



## UNIT 8 - THE NEW MILLENNIUM

### **ABOUT THIS UNIT**

*In Unit 8 we will look at some of the rapid developments in the Chinese economy over the past two decades and the corresponding change in China's relationships with its major trading partners, including Australia; consider some of the tensions that have arisen with Tibet and Taiwan. We will also look at government concerns over the large gap existing between the rich and the poor - the urban/rural divide - and the delicate balance needed to ensure that the large rural peasantry are not excluded from China's fast growing economic wealth; that President Hu Jintao's "harmonious society" aims are not frustrated.*

### **Introduction**

Over two hundred years ago, Napoleon supposedly declared: "Let China sleep, for when she wakes, she will shake the world." While the authenticity of this comment is in doubt, the sentiment was certainly prophetic. China's rapid development over recent years has transformed it into an increasingly powerful player in global trade and economic affairs. When Deng Xiaoping's economic reforms (*kai fang*) were announced in late 1978 - accompanied by the mantra "to get rich is glorious" - little could he imagine the giant strides that China would make over the next 30 years.

Chairman Mao would have been even more surprised. His ill-fated attempts at industrialization during the Great Leap Forward in the mid 1950s (or as some historians call it "The Great Leap Backward") left an appalling legacy. His backyard furnace strategy resulted in widespread famine and the erosion of vast areas of productive farmland. Over 30 million people are estimated to have died from starvation and deprivation.

### **Economic and Industrial Expansion**

Until the onset of the global financial crisis (GFC) in late 2008, China's remarkable economic expansion had resulted in very strong growth rates (around 10% on average since 1980), rapid integration into international trade, and an increasing influence on the world economy. Despite the initial effects of the global financial crisis, economic recovery has been relatively strong, in part thanks to the infusion of a substantial financial stimulus package. While China's economic growth for 2009 decreased to 8.5%, the World Bank has forecast a rate approaching 9.5% for 2011 and the Chinese Government has naturally expressed considerable optimism on future growth prospects.

During the past year, China overtook Japan to become the world's second largest economy after the United States. This economic expansion had a flow-on effect that benefited its main trading partners - in particular Australia, with its vast reserves of iron ore, coal, bauxite, copper, and other commodities.

Prior to the credit crunch, which seriously affected China's huge export trade, millions of people regularly migrated from rural areas to towns and cities, and the need for new residential and infrastructure development was enormous.

Moreover, it has been estimated that the urban population will increase by 350 million people within two decades - more than the present-day population of the United States. On that basis, there would be over 200 cities with populations exceeding one million (compared with 35 such cities in Europe today), including 24 cities larger than Sydney's five million, requiring an ever-increasing demand for raw materials.

To accommodate this rapid growth, China has been producing almost half of the world's steel production, and, with imports, consuming around 70%; the construction of the Beijing Olympic sites alone is said to have cost \$US30 billion.

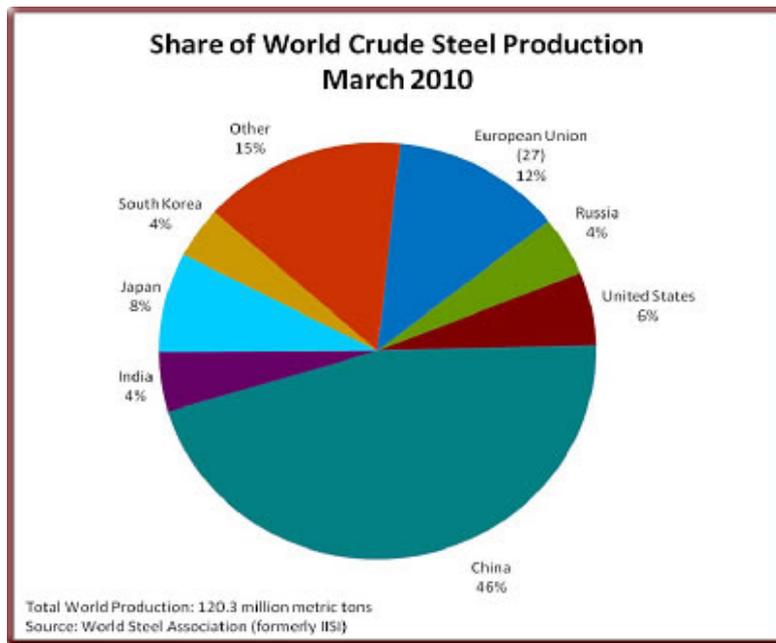


Figure 8.1 Total world steel production

City	Metro Area Population	Admin Area
Shanghai	17,000,000	18,88
Beijing	13,200,000	17,43
Guangzhou	12,000,000	15,00
Shenzhen	8,615,000	13,30
Tianjin	8,200,000	11,95
Chongqing	7,500,000	32,35

