belt and Road Initiative is a vehicle to transmit its domestic paradigm of infrastructure development to other regions including the China-Pakistan Economic Corridor.

India is relatively lagging in terms of physical infrastructure. India needs at least US\$1 trillion (US\$750 billion is required as debt financing) for a

critical minimum level of infrastructure. Today, India ranks 87th out of 144 countries in infrastructure, and if demand was met, it would boost India's economy to a higher growth of nine percent. Although India launched "India Infrastructure Finance" way back in 2006, Finance Minister Arun Jaitley declared infrastructure and investment the fifth pillar to "transform India." He made a "decisive departure" by allocating an unprecedented total outlay of roughly US\$33 billion for two critical infrastructure road and railway projects for 2016 and 2017.


### **WATER INSECURITY SOLUTIONS**

Water is critical for China's massive public health policies, unparalleled urbanization, repositioned renewable energy, wider and decentralized industrialization, targeted food security and poverty alleviation and huge green environment projects. A report titled "Towards a Water & Energy Secure China" published by the China Water Risk in 2015 states that 11 provinces in China ("Dry 11") fall below the World Bank Water Poverty Mark of 1,000 cubic meter including economic powerhouses Jiangsu and Shandong and municipalities of Beijing, Shanghai and Tianjin. Nearly half of China's GDP comes from these Dry 11 provinces. It goes on to state that eight provinces suffer from extreme water scarcity below 500 cubic meters.

The South-to-North Water

Diversion Project, considered the world's largest of its kind, is estimated to cost US\$81.4 billion. Credited with easing water shortages and improving water quality, this first diversion route running through 1,432 kilometers is mainly composed of open-air canals. The first phase of the east route carries water from the Yangtze River at Jiangsu Province's Jiangdu to Shandong Province along the Beijing-Hangzhou Grand Canal.

Some 53.1 million people in northern China have benefited from this project. The project went into operation in late 2014 and has since transferred almost 10 billion cubic meters of water from the south to the draught-prone north. Pumped water now reaches cities like Beijing and Tianjin. In addition, residents of seven cities in Hebei as well as 11 cities and 37 counties in Henan, now have access to diverted water.

Despite the Indian Supreme Court's order to the government to complete planned projects like the Ken-Betwa river linking project, India's water diversion plans to help deficit areas remain a pipe dream due in large part to serious environmental and sustainability concerns. 

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# Yangtze River Delta Integration: Breaking Barriers for Connectivity

*By Chen Jianjun*

Integration of the Yangtze River Delta aims to not only create a world-class industrial cluster with global competitiveness but also explore a new path for transforming governance modes while advancing urbanization characterized by coordinated development of small, medium and large cities.



A panoramic view of the Shanghai-Nantong Yangtze River Bridge under construction. With a total length of 11,072 meters, the bridge features a 1,092-meter main span and is the world's first highway and railway cable-stayed bridge with a main span exceeding 1,000 meters. When completed, it will effectively bolster integration of the Yangtze River Delta region. VCG

The Yangtze River Delta on China's east coast, radiating from the alluvial plain near the estuary of the Yangtze River, is a region of key economic importance involving Shanghai Municipality and Jiangsu, Zhejiang and Anhui provinces.

Integration of the Yangtze River Delta refers to a strategic plan to break administrative barriers impeding product and commodity flows between different cities and provinces in the region, form a unified market, promote cooperation and exchange, and achieve infrastructure connectivity, unified governance and shared benefits. The ultimate aim is to shift the Chinese economy from high-speed growth to high-quality development.

#### CONNECTIVITY STRATEGY

The Yangtze River Delta region has a combined population of 220 million, accounting for one-seventh of China's total, and its GDP reaches US\$3.5 trillion, about one-fourth of the nation's total. In 2017, per capita GDP of the 16 cities in the core area of the Yangtze River Delta hit US\$11,000. The region is home to 26 cities including Shanghai, Hangzhou, Nanjing, Hefei, Suzhou, Wuxi and Ningbo, which comprise one of the world's largest city clusters and China's leading economic center in terms of overall strength. It is also considered the most open and dynamic economic region in China.

Today, the Chinese economy has entered a "new normal" period. The international situation China faces is undergoing drastic changes, and the domestic economy

has reached a crucial stage of restructuring and upgrading. To achieve higher-level reform and opening up, optimize economic structure and align with development strategies such as the Belt and Road Initiative, the Coordinated Development of Beijing, Tianjin and Hebei, the Yangtze River Economic Belt and the Guangdong-Hong Kong-Macao Greater Bay Area, China needs to accelerate its advancement of integration of the Yangtze River Delta

the path for urbanization characterized by coordinated development of small, medium and large cities, and build an international metropolis cluster of global influence. The importance of integration of the Yangtze River Delta is breaking administrative barriers, promoting regional cooperation and blazing a new path for transforming governance modes.

Integration of the Yangtze River Delta is also a significant

**Based on integrated development schemes, the region is expected to create a world-class industrial cluster with global competitiveness, explore the path for urbanization characterized by coordinated development of small, medium and large cities, and build an international metropolis cluster of global influence.**

with an eye on optimizing the region's role in leading national economic development.

Integration of the Yangtze River Delta represents a pioneering step in implementing a strategy of innovative, coordinated, green, open and shared development with the purpose of continuously promoting opening up at a higher starting point through advancing the reform of an economic system featuring market-oriented resource allocation. Based on integrated development schemes, the region is expected to create a world-class industrial cluster with global competitiveness, explore

move by the world's second-largest economy based on its national conditions to help its people lead better lives. It shares similarities with the economic integration of Europe after World War II in terms of breaking down barriers and building a unified market. Of course, the two cases also have differences. Integration of the Yangtze River Delta is a process of system and development integration between different regions within a sovereign country, implemented under the unified leadership of the central government. In contrast with the intergovernmental integration

of politics, economy, currency, trade and foreign relations of European countries under the banner of the European Union, integration of the Yangtze River Delta places greater emphasis on removing institutional and mechanism barriers impeding China's economic development and reform and opening up, promoting free flow of various factors and optimizing industrial layout to enhance the efficiency of social and economic development. With the rapid urbanization of China, the Yangtze River Delta has become an increasingly important beacon of economic development.

#### ALL-ROUND DEVELOPMENT

Over the years, the integrated development of the Yangtze River Delta has provided important

experience and set a good example for China to develop a socialist market economy with Chinese characteristics. A forerunner in the country's reform and opening up, the Yangtze River Delta region boasts a higher marketization

### A forerunner in the country's reform and opening up, the Yangtze River Delta region boasts a higher marketization level, thriving private enterprises and plentiful entrepreneurs.

level, thriving private enterprises and plentiful entrepreneurs. Based on such advantages, the region is working to promote industrial transfer and transregional development of enterprises through market-oriented

reforms, gradually remove administrative barriers to enable free, orderly flow of various factors, and advance coordinated development of different areas.

Integration of the Yangtze River Delta has advanced

smoothly in recent years. Regional cooperation mechanisms such as the Mayor/Governors' Seminar, the Meeting of Vice Executive Governors, the Regional Partnership of Provincial Development and Reform Commissions and the Forum for the Coordination of Urban Economy of the Yangtze River Delta Region are already taking shape. Documents such as the *Development Plan of the Yangtze River Delta Region*, the *Development Plan for the Yangtze River Delta City Cluster*, and the *Three-year Action Plan for the Integrated Development of the Yangtze River Delta* were promulgated and enacted, providing solid institutional guarantee for the integrated development of the region.

Within the city cluster in the Yangtze River Delta region, Shanghai plays a leading role, other major cities like Hangzhou, Nanjing, Hefei, Suzhou, Ningbo and Wuxi provide key support with their advanced development, and



September 21, 2014: Staffers from Nanjing Customs test the integrated customs clearance system at the Yangtze River Economic Belt Integrated Customs Clearance Emergency Coordination Center in Suzhou City, Jiangsu Province. The following day, the reform on integrated customs clearance of the Yangtze River Economic Belt was formally launched. Xinhua



— August 27, 2018: A helicopter transports a patient with an acute cerebral hemorrhage from Taixing People's Hospital in Jiangsu Province to Shanghai, where he is then driven by ambulance to Ruijin Hospital for further treatment. Xinhua

medium and small cities such as Yiwu in Zhejiang Province and Kunshan, Taicang and Zhangjiagang in Jiangsu Province contribute with their respective industrial strengths.

In recent years, Shanghai has remained committed to becoming a global technological innovation center. In support of Shanghai's goal, Jiangsu Province announced plans to build a global industrial innovation center and Zhejiang Province set the goal of creating a "digital greater bay area." An innovation system is taking shape in the Yangtze River Delta region. Moreover, green development has become consensus in the area, with focus on removing regional barriers and making joint efforts to protect the environment in the process of promoting economic development.

### BREAKING BOTTLENECKS

The Yangtze River Delta region is still working hard to realize the goal of high-quality integrated development. Now that integration of the region has been elevated to a national strategy, the Yangtze River Delta should seize the opportunity to break bottlenecks hindering its integrated development.

First, the region needs to improve coordinated governance and enhance integration efficiency. Presently, most mechanisms for integrated development of the Yangtze River Delta remain a closed loop from "decision-making to implementation" by relevant governments. To enhance the efficiency of its coordinated governance, the region needs to further merge governmental efforts with market-oriented resource allocation systems and encourage enterprises to

advance regional integrated development by optimizing industrial chain layout. Also, measures need to be taken to strengthen relevant legislation.

Second, the region needs to quicken the shift from market integration to social policy integration and from basic public services integration to livelihood services integration. Although the Yangtze River Delta region, especially Shanghai, Jiangsu and Zhejiang, has basically realized equalization in terms of economic development and per capita income, different cities still sharply contrast each other in terms of living standards, technology, education, cultural and healthcare facilities and urban infrastructure. The promotion of connectivity, joint management and sharing of social development resources between different cities in the region is sorely needed.

Finally, the region needs to address homogenized development and excessive competition between different areas, cities and development zones. The integration of the Yangtze River Delta should prioritize institutional and mechanism innovation and build a rule-based, controllable cooperation and competition system. Cooperation aims to achieve more standardized and efficient competition, and competition will further enhance cooperation. 96

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# Belt and Road: Reconstructing and Nourishing Globalization

By Chu Yin

China is striving to enhance opening up in all areas and promote connectivity. By doing so, it hopes to pay forward the dividends it has received from its reform and opening up to facilitate the process of globalization.

China's reform and opening up first started in 1978. Regardless of ups and downs in domestic and international situations and fluctuations in the world economy over the past 40 years, China has steadfastly adhered to the path of reform and opening up. In retrospect, it is easy to see that the more development China's economy seizes, the more open China becomes and the more channels to participate in globalization it finds.

In 2013, Chinese President Xi Jinping proposed the Belt and Road Initiative, which turned a new page on China's opening up to the outside world. After advancing steadily for years, work within

the initiative has progressed from the top-level design to planned practice and now, all-round development. In the long term, the step-by-step implementation of the initiative will further deepen China's reform and opening up and in particular, update the mode of the country's opening up, facilitating a wider embrace to the world.

