

Chapter I

1. Overview

With more than 4,000 years of recorded history, China is one of the few existing countries that also flourished economically and culturally in the earliest stages of world civilization. Indeed, despite the political and social upheavals that frequently have ravaged the country, China is unique among nations in its longevity and resilience as a discrete politico-cultural unit. Much of China's cultural development has been accomplished with relatively little outside influence, the introduction of Buddhism from India constituting a major exception. Even when the country was penetrated by such "barbarian" peoples as the Manchu, these groups soon became largely absorbed into the fabric of Han Chinese culture.¹

At the moment, China has 23 provinces, 5 autonomous regions, 4 municipalities (Chongqing, Beijing, Shanghai, and Tianjin) directly under the Central Government and 2 special administrative regions (Hong Kong and Macau).² Shanghai is the main industrial city; Hong Kong is the leading commercial centre and port.³

China surpasses most of countries in the number of neighboring countries, the length of land border, and the complexity of maritime security.⁴ For centuries, China stood as a leading civilisation, outpacing the rest of the world in technology, arts, and sciences. After World War II, the Communists, under Mao Zedong, established a socialist system. After 1978, Mao's successor, Deng Xiaoping, and other leaders focused on market-oriented economic development, and China began to generate significant and steady growth in investment, consumption, and standards of living.⁵

Since then, China has generally implemented reforms in a gradual fashion. As its role in world trade has steadily grown, its importance to the international economy has also increased apace. As of today, China is the world's fastest-growing major economy, with an average annual growth rate of 10% for the past 30 years. China is also the largest trading nation in the world and the largest exporter and second largest importer of goods. A milestone was achieved in mid-2010 when China's economy was valued at USD 1.33 trillion and became the world's second largest economy, surpassing Japan and second only to that of the United States. There is a prediction that China could become the world's largest economy as early as 2030.⁶

According to White Paper "China's Peaceful Development" published in September 2011, at the beginning of the second decade of the 21st century and on the occasion of the 90th anniversary of the founding of the Communist Party of China (CPC), China declared solemnly again to the world that peaceful development is a strategic choice made by China to realize modernization, make itself strong and prosperous, and make more

¹<https://www.britannica.com/place/China>

²http://english.www.gov.cn/archive/china_abc/2014/08/27/content_281474983873401.htm

³<https://www.britannica.com/place/China>

⁴The State Council Information Office of the PRC white paper titled "China's National Defense in the New Era" published in July 2019 http://www.xinhuanet.com/english/2019-07/24/c_138253389.htm

⁵<http://taxsummaries.pwc.com/ID/Peoples-Republic-of-China-Overview>

⁶<http://taxsummaries.pwc.com/ID/Peoples-Republic-of-China-Overview>

contribution to the progress of human civilization. China has a large population yet a weak economic base. It has to feed close to 20% of the world's population with 7.9% of the world's farmland and 6.5% of the world's fresh water. What has been achieved in its social and economic development must meet the need of 1.3 billion people, which presents a great challenge to China. China's per capita GDP in 2010 was about US\$4,400, ranking around the 100th place in the world.⁷

China's growth comes from both huge state investments in infrastructure and heavy industries as well as private sector expansion in light industries. Exports had been China's major economic driver, but since the 2008 global financial crisis, which seriously affected the international markets of China export products, the Chinese government shifted the focus to stimulate investment and consumption in domestic markets.⁸

Since China began to open up and reform its economy in 1978, GDP growth has averaged almost 10 percent a year, and more than 850 million people have been lifted out of poverty.

Today, China is an upper-middle-income country and the world's second largest economy. But its per capita income is still only about a quarter of that of high-income countries, and about 373 million Chinese are living below the upper-middle-income poverty line of US\$5.50 a day. China also lags in labour productivity and human capital. Income inequality has improved over the last decade but remains relatively high.

China's high growth based on resource-intensive manufacturing, exports, and low-paid labour has largely reached its limits and has led to economic, social, and environmental imbalances. Reducing these imbalances requires shifts in the structure of the economy from low-end manufacturing to higher-end manufacturing and services, and from investment to consumption.

Over the past few years, growth has moderated in the face of structural constraints, including declining labour force growth, diminishing returns to investment, and slowing productivity. The challenge going forward is to find new drivers of growth while addressing the social and environmental legacies of China's previous development path.

China's rapid economic growth exceeded the pace of institutional development, and there are important institutional and reform gaps that China needs to address to ensure a high-quality and sustainable growth path. The role of the state needs to evolve and focus on providing stable market expectations and a clear and fair business environment, as well as strengthening the regulatory system and the rule of law to further support the market system.

Given its size, China is central to important regional and global development issues. China is the largest emitter of greenhouse gases, and its air and water pollution affects other countries. Global environmental problems cannot be solved without China's engagement. Moreover, maintaining economic growth at reasonable levels has important spillovers for the growth of the rest of the world economy.