Table 8.1 Large city populations - 2009

## Transport

Eight million cars and light trucks were imported in 2007 - a 25% increase on the previous year -

with a similar increase in 2008. By the end of 2009, China had overtaken the United States as the largest car market in the world. During that year, General Motors alone sold 1.3 million vehicles in China and expects to exceed this figure in coming years. Four-fifths of all new cars sold are bought by people who had never owned a car before. This vehicular influx necessitated the construction of 30,000 kilometres of modern highways linking the major cities. Over the next 20 years, another 56,000 kilometres of inter-province expressways are planned for construction in an effort to spread wealth beyond China's large cities.

The rail network is also expanding rapidly. A high-altitude railway line has been extended from Xining in Qinghai Province to Lhasa in the Tibet Autonomous Region, with over 500 kilometres of the track laid on the permanently frozen tundra, a major engineering feat. [Extract from the railway's promotional brochure: *"The recently launched Tangula luxury trains - from Beijing to Lhasa through the vast Qinghai province and over the Tibetan plateau - feature compartments fitted with natural bed linen, healthy minibars, organic toiletries in biodegradable bottles, and ensuite showers supplied with Aquavite pure water."*



Figure 8.2 The Tangula luxury train en route to Lhasa

In 2009, China opened what it billed as the fastest rail service in the world - a bullet train travelling at a top speed of 350kmh between Guangzhou and Wuhan, slicing the previous journey time from ten hours to just three. A similar high-speed train-line was constructed to run on the 1318km track between Beijing and Shanghai at a cost of US\$35bn. The initial journey was made in July 2011, to coincide with the 90th anniversary of the foundation of the Communist Party. The link has used more than \$1.4 billion worth of Australian iron ore, taking Australia's two-way trade with China past \$100 billion per annum.



Figure 8.3 Beijing/Shanghai High Speed Trains

### **Economic expansion overseas**

The People's Bank of China recently reported that China's foreign exchange reserves, the highest in the world, totalled \$3.2 trillion on 30 June, 2011 (70% in US dollars and some US\$41 billion in gold bullion) - a 30 % jump year-on-year. China also accounts for more of the world's top 100 banks (12) than any other country. The foreign exchange reserves are driven by huge trade surpluses, aided by a lower yuan, which makes Chinese exports cheaper.

At a recent mining conference in Australia, Nomura chairman Yang Zhizhong said that China's outbound investment has more than doubled to \$US70 billion last year, from \$US30 billion in 2007 and that the pace of growth is expected to accelerate. The executive added that about \$US1 trillion of China's \$US3 trillion in foreign exchange reserves could be expected to be spent outside China over the next five to 10 years. "Australia is, if not the most, one of the most attractive destinations," Mr Zhizhong said.

Since November 2007, the Australian Government has approved over 160 proposals for Chinese investment in Australian business totalling around \$60 billion with more in the pipeline. In the year to June 2010, China's new investment approved by the Foreign Investment Review Board reached \$16 billion, putting Australia, for the first time, in third place behind the United States with \$39.1 billion and Britain with \$28.6 billion.

In addition, China Investment Corporation (C.I.C.) is a dedicated sovereign wealth fund with over \$US332 billion. To take advantage of this liquidity, the government has been actively purchasing suitable overseas assets, not only in the resources sector, but also in the agriculture and food sector, as drought and continuing loss of arable land are becoming a serious issue.

To lock in future supplies of natural resources, the Chinese have also been reshaping the face of Africa, through negotiations with Angola, Gabon, Algeria, Tunisia and Egypt. Some authorities estimate that there are now more than 750,000 Chinese expatriates working on that continent, many involved in developing mines and oil fields.

Other countries, including India, Mongolia, Chile, Brazil, Pakistan, Indonesia, Papua New Guinea, Canada and Russia have also been beneficiaries of long-term resource development contracts. Even so-called rogue states such as Iran, Sudan and Burma have received lucrative contracts; this has attracted widespread condemnation from some developed nations and the U.N.