The Belt and Road Initiative helps reconstruct patterns of China's opening up to the outside world.

At a meeting commemorating the initiative's fifth anniversary, Xi pointed out that the implementation of the Belt and Road Initiative has greatly promoted the liberalization and facilitation

of China's trade and investment and made new ground for opening China further through links running eastward and westward, across land and over sea. The new patterns represent not only achievements of the initiative over the past five years, but also the direction of China's future opening up. In the early days of China's reform and opening up, limitations in terms of natural resources, geographical condition, economic development level and industrial distribution caused China's western and central parts to severely lag behind the eastern regions in terms of the degree of openness. So, connectivity of infrastructure, which is



2007: Foreign visitors board a traditional-style train in Xi'an, Shaanxi Province. As a Chinese terminus of the Silk Road Economic Belt, the city is now linked with many other cities and towns by the high-speed rail. CFB

underlined by the initiative, plays a key role in solving this imbalance. Advancement of the initiative, led by infrastructural links, will open a channel from China's western and central regions to central Asian countries, promoting the smooth flow of trade, capital and personnel, which can help balance China's various regions in the degree of openness to the outside world.

The Belt and Road Initiative represents an upgraded version of China's opening up to the outside world.

Over the past five years since the initiative was proposed, trade in goods between China and other countries along the Belt and Road routes has amounted to US\$5 trillion cumulatively, while China's outward foreign direct investments in those countries have exceeded US\$60 billion. Compared to 40 years ago when China merely earned foreign exchange from exports,

the country's opening up has now been largely independent from exporting commodities. Especially since the introduction of the principles of "policy coordination, infrastructure connectivity, unimpeded trade, financial integration and closer people-to-people ties," China has transformed from a simple exporter to the global nexus as it has become more closely connected to the world in various ways. More importantly, after 40 years of reform and opening up, China has evolved from a "world factory" to a "world market." The enormous market of 1.3 billion consumers provides countries along the Belt and Road routes and even the world with historic chances to expand export and investment to China.

The Belt and Road Initiative has redesigned the concept of China's opening up to the outside world.

On many occasions, Xi has emphasized that the initiative

does not aim at a geopolitical or military alliance, nor will it establish a small bloc or set up a "China club." Over the past five years, the initiative has achieved fruitful results, which evidences that China's ongoing reform has undergone a paradigm shift and idea reconstruction. More than encouraging economic cooperation, the initiative serves as an important path to improve global growth modes and governance as well as promote the healthy development of economic globalization.

With increasing infrastructural connectivity, China will engage in greater economic and trade communication, wider policy coordination and more solid strategic alignment. The Belt and Road Initiative will no doubt tighten the connection between China and the world. In contrast with the past, China now has the ability to offer original programs such as railway construction, cross-border e-commerce platforms like Tmall Global, worldwide logistics networks such as Cainiao Global Logistics and mobile payment titans like Alipay. China is striving to enhance opening up in all areas and promote connectivity. By doing so, it hopes to pay forward the dividends it received from its reform and opening up to facilitate the process of globalization. 

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# What's Next for Financial Opening Up?

By Huang Yiping

China's financial opening up over the past four decades has created valuable experience and lessons for implementing financial policies in the next phase.

In the early 1990s, China's financial system, covering commercial banks, insurance companies and capital markets, began to take shape after reconstruction across a decade since 1978, when the financial sector was in ruins.

Following the rapid development of the financial market, China launched two major measures on financial opening up: First, it adopted a policy to welcome foreign direct investment in 1993, which ultimately made China the biggest benefactor of foreign direct investment over the subsequent two decades. Second, the combination of the dual exchange rates in 1994 marked the launching of a system of managed floating exchange rates.

During the second half of

1996, Dai Xianglong, then governor of the People's Bank of China, wrote to the International Monetary Fund (IMF) that China had realized

RMB convertibility on its current account and planned to realize convertibility on capital account in the next five to ten years.



January 27, 2016: Li Rongyuan (second from left), chief cooperation officer of UnionPay International, performs the first transaction in New Zealand with a UnionPay card. That day, UnionPay International and ANZ Bank executives met to announce a cooperative project in New Zealand. All ANZ automatic teller machines and POS machines in New Zealand would offer services for UnionPay cards for accounts beginning with the digits 62. Xinhua

The financial crisis in East Asia in 1997 postponed China's plans of opening up the capital account, but the opening up of China's financial sector did not stop. At the end of 2001, China joined the World Trade Organization and pledged to open up its financial service sector. China's economy has enjoyed robust growth since then. Although the country's exports increased and foreign exchange reserves accumulated fast, China's financial sector endured fierce global competition.

On January 1, 2004, Central Huijin Investment Ltd. was established to execute the power and fulfill the obligation of an investor on behalf of the government for major state-owned financial enterprises, which evidenced that reform had influenced all types of financial institutions. This reform continued all the way to 2012, when China Everbright Bank went public in China. This round of reforms has led to Chinese financial institutions operating at their own risk and shouldering responsibility for their own profits or losses. They have improved significantly in business philosophy, operation modes, capital adequacy ratio, and risk management.

The financial crisis of 2008 accelerated China's progress on interest rate liberalization and RMB globalization. As the RMB's proportion steadily increased in global payment and reserve, it was included in the new Special Drawing Right (SDR) basket of the IMF,

manifesting the RMB's arrival as one of the major reserve currencies in the world. RMB globalization has made new contributions to the reform of the international monetary system and will lead the integration of China's financial sector with that of the world.

China has been progressing in reform and opening up for four decades. Its financial opening up has made remarkable achievements based on macro indicators. The huge inflow of foreign direct investment has made significant contribution to China's exports and economic growth. Additionally, China's relatively stable financial system and sound international balance of payments have boosted the confidence of investors. The opening up of China's financial sector has taken place alongside the dramatic changes in the country over the four decades of reform and opening up. It offers valuable experience and lessons for implementing financial policies in the next phase. Meanwhile, it may also serve as a reference for other emerging economies that are opening up.

First of all, China needs to make the right choice on the sequence of reform policies. It is universally agreed that the sequence of measures is important for financial reform. Without sound reform policies, opening up can generate risks. Therefore, China should combine measures to promote reform through opening up and those facilitating opening up

through reform. Cross-border capital flows should not be further unleashed until the liberalization of interest rates is finished and the flexibility of exchange rates significantly improves.

Second, the trial opening up of the financial service sector can be launched. The opening up of financial services doesn't involve major flow of capital and is still regulated domestically, so it has low risk. At the same time, participation of foreign-funded financial institutions will create more competition and improve the quality of the industry. Those institutions shall bring new operational techniques and management. These are conducive to economic growth.

Moreover, it is crucial to set a pragmatic target for the opening up of capital accounts. There has been a consensus in the international policy circles after the American subprime mortgage crisis that major capital flows in a short term can cause major risks. Therefore, the IMF has also changed its policies, allowing regional and temporary limits by countries on cross-border capital flow for the purpose of maintaining financial stability or the independence of a currency. In the case of China, as it cannot withstand the aftermath of fully opened capital flow in the foreseeable future, opening up at a basic level is a rather pragmatic goal. ■

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# From Volume to Value

By Xu Jiabin

China's manufacturing industry not only contributes greatly to its high-speed and high-quality economic development, but also plays an indispensable role in the stability and growth of the world economy.

**T**he year 2018 marks the 40th anniversary of China's reform and opening up. Driven by the policy, both traditional and modern manufacturing industries have expanded. China has been the world's largest manufacturer since 2010. Over the past 40 years, the added value of China's manufacturing industry has increased from 119.5 billion yuan to 24.3 trillion yuan, accounting for nearly 30 percent of the nation's economy in 2017. The manufacturing sector has become the central driver of China's economic development.

## TRANSFORMATION AND UPGRADE

Ever since the reform and opening-up policy was launched in the late 1970s, China's manufacturing industry has accomplished tremendous achievements as the country has gradually

transformed from a manufacturer of quantity to one of quality. Not only does manufacturing contribute greatly to the high-speed and high-quality development of China's economy, but it also plays an indispensable role in maintaining the stability and growth of the world economy. Especially in recent years, even as exchange rate disorder causes chaos in the global financial market, prices of bulk commodities fall, overall international trade shrinks and global demand drops, China continues to maintain a positive prospect in manufacturing, and its industrial output value has only increased every year. By 2014, China's manufacturing industry accounted for about 25 percent of the world's manufacturing output, and more than a quarter of the world's real economy was created by China.

China's manufacturing achievements were heavily influenced by its action plans

which include transformation of the industrial development model, optimization of supply-side structural reform, improvement in innovation-driven growth strategies and deepened market-orientated reform, among others.

In terms of changing the development model of manufacturing, China has gradually transformed from extensive to intensive development in the process of reform and opening up, moving towards reduced material and energy consumption per unit of GDP and greater pursuance of green development.

In terms of optimizing supply-side structural reform, in the early stage of its reform and opening up, China readjusted the strategy of prioritizing development of heavy industry in favor of comprehensive development based on consumers' demand. Since then, China's manufacturing sector has been meeting demand to



March 23, 2018: Staff of CRRC Tangshan Co., Ltd. on the production line of Fuxing bullet trains. In March 2018, Fuxing, China's first bullet train designed for a top speed of 350 kilometers per hour, started a test run. Over the past 40 years of reform and opening up, China has embraced the spirit of craftsmanship to facilitate a magnificent transformation from volume to value. by Yang Shiyao/Xinhua

upgrade social consumption, and the development of the manufacturing industry has responded appropriately to residents' needs for food, clothing and travel. Consumers' demand has effectively transformed the traditional manufacturing sector and cultivated new emerging industries.

In terms of improving innovation-driven growth strategies, ever since the reform and opening up began, China has been increasing its R&D investment and updating its technologies for manufacturing. As its manufacturing industry climbs towards the middle- and high-end, China is accomplishing breakthroughs in independent innovation in key areas.

In terms of deepening market-orientated reform in the manufacturing industry, since the reform and opening up began, China has gradually given the market a decisive role in resource

allocation, which has greatly strengthened enterprises' ability to respond and adapt to changes in market demand both at home and abroad. In the domestic market, private economy has established a fair competitive position across the aisle from the state-owned economy. In the international market, development of the manufacturing industry has absorbed advanced technology and management experience and once-scarce resources, which have greatly boosted the growth of China's manufacturing sector.

### FUTURE DEVELOPMENT

China is now embracing a rare historic opportunity as it reaches for middle- and high-end manufacturing. The historic convergence of a new round of global technological revolution and industrial revolution has promoted the integration of next-generation information technology and advanced manufacturing technology.

In this context, China considers intelligent manufacturing the heart of its manufacturing sector. It strives to promote deep integration of the internet, big data and artificial intelligence with manufacturing and accelerate development towards advanced manufacturing. China is a manufacturing power as well as an internet power, which has enabled China to seize favorable opportunities offered by the ongoing technological change and industrial revolution.

