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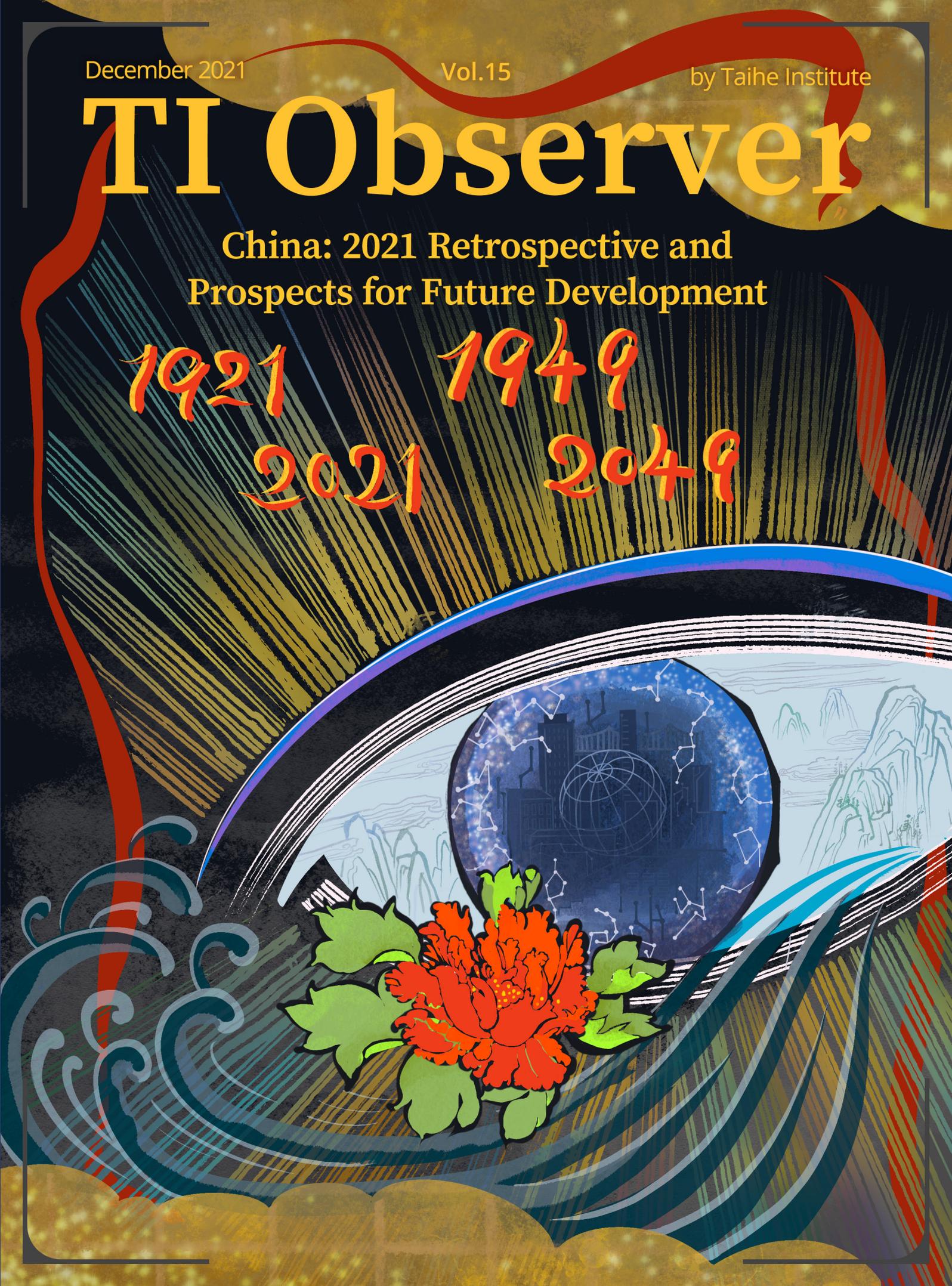
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China: 2021 Retrospective and
Prospects for Future Development

1921 1949
2021 2049



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Looking Forward: China's Economy, Trade and Investment, and the Taiwan Issue

Liu Yangsheng



Senior Fellow, Taihe Institute
Co-Founder, Impact Asia Capital Ltd.
Advisory Board Member,
CGN Capital Partners Infrastructure
Fund III

2021 is a momentous year for China, with landmark regulations marking pivotal changes to key sectors and areas of society. To better grasp the development of the past year that will inform the coming year's policies, TIO conducted an interview with Mr. Liu Yangsheng, Senior Fellow of Taihe Institute.

TIO The outbreak of the COVID-19 pandemic in 2019 has changed the world economy in many ways. It struck China during its transformation from an export-led manufacturing economy to an innovation-driven service economy. One main area that many foreign investors and policy analysts focus on is the direction of China's future economic development. Based on your experience and observations, what is your projection concerning the outlook on China's future economy?

Liu Regarding the future of China's economic development, I think you have to understand it in the context of global economic growth. Global economic growth is fueled by the last two decades of globalization. And what is globalization? That's a nice way of putting efficiency. If you look at human economic behavior, the key is value creation - to make a profit. How do you make a profit? Become more efficient.

Globalization has essentially made the global economy more efficient. You do what you do best, and higher efficiency means higher value creation. Globalization can therefore be translated as higher profitability. In China's case, it is probably the only country in the world today that has all the key components to have efficiency enhancement. You have very hard-working people who have the willingness and enthusiasm to generate value creation. You have an incredible level of education, especially in sciences and engineering.

When the People's Republic of China was established in 1949, more than 90% of people

were illiterate - a literacy rate of under 10%. Today, the illiteracy rate is under 10%. So, you have a skilled, hardworking workforce, and you have what is also probably the world's most modern, sophisticated, and elaborate supply chain based on logistics infrastructure. There is no question that China's infrastructure is much more advanced than European or American infrastructures.

China is the only country in the world today with such an extensive, sophisticated supply chain system that supports efficiency creation. No matter how others might try to suppress that efficiency, by actions that make things inefficient like the trade war and so on and so forth, it all goes against the human instinct of enhancing efficiency.

Now I think China's further development is mainly about two things.

First, dual-track domestic development. Here, I need to mention this concept of economies of scale. It means that the larger the scale, the more efficient and the lower the cost of the manufacture. China has the biggest market in the world today, bigger than Europe, and certainly bigger than the United States. That efficiency, in terms of the economies of scale, is unrivaled anywhere. That's why when China decides to go into manufacturing, no one else in the world can compete because we have the largest market to enhance economies of scale. So, what China needs to do, and this is what the government is focused on very much, is to upgrade the sophistication of the technology, not only in manufacturing but also in innovation. This means that in the future years, China's economic development will be focused on: number one, the dual-track enhancement of the domestic market; and number two, continuing to upgrade, not only the efficiency but also the sophistication in export.

On the service side, one must be careful as there has to be a balance. The United States offers a great case in point. America is a service economy. 80% of the American GDP is service. But when a country can't even make screws and nails anymore, it becomes beholden to the suppliers. And that's what happened over these two years since the outbreak of the pandemic. This is also why the U.S. is trying to restore manufacturing, bring manufacturing jobs back, and so on and so forth.

However, that is not going to happen. Take the semiconductor sector as an example. There's a shortage now in America. But you cannot just bring the whole semiconductor industry back to America again because everything else is made in Asia. They don't have the labor force to be able to have a comprehensive supply chain.

“China is the only country in the world today with such an extensive, sophisticated supply chain system that supports efficiency creation.”

In short, the main elements that are key to the Chinese economic development include: First, dual-track; and second, upgrading innovation and technology and continuing the globalization process to have efficiency enhancement to improve the lives of everybody. This is why China talks about win-win. Globalization is a win-win if it is a cooperative and collaborative approach.

Forty years ago, Deng Xiaoping said something that was really interesting. He quoted the words of the party-secretary of a small village, who said, "You want to be rich, then build roads first." What does that mean? That means the foundation of economic growth is to build solid infrastructure - an infrastructure that is as sophisticated and massive as what China has today. The process took decades. But we did it. Today, we are building not only physical but also digital infrastructure that outpaces any country by leaps and bounds!