## **Emerging Issues: External**

## **Regional Geopolitics**

### **Tibet**

The rioting in Tibet during the lead-up to the Beijing Olympics, so forcibly suppressed by the Chinese, not only put the question of China's human rights violations before the world's gaze, but also highlighted the longstanding issue of Tibetan autonomy.

China's first significant contact with the Kingdom of Tibet occurred when the Tang emperors (618-907) sent princesses to marry into Tibetan royalty with a view to consolidating relationships between the two countries.

Claims of territorial rights over Tibet can be traced back to the 13<sup>th</sup> Century; and to gain a clearer picture of the issues, it is useful to look at some of the historical developments. China has regarded Tibet as a part of its territory since the Mongols, who ruled China under the Yuan Dynasty (1279-1368), extended their control into the Himalayan region. They supported Tibetan Buddhist Lamaism after the religious conversion of the most powerful Mongol leader of his time. This was formalised by the Qing rulers during the middle of the 18<sup>th</sup> century when Tibet was made a protectorate of China.

For their part, many Tibetans dispute China's claim to territorial rights, pointing out that the Himalayan region was an independent kingdom for many centuries and that Chinese rule has not been constant. However, it was not until after the fall of the last (Manchu) dynasty that Tibet achieved a degree of autonomy by unilaterally declaring independence in 1912.

In 1950 the newly established People's Republic of China (PRC) invaded Tibet, embarking on an indiscriminate killing spree - not even the monks were spared - and the destruction of thousands of monasteries. At a meeting in 1951 between Chairman Mao and the current Dalai Lama (Tenzin Gyatso), an agreement was reached to allow Tibet's theocratic system to continue, with the proviso that a Chinese civil and military headquarters was established in the capital, Lhasa.

In 1958 and 1959, the Tibetans rebelled against Chinese rule, especially the banning of Buddhist Lamaism worship, but they were harshly suppressed. Following the failed uprising and the collapse of the Tibetan resistance movement, the Dalai Lama, along with 80,000 of his followers, fled to India in 1959 where he set up a government-in-exile in Dharamsala. To this day, the Indian Government has rejected all Chinese requests to abandon their support for the Dalai Lama.

The Chinese government established the Tibetan Autonomous Region in 1965, resulting in further rebellion against Chinese occupation. During the Cultural Revolution, it is estimated that the Red Guards destroyed more than 90% of the remaining monasteries and other religious institutions. Altogether, between 1950 and 1976, the Chinese are reported to have killed 1.2 million Tibetans and destroyed all but 13 of their 6,254 monasteries - a stark backdrop to the well-publicised confrontation with Chinese troops in Lhasa during the recent Beijing Olympics.



Figure 8.4 The Potala palace in the heart of Lhasa, Tibet. The former home of the Dalai Lama, now a museum

Tibetans have resisted assimilation more than any other minority group in China (further unsuccessful rebellions occurred in 1987 and 1989), remaining ever hopeful of achieving independence. Despite this, the Dalai Lama has always advocated a peaceful solution to the impasse; and in 1988, he informed the Chinese government that he would no longer insist on Tibet's sovereign independence, just recognition of cultural autonomy. Interestingly, the current Chinese president, Hu Jintao, was Secretary of the Party Committee of Tibet Autonomous Region from 1988 to 1992, responsible for overseeing Beijing's rigorous control over the Tibetan people at that crucial time.

The PRC has steadfastly refused to enter into negotiations with the Dalai Lama. However, in the wake of further rioting and the human rights violations by Chinese soldiers in Lhasa - an episode that was under the spotlight of world attention just prior to the Olympic Games - an offer was made to negotiate. The issue is still in abeyance.

So the question arises: *Why is China so preoccupied with control over Tibet?* Apart from the fact that this ethnic minority has such a fervent following of Buddhist Lamaism - anathema to atheistic China - Tibet is in a politically sensitive area bordering India, Nepal and Kashmir, where skirmishes regularly flare up. Moreover, historically, China has been unwilling to cede control over any of its ethnic autonomous regions, regarding all as being part of "one China".

