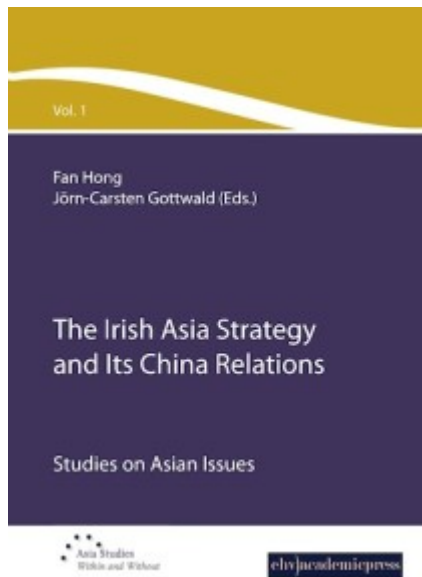


# Chapter 1: Introduction - The Rise of China And The Irish Asia Strategy ~ The Irish Asia Strategy and Its China Relations



## *Introduction*

The People's Republic of China and the Republic of Ireland appear to have very little in common: the People's Republic of China - a huge, ancient civilisation with the largest population of all at the Eastern end of the Eurasian continent; and the Republic of Ireland - a small island at the opposite Western rim of Europe with only 4.4 million inhabitants. And yet, in spite of the vast difference in size, Ireland and China have an astonishingly rich and long history of bilateral exchanges. In recent years both countries have witnessed tremendous economic growth stimulating deep social changes. However, while the Celtic Tiger has seen his strength evaporate in the current economic crisis, China continues to be one of the centres of gravity for the global economy. Therefore, the incentives for Irish entrepreneurs, politicians and Irish society to look East are growing fast.

Asian economic, social and political transformation after World War II is without precedent. Asia emerged from a war-torn, colonial battlefield of European and American interests to the global powerhouse. Japan, Taiwan, Singapore, Hong Kong and South Korea as the first two generations of 'Tiger Economies' set the tone for the biggest country, China to follow suit once the reform policies of the late Deng Xiaoping were introduced. The Third Plenum of the 11th Central Committee of the Communist Party of China in December of this year is one the most important events in recent history. It is the defining symbol for a pragmatic departure from policies based on ideology and for a state-orchestrated and society-based model for policy-making that has tremendously improved the living conditions of the vast majority of the Chinese people. Without the political and

economic change in China, the whole phenomenon called 'globalisation' would have been incomplete.

The consumer and productivity boom in the United States and Europe benefitted from cheap imports and competitive pressure from Asia in general and China in particular. The unique combination of authoritarian politics with pro-market reforms is questioning traditional 'Western' academic notions of democracy and economic order.

As a role model for states and societies, the 'Asian Model(s)' of economic development have a deep influence on preferences and policies world-wide. The combination of export based growth, political authoritarianism and limited social pluralism is proving increasingly attractive to governments and people all over Asia, Africa and Latin America.

For Europe and the United States, these developments are challenging. While very supportive of the first generation of emerging countries in Asia, the rise of China has been welcomed less unequivocally. The issue of engagement or containment of China as a potential global rival and desperately needed global partner is continuing while global issues need a truly global response - climate change, energy security, the fight against poverty, non-proliferation of weapons of mass destruction and the war against terrorism. Therefore, it is in the interest of European and American governments to seek close cooperation with China. At the same time, however, different preferences and norms underlying China's policies are counteracting over-optimistic approaches to liberal world politics. In any case, a better mutual understanding is of core significance.

A member of the European Union since 1973, the Republic of Ireland has left behind its status as the 'Poor man of Europe' and has re-invented itself as the fastest growing EU economy between 1998 and 2008. Its membership of the European Monetary Union plus entry to the Euro made it highly attractive for US multi-nationals. Structural and regional development funds provided by the EU were invested in infrastructure, research and education. Its soft-touch approach to regulation helped transform Dublin into a global centre for financial services - and contributed to its remarkable fall in 2008/2009. Relying heavily on property development and financial services, the global downturn after the credit squeeze setting in from 2008 onwards hit Ireland hard.

However, with stern austerity measures implemented in 2009 the Republic gained

international approval at a time when fellow European governments were vindicated by international investors. Revising its development path of the Celtic Tiger years, Ireland decided to push for more internationalisation, more openness – and a higher profile in Asia.

The discovery of Asia by Irish politics and business had suffered from being absorbed by the local and European boom of the 1990s. But even then, back in 1999, the Irish government developed its ‘Asia Strategy’. As research published in this book highlights, it was strongly focused on the economic opportunities provided by the rise of China. But to reap the benefits of Asia’s fast growth, Ireland had to improve its presence in the region, its understanding of China and Asia, its openness to people and ideas.

Government, society and business joined hands to institutionalise the growing importance of Asia for Ireland. In November 2000, a group of businesspeople and China enthusiasts came together to set up the Ireland China Association, ICA. The Irish Institute of Chinese Studies was set up in 2006 at University College Cork and University College Dublin triggering a fast rise of China and Asia related activities.

The Association for Chinese Studies in Ireland was set up in 2007, the Asian Studies Ireland Association in 2008. Finally, the School of Asian Studies was established at University College Cork in 2009 which offers MA Asian Studies and two Higher Diplomas on East Asian Studies. It marks the beginning of systematic research and teaching on Asian related subjects in Ireland.

Ambassadors from Asian countries voiced strong support for Asian Studies with the Japan Foundation helping to provide Japanese language teaching and the Korea Foundation establishing the Irish Institute of Korean Studies at the School of Asian Studies at UCC. The Chinese government increased its outreach activities to a broader Irish public by establishing two Confucius Institutes in Dublin and Cork. Successful Irish entrepreneurs in China gained public appreciation for their achievements. The Irish Diaspora in Asia developed high visibility including the establishment of the Irish Asia Pacific Business Forum in Singapore and Irish Business Forum in China. The celebration of St Patrick’s Day in Shanghai began in 2008.

The most obvious sign of Asia’s rise is the emergence of the People’s Republic of China as the only real contender of the United States in global politics and economics. In his article, Dr. *Sha Hailin*, former ambassador of China to Ireland,

revisits the economics of China's rise with a special focus on the role of enterprises. He provides insight into how economic growth has improved living conditions for the Chinese population. He shows the rising purchasing power of China's increasingly well-off families - a feature taken very well by Irish and European businesses!

China's tremendous change has had a deep impact on its society. In his chapter, *Martin K. Whyte* highlights the effects of China's economic growth on income distribution and living conditions in rural and urban China. People working in the countryside have been the first beneficiaries of China's reform policies. However, once the economic reforms took off in the cities, the improvement in their individual and household incomes as well as infrastructure, health care, education etc. have continuously fallen behind the big cities. Deng Xiaoping's famous saying about 'some will get rich first' emerged as the main policy line for the Jiang Zemin/Zhu Rongji government 1997-2002.

Their emphasis on the new entrepreneurs contributed to China's impressive urbanisation, but it left their successors with a deepening gap between the rich and the poor, the cities and the countryside, the East and the West of China. Under Hu Jintao and Wen Jiabao, policies and ideology have changed - at least somewhat. The current leadership is paying more attention to the needs of those who are comparatively losing out in China's boom. The jury is still out whether this readjustment of China's development strategy will be sustainable.