TIO And this is what the Biden administration is trying to do with the Build Back Better World agenda, right?

Liu Well, he can try. But as far as I'm concerned, they haven't built any serious infrastructure for decades. They don't have the labor force that can do it. They don't have the civil engineers because instead of civil engineering, the best and the brightest in America went into financial engineering.

It is intriguing because it is not just Biden who brought up the agenda of building infrastructure. Trump and Obama also said their administrations were going to do that. The plan has been there for decades.

But it is not going to happen because of the whole political structure. It is not happening because the country is in some form of decline, because the polarization of blaming others is what politics in America is all about right now. Republicans against Democrats, Democrats against Democrats, and you also have the Moderates versus what they call the Progressives.

TIO The so-called "vetocracy."

Liu That's right! When we talk about globalization, it essentially means global efficiency enhancement. This is good for everybody. But it's bad for America because their global clout or influence or their ability to control others would just keep declining. But it's obviously good for China because China has the efficiency, the logistics, the supply chain, and the

latest infrastructure.

It is interesting that after the trade war began, the Chinese government and the Chinese entrepreneurs had actually already started to build digital infrastructure. For example, where else do you have WeChat pay and Alipay the way you have in China? In America, people are still sending checks in the mail! Here in China, we have instantaneous settlements. Credit cards, for example, in the U.S. and Europe, are still charging anywhere between 1.5% to 3%, or even as high as 3.5% in some parts of Europe. The banks will not allow this to go away because this would bring tens of billions of revenues in dollars or euros for them. So, they filibuster. It's too much profitability for them and their vested interests will not allow any change to happen.

In China, we have basically bypassed the whole credit card phase. Transactions have directly gone electronic with digital solutions. This is one illustration of the so-called digital infrastructure. 5G is another example of digital infrastructure. I have read somewhere that there are around hundreds of thousands of 5G base stations built in China already. It's spread throughout the country. Where else do you have that? You don't.

TIO This is interesting because globalization and the world order characterized by free trade was created and promoted by the U.S. after WWII. Now it is going in an opposite direction. This dynamic is something that struck me.

Liu The U.S. promoted the order because back then, it dominated the manufacturing world. Now, when it is no longer in that position, it starts to reverse the globalization process. An example is putting tariffs on Chinese goods going to America. But what happens thereafter? Who gets hurt? It is America. It is the American companies and the American consumers. This is part of the reason why you have this inflationary pressure in the U.S. too.

The top elites in Washington all know that if they lift the tariffs, the inflationary pressure will be reduced. Biden could have done it in January when he took office. But even now, he is not doing it. Why? Their political system doesn't allow it. Because if he lifted it, then he will be attacked as being soft on China. Therefore, effective policy-making is essentially paralyzed as you have a situation in which what's good for the country is not doable because of its political system and its political structure.

TIO Just now we talked about the general direction of China's future development. If we

narrow it down to the specific sectors of investment. What are some of the industries that will attract investments, in terms of China's long-term economic and ecological goals set domestically and internationally?

Liu I think there are a couple of sectors which will be catching the wind in the sails.

One is renewable energy sources. There's no question because climate change is for real, unlike what President Trump said that "climate change is a Chinese trick."

Look at the changes in the weather pattern in the last couple of years. Vancouver got so hot that people died from the heat. Germany, a country that has a pretty solid infrastructure, had flooding that killed hundreds of people. At the North Pole, the ice is melting at an accelerated pace. This summer in Siberia, the temperature, which is normally around 22°C to 25°C, went up to 40°C in some places. That is really serious, because underneath the Siberian ice, and also the ice of the North Pole, there is a very significant amount of methane. Methane's impact on global climate change is ten times stronger than that of pure carbon dioxide.

Climate change is happening very quickly. What we see on the Chinese government side is that every sector now, including steel and cement, has to go green. The Chinese government is very serious about this. All the new regulatory frameworks that have been put out in recent years focus very much on renewable energy sources and the reduction of carbon.

The second sector is new material. The idea is basically to enhance efficiency. All of this means people can be supplied with the goods and services that they need to survive in a more efficient way. New materials will contribute significantly to this.

So, I think these two sectors: renewable energy sources and new materials that go into cheaper and more efficient manufacturing and productivity, will be attracting huge investments in the years to come.

Source: chinausfocus.com

TIO I'd like to follow up on the dual-track system that you mentioned earlier. Can you elaborate on that? Specifically, there has been some assertion that the dual-circulation plan China put



forward in recent years is an inward-looking strategy. How would you respond to this?

Liu China has to protect itself as well. We know what happened with the American ridiculous attacks on Huawei on the chip side and on all Chinese high-tech, right? First of all, this thing about China stealing technology. The U.S. didn't even have 5G by the time the 5G technology came out in China. How would we steal something that we have invented over here?

Moreover, to protect ourselves, in terms of the number of key technologies and certified conductors, we have to guarantee that we have import substitution. You must be able to have the capacity to produce by yourself in case another Donald Trump comes, which is not impossible.

So, the dual-track or dual-circulation plan is essentially to build some safety net into your own economy. Aside from the fact that to move more to the service sector and so on and so forth, you also have to be very careful, so that people don't hold you by your neck.

Then, in terms of exports, China will continue to be the major trading partner for over 100 countries because of China's supply chain. We are able to make things cheaper, better, faster than anywhere else. I remember last year, in the middle of the pandemic, my friends from Zhejiang province told me that they were getting huge orders for bicycles from Spain and Italy because all public transport stopped. Then a friend from Italy explained to me that the only place in the world where they can place an order of tens of thousands of bicycles is China because of its supply chain.

Dongguan experienced a similar story this summer. The weather in Vancouver is normally quite nice. People don't build air-conditioning into their homes. In fact, in the Northwestern

A temporary misting station on Abbott Street during a heatwave in Vancouver, Canada, on June 28, 2021

Source: axios.com



parts of Canada, houses were built to retain heat. So, when this extreme heatwave came in June, people were dying from it. Suddenly, in Dongguan, there were huge orders for electric fans coming from Canada.

TIO This resonates. I remember during the presidential election in 2016, when my American friends were still staring at the screen waiting for the results of the vote-count to come out, Chinese netizens joked around and said that just look at the order number of the perks for the two candidates in Yiwu, the answer is already there!

Liu This is why I started by talking about efficiency enhancement. When you have scale, supply chain, logistics, and infrastructure, no one can beat you, especially as labor costs in the U.S. and European countries are still very high.

When Europe closed the border during the early phase of the pandemic, serious problems arose even in the agricultural sector because in France, most of the agriculture sector has workers from North Africa. Closing the border means no more labor. In Germany, a lot of the manufacturing facilities and agricultural labor come from Eastern European countries, including Turkey, Poland, Hungary, and Albania. Shut the border down, end of the story. This applies to the U.S. as well. No Mexicans or Central Americans, things would get very complicated.

In this sense, China is sitting in a good position because we have got a very complete supply chain. But I should note that this supply chain is the supply chain of Asia with China at its core.

If we take a look at our cell phones, there are 200 pieces or components, and not all of them are made in China. Some, along the supply chain, are manufactured in Malaysia, Indonesia, South Korea, and Japan. So, it is actually the shifting of the global economy from the West to the East. And it is the rise of Asia with China at its core. Why China is the core? Because of the size of its market and the elaborate infrastructure that has been built.

TIO Many people are talking about the creation of the RCEP (Regional Comprehensive Economic Partnership) and China's initiative of joining the CPTPP (Comprehensive and Progressive Agreement for Trans-Pacific Partnership). They understand this as an act of China to counter the U.S. in their power game. What is your view on this?

Liu That's totally the wrong perspective of looking at it. Its effect might appear like China is countering America's ridiculous attacks. But this is all about further efficiency enhancement.

It is the natural consequence of the further rise of Asia with China at its core.