### Dalai Lama



Figure 8.5 Dalai Lama accepting the Nobel

Tibet has traditionally been a theocracy, following the Buddhist Lamaism religion that originated in India and spread to Tibet. The Dalai Lama is recognised as its spiritual head and is believed to be the reincarnation of one of his predecessors. The current Dalai Lama, Tenzin Gyatso, is the head of the Tibetan government-in-exile in Dharamsala, India. As one of 16 children born to a poor farming family in Qinghai, he was chosen, following a rigorous selection process, and proclaimed at the age of two as the rebirth of the 13<sup>th</sup> Dalai Lama. He was enthroned in 1950 at the age of fifteen - one month after the People's Liberation Army's invaded Tibet. Since fleeing to India in 1959, the Dalai Lama has actively sought a peaceful solution to the ongoing confrontation with China, as well as working to preserve Tibetan culture and education. His efforts have won worldwide support, culminating in 1989 when he was awarded the Nobel Peace Prize.

In March 2011, the leader of the world's Tibetan Buddhists made the long expected announcement, on the anniversary of the 1959 Tibetan uprising, that he would step down from his political role as head of Tibet's exiled government in favour of an elected replacement, in an attempt to defy China's attempts to name its own man for the role.

### **Panchen Lama**

The Panchen Lama, or "Dalai Lama-in-waiting", is the second most important Tibetan Lama. In 1995, the Dalai Lama proclaimed a young Tibetan boy as the reincarnation of the previous Panchen Lama who had died in 1989. However, the Chinese Government took this child and his family into "protective custody," and their whereabouts is still unknown. China has since nominated a different boy. In September 2007, the Chinese Government stated that all future senior-ranking monks are to be approved by the PRC government and that this would include the selection of the 15<sup>th</sup> Dalai Lama after the death of Tenzin Gyatso.

### **Taiwan**

China has always claimed Taiwan as part of its sovereign territory and has threatened to invade if the Taiwanese government ever declared formal independence. The very subject is fraught with a mixture of strong emotion and fierce patriotism on both sides, and the thought of reclaiming Taiwan (lost after a war with Japan in 1895 and returned to Chiang Kai-shek's Nationalist government when Japan surrendered in 1945) remains an issue of great importance to the mainland Chinese leadership today.

Its strategic position near Japan in the South China Sea makes Taiwan important for both trade and military reasons, especially for the United States, which is obliged under its Taiwan Relations Act to protect Taiwan in the event of an attack from mainland China. Nevertheless, since the United States and China established diplomatic ties in 1979, both countries have managed to avoid any serious conflicts; and America now accepts that, geographically, Taiwan belongs to China and it continues to encourage a peaceful reunification. The imposing presence of the U.S. Seventh Fleet based in Japan, together with the recently strengthened U.S.-Japan Security Treaty, also provides Taiwan with a measure of comfort against physical threats from China.

Following the defeat in early 2008 of the longstanding Taiwanese government and the election of a new president (Ma Ying-jeou), who is keen on rapprochement with China, both countries have entered into a series of agreements that could well bring them closer together. Diplomatic offices are being opened in the capital cities (Beijing and Taipei), primarily to process visas; and arrangements were made for regular flights and bi-lateral tourist exchanges. The year 2009 also marked the increase of these direct flights between China and Taiwan to 270 per week from 108. Moreover, Taiwan increased its daily quota of visitors from China to three thousand, a ten-fold increase.

Much has changed since the Communist Party defeated Chiang Kai-shek in 1949. After he fled to Taiwan with over two million supporters and set up the headquarters of the Nationalist (KMT) government in the capital Taipei, Chiang continued to call Taiwan the Republic of China (ROC) and optimistically claimed to represent the legitimate government of all China. The Nationalists did not flee empty-handed, however; a vast amount of China's gold bullion reserves, as well as a host of national treasures from the Imperial Palace in Beijing, accompanied the retreat. A number of these priceless artworks are currently on display at the National Palace Museum in Taipei.