Another aspect of China's rise has been the issue of innovation and culture. Lee Kuan Yew, the former prime minister of Singapore and one of the founding fathers of the 'Asian Century' famously called upon its people to become more creative. He feared that the Confucianist tradition was stifling creativity and thus innovation. In his chapter *Geir Sigurdsson* analyzes the links between education and innovation, between Confucianism and creativity. For those who are frightened by the sheer scale and speed of Asia's rise, the idea of Western liberalism leading to better results in innovation has been a favourite anti-depressant. Providing a deep insight into innovation in traditional Chinese thinking, Geir Sigurdsson discusses the attempts to improve room for independent thinking in China's education - or the failure to do so. His scepticism towards the potential of teaching creativity seems well advised - for both sides of Irish-Asian relations.

Ireland came late to the table of European nations developing their specific

policies to deal with the rise of Asia. *Sean Gormley* retells the story of the founding of the Irish Asia Strategy and its initial successes. He demonstrates how Ireland as an increasingly global player needed a better framework for coordinating and improving its various links and activities with China and Asia. A series of high-level visits helped raise the profile of Ireland in Asia and paved the way for Irish business to follow its political leaders. In this way, the Irish Asia Strategy set the tone for the future development of bilateral relations. He rightfully points out, that 'the core objective of the Asia Strategy 2005-2009 - the development of relationships at political, economic, trade, educational and other policy fields, in support of Irish trade to the priority countries - continues to be implemented in a rigorous and coherent manner 'and will need further care in the years after 2009'.

Political relations between Ireland and China date back to the years of the Irish independence movement. Ireland's then Taoiseach, Eamon de Valera, received public appreciation in China when condemning the Japanese incursions on Chinese sovereignty in his speech at the League of Nations in 1932, as *James Cuffe* points out.

While there might have been some sympathy between the two movements for independence, the taking hostage and killing of Irish missionaries in China clearly harmed the reputation of the emerging communist forces in China. After the founding of the PRC on 1st October 1949, Ireland first kept diplomatic relations with the government of the Republic of China (Taiwan). But keeping in line with its neutrality, Ireland pursued an individual policy towards opening negotiations with the PRC to join the United Nations well in advance of its actual admission in 1971. Eight years later, the Republic of Ireland switched its recognition of sole legitimate representative of China from the Republic to the People's Republic of China. A first Irish Ambassador to the PRC took up office in Beijing in 1980. Since then, political, social and economic relations have diversified and intensified in spite of occasional disharmony on issues such as Taiwan or Human Rights.

From a Chinese perspective, it is remarkable that Ireland has been able to establish itself within the attention of a growing Chinese audience. In spite of British colonial officers with Irish roots such as Lord MacCartney and Sir Robert Hart, '*Airelan*, where it exists at all dwells in the collective imagination as a jumble of images and public figures spanning the breathtaking beauty of the cliffs of Moher to Roy Keane, Riverdance and a host of Nobel Prize winners' as *John Armstrong* and *Yang Ning* observe. Within the Chinese state administration and

its remarkable variety of world-class think tanks, Ireland is gaining a reputation for its rule-of-law based neutral approach in international relations. Commerce and culture both have spread the interest in Ireland beyond the narrow confines of the political leadership. 'While commercial interests draw the two peoples into contact it is the ideas that they share, and sometimes disagree on, which bind them together', as the authors conclude.

Regulatory reform has changed the rules of the game for Irish business in China. But it has left unchanged the need for sustained political support. *Michael Garvey*, long-time representative of Enterprise Ireland in China, critically assesses the role government bodies have played in promoting Irish entrepreneurs in the People's Republic. He highlights the important role of trade missions where the presence of senior government leaders has enabled Irish business to address their concerns and interests with top Chinese officials. In China's Socialist Market Economy, support from the leadership is a valuable asset for successful economic activity. Enterprise Ireland engaged in matchmaking between Irish and Chinese businesses and conducted many activities to raise the awareness of Ireland as part of the implementation of the Asia Strategy. The rise in bilateral economic activity from a comparatively low level indicates the success of these activities as well as the amount of work that needs to be carried on.

The Irish Asia Strategy might have had a clear focus on economic opportunities. However, efforts to bring along the friendship between Chinese and Irish citizens have flourished in recent years. *Pat Ledwidge* presents the story of the twinning between Cork and Shanghai. Both important harbour cities with a long history of openness and internationalisation, they have become close twins in spite of their huge difference in size and culture. Manifold activities have brought the exchange of citizens, students, and experts and have established Cork's leading role in Irish-Chinese relations.

Supporting University College Cork's ambitious policies to promote Chinese and Asian studies, promoting summer camps, teachers and secondary school students exchanges, and all sorts of cultural activities, the twinning of the cities has proved beyond doubt its efficiency in deepening and broadening bilateral ties. The Irish representation at the Shanghai Expo 2010 will reflect the growing role of Ireland's second city in Irish-Chinese relations.

Education plays a crucial role in connecting people and cultures, as *Fan Hong*

discusses in her contribution. Education became a first-class export commodity with English speaking institutions and countries having a strong market advantage as they teach and use the lingua franca of the globalised world. The re-enlightened interest of Irish institutions of Higher Education throughout the country reflects the Asia Strategy's idea of promoting Chinese and Asian studies. However, the far reaching plans for large institutes fell victim to the shortage of available funds requiring the universities and institutes of technologies to develop their own programmes. Building upon successful programmes for Japanese at the University of Limerick and earlier programmes at Trinity College Dublin which were terminated in the early 2000s, the Irish Institute of Chinese Studies at University College Cork and University College Dublin, and the new School of Asian Studies at UCC have dramatically increased the number of academic programmes on Asia available in Ireland. The National University of Ireland Maynooth succeeded in setting up Irish Centres in Beijing and other institutes of technologies increased their China and Asia oriented teaching. Numerous agreements between universities in Ireland and Asia helped to grow the number of students from Asia enrolled in Ireland and paved the way for joint research initiatives and joint academic programmes. These promising developments have gained momentum and will have a deep impact on bilateral ties in the years to come.

The area of regulatory reform has been much less contentious between the two states, as *Jörn-Carsten Gottwald* and *Neil Collins* argue in their contribution. Both countries used the mechanisms of regulatory reform to overhaul their economic order and speed up economic development. Shifting the emphasis from direct state control and direct intervention to indirect guiding through specialised agencies and semi-state bodies, Ireland and the PRC both joined the global trend towards regulatory capitalism. While Ireland developed a high profile as a light-touch regulator, the PRC took a different course. The leadership in Beijing rather integrated regulatory mechanisms into their sophisticated system of governance that strengthened the governing capacity of its party-state. In the current search for answers to the global economic downturn, these two different approaches towards regulation provide an excellent starting point for political remedies. One of the fields where Irish involvement has been very productive over the recent years has been the connections between civil societies. *Tom Hardiman* and *Peter Ryan* describe how the Asia Europe Meeting process which was introduced in 1996 as a new forum for dialogue and exchange between the two regions.

Europe and Asia have from an early stage actively called for the integration of social actors into the relations. The Second Track meetings received very substantial support from the Asia Europe Foundation where Ireland has been well represented. ASEM's formative years were overshadowed by heated debates about the existence and presumed incompatibility of Asian and European values. Setting up ASEM and ASEF on the basis of mutual understanding within an equal partnership built on the three pillars of politics, economics and society proved to be a decisive step ahead. With Irish co-sponsorship, the third Connecting Societies conference at the eve of the 10th EU-China summit in Beijing 2008 highlighted the improved profile of Asia and Asian studies in Ireland within this process.

Finally, a group of young authors, *Deirdre Cody, Niall Duggan, and Benedikt Seeman*, put the Irish Asia Strategy in comparative perspective. Ireland has been a latecomer in comparison to other European countries. Being able to learn from the experience of major partners in Europe, Ireland has much to gain from an intensive build up and has avoided some of the political and economic pitfalls which regularly darken the sky in EU-China relations.