If you look at the EU. The EU was trying to move in the direction of creating a common market. The whole concept of an EU common market

was to compete against the big market of the United States. But for 27 countries during the pandemic, shipments that were supposed to go to Germany, and not supposed to go to Switzerland, the flights ended up in Germany, and it was all blocked on the German border. They said: "Sorry, health care products, personal protective gear, we are keeping these in Germany. Therefore, it's going to be very difficult, I think, given the polarization of societies in the West to have a cohesive supply chain.

Another comment that I would love to make on investment is that in the last several years, there has been a massive move toward green finance and ESG (Environmental, Social, and Governance) finance. Many sovereign wealth funds, even pension funds, and social security funds, and private investment funds are allocating a significant portion of around 10% to 20% of their holding to green investments.

I don't see this being treated very seriously in America because Wall Street bankers will green wash anything if they can get a better return. They are not really passionate about it and do not take it as the Europeans do. Europeans take the thesis of green very seriously. Wall Street bankers don't.

So, the amount of activities in green finance is going to increase and increase exponentially. As people can see, the impact of climate change and the amount of capital that's required to make the transformation of human activity into something that is more sustainable and greener, I think this will be a huge sector in China. So, when we say renewable, that's green! Using new materials to enhance efficiency, in a way, is also green.

But the other part - common prosperity - the S part of ESG, which is social responsibility, should not be overlooked as well. So, these new pieces are actually a more forward-looking



Source: wfaa.com



view in terms of what the earth needs [or] what the world needs, because as climate change continues to accelerate, even agriculture is going to be impacted very seriously.

To sum up, I think ESG and green finance will certainly be something that people have to look seriously into in terms of the future trends of investment. All Chinese companies, sooner or later, like many European companies now, are required to file ESG reports to enunciate what they have done to enhance ESG and to meet the targets of sustainable development.

TIO Very interesting. Thank you, Mr. Liu, for your comments. I think we have covered enough on the questions about trade and investment and now I'd love to turn our attention to the question of Taiwan - another area that has sparked discussions all over the world in recent years.

We all know that the Taiwan issue is complicated. First, I would love to hear about your view on the oft-cited statement that the Taiwan issue is a product of the U.S.-China power game. Personally speaking, while I think the statement may be true on the American side, for China, Taiwan is not a card that the U.S. can play at its will but one of China's core national interests. So, I hope to hear about your perspective on this statement that Taiwan has little agency of its own rather than as a bargaining chip in the power game between the two big powers.

Liu In different phases of history, in different historical periods, Taiwan is treated differently by the United States. When the United States, in 1949, saw the formation of the People's Republic, they still believed that there was a way for Kuomintang to come back, but failure to win the Korean War started to change some views on Taiwan in Washington.

Taiwan is the beachhead for the United States to contain China. The stronger China got, the more powerful China became, economically, politically, militarily, and on a global basis, the US strategic aim is to retard that. The logic is simple: whatever we can do to slow down China's growth, they will do, and Taiwan is one part of that. That is their strategic objective. There is essentially no strategic value to Taiwan, except as a small tool in causing trouble or hassle for China.

TIO I noticed during the virtual summit between President Xi and President Biden that Biden said, "We stick to the strategic ambiguity stance on the Taiwan issue." But then the next day, Washington sold 200 F-16 Vs to Taiwan. It is rather perplexing to me as the Biden administration appears to be zig-zagging a lot in its policy practices.

Liu There are some who would argue that "sell as much as possible to make as much money as possible." But there are several aspects to this US weapon sales. If we understand this from a commercial perspective, the more they sell, the cheaper it becomes for them to produce. Again, efficiency and economies of scale.

So, it's very important for them to have lots of foreign sales of weapons so it reduces the cost of weapons to themselves, including nuclear submarines, jet fighters, and all kinds of hardware. But to the argument itself, that they are trying to squeeze as much money out of Taiwan as possible, I think this is not a significant factor. The real important factor is how to slow down China's growth by causing trouble that annoys China and distracts China from advancing its development on the many fronts I mentioned earlier. The Hong Kong and Xinjiang issues are two cases in point. Anything and everything they can do, whether through lies, cheating, through whatever means to retard China's continued growth is all they have focused on. That's a strategic objective, whether or not they make a little money on the side by selling some arms, because they can sell more arms, but it's not going to make any difference between the mainland and Taiwan. There's just no comparison between the two. Twenty-three million people in Taiwan, and half a million Taiwanese live in Shanghai!

“Taiwan is the beachhead for the United States to contain China. The stronger China got, the more powerful China became, economically, politically, militarily, and on a global basis, the US strategic aim is to retard that.”

TIO Do you think Washington will continue to follow this zigzag pattern regarding the Taiwan issue in future years?

Liu I think they will. They will continue to sell just to annoy China. A couple of \$100 million is not very significant for the U.S.

TIO How will the mainland respond then? Based on articles and statements made by officials of the Ministry of Defense, while we hope to deal with the Taiwan issue in peaceful ways, the policy is also not set in terms.

Liu Both sides have used strategic ambiguity. But the way the U.S. is playing this game is moving from strategic ambiguity to strategic clarity. US government officials visiting Taiwan on US Air Force planes. American Congress people go to Taiwan one after another, declaring the Republic of Taiwan, or saying that Taiwan should participate in the UN in a meaningful way. All of this is bringing more clarity to the ambiguity.

Now why would they do it? Why would they do it? I think it's because their position is weakening. That's why they're moving in that direction. In terms of the ways of dealing with the Taiwan issue, China hasn't shown its hand at all. There's this thing about financial backing: *Jinzhu* 金主 that is very interesting. It is a very short list so far, but the list can get much longer as 80% of the companies in Taiwan on the Taiwan stock exchange are involved in business with the Chinese mainland. There are lots of things that can be done economically or trade-wise. In other words, Taiwan is totally dependent on the mainland in terms of trade.

So, there are many ways of dealing with Taiwan. But we don't want to go to that end because it's actually bad for people in Taiwan. If you start doing sanctions or trade embargoes and so on, the economy would collapse, which will really hurt the people.

TIO But do you think it's possible that the U.S. reach out to those Taiwan corporates and say that "look, why don't you come to us, we can provide you what the Chinese mainland can offer you as well"?

Liu Foxconn is a great example. Wisconsin allocated all kinds of tax benefits and support for Foxconn to come and put together the assembly plant in Wisconsin. What happened? Complete disaster. First, they couldn't find the workers. The workers they had didn't want to

do hard work. Second, they have to pay a lot more for the labor. The question is, again, how do you move this back?

Then, in terms of the semiconductor industry, Arizona put in a \$17 billion plant by the Taiwan Semiconductor Manufacturing Company. But how would they do it if they could not even find blue-collar workers? Unless they promise to give out a couple hundred thousand green cards, which politically is impossible to be done in the U.S. given the political climate, how would you find the engineers and technicians? The politics in America will not like that. Five years ago, Terry Gou promised Donald Trump, “I will create 12,000 high-paying blue-collar jobs in the state of Wisconsin.” Five years later, he is still creating. And semiconductor production is much more sophisticated than manufacturing jobs.

So, there are many factors here in the Taiwan issue. The U.S. is pushing, and it's trying to get its buddies to push with it. Again, this is a “whatever we can do to cause trouble for you, we will do it” kind of scenario. They will continue the push. But in the meantime, China will take steps to counter-push to the point where you don't want to waste time. Let's just solve it.

TIO Interesting. This helps explain what it says in the plenary communiqué that “we firmly oppose foreign interference. We have maintained the initiative and the ability to steer in cross-Strait relations.”

Liu That's basically it. The initiative must stay in our hands. We are keeping the initiative because as they move to strategic clarity, we actually have more tools in our hands with strategic ambiguity.

“The initiative must stay in our hands. We are keeping the initiative because as they move to strategic clarity, we actually have more tools in our hands with strategic ambiguity.”