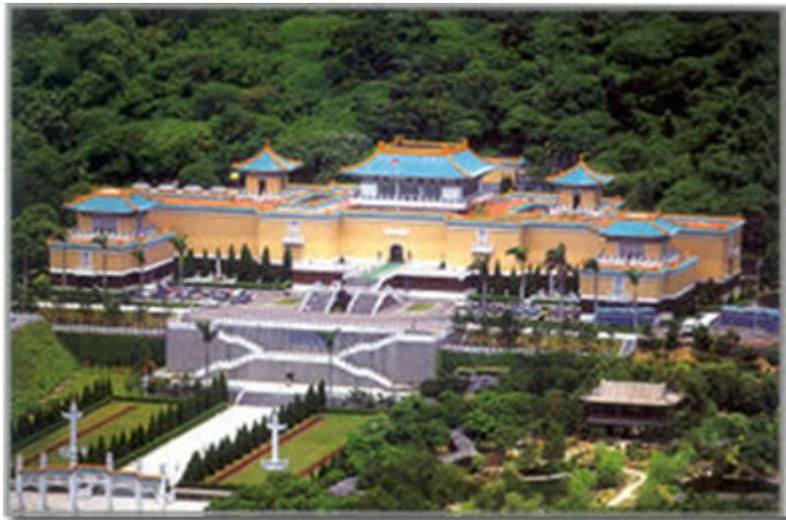


Figure 8.6 National Palace Museum, Taipei

In 1971, the United Nations expelled Taiwan (ROC) as a member state and gave China's seat to the mainland government (the PRC). Eight years later, the U.S. transferred diplomatic recognition from Taiwan to China, and many other countries soon followed suit.



Figure 8.7 Chiang Kai-shek's sarcophagus

Chiang Kai-shek died in 1975 at the age of 87; but, as a point of honour, he has not yet been buried. Interring his body on Taiwan would be considered an admission of defeat, and it still lies in a marble sarcophagus at his former country home by a lake outside Taipei. In 1976, his arch-nemesis, Mao Zedong, died in Beijing; and so the two main protagonists in the long struggle between China's political ideologies - nationalism and communism - had left the scene. It was now left for historians and biographers to review and assess their respective roles and influence on Chinese history.

## Emerging Issues: Domestic

### Energy sources and the environment

As well as being the world's fastest growing economy, China has the dubious honour of having the highest incidence of premature death caused by air pollution. A recent World Health Organization report estimates that diseases triggered by air pollution kill 656,000 Chinese citizens each year and that polluted drinking water accounts for a further 95,000 deaths. On top of that, the World Bank reported that 16 of the world's most polluted cities were located in China.

Mindful of the urgent need to increase the production of power to meet the insatiable demand for energy, Chinese leaders are also keen for the country to be seen as a responsible partner in the global efforts to reduce carbon emissions and sees the rapid development of a clean-energy economy as the way of the future. It remains the world's leading investor in low-carbon, clean-energy technology, having invested \$54.4 billion in 2010 - up 40% on the previous year.

Let us now look briefly at the present position regarding China's reliance on various energy sources and its strategy to combat pollution. A government report in 2008 on the sources of China's power-generating capacity provided the following breakdown: fossil fuels (mainly coal) approximately 80%, hydro 16.4%, nuclear 3%, and wind-power 0.3%. This percentage breakdown will no doubt change over coming years as China intensifies its efforts in clean-energy initiatives.

### Fossil fuels

The major source of China's electricity today comes from coal (80%), with new coal-fired power stations still being built in quick succession. As the world's largest producer of coal - with reserves of 200 billion tons in Shanxi Province and 190 billion tons in Inner Mongolia - China's prospects of reducing carbon emissions under the Kyoto Protocol look bleak, at least in the medium term. Having coal as the main energy source also creates an enormous logistical problem, as nearly half the country's rail capacity is used to transport the coal from the large reserve deposits in the north and northwest.

However, following heated discussions at the Global Conference on Climate Change at Copenhagen in December 2009, and stung by growing public anger over the country's polluted waterways, soil and air, Beijing continues to make environmental issues a priority and recently launched its first national action plan to counteract global warming.



Figure 8.8 Wind farm in Xinjiang

The government has identified wind power as a key growth component of the country's economy. With its large land mass and long coastline, the country has exceptional wind resources. Last year, the China Development Bank lent \$35.4 billion to local wind and solar power companies which enabled China to undercut its main rivals USA and Germany and become the world's largest producer of this technology. According to the Global Wind Energy organisation, the development of wind energy in China, in terms of scale and rhythm, is absolutely unparalleled in the world.

Among other clean air initiatives, China is now starting to replace the more outdated, heavily polluting small coal plants with larger power stations that employ new technology. Although criticised for not going far enough and rejecting mandatory emission caps, the government's chief priority is to maintain economic growth, which is considered critical for developing a & harmonious society" and ensuring social stability.



Figure 8.9 A village coal-fired power station, one of hundreds across regional China

Pollution from cars and trucks is also a problem. Beijing's sulphur-dioxide levels in 2006 were more than double that of New York, and airborne-particulate levels were more than six times as high. After the government lifted a ban on private automobile ownership in the mid 1990s, sales skyrocketed. According to the Ministry of Industry and Information Technology, China is expected to have more than 200 million cars on the roads by 2020.