The European Union, of course, has a deep impact on bilateral relations between Ireland and Asia. As the main authority on all foreign trade, and through improved policy coordination within the Common Foreign and Security Policy, relations between the two regions are providing the basis for Irish policies. In their contribution, *Andrew Cottey and Natasha Underhill* of University College Cork, ask what Ireland brings to EU China policies. They conclude that for a country the size of Ireland, its contribution is remarkable. The Irish experience as a regulatory innovator and high-speed growth market bears important insights for China's ongoing modernisation. The social partnership helped safeguard social justice during the Celtic Tiger boom. Finally, its neutrality in security policies might be one of the reasons for the lack of major conflicts in bilateral relations - even at times of tension between China and the EU.

In summary, the Irish Asia Strategy was a timely product of the development of economy, culture and education in Ireland. Since the establishment of the Strategy in 1999 Ireland has undergone a dramatic cultural, social and economic transformation. Ireland's China relations have never been closer. Under the guidance of the Strategy, in the past ten years, the number of trade missions from both China and Ireland increased at a high speed, especially in the area of visits



and exchanges in the field of high-tech industry. A large number of Chinese software delegations deepened their understanding of the development of Ireland's software industry. Many Irish companies established branches and joint ventures and co-operation in China, and significant numbers of Irish intellectual property products have been sold in China. Now the economic and technical co-operation between China and Ireland has extended from consultancy services and technical transfers to two-way investment in the telecommunication, machinery and software sectors.

Progress has been significant at all levels and in many different fields. There have been frequent visits by high-level leaders of both sides. The Taoiseach, Mr Ahern, paid his first official visit in 1998 while the Premier of China, Zhu Rongji, reciprocated in Ireland in 2001. The President, Mrs McAleese, paid a very successful State visit to China in 2006, and the Premier of China, Wen Jiabao's visit to Ireland in 2006 was the second time a Chinese premier had visited in just three years. As soon as Mr Brian Cowen became the Taoiseach he visited China in October 2008.

To date China and Ireland have signed several agreements since 1999 including an Agreement on Avoiding Double Taxation (2000), an Agreement on Scientific and Technical Co-operation (2000), an Agreement on Funds for Scientific and Technical Projects (2002), a Memorandum of Understanding on Authorised Destination Status of Chinese Group Tourists Travelling to Ireland (2004), a Memorandum of Understanding on Health Co-operation (2004); and an agreement on China Scholarship Council/ Irish Universities Association Joint Scholarships (2008). Furthermore, the two countries have already established a co-ordination mechanism for regular meetings of a joint economic and trade committee as well as groups in the areas of science, technology and education.

The link between the peoples of the two countries has also developed rapidly. Cork and Shanghai becomes sister cities in 2005 and cultural exchanges between two cities have flourished since then. The Irish Cultural Festival in Beijing and Shanghai is a great success and attracts large audiences, while there are also Chinese Cultural Festivals in Dublin, Galway and Cork. St Patrick's Day is now celebrated in China and Chinese New Year in Ireland. The establishment of the Confucius Institutes in both UCC and UCD in 2006 have stimulated cultural and educational developments between the two countries.

More and more students and scholars exchange between universities, institutes of

technology, and independent colleges in the two nations. Today more than 40,000 Chinese students are studying in Ireland. All these exchanges play significant roles in enhancing the relationship between the two countries. At the same time, the establishment of the Irish Institute of Chinese Studies in both UCC and UCD in 2006 and the School of Asian Studies at UCC in 2009 marked a new era of Chinese and Asian Studies as academic disciplines in Ireland. They provide an excellent opportunity for Irish students to study China and Asian-related degree courses and are producing new generations with language skills of and knowledge about China and Asia.

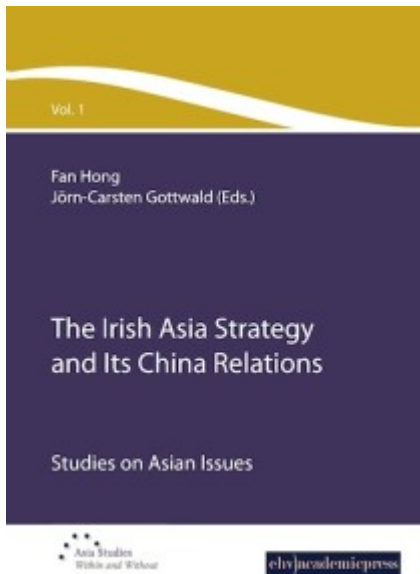
The Irish Asia Strategy just celebrated its ten year anniversary. It is time to review its achievements and plan its future. We hope this book will provide to decision makers and general readers in both Ireland and China a comprehensive review of the Asia Strategy and its China relations.

#### REFERENCES

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# **Chapter 2 - China's Economy And Enterprises ~ Part One: China's Economy: Achievements, Challenges, And Future Orientation ~ The Irish Asia Strategy and Its China Relations**



## Speech at the International Forum: China in the 21st Century: Culture, Politics, and Business – *Sha Hailin*

### Part One – *China's economy: achievements, challenges, and future orientation*

#### 1. *Remarkable economic achievements in China*

Ever since reform and opening up, China has made remarkable achievements in economic and social developments. The economy has grown rapidly, people's living standards have improved significantly, overall strength of the nation has been enhanced, and great progress has been made in social developments. In recent years, in particular, China has given greater priority to the quality of her economic growth and has taken a scientific approach, working towards comprehensive, harmonious, and sustainable development in the future.

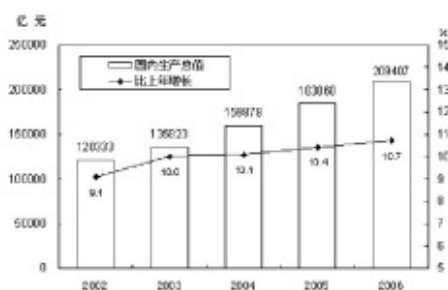
##### 1.1 *High-speed growth over the past consecutive years*

According to official statistics, aggregate GDP, over the past 28 years since China's reform and opening up, rose from USD 147.3 billion in 1978 to USD 2245 billion in 2005, registering a 15.2-fold growth[i]. From 1979 through 2005, the GDP of China in real terms had an average annual growth of about 9.7% (based on comparable prices). During the same period, per capita GDP grew from USD 173 in 1980 to USD 1700 in 2005, registering a 10-fold increase.

Such speed is much greater than the high growth rate once achieved by Japan and other newly industrialized economies in Asia, and has created the biggest miracle in the history of world economic development. Japan experienced an annual economic growth of 3.85% during its golden period between 1971 and 1991, and Korea, Chinese Taiwan, and Malaysia witnessed an annual economic growth of 7.06%, 7.35%, and 6.53% in their respective economies between 1971

and 2003. [ppt 7] We can proudly say, “No country can beat China in terms of long-term sustained and high growth in its economy. It has taken China only 20-odd years to achieve what took other countries several decades or even more than a hundred years.” **[ii]** After the newly-elected central government made a proposal to take a scientific approach towards a comprehensive, harmonious, and sustainable development, China’s economy has taken on a momentum of fast and steady growth. According to preliminary data worked out in the 2006 *Statistics Gazette of the People’s Republic of China on National Economic and Social Development*, China’s GDP reached RMB 20940.7 billion, up 10.7% over the previous year (See Chart 1).