The What, Why, and How About the 6th Plenary Session of the 19th Central Committee of the CPC

Xie Maosong



Senior Fellow, Taihe Institute
 Director, Research Center for
 Chinese Civilization and Roads,
 China Institute for Innovation and
 Development Strategy
 Senior Research Fellow, National
 Strategy Institute of Tsinghua
 University

Among all official documents released in China throughout 2021, two specifically stand out: the Communiqué of the Sixth Plenary Session of the 19th Central Committee of the CPC and the Resolution of the CPC Central Committee on the Major Achievements and Historical Experience of the Party over the Past Century. To understand their significance and the ways in which the two documents will affect China's future development, TIO conducted an interview with Professor Xie Maosong, Senior Fellow of Taihe Insitute.

TIO I'd first like to discuss with you, Professor Xie, about the function of the Party Central Committee's plenary sessions. Specifically, what is the historical significance of the 6th Plenary Session of the 19th Central Committee? The Session adopted a key document—the third Resolution. What is the historical function of this Resolution? Why do we need to adopt this Resolution at this moment in time?

Xie First, plenary sessions of the Central Committee of the Communist Party of China (CPC) are of great importance to China because the goal of every plenary session has been, and still is, to tackle the most significant issues that the country faces in that particular time period. For example, the economic problems and the so-called *sannong wenti* 三农问题, which means issues related to agricultural production, the well-being of farmers, and the development of China's rural area. The focus of this year's Sixth Plenary Session was on party building.

For the CPC, unity of thoughts matters the most to the process of policymaking and policy implementation. This is a major difference between China and the West. In countries like the

“Policy decisions adopted at the sessions are, therefore, not rhetorical but practical and substantial. They will be implemented as stated in the speeches delivered by key officials or as charted in the communiqué released after the meeting.”

United States and other European states, political parties are parties of interests. You have some parties representing the middle-lower classes, some representing the upper class. So, in the West, the emphasis of a political party is on the “part.” In China, however, the CPC, as a governing body, represents the whole. It represents the rights and interests of the entire nation and the whole Chinese population. In other words, for a policy practice to be carried out, there has to be a consensus within the Party, from the top down to the bottom.

In this sense, plenary sessions of the Party Central Committee are work meetings with political functions because they convene all the core and leading members of the Party to work on China’s development planning on the basis of the major issues facing China. The meeting is held after unity of thought is achieved at each level of the party organization.

Policy decisions adopted at the sessions are, therefore, not rhetorical but practical and substantial. They will be implemented as stated in the speeches delivered by key officials or as charted in the communiqué released after the meeting. So, a great amount of work is required in the lead up to the session. There will be a long time for preparation, research, investigation, fieldwork, negotiation, and consultation. Those attending the plenary sessions are not having an on-site debate, where either the winner gets to decide what to do for the following years or everything comes to a stop until the next session if there is an impasse. Each policy initiative is framed after the interests of all stakeholders are considered and without a consensus, the proposed policy will not be put on the table for discussion. This is what is unique about the CPC. It is a party with a high degree of discipline. And this is what essentially sets the CPC apart from western political parties.

Now, in terms of the functions of the Historical Resolution. Thus far, there have been three resolutions in total. The first was adopted in 1945, the second in 1981, and the third at the Sixth Plenary Session of the 19th Central Committee.

We should understand the significance of the Historical Resolution. But as it’s only been a month since the adoption of the third Resolution, it is still too early for us to fully

understand its long-term historical impact. But we can, however, make some predictions and offer some outlook by examining the historical impact of the previous two documents, particularly the 1945 Resolution.

We know that the first Resolution established this year's leading position of Mao Zedong within the CPC. It stipulated Mao Zedong Thought as the guiding ideology of the Party. It criticized practices of ultra-leftism, dogmatism, and sectarianism, which almost destroyed the Party, and it identified the correct path to fight revolutionary wars, which was to wage guerrilla warfare, in accordance with the strategy drawn up by Mao Zedong.

In short, the first Resolution reviewed the Party's historical experience. It illuminated the importance of choosing the right path every time the Party and the country were faced with a fateful decision. The idea of unswervingly following the right path is what unifies all party members. What the right path is or which path to follow is a consensus that needs to be reached throughout the entire Party as it guides the development of the country. Mao Zedong Thought is one example of such paths.

Deng Xiaoping once said in 1981 that Mao Zedong Thought had educated an entire generation of Party members. Even today, Mao Zedong Thought is widely studied among leaders across different sectors.

As to the latest third Resolution, we know that the document affirms a "two establishment" –establishing General Secretary Xi Jinping as China's core leader of the CPC and establishing the guiding role of Xi Jinping Thought of Socialism with Chinese Characteristics in the New Era.

In my view, the "two establishments" is of the same importance as the establishment of Mao Zedong Thought as the guiding principle of the Party in 1945. During those years, Mao Zedong Thought guided the War of Resistance against Japanese Aggression, the War of Liberation, and the establishment of the People's Republic of China. Today, Xi Jinping Thought is to guide the CPC to realize the Second Centenary Goal of building China into a great modern socialist country in all respects. It is a goal for which generations of CPC leaders starting from Mao Zedong have been leading the Chinese people to strive. It is a continuous process rather than a personal political innovation. It is a relay race.

This means that the third Resolution differs from the previous two Resolutions in important ways. The former ones pointed out the mistakes made by the Party and illustrated the significance of rectifying them. But after a hundred years, I think it is arguably true that the CPC as a ruling party is relatively successful. This is why I characterize the third Resolution as *Jidacheng* 集大成, which means "epitome." Then, what is an "epitome"?

I have studied Chinese civilization and Chinese classics for quite a long time. When I look at the past one hundred years of the CPC, I often understand it within a larger framework of China's 5000-year civilization.

In the history of China, two individuals are of special importance: Duke of Zhou and Confucius. Duke of Zhou established a whole set of ruling systems by creating rituals and music. In other words, he laid the foundation for the development and thriving of the civilization of the entire Chinese nation. Confucius once said: "The Zhou Dynasty referred to the rituals of the past two dynasties to create its own system of rites. This was why the Zhou rites were so rich and colorful. I follow the Zhou rites." This means that the Zhou Dynasty adopted the exceptional elements of the of rites of the Xia and Shang Dynasties, and it was this integration of rites that made the Zhou rites better and more diversified. Confucius was not calling on restoring the old rituals, but he was appealing to the people to go with the time and follow the "right" tide.

There is also another saying in the *Analects of Confucius*. Zizhang, a student of Confucius, asked: "Can we know what will happen after ten generations?" In the past, one generation was equal to thirty years. He was asking whether one could know the social systems and moral norms 300 years later. Confucius replied that we knew how much had been altered from Xia to Shang, and how much had been changed from Shang to Zhou. The dynasty to come would inherit something from Zhou, and the pattern would go on and on. So, things could be predicted.

So, there is a norm in the Chinese traditional culture. Take the Party disciplines as an example. All CPC members must follow the code of conduct as stipulated in the Party disciplinary documents. They have to be strict with themselves, which means that self-cultivation and self-governance is an ongoing process as long as this person is a Party member. This is a contemporary manifestation of the Confucian tradition of *xiuqi zhiping* 修齐治平: only by cultivating oneself, regulating one's family, and governing the country well can we live in the world of peace and prosperity. The tradition prevails from the old times to now. The characteristic of *Jidacheng* is thus what makes Duke of Zhou and Confucius significant in Chinese traditional history: they were willing to learn from past experiences and apply the core ideas to the current times to make improvements. Xi Jinping Thought of Socialism with Chinese Characteristics in the New Era, to me, is something along the same line. It is an integration of key thoughts of the previous leaderships, including Mao Zedong Thought, Deng Xiaoping Theory, the Three Representatives, and the Scientific Outlook on Development.

The new Resolution stresses four distinctive periods in the Party's 100-year history. The first is the revolutionary period while the second is the period of socialist construction.

Mao Zedong Thought was the guiding thought of the Party during these two periods. The third is the new period of reform and opening up, with Deng Xiaoping Theory, the Three Representatives, and the Scientific Outlook on Development as guiding principles. And the fourth is the new era that we are marching into right now. China's development in this era will then proceed with Xi Jinping Thought of Socialism with Chinese Characteristics in the New Era as the guiding thought. So, there is a sense of coherence and continuity along China's developmental path. However, the third Resolution differs from the former two in that the former two went at length reviewing and criticizing the major mistakes that the Party had made in the past.