## Nuclear power

Moves to build nuclear power began in 1970, with technology drawn from France, Canada, and Russia. The latest technological acquisition has come from the USA and France. As part of its effort to reduce air pollution from coal-fired plants, China began pushing forward with construction of its nuclear power plants faster than earlier planned.

As the world's second-largest power market, China now has 13 nuclear plants in operation, with 25 more under construction, yet this only accounts for about 3% of the nation's power needs. By 2020, the country plans to have the world's greatest installed nuclear energy capacity. However, in view of the disaster at Japan's Fukushima plant, the government recently decided to put on hold its \$150 billion nuclear program as it boosted safety inspections on its nuclear industry.

## Hydroelectric power: Three Gorges Water Conservation Project

The Yangtze River, the third longest in the world after the Nile and Amazon, follows a meandering route from its source high in the Tibetan plateau through some of central China's most arable lands and down to the East China Sea near Shanghai. As well as providing valuable water along its route for thousands of farmers, it periodically causes enormous destruction when in flood. Thousands lost their lives during the last serious flood in 1998. The material loss was an astonishing \$US25 billion.



Figure 8.10 Three Gorges Dam on the Yangtze River near Chongqing

For many years Chinese leaders have harboured the dream of "taming the mighty Yangtze". As early as 1919, Sun Yat-sen proposed building a hydroelectric dam at the Three Gorges. After devastating floods in 1954 that claimed the lives of 33,000 people, Chairman Mao also championed the construction of a dam and even approved a feasibility study. In fact, he was moved to write a poem, which included the lines "we want to see a high lake appear above the valley, and the world will be surprised". Construction eventually started in 1994 and was completed 13 years later, well before schedule, at a cost of \$US25 billion.

The dam was constructed with two main purposes: to alleviate serious flooding and the destruction of villages and farmland downstream; and to use hydroelectric power to supplement the country's energy needs, which in turn would reduce the reliance on coal-fired power stations. After the facilities became fully operational in 2009, large ships and cargo vessels were able to travel up the river from Shanghai to Chongqing through a series of locks that bypass the dam.

Understandably, there has been much criticism of the project.

The flooding of villages and destruction of thousands of hectares of arable farmland along the downstream riverbanks has necessitated the relocation of over one million people into new high-rise apartments.

Moreover, the government's modest financial compensation has done little to alleviate the social impact on peasant farmers and their families who have been forced to move (often with elderly parents) into cramped city apartments, generally with poor facilities. In addition to the social impact, the flooding of the Three Gorges also destroyed valuable rock paintings, artefacts and archaeological relics from the thousand-year-old Ba civilisation.

Unfortunately, growth in hydroelectric power from this source has collapsed this year due to the long drought in the middle and lower reaches of the China's central waterway, the Yangtze River.

### **The rural/urban divide**

When the Chinese Communist Party came to power in 1949, over 80% of the population was engaged in agriculture - a constant cycle of planting, growing and harvesting. Incomes were often supplemented by off-farm labour where the men sought work in quarries and coal mines, often far afield, to the detriment of normal family life; the lot of the farmer and his family was not a happy one. They eked out a sparse living in the face of severe droughts and physical deprivation, with little or no health facilities, let alone the comfort of any social security safety net.

Little changed until 1979 when Deng Xiaoping embarked on his open-door economic reforms. These reforms were aimed at introducing "socialism with Chinese characteristics", encouraging the production of a wide range of consumer durables for export. The scheme also took advantage of the massive pool of cheap labour that was available among the rural poor. Quick on the uptake, as many as 140 million rural workers (the "floating people") moved to factory jobs, mainly in the Pearl River Delta area in the southeast, which soon became known as "the world's factory". Over time, there was also a mass exodus to large city construction sites, most notably during the lead up to the 2008 Beijing Olympic Games.



Figure 8.11 Clothing factory assembly line

The world's financial dynamics changed considerably after the 2008 Olympic Games. Despite its economic strength and consistent double-digit growth over many years, China found itself caught up in the Global Financial Crisis. What happened?

With most of the world's industrial countries in recession by the end of 2008, China lost a large proportion of its major export markets (USA, Japan and Europe) resulting in the migration of millions of factory workers ("the floating people") back to their villages where their employment prospects were bleak.