China has already embraced

some positive outcomes in the development of intelligent manufacturing. The basic system has been formed, and breakthroughs have been achieved in key areas. Positive results from pilot demonstration areas are creating a number of new models worthy of promotion. Openness and cooperation have been further advocated, and practical cooperation with other countries has been carried out in a variety of realms.

However, alongside these rare historic opportunities, China's manufacturing sector has also encountered difficulties. Instead of an industrialization process under traditional economic conditions, the manufacturing system upgrade in China is now happening amid the context of information economic conditions.

It is a "new type of industrialization" led by the integration of informatization and industrialization. China had previously begun to respond strategically to the development trends of world industrialization and adopted intelligent manufacturing as its main approach. Through promoting innovation, intelligence, a strong industrial foundation, green development and high-end equipment, the ten key areas of China's manufacturing industry have found a pathway to transform the country from a manufacturer of volume to one of value. <sup>66</sup>

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# New Economic Frontiers

By Aravind Yelery

From the early years of trading consumables to recent contributions to India's economy via investment, joint ventures and bids for infrastructure projects, Chinese companies are reaching far corners of Indian economic terrain.

Standard economics of relations don't seem to apply to India-China relations and their impact on the Asian and global economy. With every passing year, the economic engagement between China and India continues to mature. India's economic trajectory has always been colored by speculation regarding interlocking political factors, and its growth rate is predicted to be meager by global agencies. Still, the country has managed to reach relatively high on the list of best performers.

China comes to this corner of the world with promise and vigor. It has shown a determination to maintain its global position by raising the required standards and playing a larger role in setting the global norms of economic interdependence. But coupled with the prospects

of China's contributions to the world economy are the opportunities and risks carried by India. Economic cooperation conducted between the two countries is expected to define the century, and certain realms can make each side wary of the other's prospects.

The Chinese economic presence in India has grown, and China's reach to sub-national levels has been very effective as it breaks new ground. This development has been bringing not only consumer goods but also finance, knowledge-sharing and win-win models of cooperation. India is one of the world's fastest-growing economies, and the World Bank estimates its GDP growth rates to hover around 7.3 percent in financial year (FY) 2019 and 7.5 percent in FY 2020. With per capita income expected to rise

by 125 percent, India is on track to boast a consumer market of US\$4 trillion and be the third-largest consumer economy by 2025. All these developments have catapulted India to become the world's most attractive market for foreign direct investment (FDI). Due to its investment-friendly policies and the opening of several sectors for FDI, India received FDI of more than US\$50 billion in FY 2015-16 for the first time. And in FY 2016-17, FDI inflows reached an all-time high of US\$60.1 billion. Cumulatively, between April 2014 and December 2017, India attracted US\$205 billion in FDI inflow. No one can deny that the India-China relationship endured a rough patch in 2017. However, investment and trade data suggest a growing separation of economic decisions from political compulsions.



November 23, 2018: The first metro train to be exported to India's Nagpur City rolls off the assembly line in Dalian City, northeastern China's Liaoning Province. VCG

According to data from the Chinese General Administration of Customs, bilateral trade rose to an all-time high of US\$84.44 billion in 2017, with India's exports to China also rising by 40 percent from 2016 to reach US\$16.34 billion. This encouraging development emerged as bilateral trade between China and India remained stagnant at around US\$70 billion for many years despite the leaders of both nations having set a US\$100 billion target for 2015.

### A TRANSFORMING RELATIONSHIP

As the trade volume between India and China has increased since 2001, economic diplomacy remains the driving force to forge constructive bilateral relations. According to statistics from the Indian Ministry of Commerce, trade remains at the heart of these economic engagements. The thriving trade relations with its neighbor, however, have also caused worry in India.

For instance, its increasing trade deficit with China has created micro-economic complications for India which have led to increasing trade restrictions over imports. These external factors, along with excessive export-led GDP growth, led China to take a fresh approach towards its industry and trade models. However, a couple of remedial policy interventions were made to initiate the rebalancing of the economy.

The 'going out', internationalization and diversifying of the production and supply lines geographically are some early interventions by the Chinese leadership looking beyond momentary and short-term trade by building a grid of industrial repositories abroad to generate sustainable interdependency through enhanced trade and investment. This sort of outbound investment in emerging markets aims at reducing the sectoral imbalance within the Chinese economy by giving

its industries—both public and private—better access to foreign markets and protection from international volatilities.

As a result, economic relations between India and China have witnessed significant changes. While the amount of trade continues to surge, investments have provided ancillary strength to create economic synergy between the two countries. Moreover, Chinese investment related to its 'going out' policy is being used to assure India that its concerns over the trade deficit are addressed and form an indirect way of bypassing the trade remedies employed by India over Chinese imports.

Given their respective reform and opening up timelines (referring to India's economic liberalization in the early 1990s) and complementary qualities, China's 'going out' strategy supports India's efforts to attract FDI. The Indian economy, US\$2 trillion in size, is struggling to balance its sectoral growth by realigning its resources of production along with factors of the market. Specifically, Indian states are playing a crucial role at this stage. The pre-liberalization division of federal responsibilities restricted the role of sub-national actors in India: States could not influence investment and were restricted from taking a stand on foreign economic affairs. The process of economic liberalization, which started in 1991, encouraged these



sub-national interests to realign their economic resources.

In China meanwhile, the China Council for the Promotion of International Trade actively studied the legal as well as economic dimensions of the Indian state during this period. New market space, sources of production (including land and labor) at the sub-national level has made Indian states hotspots for FDI. This trend has been attested by several studies, which indicate that market size, agglomeration effects and size of manufacturing and services base in Indian states have significant positive impact on FDI flows, but that the flow has been disrupted by taxation and the cost of labor. So, sub-national forces in India, which remained over-dependent on federal facilitation in the 1990s, underwent phenomenal transformation. The rising pressure on existing local resources to meet the fiscal deficits created by falling revenues and receding capital resources forced these sub-national actors in India to adopt conscious efforts in line with the national policy reforms. One more sub-national aspect that made India a favorite FDI destination, including for China, was the introduction of land-use permits that local governments could use to promote investment. In fact, this is a major reason Chinese investment in India is largely directed to states using land-use permits and related to incentives to attract foreign

investments.

Since 2014, Chinese companies have shown considerable interest regarding investing in a wide range of sectors across India. These include electronics, real estate, textiles, renewable energy, automobiles, and Indian startups—evident in FDI equity inflow data from China. The trend of FDI outflows from China and the Government of India's "Make in India" mission appear to be in perfect sync.

### THE INVESTMENT RACE

Tracking FDI flows accurately is difficult because companies tend to route investment through nations with whom they have favorable bilateral tax treaties, which can help explain the considerable gap between the official figures published by Indian and Chinese government agencies. As per data released by the Department of Industrial Policy and Promotion (Ministry of Commerce & Industry), between April 2000 and December 2017, FDI inflows from China stood at merely US\$1.78 billion; while China's Ministry of Commerce reported that US\$8 billion flowed from China to India. Still, both countries acknowledge that most of these investments were realized after 2014. FDI investments from China in India are in the range of US\$12-13 billion, with approximately 200 active companies in the market. Even though this is still relatively small compared to what India has received from



November 7, 2018: The Diwali festival in India is celebrated in the same period as China's Singles' Day, which has evolved into a shopping festival. This is the second year of the Singles' Day shopping festival being introduced to India, which added to the Diwali festivities. VCG

the U.S., the UK and Japan, it is still substantial progress.

Consequently, Indian states engaged in a fierce competition to attract overseas investments, including from China. For instance, in 2014, the newly divided state of Andhra Pradesh offered several concessions to investors such as excise duty exemptions, tax holidays, concessions in entry tax, interest-free loans of central sales tax and free land. Such opportunities complemented Chinese guidelines of protecting and expanding existing sales revenue and increasing market share abroad, increasing profit margins through backward integration and entering new markets. Apparently, the Chinese presence has been noticeable across Indian federal states. Chinese companies led by state agencies have learned to sustain business. The federal economic geography of India has offered varied incentives to foreign investors, and China has learned ways around it. If other foreign

companies could survive and thrive, so would China's companies. Chinese companies and state leaders had much to explore in the Indian context, which has helped China get acquainted with India and use it to boost overall bilateral relations.

China's engagement with India has undergone a quality transformation. If 2001 and subsequent years were all about consumables and giant masses of them sold using flash trade practices by the Chinese suppliers, the nature of this trade changed drastically in the following years. Trade interactions became more mature and cheap goods began to be replaced with more scrutinized merchandise and products. The products were required to meet certain quality standards because most Indian manufacturers were trying to diversify their need for parts and components. For example, a major part of trade at the beginning of the last decade began consisting of these products. This also made it easier for Chinese suppliers to reach the pockets of dealers not only in prominent cities but also in industrial zones and clusters deep inside some states.

### DEEPER INROADS

This was the first stage that the Chinese presence could break through the first level of the demand-supply pool. For example, Maharashtra, West Bengal and Gujarat, with their assets in ports, infrastructure and labor coupled with spiked demand,

have served as the chief entry points for Chinese products and companies. To make the reach sustainable, China began offering a new range of products and expanded its reach by changing demand-oriented supply into supply-oriented demand. This was certainly a challenge, but also an effective way to make space in the Indian economy beyond such pockets as well as away from regulators centered in Delhi.

The next level of involvement consisted of multipronged approaches. Chinese companies evolved beyond just exporters to the Indian market to become key contributors to India's federal economy. By becoming effective contributors to the economy, Chinese players found new corners of the Indian federal system. The interaction facilitated cooperation in fields of investment, joint ventures, greenfield investment, acquisitions, bidding for infrastructure projects, energy production and efficiency and most importantly, setting up value chains. These new frontiers helped Chinese companies reach distant corners of the Indian economic terrain.

Most Indian states today host some Chinese presence in some of these areas. As Indian states have varied levels of economic development, the Chinese have adjusted their trajectories to the scale of the local economy. Chinese companies are not only setting up manufacturing industries in newer states

such as Telangana and Chhattisgarh but also leading infrastructure projects. Additionally, Chinese companies have shown interest in expanding their presence in the value chain by realigning their industries in India. The states of Karnataka and Tamil Nadu have greatly benefited from Chinese value-added industries.

Chinese companies also have great potential to explore untapped markets in cold storage and supply lines. This is an important sector for most Indian states in the northeast. China has been looking for opportunities to share its experience in revolutionizing commercialization of agricultural and related processing. Chinese companies have kept in touch with some leading producers of perishables (meat and fresh vegetables) in Assam to set up facilities. This evidences that Chinese companies have adopted new ways to approach the Indian market and evolved in the process.

The Indian market and especially the sub-national drive for investment promotion and facilitation is making India a rewarding destination for Chinese companies seeking to achieve their investment objectives and establish long-term presence. At the end of the day, China's sub-national strategy and India's sub-national need for growth are in perfect lockstep. 