TIO I think that the significance of the former two Resolutions lies in the fact that they were both about establishing the legitimacy of CPC as China's ruling party because back then, the Party was very young. It had just transformed itself from a revolutionary party to a governing party. This means that when governing a country, the Party had to "cross the river by feeling the stones underneath the water" and sometimes, mistakes were inevitable. So, the former two Resolutions were largely about reviewing the process of searching for the right path of development. Now, as the Party celebrated its centenary this year, we have this third Resolution. To me, this Resolution is not only about reviewing what we have achieved in the past, but also, more importantly, about having to think broader and look forward.

Xie Right. To be able to talk about experience, you have to first have a fairly long period of history. So, time is a necessity; the process is a necessity. Tests and reviews are both very important. This is why Chinese people believe that mistakes are valuable. It is important to look at things dialectically.

Another point you mentioned is legitimacy. Every Resolution has this political function of reinforcing the political legitimacy of the Party. But legitimacy in China differs from that in the West. In the West, never has a party issued something like a historical resolution. To them, religion may be more important than history. So, they don't understand why resolutions are so important to China.

China has formed a civilization that is different from other ancient civilizations. Western civilizations, or the Indian civilization, were religion-oriented, and separation of church and state has only been a relevant idea in modern history. So, in China, the legitimacy of politics can be translated into the legitimacy of history. This is because the political legitimacy of a governing body has to be tested out with historical results. Whether one is legitimate or credible is not to be judged by what it says or promises but by actual results or outcomes of its policy practices. That is to say, history points to the future. History is an ongoing process,

where past achievements function as a constraint that incentivizes future development.

From this perspective, we can see that the guiding thought of Chinese leaders is not something that they created in isolation, nor a personality cult. Rather, it is a result of all the hard work and experience of all Party members for many years. So, the idea of collective leadership is very important for China. We must also be aware that believing in the leaders does not mean distrusting the system. In China, the system and the person operating the system are both important, and neither could be overlooked because we believe that people can unite people.

For example, when we talk about the prosperous period of Zhen Guan in Tang Dynasty, we may think of such figures as Emperor Taizong, Chancellor Fang Xuanling, and Chancellor Wei Zheng. We know that prosperity of this period was a result of the collective leadership of these figures. So, people play a key role in governance. Recognizing and acknowledging the talented and the capable ones and letting them thrive in their positions is very important as well. An example is how Emperor Liu Bang put Xiao He as his chancellor. My point is that we should believe the importance of people (the leaders) in politics; we should believe that they can unite and motivate people. This is the gist of Chinese politics. It is not unique to China's modern history but is something that has been there from old times up until now. This is very important.

TIO Yes, the system is very important, but the people who carry out the policies within the system is of equal importance. When a system is designed, it may serve the society at that time period. But society changes. It is not static. So, there has to be reform so that the policies are in pace with the times. I think in China, we are constantly modifying our policies and even our system. We have generations of leaderships, but the leaderships shall not override the Party, and the Party is to serve the people. So, China has greater capacity to carry out continuous reform compared with our Western counterparts, particularly as political polarization is posing serious challenges to state governance in Western countries right now.

“We must also be aware that believing in the leaders does not mean distrusting the system. In China, the system and the person operating the system are both important, and neither could be overlooked...”

Xie Right. You have made a very important point. In the U.S., it is the polarization of two parties, and in Europe, it is small parties blackmailing major parties. Both have led to political and social instability in recent years. And this is also why in China, the Party stresses that factionalism must not be allowed and why party building is of great importance.

TIO Thank you, Professor Xie. What I want to discuss next is about the transformation of the manufacturing sector. China's economic transition has important implications for the international community. China is a huge market. Any policy modification here will be a focus of attention for decision-makers of various fields at the regional and global stage. We know that the rapid economic development over the past decades in China has been mainly driven by our manufacturing sector. But in recent years, science and technological innovation, digitalization, and sustainable development has gradually become key areas of development within the context of economic transition. How may this affect the traditional manufacturing industry? How may this change impact the world?

Xie Let's first look at the major tasks that the government has been mandated ever since the establishment of the People's Republic of China. What was the first task? It was to transform China from an agricultural country into an industrial one. During the Opium War, China was still a traditional agricultural society. That was why we were repeatedly bullied by Imperialist powers. This was why China prioritized its agenda of developing the iron and steel industry during the 1950s.

Within the 30 years that followed, China built an industrial system. Meanwhile, China also built a huge domestic market, which is a point often overlooked when people talk about China's economic development. While the start of the reform and opening up was a watershed moment, the thirty-year before that should not be disregarded. Without the complete industrial system or the huge domestic market, it was unrealistic for China to become the world's largest factory after the reform and opening up. So, industrial development was a prerequisite for us to attract foreign capital and investment. This is again a continuous process. During the first thirty years after the establishment of the People's Republic of China, we laid the foundation for its further transformation from an agricultural country into an industrial one; after implementing the policy of reform and opening up, China developed into a big manufacturing country.

Within a few decades, China completed something that took the West several hundred years to achieve. Yet, modernization has come with two upshots. First, it brought irreversible destruction to ecology. Second, under globalization, it bound developing countries and developed economies in a dependent relationship, which is highly unequal.

In fact, globalization is, in essence, transnational capitalism. Indeed, international enterprises benefited from the world order. But inside each country, like the United States, people from the middle and lower classes didn't really enjoy the benefits of globalization. So, modernization is a double-edged sword. It produces two problems.

So now, in China, we have now turned our attention to high-quality development. We aim to achieve modernization with socialist methods, in a view to overcome the problems that I just mentioned. How to achieve high-quality development? The key is not effectiveness, but efficiency. Efficiency is achieved with science and technological innovation. And China's advancement in science and technology poses a serious challenge to the U.S. because the dollar hegemony and the American military hegemony are undergirded by the US technology.

China used to be at a middle-and-lower position of the global value chain. But now we want to go upward. This means that China is likely to disrupt the dependent relationship in the division of labor between the developed and developing economies under globalization.

A few days ago, the U.S. issued another list of sanctions against Chinese corporations. It appears that the U.S. is now determined to suppress China, regardless of what the companies will use the technology for. So, developing our technological capability is critical for China.

Years before, I put forward this concept of "digital civilization." This is to say that China was first a traditional agricultural civilization, then an industrial civilization, but in the future, we will be a digital civilization.

The trade war, which started in 2018, witnessed how the U.S. suppressed Huawei and other Chinese tech companies. It reflects that China has made huge progress in developing digital technology and promoting an era of digital civilization. The 5G technology is a case in point. Why does China attach so much importance to economic digitalization now? Why is development of industrial software essential? Because while we already have industrial civilization, with the support of digital technology, economy in China will develop with higher speed and higher efficiency. This is the basic idea of the so-called Industry 4.0.

So, I think the Sino-US competition is essentially a competition in science and technology. The trade war that the U.S. launched against China is essentially a tech war. For China to

“...in China, we have now turned our attention to high-quality development. We aim to achieve modernization with socialist methods...”

win this war, innovation and innovation-related talents are key. How to stimulate such innovation? How to cultivate more talents? How to fuel the momentum of innovative entities? The key is to make good use of China's new national system.

Then what is the new national system? When people refer to the new system, many view it as the mobilization and integration of resources with China's market economy. I once mentioned in one of my articles that the key point of the new system is not only the combination of resources with market economy, but also the integration of resources with globalization and with digital technology. But this is not to hollow out the manufacturing sector. In recent years, the U.S. has been trying to suppress and contain China. The objective is to hurt China by moving all the manufacture factories out of China. Originally, it wanted to bring the factories back to the U.S. but failed. So, it turned to smaller countries in the South and Southeast Asian countries.

But there are two problems with these Southeast Asian countries. First, they are too small to receive such a huge sector of the supply chain. Second, the pandemic has affected these countries so badly that there's no way for them to start all the work. So, the supply chain cannot be moved completely out of China, and manufacturing in China won't be hollowed out. In short, while we have to develop science and technology for greater efficiency, at the same time, we will continue improving our manufacturing industry to develop and further improve the whole industrial chain.