Factory workers were not the only ones affected. With urban construction virtually coming to a halt, labourers were also forced to return home. Likewise, over one million students who had graduated from Chinese universities in mid-2008 were still looking for work in early 2009 and beyond.

To compound the problem, there were widespread demonstrations by the urban poor whose homes had been demolished by corrupt commercial developers, with little or no compensation. The unrest boiled over into other areas. There were mass demonstrations (at times with over 10,000 people) against police misconduct, bribe-seeking, brutality, and endemic corruption. Political analysts have dryly observed that, if police in a police state cannot exercise control, the government cannot be assured of surviving a major popular uprising.

Poverty levels, particularly in the rural sector, have always been a major concern to the Party leadership, all too aware of the potential for mass revolutionary activism, as befell Russia in 1917. Mao's gradual rise to power was assisted in no small way by peasant support, especially during the arduous Long March.

In the past three decades, however, overall poverty levels in China have fallen dramatically, as illustrated by a World Bank report. In 1978, 250 million people lived below the poverty line; by 2007, that number had dropped to 15 million. Nevertheless, despite this improvement, the farming community remains at a comparative disadvantage. According to China's National Bureau of Statistics, in 2007, urban dwellers enjoyed a disposable per-capita income of \$US1,907 while their rural counterparts had to get by on \$US572. The gap widened slightly in the following year - a worrying trend.

The farmers had good reason to complain. The rapid growth of cities saw many rural properties seized illegally by unscrupulous developers and corrupt officials, with little or no compensation. Many of the violent disturbances in recent months have come, not from laid-off factory workers, but from farmers protesting about these injustices. *The heavens are high and the Emperor far away* : so goes the Chinese proverb, and it neatly describes the vast disparity between the official pronouncements from Beijing and the reality facing the farming community.

Ever mindful of the serious consequences of social unrest - memories of the Tiananmen Square protest of 1989 still linger - the government has been quick to ward off this potential threat. At a special meeting of the State Council in November 2008, the government proposed a broad program of measures to lessen the effects of the economic downturn and the worrying rise in unemployment. This included an estimated \$US586 billion stimulus package, roughly the equivalent of 7% of GDP, to be spent over the following two years, with priority given to national infrastructure and social welfare projects. Significantly, the measures also included raising the incomes in rural areas through an increase in grain subsidies and improving the grassroots medical

system. Urban dwellers were not forgotten, with improved low-rent housing and low-income subsidies on the agenda.

The seriousness of these problems was recognized at the annual National People's Congress in February 2009, where the plight of the rural poor ranked highly on the agenda. The State Council's proposals were fully endorsed and shortly after, the government also introduced a landmark document aimed at developing a broad-based national healthcare system to provide "safe, effective, convenient and affordable" care for 90% of the country's 1.3 billion people by 2011. This strategy of providing a health safety net was also aimed at redirecting some of the personal savings put aside for "a rainy day", into domestic consumption. (China's average per capita savings ratio of around 40% is one of the highest in the world).

The prospect of social unrest, which is more likely to erupt during economic hardship, continues to present a major challenge for Chinese leaders, as instability would certainly weaken their power base. As the primary goal of the Party is to maintain social stability, its legitimacy also rests to a large extent on reducing the gap between the impoverished rural sector of around 740 million (57% of the total population) and the relatively prosperous middle class. As a result of these stimulus initiatives, as well as a general increase in factory wages, there has been a more even distribution of growth across China's inland provinces. This has provided more options for workers to "stay local" rather than migrate to the larger urban areas as before. The overall situation of the peasant class now appears to be slowly improving.

### **Olympic Games**

In August 2008, China presented an extraordinary spectacle to the world in the form of the Olympic Games, and was given the opportunity to showcase both its innovative technology and its sporting prowess (winning 51 gold medals, well ahead of USA, which came in second with 36).

Over \$US31 billion was spent on the construction of Olympic sites and millions more on preparation, marketing and worldwide promotion. In the final analysis, Games organisers declared profit of \$US16 million. (As an aside, collectors spent a total of \$US7 million at the final auction of Olympic souvenirs to get their hands on the last 410 drums and 978 bamboo scrolls that featured in the spectacular opening ceremony.)

Despite the apparent success of the Games, China suffered a major public relations backlash when news filtered through of brutal human rights violations in Tibet, as that small nation continued its struggle for autonomy. In addition, with a quarter of the world's Internet users based in China, the government became extremely wary of this growing phenomenon. Internet censorship was strictly controlled with most references to Tibet, Taiwan, human rights and the Falun Gong routinely censored.

