

## Adhering to a Distinctively Chinese Approach to Reform

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The recently held Third Plenary Session of the Eighteenth Central Committee of the Communist Party of China (CPC) saw the passage of the Decision of the CPC Central Committee on Major Issues Concerning Comprehensively Deepening Reform (hereinafter the Decision). Conforming to major trends in global development, the adoption of the Decision marks the beginning of a new chapter in China's reform and opening up drive, signaling that China has already entered a historic new phase of efforts to comprehensively deepen reform. The Decision will play an instrumental role in guiding China's long-term efforts to complete the building of a moderately prosperous society in all respects and to realize the Chinese dream of national rejuvenation. With the Decision as our guide, we must continue to develop a distinctively Chinese approach to reform as we work to take the great cause of socialism with Chinese characteristics into a new phase.

### I. The enormous superiorities of China's distinctive approach to reform

*Note:*

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The history of human civilization can be described as one of change, with social progress taking place amidst the discarding of the old in favor of the new. After the founding of the People's



A container terminal at the Yangshan Bonded Port Area in Shanghai (Photograph taken on August 15, 2013). Covering a total area of 28.78 square kilometers, the China (Shanghai) Pilot Free Trade Zone, which was established in 2013 with the formal approval of the State Council, comprises four special customs supervision zones: the Waigaoqiao Bonded Area, Waigaoqiao Bonded Logistics Park, Yangshan Bonded Port Area, and the Pudong Airport Comprehensive Bonded Area.  
/ Photo by Xinhua reporter Chen Fei

Republic of China, the people of China, guided by the Party's first generation of central leadership with Mao Zedong at its core, set out to explore a path that would lead to the great rejuvenation of the Chinese nation. Through their bitter efforts, they succeeded in laying down the material foundations that would be essential for the realization of this goal. However, owing to the Party's lack of experience in developing socialism, major setbacks were encountered in the development of the country's economy. It was under the leadership of Deng Xiaoping that Chinese Communists courageously raised the ban-

ner of reform and opening up, committing themselves to the exploration of a new developmental path. Working under the leadership of successive central committees of the CPC, we have succeeded in paving a distinctively Chinese approach to reform over the past 35 years, which has allowed us to achieve a remarkable increase in China's overall strength, bolster the socialist system, and show the world a new state of social progress. Characterized by the huge superiorities it possesses, China's approach to reform is something that all Chinese people should cherish dearly.

### **1. Sticking to our principles whilst maintaining flexibility**

Deng Xiaoping once told us that the Four Cardinal Principles would need to be upheld for a hundred years. That is to say, the purpose of China's reforms must be to consolidate and develop socialism, and not to undermine or discard it. Despite this, however, we also need to realize that China is not only facing problems that have never been seen before in the history of the socialist movement, but also challenges that developed countries did not encounter during the course of their development. In light of this situation, we can neither stick rigidly to dogma, nor can we draw directly from the experiences of other countries. Rather, proceeding on the basis of our national conditions, we must act creatively to resolve prominent issues in our economic and social development. Under the conditions of adhering to the Four Cardinal Principles, we have been able to find ample room for institutional innovation during the course of our reforms. We have combined socialism with the market economy to establish a basic economic system in which the public sector is the main form of ownership and multiple forms of ownership can develop side by side; we have implemented an income distribution system in which distribution according to work is the main form of distribution and multiple forms of distribution coexist; and we have developed a system for the regulation of the economy that gives full play to the roles of both the government and the market.

### **2. Implementing reform gradually while being sure not to miss out on opportunities**

At the APEC CEO Summit 2013, President Xi Jinping stated that China, as a large country, could not afford to trip up on issues of fundamental importance. Unlike countries such as Russia, which opted for "shock therapy" reform, China has adopted a more gradual approach to reform. This approach can be summarized as follows: starting with easy reforms before tackling more difficult ones; launching reforms in certain sectors before carrying out reform as a whole; adding new practices before changing existing ones; and launching reform in the countryside before moving on to the cities. This gradual approach to reform has helped us to avoid the intensification of social conflicts that can result from drastic institutional change. Not only does it better equip society to cope with reform, but it also helps to pre-

vent the occurrence of serious mistakes. However, this does not mean that we are hesitant to push reform forward. On the contrary, once a commitment to reform has been made, China's leaders seize the moment, act with strong resolve, and take rapid action to ensure that reforms are successful. The reform of the fiscal and taxation system and the revamping of state-owned enterprises in the 1990s are typical examples of this active approach to reform.

### **3. Emphasizing overall coordination whilst encouraging individual explorations**

China's reforms cover a number of fields—political, economic, social, and cultural. Given the high level of complexity that is involved in balancing out different interests, overall planning is required to coordinate reforms in different fields. Since the launch of the reform and opening up drive, successive central committees of the CPC have addressed the subject of reform at their third plenary sessions. At the recently held Third Plenary Session of the Eighteenth Central Committee of the CPC, the Party decided on a plan to comprehensively deepen reform in China. The reform initiatives of various different departments and regions across the country are carried out under the guidance of framework documents such as these. However, given China's considerable size, it should be noted that different parts of the country are currently undergoing different stages of development and facing different problems. In some cases, these differences can be considerable. Therefore, various regions need

to actively explore their own way forward in reform whilst adhering to the overall planning of the central government. For instance, the institution of the household contracting system for farmland in rural areas, which sounded off the beginning of China's reform and opening up drive, was a successful reform endeavor at the local level. In addition, the establishment of experimental areas for reform, such as the Shenzhen Special Economic Zone (SEZ) and the Pudong New Area, can be seen as an initiative to encourage exploration and gain experience in reform.