TIO And this is the so-called "dual-circulation" economy.

Source: global.chinadaily.com.cn

Xie Right, the dual-circulation plan. This plan releases two key messages to the world. First, China remains open to the outside world. But facing with the suppression by the U.S., we will have to be fully prepared to deal with unwanted situations.

So, on the one hand, we need to have a high-quality development domestically and should upgrade our consumption. On the other hand, we should continue the battle against poverty. In the future,



the domestic rural area will be a new consumption market. In the past, our economic growth was by and large driven by exports, which means that changes in the US market would have a huge impact on the Chinese economy. Now, we aim to gradually reduce our dependency on exportation. This means that though we are not closing our doors to the outside world, we have to get ready for any crisis.

Now, in terms of our exportation policy, China just launched the Chengdu-Chongqing Economic Circle plan. This is the fourth economic growth zone in China, the first three being the Yangtze River Delta Economic Circle, the Guangdong-Hong Kong-Macao Greater Bay Area, and the Beijing-Tianjin-Hebei Metropolitan Region. Different from the foregoing three development zones, the Chengdu-Chongqing Economic Circle is located in the hinterland. And it aims to develop a dual-economic circle with Chengdu and Chongqing at the center.

Specifically, the plan is to make this economic circle as an economic highland centered around Chengdu and Chongqing to incorporate neighboring countries such as Southeast Asian countries, South Asian countries, as well as countries in Central Asia via Afghanistan and Iran, and European countries via the China-Europe freight trains. While this is a natural outcome of China's economic growth, to some extent, it is also an economic pattern that has been formed under the American pressure. So, the dual-circulation strategy is, in essence, an interaction of domestic and international economic entities.

TIO If we zoom in and focus on the specific areas of change, how will the manufacturing industry transform in the future years? Further automation of facilities?

Xie Right. Greenization and digitalization of manufacturing is, to my understanding, one method of manufacturing upgrading, and for which high-tech plays a major role.

TIO Thank you, Professor. From your interpretation, I learned that continuity and coherence are fundamental to all policymaking. China has by now issued 14 five-year plans (FYP). Each FYP is to adjust, reform, and innovate on the basis of the previous one.

Xie Absolutely right. And this is the advantage of socialism. Many people don't understand what Socialism with Chinese Characteristics means. Let me explain it by using the example of building infrastructure. Almost all political leaders know that infrastructure is important. Obama, Trump, and Biden, one after another, prioritize the construction of American infrastructure in their agenda. The infrastructure of the United States was built during 1920s

to 1930s, well before the Second World War. China has an advanced high-speed rail system. The U.S., the number one economy in the world, doesn't have one. Why? Does Washington not want one? Yes, it does want one. But we all know that the construction of such a railway system will affect the interest groups representing the oil and automobile industries. So, these groups will prevent related acts or bills in the Congress from passing. Therefore, socialism in China stresses the national goal, which is the well-being of the entire people, rather than that of the big capitals, and this is the fundamental difference between China and other countries.

So, China is a socialist rather than capitalist country, which means that our country will not be controlled by capitalism. We know that capitalism spurs creativity. It brings vigor and vitality to the market. But we also have to recognize that this vitality comes with serious side-effects. So, in China, we make good use of the vitality brought about by capitalism, but at the same time, we also make sure not to be controlled by it. And this is Socialism with Chinese Characteristics. It is highly principled, which means that the Party must always prioritize the well-being of the entire Chinese population. Meantime, it is also flexible, which means that we do not reject capitalism and we do not reject advanced technologies, but the principle is that we use it without being used by it. This is the key point. So, China will not allow the existence of giant tech monopolies. That's why we want to ensure compliance by all the big capitals like Alibaba, Ant Financial, and Didi. One important manifestation of socialism in China is such macro regulation and control as the five-year plans. Just as what we have said earlier, before carrying out certain policies, we need to test them in pilot cities. We make constant adjustments to adapt to new situations. And this is what is unique about China.

People-First Approach Deserves a Prominent Place in History

Digby Wren



Political Analyst, Deakin University
Non-Executive Director,
Institute of Media & Communications
Chief News Commentator,
China Radio International, World Today,
and Beijing Hour

Empires and nations rise and fall. For the French philosopher Fernand Braudel, history followed a five-hundred-year civilizational cycle of social, cultural and material change – *la longue durée*.¹ When measured against Braudel's theory, China's historical trajectory is unique in global history. For over three millennia of recorded history, China has experienced at least four turns at the apex of civilizational achievement. China's most recent ascent can be pinpointed to the founding of the Chinese republic in 1911, the establishment of the Communist Party of China (CPC) in 1921, the consolidation of the modern Chinese state under the Communist leadership in 1949, and the post-Mao period of peaceful development and reform. The recently concluded Sixth Plenary Session of the 19th Central Committee of the Communist Party of China marked the 100th anniversary of the founding of the CPC and, for only the third time in its history, the Party adopted a Historical Resolution that confirmed China's path to national rejuvenation - the Resolution on the Major Achievements and Historical Experience of the Party over the Past Century, which emphasizes the great strides China has made in economic development and national security.

The importance of such resolutions lies not only in the confirmation of historical facts, but the correctness of China's adherence to policies of reform and opening up and peaceful development. For supporters and critics alike, the transformation of China under the CPC's leadership has lifted more than 750 million people out of poverty and eradicated absolute poverty, propelled the nation into the world's most innovative industrial and manufacturing nation and the second largest economy in GDP and/or the largest in PPP terms,² and ensured the country an

- 1 Fernand Braudel. "Histoire Et Sciences Sociales: La Longue Durée," in *Annales. Histoire, Sciences Sociales*. Plon, 1958.
- 2 Tim Callen, "Purchasing Power Parity – Weights Matter." International Monetary Fund, Feb. 24, 2020. <https://www.imf.org/external/pubs/ft/fandd/basics/ppp.htm>

important position on the global stage.

In the current “rejuvenation” period following its accession to the WTO, China has consolidated the gains of the past century and attained the organizational, scientific, technological, and infrastructural basis to achieve the key goals of socialism with Chinese characteristics. These include achievement of the first centenary goal of transforming China into a “moderately prosperous society in all respects [and] historic resolution to the problem of absolute poverty.”³ China has developed a set of “structural siblings” - Belt and Road Initiative, Ecological Civilization, Digital Transformation, and Dual Circulation - that together constitute a new sustainable economic development model that balances internal and external circulations via a digital superstructure supported by the BRI substructure of connectivity and China’s proven capacity for high-tech innovation at speed and scale.

The historical achievements of China and the rising tide of anti-China sentiment in Anglo-America is the subject of much debate. Unlike the former imperial and colonial powers, China has managed its rise without unleashing an ideological and military assault on the existing global order. China’s rise is inextricably linked with global expansion of trade and investment, which also lifted the national wealth of the advanced economies and featured a more equitable distribution of wealth to the Global South and large proportions of the world’s population.

This explains, in part, why Anglo-America is so concerned over the expansion of the United Nations to 193 countries, primarily composed of the formally colonized nations of the Global South, and in particular, Asia and China.

China holds the United Nations to be the core of the global system and has aligned its economic development initiatives with UN initiatives. For example, China’s response to the vast shortfall in the provision of global public goods, the free and open BRI, has generated significant trade and investment flows for its 140 partner countries and proved particularly important during the COVID-19 pandemic as maritime trade was severely curtailed.

However, the alternate US and EU infrastructure initiatives, which were

3 “Full Text: Speech by Xi Jinping at a ceremony marking the centenary of the CPC.” Xinhua, July 1, 2021. http://www.xinhuanet.com/english/special/2021-07/01/c_1310038244.htm

launched after the worst of the pandemic, are framed as countering China and protecting the developing economies from Chinese exploitation. Anglo-American notions of economic development, however, seem not to stretch far beyond their own borders or those of their military alliance partners. As such, they are not free and open or aimed at global economic development, they promote internal infrastructure and external territorial control. This is particularly evident in the discourse propagated by Anglo-America in the free and open Indo-Pacific concept.