Regrettably, over 1.5 million people were evicted or displaced with little compensation to make way for the Games facilities. These actions, together with the government's restrictive policing of the Internet and general media censorship, diminished some of the goodwill generated by the Games. Despite this censorship, the Government recently reported that nearly 300 million residents now access the Internet, the majority with mobiles.



Figure 8.12 Olympics "redevelopment" of a family dwelling

### **Shanghai's World Expo**

The 2010 World Expo held in Shanghai from May until October offered China another opportunity to flaunt the Communist Party's organisational power and the nation's engineering and technical prowess, as well as its cultural diversity.

*The Economist* (5 December 2009) reported: "In a further effort to demonstrate to the world that she is now well up on the global stage, China is lavishing more on this Expo and the accompanying makeover of Shanghai (US\$45 billion) than she did on the Beijing Olympics. As well as demolishing some 18,000 homes to make way for the site's construction on the banks of the Huangpu river which flows through the city, a massive expansion of the Shanghai Metro underground and light-rail network is underway. By the time Expo opens, this will be as big as the London Underground".

The Australian pavilion, at a cost of \$83 million to build and run, provided a very successful platform from which to build further trade and investment with China - eight million visitors to the pavilion and over 220 business functions.

## **Where to Now?**

### **"May you live in interesting times"**

*(Old Chinese proverb, also known as a Chinese curse)*

During this course, we have followed China's historical development over the past 100 years and have observed the gradual - at times stormy - transition from a centuries old dynastic feudal system to the world's second largest economy. From the fall of the last (Manchu) dynasty, the pattern of this remarkable transition has followed the genesis of the Kuomintang (Nationalist) movement under Sun Yat-sen; Chiang Kai-shek's rise to formal leadership of the Kuomintang; the civil war; the Japanese invasion; and the final defeat and retreat of Chiang Kai-shek and his armies to Taiwan, resulting in the establishment of the People's Republic of China under Mao Zedong in October 1949.

We have looked at some of Mao's disastrous social engineering policies, including the Great Leap Forward and the Cultural Revolution, which resulted in millions of deaths through deprivation, starvation and government-approved murder by the rampaging Red Guards. After Mao's death in 1976, we saw the pace of social and economic change step up considerably over the next three decades, through Deng Xiaoping's introduction of his open door economic reforms. China adopted Deng's "socialism with Chinese characteristics", which heralded a move away from its long-held

isolationist policies and steered the nation towards global free trade. This demonstrated to the world that China was indeed a power to be reckoned with.

Indeed much has been achieved since that fateful day in June 1921 that saw the foundation of the fledgling Chinese Communist Party, when 13 young men met in a small house in the French concession in Shanghai with Mao attending as a minor delegate from Hunan Province. The 90<sup>th</sup> anniversary of that meeting has just been celebrated in the Great Hall with the Party's usual pomp and ceremony.



Figure 8.13 China Communist Party 90<sup>th</sup> Anniversary

People pose for a group photo after a gala performance celebrating the 90<sup>th</sup> anniversary of the founding of the Communist Party of China (CPC), in Beijing, capital of China, June 29, 2011. Leaders such as Hu Jintao, Wen Jiabao, Jia Qinglin, Li Changchun, Xi Jinping, Li Keqiang, He Guoqiang and Zhou Yongkang watched the performance. (Xinhua/Li Tao)

It seems rather ironic that, after almost 100 years in transition following the fall of the last dynasty, *communist* China is now the biggest creditor of capitalist USA, after purchasing billions of dollars of U.S. Treasury bonds, thus assisting America to recover from its own serious financial meltdown.

China is indeed still very much a work in progress. Many China watchers are looking for emerging signs of transition to a more democratic form of governance. In 1987, Deng Xiaoping is recorded as saying that there would be national elections in fifty years. However, the current president, Hu Jintao, and his predecessor Jiang Zemin, were selected over 30 years ago by just one man - Deng Xiaoping. Some 1.2 billion Chinese citizens had no say at all.

### Activity 8

1. *Ideology aside, what practical impediments do you see confronting China's ruling party in moving towards the establishment of democratic governance?*
2. *Do you consider that the recent Middle East Arab Spring uprisings will influence Chinese leaders to adopt a much harder approach in "controlling" their people?*

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