*The author is a senior research fellow at Peking University.*

# Combating Poverty Through Development

By Sun Yongmei

The sustainable development of agriculture and rural economics has reduced poverty effectively. By adjusting economic structure, China's future economic growth mode will be more favorable to the poor.

After 40 years of reform and opening up, 740 million Chinese people have worked their way out of poverty, a remarkable achievement in poverty reduction to say the least. China's achievements in combating poverty have contributed tremendously to the global poverty reduction cause and provided valuable experience for other countries.

Many studies since the mid-20th century have focused on economic growth and poverty elimination. Popularized in the 1950s and 1960s, the "trickle-down effect" posited that economic achievements brought by economic growth would inherently benefit every person in some way and eventually foster poverty reduction. But the reality has been that instead of reaching poor people, global economic development, especially in some countries, has even

resulted in a decrease in the welfare of impoverished populations. With doubts about the trickle-down effect, people began to look for pro-poor growth approaches.

Since the beginning of its reform and opening up in the late 1970s, China has witnessed rapid economic growth and effective poverty reduction, which

evidences that the economic development mode with Chinese characteristics is helpful for poverty alleviation and can provide key experience for the world.

China's rapid economic growth laid a solid foundation to facilitate large-scale poverty reduction. Economic growth not only provided the poor with greater job opportunities



March 23, 2018: Students of Bayi Primary School head home after class in Wenchuan County, Sichuan Province. A decade ago, a devastating 8.0 magnitude earthquake rocked Sichuan Province, decimating several counties including Wenchuan. After ten years of reconstruction and poverty alleviation efforts, the quake-stricken areas now have a new look. by Guo Shasha/CFB

and income, but also enriched revenues of the government, enabling it to more effectively help the poor.

From the perspective of economic aggregate, China's GDP reached 82 trillion yuan (US\$11.9 trillion) in 2017, as much as 226.9 times the 364.5 billion yuan (US\$52.9 billion) in 1978. Rapid and sustained economic development was accompanied by a significant increase in residents' incomes. China's per capita GDP grew from US\$55.8 in 1978 to US\$8,634 in 2017, enabling the country to join the list of upper middle-income countries in 2010. These developments all provided wealth and fuel for China's large-scale poverty reduction.

China features a typical dual economic structure with both relatively developed cities and relatively backward rural areas. Agricultural and economic development in villages is one of the key factors to fight poverty. Since the early days of its reform and opening up, China has considered rural economic system reform a priority, so it formulated an economic development strategy with focus on agriculture and consumer goods first. Strategy focusing on agriculture and consumer goods can boost the employment of the low-income population, thus better helping the poor. Moreover, the adoption of a series of reform measures such as implementing the household contract responsibility system, supporting township enterprises and greatly increasing the purchasing


prices of agricultural products has largely promoted the development of agriculture and the rural economy. Sustainable accumulation of labor and physical capital, continuous technological advancement and targeted development-oriented poverty relief investment play an important role in boosting rural development.

China has not completely eradicated poverty. Facing a wide gap of wealth distribution between the rich and the poor, the country still face challenges in further decreasing population struggling with poverty.

So, China needs to further adjust its economic growth mode to make rules and policies better favor the poor. At the same time, the performance of poverty-relief programs should be improved. *The Outline for Development-oriented Poverty Reduction for China's Rural Areas (2011-2020)* stipulated that the net income of farmers in poverty-stricken areas should increase faster than the national average and that the index for key sectors of basic public services in those areas should stay close to the national average, which is a good example of pro-poor growth approaches.

Facing future reform of its economic development mode, China needs to pay attention to certain things, which may have implications for the whole world. For starters, it should prevent the vicious circle of low growth of agriculture and high poverty in rural areas. And China cannot simply rely

on wealth created in a short time to fight poverty. It needs to provide equal opportunity in the process of creating wealth. And in ownership reform, China should insist on collective ownership of rural land. And through macro-adjustment, the government needs to change the current situation in which the income growth rate for owners of capital elements is much higher than the owners of labor and expand the proportion of income gained by owners of labor. Additionally, China needs to change its export-oriented economic development mode to become less reliant on foreign economies.

China cannot completely avoid problems caused by the past extensive economic growth mode. For example, the urban-rural dual economic system has led to imbalanced development in cities and villages. And due to lax legislation, monopolies and corruption have emerged on the road to a developed market economy, resulting in a stark wealth gap between the poor and the rich. Nevertheless, China is still pointed in the right direction with the right goals. The country's economic growth mode needs to become more poor-oriented in the future. By adjusting its economic structure, China will provide the poor with more chances to develop and solve the imbalance of wealth distribution. 

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# Social Governance on Demand

By Wei Liquan

Responding to China's realities, adhering to a people-centered philosophy and exploring the improvement of governance at all levels have been the core values of the country's social governance reform over the past 40 years of reform and opening up.

As China has implemented the reform and opening-up policy for 40 years, the Chinese road and experience in the new era have become successful references for the world. Over the past four decades, the reform and opening up has liberated the Chinese economy from its shackles, raised productivity, greatly promoted and accelerated the overall development of Chinese society, and extensively and profoundly changed social governance in China.

Over the 40 years of China's reform and opening up, developments and changes in social governance can be roughly divided into three stages:

The first stage, from the

Third Plenary Session of the 11th Central Committee of the Communist Party of China (CPC) in 1978 to the 14th CPC National Congress in 1992, saw key breakthroughs in changing the highly centralized and planned economic system and social governance system by relaxing control of social governance and allocating resources to activate social development.

During the second stage, from the 14th CPC National Congress in 1992 to the 18th CPC National Congress in 2012, China mainly built a framework of social governance compatible with the socialist market economy and actively explored new ways of social governance with Chinese characteristics to enhance the vitality of

social development and build a harmonious society.

The third stage, from the 18th CPC National Congress to present, is guided by Xi Jinping Thought on Socialism with Chinese Characteristics



In 1994, Wenzhou International Economic Law Firm was the only law firm engaged in international legal services in Zhejiang Province. Since the 14th CPC National Congress, some basic aspects of China's social and economic life have gradually become law-based, providing an important guarantee for the country's reform and opening up. Xinhua

for a New Era. China is comprehensively deepening social governance reform, modernizing the national governance system and capability, and promoting vigorous, harmonious and orderly operation of society.

With other countries' experience as reference when modernization accelerates, the evolution of the social system and structure is often complicated and full of contradictions and variables. During the four decades of rapid and profound social changes, China has consistently maintained stability and comprehensive development. Chinese people feel they are well-served and happy with life. This is the most important and remarkable achievement in the field of social governance in China.

While seizing success, China has accumulated rich experience in social governance.

One important lesson is to persistently free the mind and work with China's national conditions. The CPC holds the courage to examine society with global vision and the requirements of the era, and reform of social governance always reflects innovative trends of the times. China insists on responding to national conditions and exploring a road of social governance with Chinese characteristics. Like the reform concerning economic development and governance, the reform of social development and governance also involves self-improvement and




May 1, 2003: Medical staffers prepare for the new Xiaotangshan SARS Hospital to receive its first patients. The outbreak of SARS led to a comprehensive reflection on the public governance system by the Chinese government. The structure of public power in China targets openness, transparency, accountability and efficiency. Xinhua

development of Chinese socialism. China has always attached great importance to studying and drawing on the useful practices of other countries, but it has avoided blindly copying their models.

The people-centered approach relies on the people to innovate the concepts and modes of social governance. This is the fundamental reason China has achieved a series of achievements in social governance reform. Protecting the legitimate rights and interests of the people and creating an environment that encourages creativity and innovation are key to truly achieving effective social governance.

At the same time, we should insist on overall and coordinated advancement and deepen modernization of social governance. In the information age, China has formed a large-scale and

diverse network society with complexities and risks that make social governance more difficult. The experience in governance in this respect is that the CPC leadership always provides overall direction and coordination and plays the role of a leading core. While using modern information technology to improve the quality and efficiency of social governance, the Party highlights the accumulation of corresponding material and economic strength in line with socialist economic, political, cultural and ecological governance with Chinese characteristics, with an eye on achieving mutually complementary and interactive development. 

The author is president of the China Society of Administrative Reform and dean of the Institute of Social Management, Beijing Normal University.

# Realistic Attitude Furthers Sino-Indian Cooperation

By Mao Keji

Instead of indulging in rosy anecdotal evidence and high-sounding albeit distorted indices concerning itself, it is more helpful for India's growth prospects and bilateral economic relations to recognize China's headstart and focus on what it can do to catch up.

From the flattering words of the Fortune 500 chief executive upon visiting India to the rocketing ranking of India in indices like "Ease of Doing Business" or "Global Competitiveness," optimism about India is on the rise like never before. As China's economic growth somewhat flags, especially among the shocks caused by the Sino-U.S. tariff disputes, India is not only seen as the other poster child for the emerging market on an equal footing with China, but also depicted as the successor apparent to China as the next economic powerhouse.

However, a closer examination ruthlessly reveals that India's economic performance still lags significantly behind China. So,

instead of indulging in rosy anecdotal evidence and high-sounding albeit distorted indices concerning itself, it is more helpful for India's growth prospects and bilateral economic relations to recognize China's headstart and focus on what it can do to catch up.

## GAP BETWEEN CHINA AND INDIA LIKELY WIDENING

The disparity between China and India can be best illustrated by their respective economic trajectories. Although they were of similar economic volume for most of the time before the 1990s, China's economy has strikingly grown to be almost five times bigger than that of India. So, even if India occasionally registers a growth

rate close to or exceeding that of China, the difference in their absolute size is actually widening. Given this, if India really wants to catch up with China, it not only needs to achieve a much faster growth rate, but also needs to maintain such a rate for at least a few decades. So, the real question is, how can India maintain such a rate of growth for such a long period of time?

If there is any secret behind China's extraordinary growth record in the past 40 years, it is China's booming manufacturing sector. Since the reform and opening up in the late 1970s, a huge part of the agricultural labor force has been continuously reallocated into the more productive manufacturing sector. China successfully

harvests great productivity growth in this process of massive industrialization. So, in comparison to India, China boasts a much stronger manufacturing sector hiring a lot more (29.3 percent) and contributing a lot more (39.5 percent). Thanks to a strong manufacturing base, the Chinese economy has consolidated its economic modernization and pioneered its way into innovation-driven development.

It is the labour allocation pattern that largely explains the diverging economic growth trajectories between the two countries. India, in spite of its decent growth record, lagged far behind in industrialization. Agricultural sector makes up 15.4 percent of India's GDP, but hires as much as 47 percent of its labour force, while its industrial sector contributing 23 percent of GDP only employs 22 percent of workers. India's service sector stands out as it contributes 61.5 percent to the economic output by using only 31 percent of the labour inputs. India thus presents an odd economic landscape – even though it shows characteristics of a post-industrialized economy with the service industry assuming a dominant position like that of the U.S. or the U.K., its low level of productivity exposes its awkward reality of underdevelopment.