Sovereignty underpins the United Nations charter, yet the legacy liberal states, which are also the former imperial powers, ignore the rules which they themselves formulated. If changing the rules is permissive amongst the founders of the UN, why are they so opposed to adjusting the formula for global economic development and collective security to suit the majority of the world's nations and peoples – is that not global democracy? How have constant wars and invasions, political subversions and economic sanctions and embargoes furthered the goals of peace, economic development and security? How do the legacy liberal states' narrow views on "values" equate to the moral and ethical teachings that are demonstrably shared by the vast majority of the world's populations, nations, religions and political movements? In China, the values of Confucianism and Daoism intersect at many points with the value systems generated by other civilizations, most notably Buddhism and Marxism.

Chinese civilizational wisdom is historically grounded in the idea of mutuality and reciprocity. This is most simply understood as *yin-yang* and is widely recognized in the notion that balance and harmony are necessary for humanity's peaceful coexistence.

However, the source of Anglo-American apprehension to China's rise is not related to this notion. Rather, it is related to an acknowledgement that China's consequential and continuous civilization has both organizational depth and material sustainability. This explains, in part, why the European, African, and Asian nations are less attracted to Anglo-American ideas about China's status in the global order, because they too have experienced severe disruption to their historic continuity.

“Chinese civilizational wisdom is historically grounded in the idea of mutuality and reciprocity. This is most simply understood as yin-yang and is widely recognized in the notion that balance and harmony are necessary for humanity’s peaceful coexistence.”

While the United States has its religious and ideological roots in European thought, its population is less homogenous. As such, notions about religious, political, racial, and gender equality were propounded by its politicians to ensure the “melting pot” of mass migration that populated North America would not resist Washington’s political oversight. For almost its entire history after European settlement, the fledgling states and the later republic was at war expanding its territory, excluding European powers from the western hemisphere through the Monroe doctrine, and building its economy on slavery, the extermination of native populations, and natural resource extraction.

For almost a century following the US Civil War, the social and political cohesion of the continental republic was maintained by constant economic and territorial expansion at the expense of the older European and Asian empires. Yet the two oceans that protect the US republic also isolated it from the dire consequences of its continued efforts to evangelize its philosophical and religious ideas via hegemonic military, economic, and cultural practices.

China’s century of humiliation at the hands of the former imperial powers, including the U.S. and Japan, is not a fabricated narrative designed to exclude modern Europeans, Americans, and Japanese from interacting with a rejuvenating China.⁴ Rather it is a reminder for the Chinese and other victims of imperial aggression and colonial subjugation that nations can rise again as responsible stakeholders within the international system.⁵

In fact, only Russia and China escaped complete colonial subjugation, and this in part explains the continuing efforts by successive US governments to subvert and contain those two nations.⁶ The Anglo-American rejection of self-determination for both Russia and China, as they discarded the shackles of decrepit royal dynasties, reminds us of the military interventions by the European powers when revolutionary France set about remaking itself based on Cartesian enlightenment.⁷ Often forgotten is that Napoleon did not start any of the wars in which he emerged victorious. The eventual defeat of Napoleonic France was in large part due to the British naval power. The Americans, safely ensconced between two oceans, correctly determined that naval power would also greatly increase their economic and military influence.

4 Scott David, *China and the international system, 1840-1949: power, presence, and perceptions in a century of humiliation* (Albany, NY: State University of New York Press, 2008).

5 Robert B. Zoellick, “Whither China: From Membership to Responsibility?” U.S. Department of State, Sept. 21, 2005. <https://2001-2009.state.gov/s/d/former/zoellick/rem/53682.htm>

6 Victor Bulmer-Thomas, *Empire in Retreat: The Past, Present, and Future* (Yale University Press, New Haven, 2018).

7 “Enlightenment,” Stanford Encyclopedia of Philosophy, Aug. 20, 2021. <https://plato.stanford.edu/entries/enlightenment/>

Today, the American naval power is manifested in the concept of the Indo-Pacific. However, it is not free and open in the sense that the Belt and Road is free and open. Rather, the US Indo-Pacific strategy is designed to appropriate China's ability to guarantee its own territorial sovereignty and Sea Lines of Communication (SLOCs).⁸

Moreover, the US constant incitement of separatist forces in Taiwan, Tibet, Xinjiang, and Hong Kong has been accompanied by sanctions, embargoes, and subversions. Diplomatic campaigns, mass media propaganda, technological apartheid, allegations, and accusations of human rights abuses and forced labor are falsely generated to justify yet more sanctions and propaganda. These hegemonic activities are couched in narratives about soft and hard power generated in Academia and think tanks with the sole purpose of undermining foreign powers and sustaining US hegemony.

The practice of neo-liberalism and interventionism by the U.S., under both Republican and Democratic administrations, has set the U.S. on a course of domestic political polarization and obscurantism vis-à-vis internal governance and factual evidence about the rise of China. In *The Discourses*, Machiavelli posits that freedom produces prosperity greater than either tyranny or corrupt republics.⁹ In *The Leviathan*, Hobbes discusses the notion that freedom is the power to act without interference – where the absence of interference, by external actors, is what confirms the presence of freedom.¹⁰ These proto-realist arguments support China's statements and claims to the importance of non-conflict, non-interference, and non-aggression as pillars of its foreign policy.¹¹

China is the sole historical civilization and non-liberal society to resist and overcome the Anglo-American onslaught. Yet, even today, China patiently seeks to harness peaceful development and multilateralism to offset the worst excesses of American exceptionalism and its increasingly polarized political system.¹² China seeks to demonstrate globally what can be achieved through sustained economic reform and opening up, diplomatic engagement, the provision of global public goods, and the adoption of innovation at speed and scale.

For the multitudes of the world's population still living in destitution, impoverishment, and famine, China's unique people-first approach

8 Marc Lanteigne, "China's Maritime Security and the 'Malacca Dilemma,'" *Asian Security*, no. 4 vol. 2:143-161. doi: 10.1080/14799850802006555.1080/14799850802006555

9 Cecil H. Clough, *The discourses of Niccolò Machiavelli*. Translated by Leslie Joseph Walker. Routledge and Paul, 1975.

10 Thomas Hobbes, *Leviathan: Or the Matter, Forme and Power of a Commonwealth Ecclesiasticall and Civil*. First Avenue Editions, 1651.

11 Yang Jiechi, "Respect History, look to the future and firmly safeguard and stabilize China-US relations." *China Daily*. Aug. 7, 2020. <https://www.chinadaily.com.cn/a//202008/07/WS5f2d3932a31083481725f02f.html>

12 Richard H. Pildes, "Why the Center Does Not Hold: the Causes of Hyperpolarized Democracy in America," *California Law Review*: no. 2, vol. 99: 273-333.

requires a prominent place in the historical record. It is not too late for the United States to correct the error of its ways. The political, economic, and social structural faults that beset America are not necessarily permanent. However, the intensification of US economic, diplomatic, and military pressure on China and other developing nations that choose their own paths to development has become the sole unifying force of the failing US republican experiment. In the age of planetization, where all peoples are able to accrue knowledge and gain information to protect against global pandemics, climate change, and natural disasters, China's vision of global development and for a shared future for mankind hold increasing importance and hope for humanity.

“In the age of planetization, where all peoples are able to accrue knowledge and gain information to protect against global pandemics, climate change, and natural disasters, China’s vision of global development and for a shared future for mankind hold increasing importance and hope for humanity.”

