

The Honorable Börje Ljunggren

“The Chinese Dream of Great Renewal:
Challenges for China and the World”

Critical Issues Confronting China Seminar Series

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Soon after Xi Jinping in November 2012 was elected Party Secretary of China's Communist Party (CCP), he took the other six members of the Standing Committee of the Politburo, to the Department on China's Renaissance at the National History Museum, located at the heart of Beijing. Unsurprisingly this exhibition is a selective history serving a present purpose - legitimizing CCP's leadership and authority. It details a century of humiliations, epitomized by foreign invasions and unequal treaties imposed on China by colonial powers, and the country's huge achievements after the establishment of the People's Republic of China (PRC) in 1949. It omits tragic realities such as the Great Leap Forward and the Cultural Revolution.

In a speech delivered at the museum, Xi's message to the country was that the time had come to realize the Chinese Dream of great revival of the Chinese nation. Two milestones – a “double anniversary” – marked the way forward. Xi was confident that China would become a moderately prosperous society in all respects by 2021, the 100th anniversary of CCP, and an affluent, strong, civilized and harmonious socialist modern country by 2049, the 100th anniversary of the PRC. All under the wise leadership of the party.

What is the political and economic foundation of this dream? What does it mean for China and the world? The Honorable Börje Ljunggren, former Swedish Ambassador to the People's Republic of China and Vietnam and Harvard Asia Center Associate, explains China's economic emergence and challenges, and the political fragilities underlying the powerful appearance of Xi Jinping and the party-state. Internationally China's rise will inevitably heighten the uncertainties of the global power balance.

Ljunggren points out that unlike the American dream, this Chinese Dream is not about individual freedom, but a vision of prosperity, and national might and strength. It is not least “a dream of a strong national defense”. China could compete and surpass other systems.

The dream of China's renaissance is not new. The DNA of all Chinese leaders since the First Opium War (1839-42) has had the imprint of the same ambition to wash away the humiliations inflicted by foreign powers. The difference is that China's dramatic economic development since Deng Xiaoping's launch in the late 1970s of “reform and opening” has created a new foundation for the dream. China is the second largest economy in the world if valued at the market exchange rate; the largest economy if

valued in PPP terms. It is the largest trading nation of goods, with close to a third of global foreign exchange reserves. The Chinese footprint around the world is becoming increasingly large. In 2014, China foreign direct investment (FDI) abroad was as large as FDI going into China and, for the first time, China invested more in the US than the US in China.

It is ironic that while China is the biggest beneficiary of the world's liberal economic system in recent decades, nationalism is becoming an increasingly salient feature of contemporary China. After the 2008 global financial crisis, China is determined to go its own way, not following in anyone's footsteps or prescriptions. Younger generations of Chinese are still taught "never to forget national humiliation". A complex Chinese "persona" emerges.

Ljunggren argues that China's economic development model is unsustainable. The Chinese economy has been largely driven by investment, and since the global financial crisis aggravated by serious credit expansion, both of which have resulted in huge debts and overcapacity. Economic growth in 2014 was the lowest in 25 years. China also has to confront exceptional environmental challenges, especially air, water and soil pollution. China's ambition now is to maintain a "new normal" of a growth rate around seven per cent. Ljunggren anticipates that the CCP will not let the economy stagnate since economic growth is instrumental for CCP to remain in power. Further economic reforms and necessary pragmatism can ultimately be expected.

Ljunggren does not expect corresponding pragmatism in the political sphere. Despite many millions of internet users, entrepreneurs and graduates of higher education entering the labor market every year, China is still a party-state with 87 million party members and four millions basic party units. Xi intends to consolidate the party-state and further develop the prevailing system. The common assumption that economic and political reforms must go hand in hand is rejected. Legal reforms are stressed, but they must be within the boundaries of the party-state system, making rule of law impossible. Although China's human rights record shows some signs of progress, on the whole China under Xi has become less open with tighter censorship of the Internet and more control over civil organizations. The party is determined to set the agenda.

In terms of the ongoing global power shift from established powers to emerging economies, Ljunggren describes the current situation as very fluid with no balance in sight. Many Asian countries are trying to hedge their positions. They welcome the presence of the U.S. in the Pacific region on the one hand, but try to benefit economically from China's growth on the other hand. China's call for a new major power relationship with the U.S. is an attempt to maintain peaceful relations, while putting aside disagreements. However, Ljunggren believes that strategic distrust is bound to characterize this bilateral relationship .

While domestic modernization remains an overarching goal, China is becoming more offensive in its foreign relations. Striking examples are the establishment the Asia Infrastructure Investment Bank (AIIB), the BRICS bank, and the Silk Road Fund, all backed by its massive foreign reserves, creating alternative sources of funds for countries in the region and beyond. Ljunggren thinks that the West ought to have done more to accommodate China within established institutions like the IMF and the World Bank, but given China's rise, it should come as no surprise that it wanted to pursue institutional ownership.

Noting the juxtaposition of a strong overseas projection and latent domestic fragility and insecurity, Ljunggren sees China - an authoritarian state immersed in nationalism but with increasing capabilities and ambitions - as "the drama of our time" and anticipates greater uncertainties lying ahead. He concludes that Xi's Chinese Dream is suffering from a lack of oxygen. True renewal in the 21st century cannot happen within the cage of the party-state. Today's China is a place of many dreams and the Chinese civil society, while fragile, will survive the party-state.