The unsatisfactory industrialization record is the cause of many issues that India is facing today. The absence of a robust manufacturing sector



July 8, 2018: Clients visit a new assembly line of the Indian factory of Guangxi Liugong Group in Indore, a city in India's central state of Madhya Pradesh. It is the first production base that Chinese manufacturing enterprises put into operation in India, and also the first overseas factory of Liugong.  
by Wang Ye/Xinhua

prevents India from achieving a massive improvement in its labour productivity and hence, per capita income. While China created tens of millions of middle-class jobs as it became the workshop to the world, most of workforce in India could only toil in woefully unproductive jobs in the informal and unregulated economy.

Moreover, almost all major financial and macroeconomic risks that haunt the Indian economy today—overreliance on foreign capital inflows, fragile foreign exchange rate, vulnerability to oil price hikes as well as susceptibility to a fickle monsoon—are either caused by its underdeveloped or uncompetitive manufacturing sector, and can be greatly relieved by materializing its huge manufacturing potential. It's time for New Delhi to ponder long-term solutions to these issues by strengthening its economic competitiveness, rather than resorting to ad hoc fire-fighting policies like

capital controls, non-essential import restrictions, and interest rate hikes. As a foreign exchange expert insightfully puts, “nobody can live forever on somebody else's money,” the long run solution for India lies in industrialization.

## DIFFERENT PATH TO INDUSTRIALIZATION

Fortunately, Indian decision-makers have highlighted the role of industrialization, especially since Modi rose to premiership in 2014 and “Make in India” was made a national strategy. However, India so far has yet to present a clear roadmap for its odyssey into industrialization. In this regard, a close examination of India's and China's different paths to industrialization can be very helpful.

As the world's only two members of the “one billion-population club,” China and India share three important advantages: a large and low-cost labor force, a huge domestic consumption market, and a great supply of high-quality human capital known for professional services and science-engineering talents. However, it is the two countries' opposite approaches to these advantages that have determined their contrasting performance.

China unfolded the three-step model in an optimized sequence. It first pioneered into labor-intensive and export-oriented industries like apparel, toys and furniture at the low end by tapping into its huge



workforce. With initial capital and expertise accumulated, it then exploited the huge domestic demand to cultivate local industrial players, so they could navigate through the fierce global competition in intermediate industries like consumer electronics and machinery. After these, China is now climbing the value-chain by working on research and development based on its large talent reservoir. In this way, China expects to reap high added value from the cutting-edging industrials like integrated circuit, pharmacy and aviation industries.

It was through such a three-step model that China could allocate and mobilize its resources most efficiently according to its changing comparative advantages. By doing so, China has not only risen to have the largest industrial output in the world, but also marched towards the top of the global value chain. With exactly the same three advantages, however, India's approach was totally different.

Instead of working from the low end, through the intermediate tier and then to high-end industries like China did, India has pursued a completely reversed sequence. For decades, India has been famous for its highly competitive technology- and capital-intensive industries like pharmaceuticals and IT services. While India's intermediatetier industries—like mobile phone and automobile parts-manufacturing industries, have made major progress in recent years, they still lag

behind in terms of international competitiveness and industrial ecosystem. Most counterintuitively, India's labor-intensive industry is disproportionately underdeveloped, leaving its huge workforce largely untapped.

Such a distorted industrial development practice is taking a heavy toll on the Indian economy. It does not take care of India's huge domestic demand for manufactured products, which means Indian consumers have to rely on imported goods. Neither does it provide enough employment opportunities for India's ever-growing workforce, making job creation a haunting nightmare for successive Indian administrations.

### **A MORE REALISTIC APPROACH TO SINO-INDIAN ECONOMIC COOPERATION**

More nuanced Sino-Indian economic cooperation can definitely make a difference. India's emerging mobile phone industry perhaps is the best example. By 2017, India had bypassed Vietnam to be the world's second-largest mobile phone producer by volume, occupying 11 percent global production. As late as the 2014-15 fiscal year, 78 percent of the mobile phones sold in India were still imported as completely made units, while only three years later, the percentage had been dramatically reduced to 18 percent in 2017-18. Such an amazing achievement was only made possible by Chinese mobile phone

tycoons like Xiaomi, Vivo, Oppo and Huawei which dominate the Indian market with a combined market share of more than 60 percent.

To evade tariff barriers imposed on completely imported phones, Chinese companies first started to export components to India and assemble them locally. However, when India again raised customs duties on mobile phones and their components in April 2018, major Chinese companies began considering relocating the entire mobile phone ecosystem to India by encouraging their affiliated suppliers to follow in their investment footprints there. With vertical supply chains and horizontal industrial clusters burgeoning in India, a robust mobile phone ecosystem is in the making and will for sure cut local production costs dramatically. Once such an ecosystem is put in place, it in turn will attract more business, kicking off a self-reinforcing process. In this regard, India's mobile phone industry has finally progressed onto the right track.

So far, such a pattern seems to fare best in intermediate-tier industries in India that are driven by local demand, such as consumer electronics, engineering equipment as well as automobile parts. This is largely because these industries' huge local demand combined with Indian government's protectionist tariffs as well as its industrial policies have made investing in local factories

commercially viable.

Although these tech-savvy industries seem to be prospering, their ability to create jobs and generate exports is actually dwarfed by the low-end industries like apparel, stationery and household items. Given the experience of Japan, South Korea, China and even lately Vietnam, it was these seemingly primitive industries that led the industrialization boom by absorbing massive agricultural labour and quickly making a dent in the highly competitive global export market. In this regard, labor-intensive and export-oriented industries, which tap into India's abundant labor endowment and bring about new market opportunities for fatigue Chinese capital, are the perfect candidates, if India can thoroughly reform itself in areas like labour regulation and land acquisition.

If India's industrialization is inevitable in its journey towards becoming a real global economic powerhouse, China – as the only other member in the billion-people club and a forerunner in industrialization – must play a more important role. Bearing this in mind, instead of obsessing over the cliché of the dragon-elephant comparison, scholars from both countries need to be more realistic and see what they can best do to achieve shared prosperity between the two giants. ■

*The author is an associate researcher at the International Cooperation Centre of the National Development and Reform Commission of China.*

# Looking Beyond the Numbers

By Mukul Sanwal

Despite various indices of global development pitting them against each other, there is a lot that India could learn from China in the current economic climate.

A crucial thing that India has to learn from China is the value of investment in human capital for generating and sustaining higher rates of economic growth. That is why the statistics that really matter are the Global Innovation Index.

This index has India at the 57th position and China at the 17th position in 2018, as compared to their rankings the previous year of 60th and 22nd places respectively, highlighting their evolving capabilities and outcomes.

But while rankings are certainly an important factor in charting the trend of economic growth and wellbeing, they only depict a partial picture. To achieve

Prime Minister Narendra Modi's goal of a Top-50 ranking by 2022, the Indian government has to introduce big-ticket reforms to land ownership, labor law, and the judicial process, which will bring about systemic changes on the lines of a single nationwide tax, and boost its rankings further by supporting productivity growth. Even as other metrics raise India's rankings, productivity growth is the ultimate driver of economic growth, and needs focused attention. A lot has been done in recent years; more needs to be done.

For example, India stands at first position in terms of overall improvement in the

rankings of the Ease of Doing Business Index, Logistics Performance Index, Global Innovation Index, Global Retail Development Index, Global Competitiveness Index and Global Gender Gap Index. The World Bank's *Doing Business 2018* report puts India as one of the 10 economies that improved the most in the areas measured. While China was at the 98th spot in the Getting Electricity metric of the *Doing Business 2018*, India was at the 29th position. India's ranking in the Getting Credit Metric was 29th, while China was at the 68th place. In Paying Taxes, India was at the 119th, with China at the 130th, and in the case of protecting minority investors, India's global ranking was at number 4, much ahead of China (119th).

If we look at the 2017 Global Retail Development Index, India surged ahead of China to the top position among 30 developing countries in terms of retail investment and ease of doing business. The Indian government's campaigns to reform indirect taxation with GST—a nationwide Goods and

Services Tax—and popularize cashless payments have significantly contributed to this. This certainly bolsters global confidence in India's growth potential.

In the first quarter of 2018, Indian manufacturing and investment witnessed rapid momentum. Consequently, the country's economy grew at an annual rate of 7.7 percent. The previous year, the figure was 5.6 percent. If we compare these figures with those of China's economy, we see that the latter stayed at the annual rate of 6.8 percent, in 2018 as well as 2017.

All these numbers need to be seen in perspective.

The Indian economy has abundant excess resources, thanks to currently being in a stage of early growth. China, on the other hand, after its fast-paced rise and expansion, has now transitioned into a period of mature growth. Its focus is now on innovation. Against this backdrop, India has a lot more room for growth by making use of excess resources by utilizing conventional technologies that China can no longer use. As a result, India's performance in

the Competitiveness metric has also greatly improved. In the past four years, the nation gained 20 points in the World Economic Forum's Global Competitiveness rankings. This improvement however has still not helped India fix its account deficit. In the meantime, China had a current account surplus of 1.3 percent of the GDP.

### COMPARING GROWTH PATHS

India has the potential for future growth, where three characteristics of the Indian economy stand out as compared to China.

Rather than by growth in industrial capacity, India's development path is driven by the expansion of its service industry. The level of industrialization though is still modest, with vast potential for future growth through manufacturing and construction activity.

The second distinguishing feature is India's relatively low rate of urbanization. Its upward trajectory reflects better economic opportunities in cities, as well as government plans to encourage the development of urban centers. The transfer of people from relatively low-productivity occupations in agriculture to higher-productivity jobs in manufacturing and services is a source of potential growth.

The third characteristic that will support future growth is India's relatively young population. The majority of the population is of working age (15-64 years old). It will continue to grow until around 2050. China's working-age population, on the other hand,



October 11, 2006: Two Bangladeshi visitors experiment with the exhibited 3G products at ZTE Corporation's 3G roadshow in Dhaka, Bangladesh. by Zhu Feng/Xinhua

has already peaked. Consequently, the Indian economy's aggregate output will continue to expand even if the level of labor productivity is unchanged.

India has outperformed on innovation relative to its per capita GDP but China is more advanced when it comes to technology acquisition and absorption and is better placed to develop the elements of the fourth industrial revolution—materials, technologies and production methods. China's leadership is focusing on research and development, playing an important part in helping China to transition to a knowledge economy, placing innovation at the center of its plan for growth over the next five years. Chinese R&D spending currently accounts for 15 percent of the world's total, close to that of the United States, and is expected to increase.

### LESSONS FROM THE NEIGHBOR

In 1980, India's per capita GDP was slightly higher than China's. But in the three decades until 2010, India fell behind, with China's economy growing at an average rate of 10 percent. This was the period of China's meteoric rise, thanks to the economic policies initiated through its reform and opening up. Today, China's manufacturing sector is eight times that of India's, and the Special Economic Zones contributed only partially to the growth.

China's human capital was what proved to be its biggest strength in the 1980s. By 1982, its literacy rate had been 64.4 percent, compared



November 21, 2009: A miner stands at the Gevra coalmine in Chhattisgarh, India. India is getting ready to open up commercial coal mining to private companies for the first time in four decades, with the aim of shifting the world's third-biggest coal importer towards energy self-sufficiency. Xinhua

to India's 37 percent. The average years of schooling in China are also higher. China also has a far healthier population in terms of infant mortality and life expectancy.