Youth

Voices



Science, Technology & Innovation at the Forefront of Chinese Development



Marco Carrasco-Villanueva

Specialist in Monitoring and Evaluation, Ministry of Women and Vulnerable Populations of Peru
Research Associate, Seeds of Change Consulting, Brooklyn, New York
NASA Space Apps Local Lead for Lima, Peru

Chinese President Xi Jinping has received acclaim as the primary innovator of the set of political ideals known as the “Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era.” In the second half of 2022, the intention is for that to be abbreviated as the “Xi Jinping Thought.” President Xi is also credited for retaining the values of Mao Zedong Thought, Deng Xiaoping Theory, the Three Represents, and the Scientific Outlook on Development. Meanwhile, he is receiving plaudits for birthing original ideas and strategies, as well as his ideas on some of the world’s most pressing issues.¹

The ongoing trade negotiations between China and the United States have focused on China’s rapidly improving technological capabilities. China has ambitions to be at the forefront in nascent technologies, and the U.S. seems suspicious that China’s progress in this key area is because of the Chinese theft of US intellectual property and forced technology transfers. However, observers of China’s scientific development over recent years point to the incredible improvements in the country’s capacity to innovate combined with the science base required for progress in knowledge-intensive sectors it hopes to perfect.²

China’s increasing capabilities in science, technology, and innovation (ST&I) are in part attributed to “a grand experiment” that began 15 years ago with the Chinese government’s launch of the National Medium and Long-Term Plan for the Development of Science and Technology (2006–2020) (MLP). This document is responsible for the indigenous innovation strategy and

- 1 “Xi Jinping's position cemented in history as China's Communist Party passes resolution.” Wion, Nov. 12, 2021. <https://www.wionews.com/world/xi-jin-pings-position-cemented-in-history-as-chinas-communist-party-passes-resolution-428596>
- 2 Richard P. Suttmeier, “How China Is Trying to Invent the Future as a Science Superpower.” *Scientific American*, June 29, 2018. <https://www.scientificamerican.com/article/how-china-is-trying-to-invent-the-future-as-a-science-superpower/>

has served as the catalyst for China's ambitions to become an innovation-oriented country. The transition from the existing MLP to a new one that is soon to be introduced and charts the next 15 years of China's development path in this regard has practical and historical significance for both the Chinese and the international communities.³ China's progress in science, technology, and innovation over the last 15 years has been both rousing and unnerving. Indeed, the nation's planning experience has caught the attention of ST&I policymakers and the international scientific community alike.



Source: istock.com

The 14th Five-Year Plan (FYP) endorsed by the National People's Congress on March 11, 2021, outlines that China will "adhere to the core position of innovation in China's overall modernization and take S&T (Science and Technology) self-reliance and self-improvement as the strategic support for national development." The FYP sets out four primary tasks for China to fulfil its ambitions of becoming a leading innovative country by 2035. These are: improving the technological innovation capability of enterprises, strengthening the nation's strategic S&T power, refining S&T innovation institutions and mechanisms, and stimulating the innovative vitality of talent. The next MLP is likely to continue this approach. China has enjoyed consistent progress up league tables for international innovation. For example, the Global Innovation Index, which placed China in 29th place in 2007, placed it in 12th in 2021.⁴ Meanwhile, all indications point to continued progress in the coming years.

- 3 Yutao Sun and Cong Cao, "Planning for science: China's "grand experiment" and global implications," *Humanities and Social Sciences Communications* 8, 215 (2021). <https://doi.org/10.1057/s41599-021-00895-7>
- 4 WIPO, *Global Innovation Index 2021: Tracking Innovation through the COVID-19 Crisis*, (Geneva: World Intellectual Property Organization, 2021). https://www.wipo.int/global_innovation_index/en/2021/index.html

What the Current Supply Chain Crisis Reveals About China-U.S. Relations in 2022



Austin Clayton

Program Director, International Conflict Resolution Center, Washington D.C.
Associate Domain Expert, Dataminr, New York, NY

Despite continued animosity between the United States and China, global uncertainty and instability has highlighted that the two countries are often affected by global issues in similar ways. Simply put, there is a level of dependency between the economies of the two countries. This reliance has only become more apparent during the course of the pandemic and the ongoing supply chain crisis exemplifies the symbiotic nature of the relationship.

China's supply chains have been affected by the compounding effects of several factors important to the manufacturing industry. China has experienced an energy crisis, with energy shortages forcing numerous factories to shut down. As a result, production cycles in China have been delayed and fulfillment of orders has experienced further delays due to a scarcity of shipping containers. Simultaneously, despite high inflation, consumer demand in the United States has surged. Ports in the United States are unable to keep up with the influx of shipments, and in addition to not having the resources to process container shipments, ports have run out of storage space for containers. This problem has been exacerbated by a shortage of truck drivers, so the number of inbound shipments exceeds what logistics companies are able to distribute.

For China, the supply chain crisis has meant a disruption in port activities as well. In addition to the so-called "container crisis," several of China's ports have experienced closures due to concerns over the spread of the COVID-19 coronavirus across international borders. The closure of ports may seem extreme, but it is in line with China's zero-Covid policy.

While container ships might not be on the mind of an average consumer, this logistical



Shipping containers in the Port of Los Angeles in Los Angeles, California, U.S., on October 13, 2021

Source: cnbc.com

nightmare directly impacts customers. Delays in the shipment of critical materials, such as semiconductors, have meant production delays for in-demand goods, spurring the expansion of a “reseller” industry in which those who have acquired in-demand goods sell products for an often significantly higher price. Other companies have turned to air freight for their products in an attempt to reduce the delays in international commerce. Shipments by air is significantly more expensive, increasing the cost for companies, which then pass the additional expense on to the consumer.

Generalizing all of these factors, global markets are experiencing levels of inflation that harm the economic stability and well-being of people across the globe. Businesses will be forced to close if they cannot find solutions to supply chain issues, increasing levels of unemployment, which will cause a secondary wave of economic impacts.

These problems are on the agenda of both the United States and China, as both are aware of the secondary and tertiary effects of uncertainty in an industry that does not tolerate instability. Looking into the next year, the U.S. and China will have to come together and work out new or improved trade policies and continue to address a global pandemic and its effects across a wide range of industries. The future is unknown, but it is clear that the world’s largest economies must address these serious issues because of their implications for all citizens.

About this volume

TI Observer would like to thank the following individuals for their time and insights

Commentators



Liu Yangsheng

Senior Fellow, Taihe Institute
Co-Founder, Impact Asia Capital Ltd.
Advisory Board Member,
CGN Capital Partners Infrastructure Fund III



Xie Maosong

Senior Fellow, Taihe Institute
Director, Research Center for Chinese Civilization and Roads,
China Institute for Innovation and Development Strategy
Senior Research Fellow, National Strategy Institute of Tsinghua
University



Digby Wren

Political Analyst, Deakin University
Non-Executive Director,
Institute of Media & Communications
Chief News Commentator,
China Radio International, World Today, and Beijing Hour

TIO International Editorial Committee Contributors



Marco Carrasco-Villanueva

Specialist in Monitoring and Evaluation, Ministry of Women
and Vulnerable Populations of Peru
Research Associate, Seeds of Change Consulting, Brooklyn,
New York
NASA Space Apps Local Lead for Lima, Peru



Austin Clayton

Program Director, International Conflict Resolution Center,
Washington D.C.
Associate Domain Expert, Dataminr, New York, NY

TIO Executive Committee



Zeng Hu

TIO Editor-in-Chief
Senior Fellow of Taihe Institute (TI)



Liu Xian *Alicia*

TIO Managing Editor
Deputy Secretary-General of Taihe Institute (TI)



Einar Tangen

TIO Content Advisor
Independent Political and Economic Affairs Commentator



Hou Min *Michelle*

TIO Coordinator
Specialist, Taihe International Communications Center (TICC)



Kang Yingyue

International Communications Officer of Taihe Institute

Cover Illustrator



Song Anyi

Ph.D., Central Academy of Fine Art

Layout Designer



Xie Xuru

Layout Designer, Taihe International Communications Center (TICC)

Please note: The above contents only represent the views of the authors, and do not necessarily represent the views or positions of Taihe Institute.

Taihe Institute

www.taiheinstitute.org/en



Taihe Institute

Address

23/F, ShunMaijinZuan Plaza,
A-52 Southern East Third Ring Road,
Chaoyang District, Beijing

Telephone

+86-10-84351977

Postcode

100022

Fax

+86-10-84351957