Chart 1 China’s GDP and its Growth during 2002-2006



Source 2006 *Statistics Gazette of the People’s Republic of China on National Economic and Social Development*

Chart 1 China’s GDP and its Growth during 2002-2006

Source: 2006 *Statistics Gazette of the People’s Republic of China on National Economic and Social Development*

### 1.2 Optimization of industrial structure

Apart from the high level of economic growth, there has been a gradual optimization of industrial structure in China. Back in 1978, the proportion of the primary industry to GDP was 28.1%, secondary industry 48.2%, and tertiary industry 23.7%. By 2005, the primary industry dropped to 12.4%, secondary industry to 47.3%, with the rise of the tertiary industry to 40.3% **[iii]**. According to the *Statistics Gazette*, the added value of the primary industry amounted to RMB 2470 billion in 2006, up 5.0%; that of the second industry was RMB 10200.4 billion, up 12.5%; that of the tertiary industry stood at RMB 8270.3 billion, up 10.3%. The three industries account for 11.8%, 48.7%, and 39.5% of GDP **[iv]**.

### 1.3 Opening wider to the outside world

Ever since the basic strategy was raised at the 3rd Plenary Session of the 11th CPC Central Committee to promote economic and social development through opening up, China has been a very active player in international economic and technological cooperation and competition, and has opened further and wider to the outside world, seizing the opportunities brought by economic globalization. Especially since 2001, China's accession to the WTO has brought the Chinese domestic market closer to the international market, and greatly enhanced the interaction between our domestic economy and the world economy. Trade and investment have become the major forces driving the economic and social development of China.

During the 10th Five-Year Period (2001-2005), especially after China's entry into the WTO, trade and foreign investment in China increased significantly. Over the five-year period, total trade volume reached USD 4557.9 billion, with an average annual increase of 24.6%, among which exports totalled USD 2385.2 billion, with an average annual growth of 25%, and imports totalled USD 2172.7 billion, with an average annual growth of 24%. The paid-in amount of FDI was USD 274.1 billion, with an average annual growth of 8.2%. These figures show a significant increase in trade and investment over the 9th Five-Year Period (*See Table 1*)

Table 1 : A comparison of foreign trade and FDI between the 10<sup>th</sup> and 9<sup>th</sup> Five-Year Period

	9 <sup>th</sup> Five-Year Period		10 <sup>th</sup> Five-Year Period	
	Total billion USD	Average annual growth %	Total billion USD	Average annual growth %
Foreign Trade	17739	11.0	45579	24.6
Export	9617	10.9	23852	25.0
Import	8122	11.3	21727	24.0
FDI	2135	1.6	2741	8.2

Source: China Statistical Abstract 2006

Table 1 □ A comparison of foreign trade and FDI between the 10th and 9th Five-Year Period

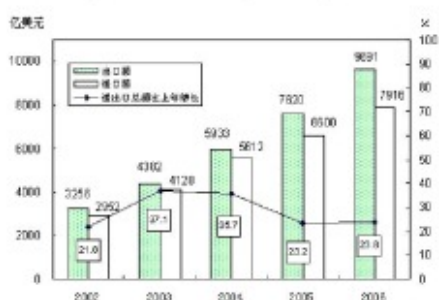
Source: China Statistical Abstract 2006

From 1978 to 2005, total trade volume rose from USD 20.6 billion to USD 1422.1 billion, registering an annual average growth over 16%. China entered a new

stage of all-dimensional liberalization in her economy in 2006, following the ending of the transitional period of China's WTO accession. In 2006, China was the third biggest trading nation in the world with total trade volume of USD 1760.7 billion, up 23.8% over 2005, among which export was USD 969.1 billion, up 27.2%, and import was USD 791.6 billion, up 20.0%. Export exceeded import by USD 177.5 billion, up USD 75.5 billion (*see Chart 2*).

According to the Ministry of Commerce of China (MOFCOM), there were 41473 new FDI projects (non-financial) in China in 2006, with an actual utilization of USD 63.021 billion, up 4.47% over the previous year. The aggregate utilization of foreign direct investment from 1979 to 2006 stood at USD 685.45 billion. Especially since 1991, there has been an substantial increase in FDI, securing China the No.1 position among the developing countries in attracting FDI for 16 consecutive years (*See Chart 3*).

Chart 2 Foreign trade volume and its growth during 2002-2006



Source: 2006 Statistics Gazette of the People's Republic of China on National Economic and Social Development

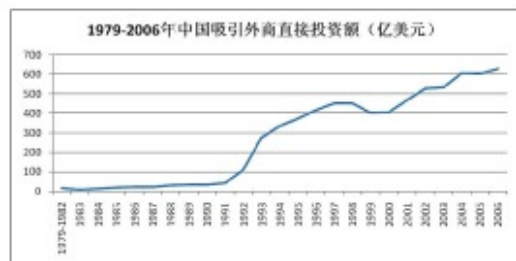
### Chart 2 Foreign trade volume and its growth during 2002-2006

Source: 2006 Statistics Gazette of the People's Republic of China on National Economic and Social Development

As a result of the open policy, China has not only promoted her own economic and social development, but also achieved mutual benefits in interaction with the rest of the world. The introduction of foreign investment has provided China with much-needed capital for her development. The interaction with the international market has pushed the development of her domestic industries. The advanced technologies, equipment, and managerial experience China has imported from outside has helped her improve the production and management of her domestic

enterprises. The active exchanges with the rest of the world and sharing of the fruits of human civilization have upgraded the quality of human resources in China.

Chart 3 The absorption of FDI in China during 1979-2006



Source: China Statistical Yearbook 2006 and relevant data provided by the MOFCOM website

Chart 3 The absorption of FDI in China during 1979-2006 Source: China Statistical Yearbook 2006 and relevant data provided by the MOFCOM website

#### 1.4 Deepening reform

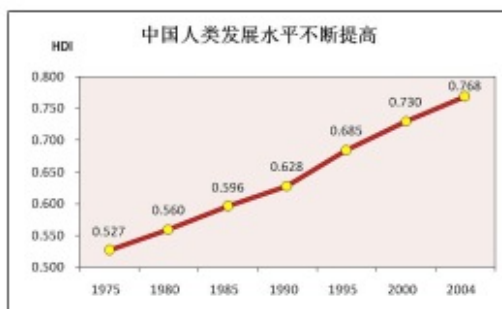
At the same time, China has been deepening the reform to further improve the socialist market economic system. Over the past 30 years, efforts have been continuously made to reform state-owned enterprises and promote the development of foreign-invested and non-state-owned businesses so as to give full play to the potential and initiatives of businesses with various ownerships in developing the productive forces and improving the living standards of the general public. At the same time, efforts have also been made to further the reforms on the monetary system, financial system, social security system, and educational system to provide a better external environment for economic and social development. Furthermore, efforts have been made to promote the transformation of government functions with a view to building a service-oriented and rule-based government.

#### 1.5 Outstanding achievements in social development

While securing a fast pace in economic development, China also attaches great importance to the development of social productive forces and the improvement of people's material and spiritual well-being so as to make valuable contributions to the development of human beings and the world-wide elimination of poverty.

China has successfully fed 22% of the world's population with less than 10% of the world's arable land. In addition, there have been constant improvements in the life of the 1.3 billion population of China. The Chinese Government has basically lifted 220 million people out of poverty, meeting ahead of schedule the first of the UN Millennium Development Goals of halving extreme poverty, providing minimum subsistence allowance for 22.41 million urban and township residents and 15.09 million rural residents, and offering assistance to over 60million disabled people. Average life expectancy rose from 35 before the founding of the PRC to 71.9 in 2004, the same level of the medium-developed countries. The Human Development Index (HDI) level kept rising from 0.527 in 1975 to 0.768 in 2004, ranking the 81st place among 177 candidate countries and regions, and is aiming higher ( $k > 0.8$ ) (See Chart 4).