Recent studies have ranked China much higher in terms of gender equality as well. Its female population is also far more economically empowered, with China at the 50th spot, while India is significantly behind at the 131st. India's labor force participation of women is 34 percent while China's is 74 percent, and in women's education India ranks 121th and China 85th.

This differentiation is an important lesson for India. Multinational companies approached China and India very differently. They saw India as a large market for their products, while China as a manufacturing base for the rest of the world. This explains the large difference in foreign direct investment into the two countries, and the

subsequent impact on growth, productivity and wellbeing.

India emerged as the world's sixth-largest economy in 2017 by surpassing France, and in 2018, surpassed the United Kingdom to occupy the fifth position. It is time for India to review its industrial policy to nurture potential winners to achieve global competitiveness through R&D investment and fiscal support. Along with a laser-sharp focus on human capital, the lesson of the Chinese economy's successful development process is "learning by doing." It is up to India to make optimum use of its rising potential on the world stage, and learn what it can from its neighbor, to successfully transition to an industrial and knowledge economy. 📖

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# Reform and Opening Up Milestone Events

Concept by China Pictorial  
Photographs courtesy of CFB unless otherwise credited

## 1978

### Household Contract Responsibility System

On the evening of November 24, 1978, 18 farmers from Xiaogang Village in Anhui Province signed a contract, according to which its farmland would be separated and contracted to each household. This was the start of what was then called the Household Contract Responsibility System, and the village reaped a good harvest the following year. The Household Contract Responsibility System unleashed the productive forces in rural areas and greatly aroused the enthusiasm of farmers, making it the most important reform of rural production management systems in the early stage of China's reform and opening up.

### Third Plenary Session of the 11th Central Committee of the Communist Party of China

From December 18 to 22,

1978, the Third Plenary Session of the 11th Central Committee of the Communist Party of China (CPC) was held in Beijing, which passed the historic decision to shift the focus of the Party and country's work to economic development. This meeting marked the start of China's reform and opening up and socialist modernization.

## 1979

### Shenzhen Special Economic Zone



Shenzhen was designated as a Special Economic Zone along with Zhuhai, Shantou and Xiamen. On July 8, 1979, an infrastructure project in Shekou Industrial Zone in Shenzhen began construction. The idea of innovation and the

pioneering spirit of looking to the accomplishments of others exerted a major influence on China's reform and opening up and spread to the whole nation. China's opening accelerated thereafter.

### Diplomatic Ties Between China and U.S. Established

After U.S. President Richard Nixon's visit to China in 1972, which broke the ice between the two countries, the People's Republic of China (PRC) and the United States formally established diplomatic relations at the ambassadorial level in 1979. This milestone event opened the door for China's exchange with the West and its gradual absorption of trends of the world.

## 1980

### First Private Restaurant Opens

In 1980, the first private restaurant, Yuebin, opened. Despite its humble space and relatively simple decor, it

was still something new. It benefited from the policy of opening up and invigorating the economy proposed at the Third Plenary Session of the 11th CPC Central Committee.

## 1981

### *Resolution on Certain Questions in the History of Our Party Since the Founding of the PRC*

In June 1981, the Sixth Plenary Session of the 11th CPC Central Committee approved the *Resolution on Certain Questions in the History of Our Party Since the Founding of the PRC*, correctly summarizing the major historical events of the Party since the founding of the PRC, particularly the “cultural revolution.” The Resolution realistically evaluated the historic role played by Mao Zedong in the Chinese revolution and fully elaborated on the great significance of Mao Zedong Thought as the guiding ideology of the Party, laying critical political foundation for China’s development.

## 1982

### *Constitution Amended*

In 1982, the Constitution was amended extensively and approved by the Fifth Session of the Fifth National People’s Congress. The amendment stated that the basic task of the nation in the years to come would be to focus its effort on socialist modernization, especially

economic development. It also stated that all citizens in China are equal before the law and that no organization or individual is privileged above the Constitution and its laws.

## 1985

### *Disarmament*

From mid-1985 to the end of 1987, under the leadership by Deng Xiaoping, then chairman of the Central Military Commission, the Chinese People’s Liberation Army cut one million soldiers. All types of institutions devoted to national defense were merged or closed as 40 percent of personnel were discharged. The former 11 military regions were reorganized into seven.

## 1988

### *Hainan Becomes a Province*



On April 26, 1988, the People’s Government of Hainan Province was established at No. 59 Haifu Avenue. Hainan Island was designated as a Special Economic Zone the same year. A great number of investors and entrepreneurs headed for the

southern island. Thanks to their efforts, the formerly underdeveloped island has become a major draw across all seasons. In April 2018, China made a further step on reform and opening up by supporting Hainan to become a pilot free trade zone across the entire island. Hainan will continue to play the role of a window of reform and opening up.

## 1989

### *Housing System Reform*

In 1989, citizens in Beijing who purchased publicly owned apartments first collected their real estate certificates, marking the start of housing system reform in the city. The welfare housing program that had been implemented since the founding of the PRC in 1949 was gradually abolished, and reform towards commercialization of housing was launched across the nation.

### *Project Hope*

A program aiming to help children in impoverished areas receive school education was launched by the China Youth Development Foundation in 1989, and is called “Project Hope.” By building primary schools, funding children’s return to school and improving the conditions of schools in rural areas, the program changed the lives of millions of children.

## 1990

### China's Stock Market Born

In March 1990, Shanghai and Shenzhen were allowed to pilot public offering of shares. The two cities issued regulations on the issuance and trading of securities. In December of the same year, both Shanghai Stock Exchange and Shenzhen Stock Exchange opened.

### 11th Asian Games

From September 22 to October 7, 1990, the 11th Asian Games were held in Beijing. It was the first time that the Asian Games came to China and the first time China hosted an international comprehensive sports event.

## 1992

### Deng's Southern Tour



From January 18 to February 21, 1992, Deng Xiaoping visited southern cities including Wuchang, Shenzhen, Zhuhai and Shanghai and made important remarks. He proposed that China seize the opportunity to accelerate progress of reform and opening up to lift the economy to a new level. His

remarks laid the ideological foundation for the path of socialist market economy with Chinese characteristics and injected new impetus into the country's reform and opening up.

### Shanghai Leads Breaking of the "Iron Rice Bowl"

In March 1992, workers of Shanghai Diesel Engine Factory signed a labor contract. Employees of the factory transformed from permanent workers to contract workers, losing the "Iron Rice Bowl" offered by state-owned enterprises. As the reform of state-owned enterprises deepened, China began to combine the basic system of socialism with the development of a market economy to build a socialist market economy.

### First McDonald's Opens in Beijing

On April 23, 1992, the first McDonald's in China opened on Wangfujing Street in Beijing. It was then the world's largest, with 700 seats and 29 checkout counters, and attracted over 40,000 diners on its first day of operation.

## 1993

### Wang-Koo Meeting

In April 1993, the first "Wang-Koo Meeting" was held in Singapore. Based on the "1992 Consensus," Wang Daohan, then-head of the Chinese mainland's Association for Relations Across the Taiwan Straits (ARATS), and Koo Chen-fu,

then chairman of the Taiwan-based Straits Exchange Foundation (SEF), met in Singapore, which was the first meeting across the Taiwan Straits after four decades of severance, a historical progress of cross-strait relations.

## 1995

### Invigorating China through Science and Education

In May 1995, China issued the Decision of the CPC Central Committee and the State Council Concerning the Acceleration of Advancement of Science and Technology, launching the Strategy of Invigorating China Through Science and Education. It aimed to accelerate the advancement of science and technology and implement the idea that "science and technology constitute a primary productive force."

## 1997

### Hong Kong's Return to the Motherland

From midnight on June 30 to the early morning of July 1, 1997, the hand over ceremony of Hong Kong from the British government to the Chinese government was held in Hong Kong. The return of Hong Kong marked the beginning of the formal implementation of China's "One Country, Two Systems" policy, an innovative practice in national governance.

## 1998

### Streamlining Government Institutions

In 1998, to promote the development of the socialist market economy, the Chinese government launched the fourth institutional reform since the reform and opening up, aiming to establish a government administration system with high efficiency, coordinated operation and standardized performance. Leaner and more efficient government institutions and administrative systems provided new impetus for economic and social reforms in various fields.

## 1999

### Birth of Alibaba

In September 1999, Jack Ma founded Alibaba with 18 partners at his apartment in Hangzhou, Zhejiang Province. By seizing the opportunity of internet development, they set up Taobao and other third-party sales platforms, which drastically changed China's internet economy.

### Western Development Strategy

Since the beginning of reform and opening up, the economic gap between eastern and western parts of China became increasingly glaring, so in 1999, China launched the Western Development Strategy and continuously strengthened support of the western region by providing

planning instructions, preferential policies, investment, projects and personnel exchange, which effectively promoted the development of the western region and narrowed the regional development gap.

## 2001

### China Joins WTO

On September 13, 2001, China completed bilateral market access negotiations with 36 of the 138 members of the World Trade Organization (WTO). On December 11, China formally became a member of the WTO. Since then, China has remained deeply involved in globalization by promoting openness, competition and economic integration as it has gradually shared the fruits of prosperity and development with Asia and the world.

## 2002

### Yao Ming

On June 25, 2002, Chinese basketball player Yao Ming was drafted first overall by the Houston Rockets. As a milestone figure of basketball history in China and the development of the NBA in the United States, Yao Ming inspired Chinese fans to engage in the sports culture of other countries. Not only did he stimulate the pride of the Chinese people, but also provided Westerners with a different

perspective to understand China, building a bridge for exchange between the East and the West.

### South-to-North Water Diversion Project

On December 27, 2002, the inaugural ceremony of the South-to-North Water Division Project was held simultaneously at the Great Hall of the People in Beijing and construction sites in Shandong and Jiangsu provinces. The project aims to solve the water shortage in northern China, especially in the Haihe River, Huaihe River and Yellow River basins, which is expected to benefit a population of 438 million. Today, the middle route project and the east route project (Phase I) have been completed and are now diverting water to the north.

## 2003

### Shenzhou V Manned Spacecraft Launched



The Shenzhou V manned spacecraft was launched at 9 a.m. on October 15, 2003 from the Jiuquan Satellite Launch Center. The spacecraft lifted astronaut Yang



Liwei and a Chinese flag into space. It made China the third country after the former Soviet Union (Russia) and the United States to send a human into space.

### Three Gorges Dam

Construction of the Three Gorges Dam was completed on May 20, 2006. With a total length of 3,335 meters and a height of 185 meters, the dam is considered the world's largest hydroelectric power project. With an installed capacity of 18.2 million kilowatts and an annual power generation capacity of 84.7 billion kilowatt-hours, which both rank first in the world, it plays an important role in flood control, power generation and shipping development.