### **4. Maintaining a commitment to opening up to the outside world whilst seeking to better ourselves**

Driving reform through opening up is an important feature of China's reform. Our opening up to the outside world has not only opened up markets and helped us to acquire the capital, technology, and managerial experience that we need, but has also promoted macro-economic and micro-economic reforms in China. China's accession to the WTO in 2001 has had a profound influence on the way that we conduct macro-economic regulation and the way that enterprises are run. However, it should be noted that China's policy of opening up is an independent policy, one that is carried out in accordance with the principles of safeguarding the country's sovereignty, security, and developmental interests. This approach to opening up is not only comprehensive in scope, but also conducive to enhancing China's international standing; it is not only carried out in depth, but also well geared to China's stage of development

and competitiveness in the global market.

Experience has demonstrated the enormous superiorities of China's distinctive approach to reform. It was this approach that led to the immense liberation and development of productive forces in China, allowing the level of material and non-material wealth in the country to grow rapidly. Moreover, by ensuring that all people can benefit more fairly and more thoroughly from the fruits of development, this approach has also done a great deal to consolidate and develop the socialist system.

**By effectively leveraging the enthusiasm and creativity of all sectors of society, reform has spurred on massive increases in material wealth whilst raising China's international status by a significant margin.** Reform has brought about the immense liberation of productive forces, stimulated the enthusiasm of the people, and unleashed the innovativeness of entrepreneurs. It has raised labor productivity, brought diversity to market competition, and stimulated rapid economic growth. In what can be described as a miracle of economic growth in modern history, China's GDP grew at an average rate of 9.8% per year between the years 1979 and 2012. Today, China is the world's second largest economy and the largest manufacturer and exporter. With a per capita GDP in excess of US\$ 6,000, China can no longer be labeled as a poor or undeveloped country.

**In addition to promoting rapid development, reform has also helped us to maintain the overall stability of society.** From the very outset of China's reforms, an emphasis has been placed on ensuring that all people can benefit from the fruits of development. Since the institution of the reform and opening up drive, all regions of China—urban, rural, eastern, central, and western regions alike—have experienced significantly faster economic growth than they did prior to the reform and opening up drive. At the same time, the living standards of all social strata in China, including workers, farmers and intellectuals, have also improved significantly. From 1978 to 2012, the per capita disposable income of urban households increased from 343 yuan to 24,565 yuan, while the per capita net income of rural households increased from 134 yuan to 7,917 yuan. During the process of reform, China has properly balanced the relationships between reform, development, and stability. Prior to the introduction of major reform policies, we have not only afford-

ed consideration to the timing and pace of reform, but also to the capacity of society to cope. This has helped us to avoid the serious economic recessions and social unrest that some countries experienced during the course of their transformation.

**China's reforms have also consolidated the socialist system by exploring an alternative path to development that has found success under a different state system.** In the 1980s, a wave of reform swept across almost all of the world's socialist countries. The Soviet Union—the world's first socialist country—suddenly collapsed during the course of reform, while socialist countries in Eastern Europe changed their colors in rapid succession. The question of whether or not socialism would survive and for how long became a major topic of international interest. In 1989, Francis Fukuyama, an American political scientist of Japanese descent, proposed his so-called “end of history” theory, predicting that communism was about to come to an end and that the sole path for the progression of history would be Western democracy and the market economy. However, by implementing reform, China has succeeded in introducing a socialist market economy with Chinese characteristics, paving a path between a highly planned economy and a free market economy. This path has allowed China to realize highly rapid economic growth and social harmony. In 2009, Fukuyama himself admitted that his “end of history” theory required further thought and improvement, saying that a place for Chinese tradition needed to be left in the treasure chest of human think-

ing.

China's rapid development over the past 35 years has come through reform. Therefore, in order to resolve the problems that we are currently facing and sustain the healthy development of our economy in the future, we must continue to rely on reform. Given the huge changes that have taken place in both domestic and international environments, we may say that China's reforms are destined to display much richer connotations in the future than they have done previously. Although economic reforms continue to be the focus of our efforts to comprehensively deepen reform, we still need to take the overall situation into account, promote the reform of economic, political, cultural, social, ecological, and Party building institutions in a coordinated fashion, and work to take the cause of socialism with Chinese characteristics into a new phase of development. This is the mission that the Party must undertake in a new era. Consisting of a series of major advances in the theories and policies of reform, the Decision has greatly enriched China's distinctive approach to reform. It has provided us with a grand blueprint to guide our future reforms, laid out major strategic arrangements for comprehensively deepening reform, and defined the key areas and important measures for our efforts to promote reform in the future. For this reason, we may say that the introduction of the Decision is an era-defining event that will usher in a new phase in our reform and opening up drive.