Chart 4 Upward linear growth of HDI



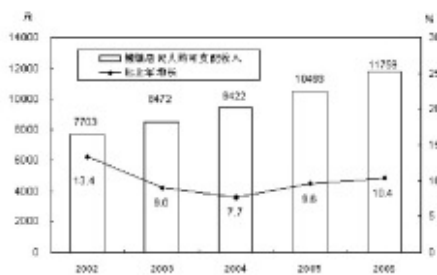
Source: Human Development Report 2006, UNDP

Chart 4 Upward linear growth of HDI  
Source: Human Development Report  
2006, UNDP

Over the five years from 2002 to 2006, China witnessed a steady rise in the living standards of urban and rural residents (See Charts 5 and 6). In 2006, the per capita pure income of rural people was 3587 RMB, up 7.4% in real terms, disposable income for urban and township residents was 11749 RMB, up 10.4% in real terms. The Engel Coefficient (which indicates the proportion of household food expenditure in total consumption) of rural households was 43% while that for urban and township households was 35.8%, indicating a further improvement in people's well-being.



Chart 5 Disposable income of urban and township residents and its increase during 2002 - 2006



Source: 2006 Statistics Gazette of the PRC on National Economic and Social Development

Chart 5 Disposable income of urban and township residents and its increase during 2002-2006

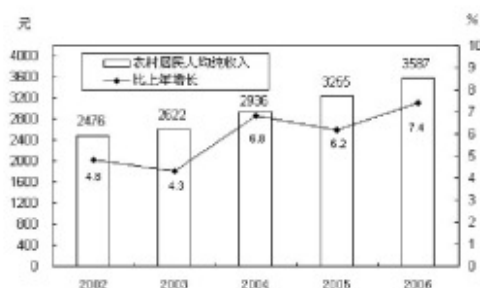
Source: 2006 Statistics Gazette of the PRC on National Economic and Social Development

## 2. Chinese development experience and challenges ahead

In my opinion, the following factors have contributed to China's remarkable economic and social development over the recent years. They are:

First, advantages in political resources and a set of good government policies. The Chinese Government has attached great importance to the role the government should play in guiding, planning, and promoting economic and social development. During the reform and opening up process, a series of fairly scientific and suitable policy frameworks have been established, covering the economic, political, cultural, and social construction of China.

Chart 6 Per capita pure income of rural residents and its growth during 2002-2006



Source: Same as above

Chart 6 Per capita pure income of rural residents and its growth during 2002-2006 Source: 2006 Statistics

## Gazette of the PRC on National Economic and Social Development

Second, a comparatively high capital formation rate and continuous large-scale investments are the major forces and sources of continuous economic growth at high speed. Back in 1979, the domestic deposit rate in China reached 32% and it stood at 40% for a long time during the 1990s. In 2005, deposit rate was as high as 46%, which is rare in the world. Another source of high investment is FDI. Up to the end of 2006, the aggregate utilization of foreign capital reached USD 685.45 billion . China has managed to avoid the difficulties most developing nations face in getting sufficient capital and maintaining high economic growth. High investment has made possible significant infrastructure improvement, industrial structural upgrading, and technological progress.

Third, ample, quality low cost labour force is the main guarantee for China's rapid economic growth. Since time immemorial, the Chinese nationalities are well known for their fine tradition of diligence and thriftiness and the Chinese people have created a magnificent material and spiritual civilization for China and human beings. Thanks to this China has been able to maintain her comparative advantage and strong competitiveness for a long time in labour-intensive industries since the reform and opening policy was adopted.

Fourth, system reform and institutional innovation has ensured continuous economic and social growth and progress. What is worth mentioning is that various non-state economic elements have become the major driving force for China's economic development. Up to the end of 2005, the turnover of private enterprises and directly foreign-invested enterprises contributed to 65% of GDP, far greater than the state-owned enterprises. According to the Ministry of Commerce of China (MOFCOM), private economy is expected to create 75% of the total GDP by 2010[v].

However, we are also well aware of the in-depth conflicts/contradiction and problems China faces in developing its economy.

First, striking structural conflicts/contradictions remain in the economy. These are mainly reflected in the irrational proportions of the three industries, uneven development between urban areas and rural areas, between different regions, and inharmonious relationships between investment and consumption. Among them, the most striking ones are the oversize of investments in fixed assets, surplus liquidity of banking capital, the existence of factors triggering investment growth

and loan expansion, large foreign trade surplus, and increased imbalance of international payments.

Second, the economic growth pattern remains primitive, exerting a greater strain on resources and the environment. The outstanding problems are high energy consumption and serious environmental pollution. For instance, China failed to meet the energy conservation and discharge reduction goal of reducing energy consumption per unit GDP by 4% and the discharge of pollutants by 2% in the first year of the 11th Five-Year Plan 2006, even though these standards were made compulsory under the Plan. Therefore, the task remains daunting.

Third, there is a lack of independent innovative capability, in particular, slow technological innovation and low contribution of technology to economic growth.

Fourth, the transformation of government functions can't keep pace with economic development, leading to some problems with administrative improvement. For instance, there are still areas where government is not separated from business; some government agencies don't have clear responsibilities; work efficiency remains low; administrative cost is high; problems of bureaucracy, formalism, abuse of power, embezzlement and corruption are found in some regions and agencies. The root cause of the above problems is the absence of a sound system and desirable supervision.

Fifth, some problems related to the interests of the general public are not well solved. There are still complaints regarding food and drug safety, medical service, educational charges, distribution of income, public order, and production safety. Other issues which hurt the interests of people are not solved completely, involving the expropriation of land/requisition land, relocation of houses, change of business ownership, and environmental protection. Quite a few low-income people live in poor conditions.

### *3. Future development orientation*

In the years to come, China will hold up the scientific view of development, give priority to development, and try to solve problems through development and reform with economic construction as the central task. The scientific view of development is hinged on the notion that the development should be people-oriented, approached from a new perspective, in an innovative way, delivering solid results so as to lead the economy and society to a path of comprehensive, harmonious, and sustainable development.

Taking into consideration trends and conditions for development over the next

five years, China is trying to achieve continuous, fast, harmonious, and healthy economic development and all-dimensional social progress during the 11th Five-year Period to make an important headway towards the building of an all-round well-off society. The main objectives include the following:

1. a 2-fold increase of per capita GDP in 2010 over that of 2000 based on optimizing structure, enhancing efficiency, and reducing consumption;
2. a significant improvement in resource utilization efficiency so that energy consumption per unit GDP drops by 20%, the trend of deterioration in ecological environment is basically checked and the acceleration in the decrease in arable land is put under effective control;
3. having a host of competitive enterprises that are equipped with intellectual property rights and famous brands developed by themselves;
4. a sound socialist market economic system with a higher degree of liberalization and balanced international payments;
5. 9-year compulsory education being popularized and consolidated;
6. increased employment in cities and towns;
7. a solid social security system;
8. a gradual decrease in poverty;
9. a general rise of income and improvement of living standards in both urban and rural areas;
10. stability in overall price levels; substantial improvement in housing, transportation, education, culture, health and environment;
11. new ground in building democratic and rule-based systems as well as spiritual civilization;
12. further improvement in public order and production safety;
13. new progress in building a harmonious society;
14. becoming a even more staunch force in safeguarding world peace and promoting common development.

To realize the above goals, China will follow the scientific view of development and vigorously work towards the building of a socialist harmonious society. China shall adhere to the course of peace and development. For the above purposes, China has the following strategic objectives and basic/ fundamental purposes:

First, maintain steady and fast economic growth. China will further expand domestic demand, adjust the relationship between investment and consumption, and control investment scale so that consumption can play a bigger role in

boosting economic growth. We shall make correct judgments regarding the changes in economic development trends and maintain the general balance between supply and demand so as to avoid big economic fluctuations.