### Agricultural Tax Abolished

In 2006, China abolished the agricultural tax which had been collected for 2,000 years, marking the country's entry into a new period of reform and opening up. The agricultural tax was levied by the state on all units and individuals engaged in agricultural production earning agricultural income. As an important measure of the government to solve the problems related to agriculture, farmers and rural areas, the abolishment of the agricultural tax not only reduced the burden on farmers and increased their rights, but also demonstrated the principle of fairness in modern taxation.

## 2007

### Chang'e-1 Launched

On October 24, 2007, China's first lunar orbiting satellite, Chang'e-1, was successfully launched and put into orbit, which admitted China into the club of the few countries in the world with deep-space exploration capabilities.

## 2008

### Beijing Olympics



The Chinese capital of Beijing hosted the 29th Olympic Games from August 8 to 24, 2008. It marked the first time that China hosted the Olympics, showcasing China's national strength under a global spotlight and presenting a brand new posture to opening up through a window for the rest of the world to better understand the country.

## 2010

### Shanghai World Expo

Themed "Better City, Better Life," the 2010 World Expo was held in Shanghai from May 1 to October 31, 2010. It was the first comprehensive world expo held in China and the first registered world exposition held in a developing country. Exhibitors from 246 countries and

international organizations participated, drawing unprecedented attendance of more than 70 million visits to the World Expo.

## 2011

### Chinese Nationals Evacuated from Libya

In February 2011, China retrieved 35,860 nationals and 2,100 citizens from 12 other countries from Libya, after it tumbled into domestic political chaos. The 12-day retrieval, the largest of its kind performed by China since 1949, was a model case for the country to protect its nationals overseas, testifying to its growing military, economic and diplomatic strength.

## 2012

### 18th CPC National Congress

The 18th CPC National Congress was held in November 2012 as the world was undergoing major development, transformation and adjustment. The Congress added the Scientific Outlook on Development to the Party Constitution, set a course to unwaveringly walk the path of socialism with Chinese characteristics and designed the goal of building a moderately prosperous society in all respects. The Congress elected the new Chinese leadership with Xi Jinping at the core.

## 2013

### China Proposes the Belt and Road Initiative

Chinese President Xi Jinping announced the proposals to build the Silk Road Economic Belt and the 21st-Century Maritime Silk Road in September and October 2013, respectively, which together became known as the Belt and Road Initiative. The Initiative aims to promote coordination of developing strategies along the Belt and Road routes, unleash market potential in the region, facilitate investment and consumption, boost demand and employment, and strengthen people-to-people and cultural exchanges. The Initiative helps enhance mutual understanding and trust and share peace and prosperity.

### Targeted Poverty Alleviation Proposed

In late 2013, Chinese President Xi Jinping visited a remote village in central Hunan Province, where he met seniors, children and women, as most young men had left to work in cities. During the visit, he proposed the idea of precision poverty relief. More than 68 million people have been lifted out of poverty since then.

## 2016

### RMB Added to SDR Basket

On October 1, 2016, the Chinese yuan was included in the IMF's Special Drawing

Rights (SDR) basket, following the U.S. dollar and the Euro. This signaled that the international community acknowledged China's increasing significance in the international financial market, and would drive domestic financial reforms and opening of capital accounts in China.

## 2017

### 19th CPC National Congress

The 19th CPC National Congress was held in Beijing from October 18 to 24, 2017. The Congress enshrined Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era into the Party Constitution, and called for securing a decisive victory in building a moderately prosperous society in all respects and striving for the great success of socialism with Chinese Characteristics for a new era. The Congress also formulated plans and policies that follow the tides of the times and respond to the wishes of the people. The Congress upheld the banner of socialism with Chinese characteristics and reviewed the strong vitality of scientific socialism within China's development and governance achievements.

## 2018

### First Session of the Thirteenth NPC

From March 5 to 20, 2018, the First Session of the

Thirteenth National People's Congress (NPC) was held. During the session an amendment to the country's Constitution was adopted, enshrining Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era into the Constitution. Xi Jinping was elected Chinese president by a unanimous vote.

### Extended Fuxing Bullet Train

On July 1, 2018, the extended version of the Fuxing bullet train rolled down the tracks for a trip from Shanghai Hongqiao Railway Station to Beijing South Railway Station. The Fuxing is a world-class bullet train with independent Chinese intellectual property rights. China has become a forerunner around the world in terms of high-speed railway technology.

### China International Import Expo



by Xu Xun

The first China International Import Expo (CIIE) was held from November 5 to 10, 2018 at the National Exhibition and Convention Center in Shanghai. As the world's first import themed expo at the national level, it welcomed more than 3,600 enterprises including over 200 Fortune Global 500 companies. The CIIE evidenced China's strong commitment to further open up. 

# Digital Diaries : The Internet's Impact on My Everyday Life

Concept by China-India Dialogue

## Traditional Media in Non-traditional Times

**Zhou Shixiong**

Age: 25

Occupation: CCTV journalist

Birth place: Jiangsu Province

Current city of residence: Beijing



In the age of online media, traditional media is not becoming obsolete. It is now an absolute necessity.

New media technology has generated many new products. With the fast-developing live broadcasting industry and other media products, the audience is no longer restricted to whatever traditional media offers. With the help of new media, the audience has gained the initiative of speech, becoming the disseminators or even producers of information.

However, in the complex “we” media age, people may speak frankly about their opinions and ideas, but they may also become disseminators of negative messages or false

information. And the booming business of internet celebrities draws focus from other news and leads to an excess of infotainment which neglects important developments in favor of celebrity gossip. This is not a negative trait of the new media itself, but, to a certain extent, the technology has enabled the misuse of media and the “collapse” of the communication system, leading to a certain degree of pollution of the media environment.

In such an era, the existence of traditional media is increasingly crucial and should be supported and paid close attention to. When new media creates new forms and set new boundaries, we need traditional

media to persist in amplifying opinions of reputable sources with faith and strength.

Some say that today's traditional media will continue to exist with irreplaceable authority and credibility in the market environment for a fairly long period. Even if the status quo is maintained, how long will the media last? Will it, like all life, become extinct one day? No one has an absolute answer. Under such circumstances, traditional

media's effectiveness in influencing opinion, changing trends, silencing "chaos" and emitting positive energy and well-sourced news depends on many more factors, and not just the enthusiasm of traditional media people.

As the saying goes, "Water can capsize a boat, but it can also carry a boat." If we can integrate the speed and coverage advantages of new media with the content of traditional media, meet

the needs of the audience in a cutting-edge manner, and achieve authenticity, fairness, timeliness and comprehensiveness in a language they understand, we will surely wield considerable power. The value of well-sourced news will be highlighted, and traditional media will survive in some form or another. With regulations and healthy guidance, "we" media can also improve in performance.

## A Playground with No Gate

**Tarana Reddy**

**Age:** 27

**Occupation:** Writer

**Birth place:** Chennai

**Current city of residence:** Chennai



Between 1999, when my father first had it installed with a great deal of pomp, and 2004,

I treated the bulky desktop computer and whirring dial-up internet in my house with suspicion and disinterest. What was its purpose, even? TV had *Cardcaptor Sakura* and *Ally McBeal*, which I found much more engaging.

For those first five years, I used the internet only when I had to – for homework.

School projects were never the same after internet-enabled computers became common in every student's home. Pre-internet, our teachers had to choose topics that were easy to research using the books in the small school library. Now they could give us any topic under the sun, all thanks to Google.

If they were expecting our projects to become lush works of never-before-seen insight and expertise, however, they were mistaken. What they got instead were files filled with pages that had clearly

been printed directly from Wikipedia, logo and all, and projects that were word-for-word copies of articles to which they themselves had referred us. Of course, with time, we learned how to properly write a bibliography, and well, how to plagiarise our school projects with a little more skill.

I soon found less academic uses for the internet though. I joined Hi5, a social media platform where I uploaded blurry photos of myself in a saree with witty captions about how much I hated wearing sarees. I got Limewire, through which I made my first-ever contribution to online piracy by downloading my two favourite songs at the time: Linkin Park's *In the End* and Sk8er Boi by Avril Lavigne.

I got on Facebook, which succeeded in consuming every ounce of my attention from then on until it became a



cesspool of idiotic discourse and advertisements, forcing my move to Instagram and Snapchat in early 2010. I also built a career in writing and social media marketing, making the Internet not only a part of my social life but central to my passion and earning capacity.

What hadn't changed in all that time, though, was the anxiety that accompanied my use of the internet.

I didn't recognize it until the end of last year, when I plugged my phone into an outdoor socket at a terrace party and returned an hour later to find its display obliterated by a spider-web of cracks.

At the time, I had just moved back home, from Bangalore to Chennai, and wasn't making a lot of money. Sitting in my bed, staring mournfully at my departed device, I resolved to live sans phone until I could save up enough to buy a decent one.

I entered this period with

trepidation. But it turns out, it was oddly pleasant to wake up to my own thoughts and not to the menacing buzz of incoming text messages from work. Once I remembered that I had been at a party the previous night but had no access to everyone's social media posts from it. Instead of feeling keenly deprived of post-party reminiscing, I felt peaceful. My mind remained curiously quiet as I went about my morning routine.

I remained phoneless through Christmas and New Year's Eve—my most social time of the year—and did it without feeling the usual panic that I had too many people to meet and not enough time to do it. I had no social media to remind me of what I was missing out from the parties I had chosen not to attend, and I was virtually unreachable to anyone who had any last-minute plans or requests, work or otherwise.

It was my most tranquil

holiday season in years.

When I finally did get myself a new phone and reconnected with my social media platforms, I felt newly powerful. I didn't need this to be "cool." I could see so clearly how I had associated my taking a longer time than average to learn how to use social media the "right way" with my low self-esteem growing up. I saw how my desperate need to overcome that had shaped my entire life—from my career decisions to my persona.

I didn't regret it, but I knew that I was no longer at the mercy of that old fear.

I saw the internet for what it was again—not a train I was always about to miss, a battle to fight, or even an exclusive club to which I must earn entry, but a leveller. A playground with no gate. A wide, deep, and never-ending source of information. A tool, to use only when I need.

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## The Great Equalizer

### Ankit Chawla

**Age:** 23

**Occupation:** Technology journalist

**Birth place:** New Delhi

**Current city of residence:** New Delhi

Social media is a necessary evil in 2018. The past decade has seen the meteoric rise of social networking platforms like Facebook and Twitter. These



platforms have taken over our physical social lives. We are constantly looking for validation from our friends and from strangers; we put up a show that makes life look exciting.

There is negativity on these platforms, which forces us to act as performers in a sense. But, Facebook and Twitter, or other major platforms for that matter, also offer exposure to the professional world. At least, they did so for me.

I started off my independent technology media blog back in 2015 to quench my thirst for writing and experimenting with the latest gadgets. I made full use of social media for networking with the right media and PR contacts, in order to get information required to scale my venture. Eventually, I ended up freelancing at a couple of places through references from friends that I made off of social media. As networking expanded, so did my freelance jobs.