## II. Several major relationships

**that must be properly balanced as we remain committed to a distinctively Chinese approach to reform**

As our reforms expand into more areas in the period ahead, it will become increasingly difficult for us to balance different interests. Therefore, we need to adopt a global perspective, think strategically, and deepen our efforts to study theories concerning reform. By closely following the global situation as well as the situation in China, we need to accurately read trends in global restructuring and institutional change, correctly identify the course and objective laws of reform, enhance our overall ability to steer the direction of reform, and limit the number of mistakes we make, so as to ensure the full accomplishment of the tasks set out at the Third Plenary Session of the Eighteenth Central Committee of the CPC.

**First, we should balance the relationship between theoretical guidance and exploration in practice.** The implementation of reform in China, a country with a population of more than 1.3 billion people, represents a feat of unprecedented proportions. During the course of reform, we are sure to encounter unexpected difficulties and risks. Faced with this uncertainty, our best choice is to encourage exploration, allowing certain regions and industries to take the lead in trying new things. In fact, this strategy is the reason why China's reforms have been so hugely successful. Going forwards, explorations through practice will still constitute an essential part of our reforms. This is because the situation facing reform is likely to become increasingly complex and unpredictable, and because there are still a number of uncertainties surrounding reform. However, important as explorations through practice may be, our reforms can never be separated from rational thinking and the guidance that comes from theory. Theory represents the summarization of the experience that has been gained through practice. By formulating a reform plan and implementing it under the guidance of correct theories, we can ensure that our reforms are less costly and less likely to result in detours.

**Second, we should balance the relationship between strengthening the unified leadership of the Party and giving full play to the creativity of all participants in reform.** The reforms that China has ahead of it are comprehensive in scope

and challenging in nature. This means that overall planning and coordinated efforts will be required ever more than before. The firm leadership of the Party is the fundamental guarantee behind our efforts to deepen reform. We must continue to strengthen a leadership mechanism for reform in which the CPC Central Committee serves as the core, and step up the level of guidance that is provided to governments at all levels. At the same time, however, we must remember that reform is a cause for the people as a whole. Therefore, we should respect the creative spirit of the people, and give play to the enthusiasm and creativity of local governments, various government departments, and the people as a whole. By realizing sound interactions between the government and the general public, we will be able to engage in a concerted effort to deepen reform.

**Third, we should find a balance between advancing reform in an active and daring fashion and seeking to make progress steadily.** The problems and risks that China has accumulated over the long term are now becoming apparent. If we do not step up the pace of reform, these problems could threaten the steady and healthy development of our economy and society, hindering the further modernization of the nation. Therefore, with a heightened sense of danger and urgency, we need to muster up political courage, further emancipate our minds, and act boldly to push reform forwards once a plan has been decided on. At the same time, however, we must resist the temptation to do much too soon and take care

not to act rashly, as rushing ahead could hinder real progress and prevent us from achieving our intended goals in reform. We need to draw deeply from past experiences and lessons, make our reform plans more specific, and carefully evaluate the possible impacts and risks that may result from the implementation of our plans. By doing so, we will be able to prepare ourselves for a range of challenges and ensure that reform can proceed steadily.

**Fourth, we need to balance the relationship between efficiency and fairness.** The relationship between efficiency and fairness constitutes one of the core relationships in economic and social development. At the same time, it is also a contradiction that human society has yet to genuinely resolve. Experience indicates that low efficiency causes stagnation, which in turn brings development to a halt; while inequality leads to polarization, which seriously disrupts development and can even lead to the collapse of governments. In our future reforms, we need to place the interests of the people above everything else. With a view to ultimately realizing common wealth, we must maintain a commitment to the principle of balancing efficiency and fairness, with greater emphasis being placed on fairness. Through these efforts, we will ensure that all people can benefit more fairly and more thoroughly from the fruits of development.

**Fifth, we need to balance the relationship between economic and social reforms.** In essence, the relationship between economic and social reforms boils down to the relationship between

efficiency and fairness. The fundamental goal of economic reform is to realize a fundamental shift in the way that we achieve economic development. In our efforts to achieve this goal, we need to focus on unleashing potential for development, stimulating the vitality of development, and raising the quality and efficiency of development. The fundamental task of social reform, on the other hand, is to establish a fair, just, and law-based model for the development of society. To achieve this goal, our focus should be placed on narrowing the urban-rural divide and closing the income gap so that society can become more harmonious. At China's current stage of development, development still constitutes the absolute principle, and the key to resolving all of China's problems. For this reason, economic reform must continue to be the focus of our reform at present. However,

social reform has nevertheless lagged behind economic reform, and this has been the cause of some prominent problems. The deep-rooted cause of the "middle-income trap," which has troubled Latin American economies in particular, is the intensification of social conflicts, and not economic issues. Therefore, we must pay close attention to the reform of social institutions and to innovation in social management. We must narrow the urban-rural divide, close the income gap, improve social safety nets, and actively promote the transformation of the way that social development takes place with a view to building a harmonious society.

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