Second, accelerate the change in economic growth patterns. China shall make resource conservation a basic state policy. Through developing a recycle economy, preserving the biological environment, and building a resource saving and environmental-friendly society, China will promote the harmonious development of economy, population, resources and environment. We will push forward economic and social informatization, take a new course of industrialization, and realize sustainable development by practicing conservation and clean and safe development.

Third, enhance independent innovative capabilities. China shall implement at different levels the strategy of rejuvenating the nation through science and education relying on independent innovation to achieve scientific and technological development, economic restructuring and change of growth patterns, as well as raising generic innovative capabilities, pooling innovative talents together, and introducing and absorbing talents that are able to regenerate innovative capabilities.

Fourth, promote even development of urban and rural areas. China shall take a holistic approach and coordinate the development of urban and rural areas. Problems relating to agriculture, farmers, and the countryside should be given top priority. We shall develop a new socialist countryside by nurturing agriculture with industrial income and supporting the rural areas by the urban areas so as to secure a healthy development in urbanization. We need to put in place an overall development strategy and form a harmonious development mechanism where there is complementarity between the eastern, middle and western parts of China and good interaction among the regions.

Fifth, enhance the construction of a socialist harmonious society. China shall take a people-oriented approach, solve the problems that bear on the interests of the general public, attach greater importance to harmonious economic and social development, try every means to create jobs, accelerate the development of social undertakings, and promote the overall development of people. We will attach importance to social fairness so that all people can share the results of development and reform. We will make greater efforts to build a democratic and rule-based system, correctly deal with the relationship between reform, development, and stability, and maintain social stability and unity.

Sixth, continue the deepening of reform and opening up. China shall stick to the

direction of building a socialist market economy while conducting various reforms. Modern enterprise systems and ownership systems shall be further improved. A rational price formation mechanism needs to be established to fully reflect the relationship of supply and demand and the scarcity of resources so as to let the market play a fundamental role in the efficient allocation of resources. We shall transform the government functions and improve the state macro-control system. In the meantime, we shall also balance internal development and opening up so that the development will be greatly enhanced by opening wide to the outside world.

Seventh, unswervingly follow the path of peace and development. Peace, development and cooperation are the themes of our times. China can't develop without the rest of the world, and vice-versa. Ever since reform and opening up in the 1970s, China has been successfully walking along the path of peace and development that is in line with the conditions of the country and the trend of our times. China will unswervingly follow that path and work towards the building of a modern, prosperous, democratic, civilized, and harmonious country, which will make greater contributions to the progress of mankind. To achieve this end, we need to adhere to the notion of peace, opening, cooperation, harmony, and mutual benefit, under which we shall balance internal development with opening up, link China's development with the development of the rest of the world, and associate the fundamental interests of the Chinese people with those of the people in the rest of the world. We believe a harmonious internal environment and a peaceful external environment constitute a closely related entity, which is good for the establishment of a harmonious world with lasting peace and common prosperity.

## NOTES

**[i]** 1978 data was cited from the speech made by President Hu Jintao at the opening ceremony of Fortune Global Forum 2005 in Beijing, 2005 Data refers to the State Bureau of Statistics of China.

**[ii]** Mathew Shane and Fred Gale □China: A Study of Dynamic Growth - Outlook Report No. (WRS0408) 20 pp, October 2004 □<http://www.ers.usda.gov>

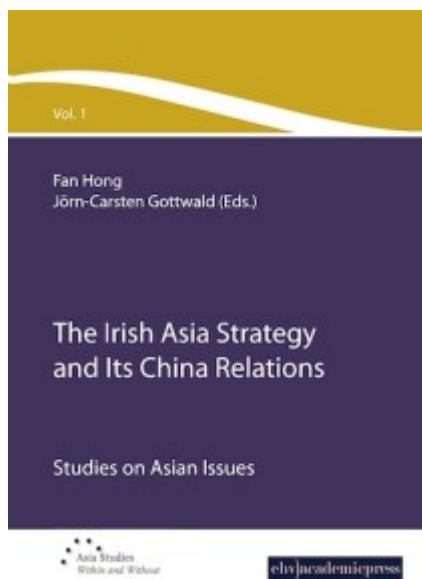
**[iii]** 2005 Statistics Gazette of the People's Republic of China on National Economic and Social Development, dated February 28, 2006

**[iv]** 2006 Statistics Gazette of the People's Republic of China on National Economic and Social Development, dated February 27, 2007

**[v]** "Ministry of Commerce: Four Years Later, 2/3 of China's GDP will be Contributed by Private Economy.' China New Network, November 12, 2006.

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# Chapter 2 - China's Economy And Enterprises ~ Part Two: Business Competitiveness In Which China's Economic Strength Is Based ~The Irish Asia Strategy and Its China Relations



Part Two: *Business Competitiveness on Which China's Economic Strength IS Based*

A nation's economic strength is based on the strength of its enterprises, which comes from their individual competitiveness. Therefore, the competitiveness of an enterprise forms the finest part of the foundation on which the competitiveness of a nation stands.

## 2.1 *Reform, development and basic structure of Chinese enterprises*

China maintains a basic economic system characterized by dominant state-ownership, and the co-existence of economic entities of various ownerships. Over the past two decades of reform to build the socialist market economic system, the market is becoming more dynamic and is playing a bigger role in ensuring a

sustained and steady economic and social development. According to the first national economic census, out of 3.25 million legal-person entities in China by the end of 2004, there are 192,000 state-owned enterprises (including joint ownership, and exclusively state-owned enterprises), accounting for 5.9% of the total; 456,000 collective enterprises (including joint ownership and contractual cooperative enterprises), accounting for 14%; 406,000 other limited-liability and shareholding companies, accounting for 12.5%; 1.982 million private enterprises, accounting for 61%; 62,000 domestic enterprises (including state and collective partnership and other joint ownership enterprises), accounting for 1.9%; 152,000 foreign-invested enterprises and enterprises invested by Hong Kong, Macao and Taiwan compatriots, accounting for 4.7% (See Chart 7).<sup>[i]</sup>

Chart 7 The Composition of China's Legal-person Entities

	单位数(万个)	比重(%)
合计	325.0	100.0
国有企业	17.9	5.5
集体企业	34.3	10.5
股份合作企业	10.7	3.3
国有联营企业	0.3	0.1
集体联营企业	0.6	0.2
国有与集体联营企业	0.3	0.1
其他联营企业	0.5	0.1
国有独资公司	1.0	0.3
其他有限责任公司	34.5	10.6
股份有限公司	6.1	1.9
私营企业	198.2	61.0
其他内资企业	5.4	1.7
港澳台商投资企业	7.4	2.3
外商投资企业	7.8	2.4

Source: State Statistics Bureau of China

Chart 7 The Composition of China's Legal-person Entities Source: State Statistics Bureau of China

The reform of state-owned enterprises is a key and central part of China's reform of its economic system. Starting from 1978, the reform experienced four stages, namely, decentralization, the separation of ownership and management, the establishment of a modern enterprise system, and national economic strategic restructuring.

The efforts made during the past two decades have solved four basic problems of system, pattern and structure, social positioning, and labour status. To be specific, with regard to system, state-owned enterprises have been successfully separated from the government, becoming a major independent player of the



market with the government as the investor.

Regarding pattern and structure, most state-owned small and medium enterprises and 2/3 of the large and medium-sized enterprises have withdrawn from the structure. Regarding social positioning, the state-owned enterprises have turned from social entities in the past to economic entities, stripped of social functions. Regarding labour status, there is a contractual relationship between employees and the state-owned enterprises, following the law of the market.