In fact, one of my longest writing gigs involved making good use of Facebook advertising to increase website traffic. This experience helped me learn the business of social media inside out. Essentially, Facebook has been killing native content and boosting posts from businesses that pay. This is how this mega-billion user platform controls what you see, when you see it, and who you see it from. It is much evident from the Cambridge Analytica privacy scandal that swung the 2016 U.S. presidential election.

So, what I'm getting at is that social media is great as long as you know how to use it effectively, which is to create value. There are numerous people I know that have had mental breakdowns because of FOMO (Fear of Missing Out). They wish to view everything that their social media feeds have to offer. They also like to show that their lives are hunky-dory, which, in fact, is far away from reality.

What my decade-long

experience with social media has taught me is that keeping things minimal and focusing only on things that matter to you or information that adds value to your life is the best way to use these online platforms. Back in school, in 2008, I got my first taste of social media with Orkut. Personal connections in school suddenly transformed for me.

Girls, and boys, who I would have never interacted with personally at school, became profiles that I would chat with online. I, and several others, started to lead two separate lives – one offline and one on social media. However, by the time I graduated from high school, I managed to curb this habit through constant introspection of my behaviour.

A seemingly permanent record of our actions online can be a good thing if you are a surveillance company, but it's not great for personal relationships. Due credit goes to the increasing presence of social media platforms like Facebook, Instagram, and WhatsApp—all three, ironically, owned by the same company. In conversations with our family, friends, and partners, we leave behind logs of our intimate moments, our fights, and our reunions.


These logs can act as weapons for events in the future, even creating a public spectacle in some cases. On the positive side, however, they can also act as memories to reminisce over, observations of your transformation.

Talking about the internet in

general, I can easily say that my career has been created and evolved on the internet. Every little penny that I have made until now, whether be it from my writing gigs or from stock trading, has directly or indirectly been made from the internet. Not just me, there are several others like me for whom the internet has opened doors like never before.

This is in part because the internet is a great equalizer. Take YouTube for example, where independent creators have been the major driving force behind its success as the largest video streaming platform globally.

I started following the work of an Indian YouTube creator who travels solo to foreign destinations on a shoestring budget. He would upload content that connected with me in a practical and rustic manner. It was because he spoke the language of the common people, and showed real problems that regular travellers face.

Soon, his growth on YouTube skyrocketed, possibly because of this style, and he left his office to pursue his passion of travelling full-time. There are many others like him who have quit their mundane jobs to pursue something on the internet—something they are good at, because they are free to do so. These professionals span across industries like video creation, SEO expertise, social media marketing, consulting, and more. 

# Beijing: Eternal Home

By Rachana Gupta

I hope Beijing will welcome me again when we meet the next time, with open arms as it did before.

Last month, my husband and I moved to Shanghai from Beijing after living there for almost five years. I didn't expect to be affected much by the move, but I was so wrong. The moment we landed in Shanghai, I was already missing the place I left behind.

Beijing became my close friend the day I first set foot in China. It held my hand when I was completely new to the country and taught me how to see the positive side of life. It facilitated my transformation from student to logistics manager and finally, writer.

It hosted my struggles when first learning Chinese. My teacher led with the pronunciation of 'Ni hao' (hello) followed by several more complicated words. I used to take the subway every morning from Huangqu Station on Line 6, where our first apartment was located, to Beijing Mandarin School at Guomao Station on Line 10. Being claustrophobic,

I did my best to avoid packed trains and often let several pass before boarding. Although it was challenging to make a daily commute as such, the happiness I derived from spending time with my peers and my teacher while learning Chinese was worth it. Overcoming challenges like this

helped me evolve as a person and realize I can overcome my worst fears.

My remarkable experiences in Beijing were also born of the plethora of choices available from the breathtaking scenery of the Great Wall to lakeside views from the bars and restaurants in Houhai. Spending weekend



Rachana Gupta (right) was impressed by the breathtaking scenery when she visited the Badaling section of the Great Wall in the Yanqing District of Beijing with two of her friends. The Great Wall is a must-visit spot in China as a saying goes, "One who fails to reach the Great Wall is not a hero." courtesy of the author



— The photo shows the main building of the China Central Television Station complex located in Beijing's Central Business District (CBD). Rachana Gupta used to enjoy watching the mushrooming skyscrapers sculpt the ever-changing skyline of the CBD. courtesy of the author

nights at Sanlitun's restaurants and bars with live music and watching the mushrooming skyscrapers sculpt the ever-changing skyline of the Central Business District left beautiful imprints on my memory.

Beijing is an amalgamation of modern and traditional architecture with historic monuments such as the Forbidden City, Summer Palace and Yonghegong Lama Temple, which is sated with spiritual energy. Although Beijing is extremely cold in winter, it is quite fascinating to see a white layer of snow blanketing the ancient monuments. It might not be such a big deal if you come from a place where snowfall is common in winter, but as someone from Bangalore in southern India—a very hot place without a hint of snow—the sight is simply breathtaking.

The residents of this city are even warmer and friendlier than the structures. I still distinctly remember my Chinese colleagues and boss going out of their way to help me with even the most routine work when I first joined the company in Beijing. Despite my very poor Mandarin at the time, they made me feel like part of a big family. Once, I attended driving school with my boss, who was helping me get a license. The person at reception asked for my Chinese name, but I didn't have one then. My boss, with no second thought, offered me his daughter's name. And every time I went to driving lessons, one of my colleagues accompanied me to translate lessons.

There are also many cultural aspects that I learned from my Chinese colleagues. For instance, I learned about the strong sense of commitment and

belongingness within Chinese families which is pretty much similar to that of Indian culture.

And now, while sitting at the Consulate General of India in Shanghai, I feel that the reminiscences of the past is lingering in my thoughts and heart. We often don't appreciate a place or its people until we leave and nostalgia sets in.

Some say that "old is gold," and Beijing will always remain dear to me. I have no idea if I will ever get a chance to live in Beijing again, but I like to think that my "first friend" in China will welcome me once again when we meet the next time, with open arms as it did before. 

— The author is a China Focus columnist, poet and active blogger. She has served in a variety of managerial positions for Chinese companies.





**“Understanding China”  
Series**

*Foreign Languages Press*

In 1978, China, the world’s most populous nation, had literally nothing to boast about its economy and was struggling to feed its 960 million people. Under the leadership of Deng Xiaoping, China embarked on economic reform and opening up. Rural economic reforms were followed by reforms of the urban economy, state-owned enterprises, trade, finance, education, and healthcare. Meanwhile, as the nation opened to the outside world, special economic zones were built, foreign capital flowed in, and WTO membership was attained. Since then, China’s economy has undergone earth-shaking changes.

Numerous books have explored the history, achievements and experience of China’s reform and opening-up initiative, but the majority of such publications mainly focus on comparing China back then with China at present. This set of books puts China in the context of the global economy. Besides exploring the reform and development of China’s economy and finance in the past 40 years, it also examines, from a global perspective, the changes in China’s international standing during this period.

From a global perspective, with the exception of milk, China’s per capita possession of agricultural and livestock products today exceeds the global average, having come up a long way from its low basis in 1978. The self-sufficiency rates of rice, wheat and corn in China have been maintained at above 98 percent. The nation’s grain production also makes a vital contribution to global food security.

# Rising on the World Horizon

**By Zhu Min**

With less than a tenth of the world’s arable land, China produces a quarter of the world’s grain and feeds nearly a fifth of the world’s population.

China’s industrial and urban economic reforms are equally remarkable. In 1994, China accounted for a mere 3.64 percent of the world’s total MAV (manufacturing added value), but in 2010 China recorded a MAV of US\$1.95 trillion, or 19.8 percent of the world’s total, overtaking the United States as the world’s largest manufacturing powerhouse. In 2015, China’s MAV leaped to US\$2.84 trillion (based on constant 2010 U.S. dollar), about that of the U.S. and Japan combined.

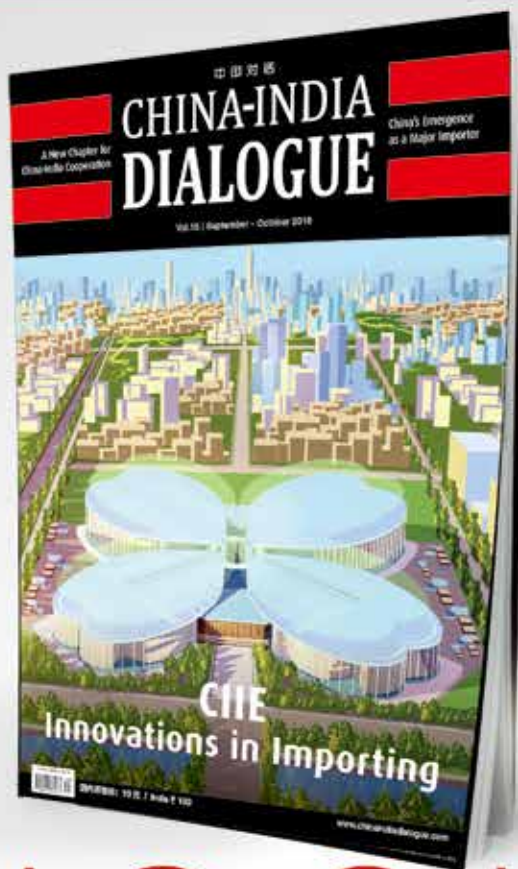
One of the direct outcomes of China’s economic development has been the dramatic improvement in the standard of living in the country. “Food is the paramount necessity of life,” goes an old Chinese saying. However, before 1978, people in China struggled to feed themselves. In the process of reform and opening up, China’s average annual meat consumption exceeded the African level by 1982 and surpassed the global average in 1997, before reaching 61 kilograms in 2013, 42 percent higher than the global average. Fruit, too, turned from a “luxury” to part of the staple diet. Prior to the 1980s, the average annual consumption of fruits in China stayed below 10 kilograms, a tenth of the level in Africa.

Over two thousand years ago, the ancient Chinese sage Confucius said, “In teaching people, there should be no discrimination.” Yet, even in the period from the 1970s to the 1980s, more than half of the Chinese school-age population had not received

secondary education which they should have. In 2015, the gross enrollment rates (GER) of elementary and middle schools reached 100 percent, on par with the rates of developed nations such as the U.S. and Germany. At the same time, China increased spending on elementary education, leading to an improvement in the quality of education.

China’s extraordinary transformation has indeed shaken the world. Economic reforms and the opening-up initiative have changed China beyond recognition, and the nation today is a dynamic and vibrantly developing economy. In the report of its 19th National Congress, the Communist Party of China (CPC) proclaimed, “socialism with Chinese characteristics has entered a new era.” Napoleon Bonaparte famously said: “China is a sleeping giant. Let her sleep, for when she wakes, she will shake the world.” The sleeping giant awoke in 1949 with the establishment of the PRC, and embarked on an epic journey of reform and opening up in 1978, ushering in an era of unprecedented vigor and vitality. China has transformed from an impoverished developing country into the world’s second-largest economy, largest trading nation and largest manufacturer. China is rising on the world horizon, with boundless prospects. 📖

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