⁷http://english.www.gov.cn/archive/white_paper/2014/09/09/content_281474986284646.htm

⁸<http://taxsummaries.pwc.com/ID/Peoples-Republic-of-China-Overview>

Many of the complex development challenges that China faces are relevant to other countries, including transitioning to a new growth model, rapid aging, building a cost-effective health system, and promoting a lower carbon energy path. China is a growing influence on other developing economies through trade, investment, and ideas.⁹

A joint report by the World Bank and the Development Research Center of China's State Council, recommends that China curb rapid urban sprawl by reforming land requisition, give migrants urban residency and equal access to basic public services, and reform local finances by finding stable revenues and by allowing local governments to borrow directly within strict central rules.¹⁰

From 1978 to 2018, China's total imports and exports of goods increased by a factor of 223, and its total imports and exports of services increased by a factor of 147. By November 2018, China had trade relations with more than 230 countries and regions. It had signed 17 free trade agreements with 25 countries and regions, and joined almost all major international economic and financial organizations and multilateral economic mechanisms. According to WTO statistics, in 2017 China's shares of the world's total imports and exports of goods were 10.2 percent and 12.8 percent; in 2018, the two figures were 10.8 percent and 12.8 percent. From 2001 to 2018, the two figures grew by a yearly average of 13.8 percent. The above figures confirm that China's position as the world's largest trader in goods has been further consolidated.¹¹

China's foreign trade has been increasing constantly. In 2009, China became the world's largest exporter of goods and second largest importer of goods; in 2013, China became the world's largest trader in goods. Since reform and opening up in 1978, foreign investment in China has seen a substantial increase, and China has become very attractive to global investment. China has become the world's second largest economy, largest manufacturer, largest trader in goods, second largest consumer of commodities, second largest recipient of foreign direct investment (FDI), and largest holder of foreign exchange reserves.¹²

The Chinese government has consistently adhered to the One-China Principle. Since Hong Kong and Macao's return to China, people-to-people contacts and exchanges between Hong Kong and Taiwan and between Macao and Taiwan have continued and developed on the basis of the One-China Principle.¹³

⁹ A Report titled "Overview: The World Bank in China",

<https://www.worldbank.org/en/country/china/overview>

¹⁰<https://www.worldbank.org/en/country/china/overview#3>

¹¹White paper titled "China and the World in the New Era" Published by The State Council Information Office of the People's Republic of China on Sept 27, 2019,

http://english.www.gov.cn/archive/whitepaper/201909/27/content_WS5d8d80f9c6d0bcf8c4c142ef.html

¹²ibid

¹³The Taiwan Affairs Office and The Information Office of the State Council (February 21, 2000) paper titled "White Paper--The One-China Principle and the Taiwan Issue" published on 17 May 2004

<https://www.fmprc.gov.cn/ce/ceno/eng/ztxw/twwt/t110655.htm>

In a January 2008 joint statement, India and China acknowledged the One China policy in the following terms: "The Indian side recalls that India was among the first countries to recognize that there is one China and that its one China policy has remained unaltered. The Indian side states that it would continue to abide by its one China policy, and oppose any activity that is against the one China principle. The Chinese side expresses its appreciation for the Indian position."

China had mentioned in the White Paper titled “China’s Peaceful Development” published in September 2011, that “by 2020, China will have built a society of higher-level initial prosperity in an all-round way that benefits the over one billion Chinese people. This will make China a country which has basically realized industrialization, significantly increased its comprehensive national strength and taken the lead in the world in terms of the total size of the domestic market. The general living standard and quality of life of the Chinese people will be raised, and the country’s natural environment will be well protected. The Chinese people will enjoy full democratic rights, are better educated and pursue common aspirations.” Despite above assurances incessant instances of human Right violations have been coming to notice through reports of International Human Right Organizations primarily in Tibet Autonomous Region (TAR), Xinjiang Uyghur Autonomous Region (XUAR) and Hong Kong in China.¹⁴

China reacted negatively to the ruling of the arbitral tribunal adjudicating Philippines’ case against China in the South China Sea which ruled in favour of Philippines, determining that major elements of China’s claim including its nine-dash line, recent land reclamation activities, and other activities in Philippine waters were unlawful. China may take assertive and inflammatory steps to defend its position. The extent to which China abides by the ruling in the long term, and to which the international community supports and seeks to enforce the ruling, will have consequences for the utility of international law as a tool to ensure the peaceful, stable, and lawful use of the seas going forward.¹⁵

The Communist Party of China (CPC) came into being in 1921, and in 1949 the PRC was established. To mark the 100th anniversaries of these two important dates, the CPC set goals that are to be met by 2021 and 2049. By 2021, to celebrate the CPC’s centenary, the goal is to “build a moderately prosperous society in all respects”. The next Chinese Communist Party’s 20th Congress will take place in 2022.¹⁶

According to Xi Jinping’s report at 19th CPC National Congress, the period between the 19th and the 20th National Congress is the period in which the timeframes of the two centenary goals converge. In the first stage from 2020 to 2035, we will build on the foundation created by the moderately prosperous society with a further 15 years of hard work to see that socialist modernization is basically realized. In the second stage from 2035 to the middle of the 21st century, we will, building on having basically achieved modernization, work hard for a further 15 years and develop China into a great modern socialist country that is prosperous, strong, democratic, culturally advanced, harmonious, and beautiful.¹⁷

“A Shared Vision for the 21st Century of the Republic of India and the People’s Republic of China” published on January 14 2008

<https://mea.gov.in/outgoing-visit-detail.htm?5145/A1Shared1Vision1for1the121st1Century1of1the1Republic1of>

¹⁴http://english.www.gov.cn/archive/white_paper/2014/09/09/content_281474986284646.htm

¹⁵ The report “South China Sea Arbitration Ruling: What Happened and What’s Next?” published in July 2016, is the product of professional research performed by the staff of the U.S.-China Economic and Security Review Commission, accessed on March 6, 2020

https://www.uscc.gov/sites/default/files/Research/Issue%20Brief_South%20China%20Sea%20Arbitration%20Ruling%20What%20Happened%20and%20What's%20Next071216.pdf

¹⁶ Excerpts of an article “CPC Q&A: What are China’s two centennial goals and why do they matter?” dated October 17, 2017 (Xinhua) http://www.xinhuanet.com/english/2017-10/17/c_136686770.htm

¹⁷ Excerpts of Full text of Xi Jinping’s report at 19th CPC National Congress, https://www.chinadaily.com.cn/china/19thcpcnationalcongress/2017-11/04/content_34115212.htm