While promoting and deepening the reform on state-owned enterprises, China encourages the development of non-public economies by breaking down institutional and policy barriers, implementing incentive and supportive measures, welcoming the participation of non-public economies in the reform of the state-owned enterprises, providing better services, and enhancing guidance and management of the non-public economies.

Since 1990s, the contribution of non-state economies to the national economic aggregate has been rising. The added value created by non-state economies exceeds 20% of GDP[**ii**]. In 2006, investment in fixed assets made by non-state economies accounted for 68.1% of the total social investment in fixed assets. Among the added value created by industrial enterprises with a large scale, non-state enterprises contributed 82.6% (including enterprises with shares held by the state) in 2006. Excluding enterprises with shares held by the state, the percentage was 64.4%. In terms of export and import volume, non-state enterprises contributed 80.3% and 71.5% respectively[**iii**].

## *2.2 The competitiveness of Chinese enterprises since reform*

Since reform and opening up, enterprises in China have enjoyed a rapid growth with overall strength and competitiveness substantially enhanced. According a report issued by the China Federation of Enterprises and the China Entrepreneurs Association on *2006 Development of Chinese Large Enterprises: Tendency, Problems, and Suggestion*[**iv**], large enterprises, as represented by the Top 500 Chinese Enterprises, Top 500 Chinese Manufacturers, and Top 500 Chinese Service Providers, have maintained the momentum of fast growth in recent years, with expanding scale, remarkable quality improvement and enhanced capital operation. The proportion of the turnover of the top 500 Chinese enterprises to that of top 500 global enterprises is rising year by year from 5.26% in 2002 to 9.32% in 2006 with an average annual increase of 1 percentage point.

In terms of the total amount of growth, the total turnover and capital of the top 500 Chinese enterprises increased by 20.41% and 22.67% respectively in 2006, greater than the increase of top the 500 global enterprises (12.7% and 7.4%). The gap between the two has been gradually narrowed.

Table 2: Chinese Domestic Enterprises listed among 2006 Fortune Global 500

Rank	Name	Logo	Main business	Turnover 100 million
23	Sinoprof		Oil	987.84
32	State Grid		Electricity	889.84
38	China Petrol and Natural Gas		Oil	839.56
149	Industrial and Commercial Bank of China		Banking	281.67
202	China Mobile		Telecommunications	281.77
217	China Life		Insurance	273.88
229	Bank of China		Banking	238.68
236	China Southern Power Grid Co.		Electricity	231.09
277	China Construction Bank		Banking	227.79
279	China Telecom		Telecommunications	221.35
296	Baosteel		Steel	219.01

Table 2: Chinese Domestic Enterprises listed among 2006 Fortune Global 500

However, there is still a big gap between Top 500 in China and Top 500 in the US and Global 500 in the following aspects:

First, scale is comparatively small. The turnover, profits, and capital of Top 500 Chinese Enterprises are 19.4%, 10.4% and 21.5% of their American peers, and 9.3%, 6.7%, and 7.1% of their global peers.

Second, labour productivity is lower. Per capital turnover and profits of Top 500 Chinese Enterprises are 20.5% and 16.7% of that of Global 500. Profits gained by Exxon Mobil alone account for 45.1% of the total profits of Top 500 Chinese Enterprises.

Third, there are the problems related to ownership structure and performance. Among Top 500 Chinese Enterprises in 2006, there were 346 state-owned and state-controlled enterprises, accounting for 69.8%, and the number of private enterprises, though rising to 87 in 2006, still accounts for 17.4%. According to China Federation of Enterprises, there is a big difference between the enterprises

with different ownerships in performance. Though state-owned or state-controlled enterprises enjoy absolute advantages in scale, they lag far behind others in economic results and efficiency.

Fourth, there is an irrational distribution of industrial structure by occupying the low-end position in the international industrial chain. Among Top 500 Chinese Enterprises in 2006, there were 278 manufacturing enterprises, accounting for 55.6%, 143 service providers, accounting for 28.6%, 79 other types of enterprises, accounting for 15.8%. In contrast, there were only 153 manufacturing enterprises in Top 500 US Enterprises, accounting for 30.6%, 323 service providers, 64.6%, and 24 others, 4.8%.

304	Sinochem Corporation		Trade	210.89
377	Agricultural bank of China		Banking	171.65
441	China Railway Engineering Group Co. Ltd.		Engineering and Construction	152.93
463	CORCO		Trade	146.53
470	Fiat Automotive Works		Automobile	145.10
475	Shanghai Automotive Industry Corporation		Automobile	143.65
485	China Railway Construction Corporation		Engineering and Construction	141.38
486	China State Construction Engineering Corporation		Engineering and Construction	141.22

## Second Part - Table 2: Chinese Domestic Enterprises listed among 2006 Fortune Global 500

Fifth, there is a lack of innovation. Most of Top 500 Chinese Enterprises rely on importing technologies and lack independent research and development. As revealed by a survey of the State Statistics Bureau, the R&D fund of key enterprises in 2003 was only 1% of the sales volume, lower than the international standard of 2% for normal, and 5% for being competitive.

Sixth, there is a lack of awareness of brand names. Some Chinese enterprises don't even pay any attention to brands and IPR protection. Among the 100 Most Influential Brands of 2003 rated by the World Brand Laboratory, there was only one Chinese brand - Haier, ranking 95th with a brand value of RMB53 billion.

The above analysis shows that the most important factor that affects the

competitive strength of Chinese enterprises is their poor independent innovative capabilities. From the perspective of the national strategies, independent innovation is the quintessential theme around which Chinese enterprises shall pursue their developments. Only by having independent innovative capabilities can Chinese enterprises become bigger and stronger. Ireland provides a lot of successful experience in this regard, from which we should learn.

### 2.3 The combination of “absorbing foreign investment” with the “going international” of Chinese enterprises

China pursues an all-dimensional reform. By combining “absorbing foreign investment” and “going international” of Chinese enterprises, China intends to let foreign investment and multinationals play an active role in the national economic and social development on the one hand, and enhance the competitiveness of Chinese enterprises in the international arena through market expansion and mutually-beneficial competition on the other.

Chart 8: Status of Mainland Chinese Enterprises in Global 500



Source: Global 500 published in Fortune over the years

Chart 8: Status of Mainland Chinese Enterprises in Global 500 Source: Global 500 published in Fortune over the years

China has been the No.1 developing country in attracting FDI for 16 consecutive years. According to a survey conducted by UNDP, China will remain the most attractive to overseas investment in the coming years. Up to the end of March 2007, there were 330,000 foreign-invested enterprises in China, with a total paid-up capital of USD701.34 billion. These investors come from nearly 200 countries. 470 out of Global top 500 have invested in China. There are over 750 foreign-invested R&D businesses in China. Over 40 multinational corporations have regional headquarters in China, mainly in Beijing and Shanghai. Up to the end of

2005, the export volume of foreign-invested enterprises in China accounts for 58.3% of the total, contributing 20.72% of the total tax income of China, 28.6% of the total added industrial value, and employing over 25 million people, over 10% of the urban employment in China. **[vi]**

During the 11th Five-Year-Plan Period, China will follow the scientific view of development to further improve the efficiency of the utilization of foreign capital by diverting foreign capital to projects related to ecological construction, environmental protection, energy and source conservation and utilization so as to use foreign capital to improve domestic industrial structure and technological standards. **[vii]**

While giving priority to the attraction of foreign investment, China has been pressing ahead with the “going global” strategy for two reasons.

First, rapid economic development and growing overall national strength have laid a good material foundation for Chinese enterprises to go international.

Second, relevant government agencies have actively promoted trade facilitation by establishing and improving trade promotion services. This has offered policy

Chart 9 China's Overseas Direct Investment during 2000-2006 in 100million USD

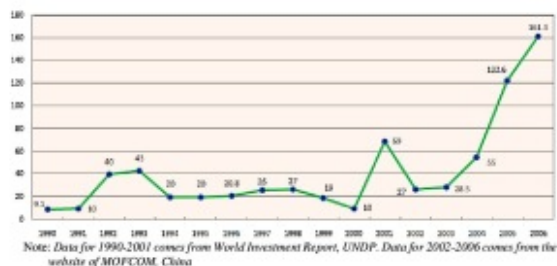


Chart 9 China's Overseas Direct Investment during 2000-2006 in 100million USD

Note: Data for 1990-2001 comes from World Investment Report, UNDP. Data for 2002-2006 comes from the website of MOFCOM, China

support and legal protection for Chinese enterprises to invest outside the country. Besides, there has also been intensified state financial assistance and the

participation of financial institutions in large-scale investment projects overseas. Thanks to these policies, Chinese enterprises have been greatly motivated, resulting in a sharp increase in overseas investment over the past 4-5 years (*See Chart 9*).

In 2006, overseas direct investment made by Chinese enterprises reached USD16.13 billion, up 31.6% over 2005, ranking 13th in the world compared with 17th in 2005. Up to the end of 2006, China's overseas direct investment in non-financial projects totaled USD 73.33 billion**[viii]**. During the same period, global FDI outflow in the world stood at USD 1230.4 billion, with a total volume of USD 11.9023 trillion**[ix]**. The FDI outflow and total amount of China are 1.31 and 0.62% of the world's total.

## NOTES

**[i]** Major Statistics Bulletin No.1 of the First National Economic Census, Statistics Bureau of China.

**[ii]** Development Course of China, keynote speech made by Madame Wu Yi at the first Sino-US strategic economic dialogue on December 14, 2006. [http://www.china.com.cn/news/txt/2006-12/14/content\\_7505130.htm](http://www.china.com.cn/news/txt/2006-12/14/content_7505130.htm)

**[iii]** China Industrial and Commercial Times, 2006 Report on the Development of Non-state Economies, by Xia Xiaolin, State Development and Reform Committee, February 1, 2007.

**[iv]** China Federation of Enterprises and Entrepreneurs Association launched Top 500 Chinese enterprises in 2002, Top 500 Chinese Manufacturers and Top 500 Chinese Service Providers in 2005, and Top 200 Chinese Performers and Top 200 Chinese Tax-payers in 2006.

**[v]** 2006 Development of Chinese Large Enterprises: Tendency, Problems, and Suggestions, China Federation of Enterprises and China Entrepreneurs Association; A Comparison Between Top 500 Enterprises in China and the US, China Federation of Enterprises, March 15, 2007.

**[vi]** China Foreign Investment Report 2006, Ministry of Commerce of China.

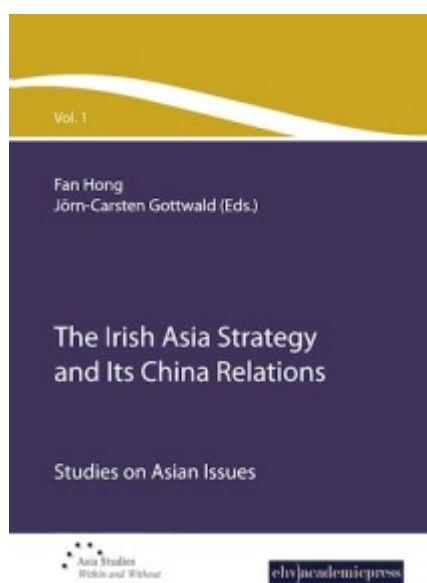
**[vii]** The 11th Five-Year-Plan on the Utilization of Foreign Investment, State Development and Reform Commission, November 10, 2006.

**[viii]** Brief Report on China's Overseas Direct Investment in Non-financial Businesses in 2006, MOFCOM website, February 13, 2007.

**[ix]** UNCTAD "Foreign Direct Investment Surged Again in 2006" \_UNCTAD Investment Brief NO.12007.

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# Chapter 2 - China's Economy And Enterprises ~ Part Three: Sino-Ireland Friendly Cooperation And Mutual Development ~The Irish Asia Strategy and Its China Relations



Part Three: *Sino-Ireland Friendly Cooperation and Mutual Development*

There has always been a very good bilateral relationship between Ireland and China, maintained by exchange of visits between senior leaders, holding cultural festivals, promoting trade and investment, and enhancing cooperation in various fields and extensive exchanges between the two peoples.

Ireland enjoys a fine international reputation as the 'Silicon Valley of Europe'. As an open and knowledge-based economy, Ireland has amassed rich experience in how to seize the opportunities brought by globalization, successfully explore the pattern of opening up, rejuvenate the country through science and education, etc. China, as a country sharing similar experience in development, has a lot to learn

from Ireland. There are many in-depth studies in China on leap-frog development, citing Ireland as a successful case. They try to solve the “Irish Mystery” so as to come up with references for China in pursuing her way of scientific development and independent innovation.

Enterprise Ireland has set up offices in Beijing, Shanghai, Guangzhou, and Hong Kong, in charge of promoting Ireland’s export and investment to China. The Investment and Development Agency of Ireland, after setting up offices in Tokyo and Chinese Taipei, also established its Shanghai representative office, to attract Chinese investment to Ireland.

In recent years, China and Ireland have both made great achievements in national construction and the two countries have become closer than ever. Under the initiatives of the leaders of China and Ireland, with the promotion efforts made by the Ireland-China Association, Enterprise Ireland China Office, and the Representative Office of Investment and Development Agency of Ireland, our two countries have witnessed more fruitful results of the cooperation between us in economy and trade, investment, science and technology, exchange of personnel. In 2006, the bilateral trade volume between China and Ireland reached USD 5.46 billion, up 18.6% over 2005<sup>[i]</sup>, representing a 10-fold growth in 5 years.

Ireland started to invest in China in 1989.

By the end of 2006, Ireland has accumulatively invested in 115 projects in China with a contractual volume of USD 260 million and an actual utilization of USD 83.43 million.

In 2006, Ireland invested in 16 projects in China with a contractual volume of USD 57.78 million and an actual utilization of USD 24.02 million.

By the end of 2006, China has accumulatively imported 455 technical projects from Ireland with a total contractual volume of USD 200 million.

In 2006, China imported 111 technical projects from Ireland with a total contractual volume of 53.19 million.

By the end of 2006, total volume of economic cooperation projects between the two countries reached USD 23.13 million, with completed turnover of USD 36.19 million, among which the newly signed contract in 2006 was USD 150,000, with completed turnover of USD 8.8 million. <sup>[ii]</sup>

We believe, through further implementing a series of bilateral economic and trade and relevant agreements<sup>[iii]</sup> signed between the two countries over the years, promoting trade and investment liberalization and facilitation, enhancing



cooperation in lowering barriers to technological transfer and protecting intellectual property rights, creating a fair, just, reasonable, and open environment for enterprises, promoting long-term stable partnership between the enterprises on the two sides by giving policy and financial incentives, the exchanges between China and Ireland in economy and trade will be closer so that Chinese enterprises that come to invest in Ireland and Irish enterprises that go to invest in China will reap more benefits from the fast development of the two economies. And in turn they will make greater contributions to the economic and social development of the two countries and to the friendship between the two peoples.

NOTES:

**[i]** European Division, MOFCOM, 2006 Statistics on Trade between China and European Countries, February 1, 2007.

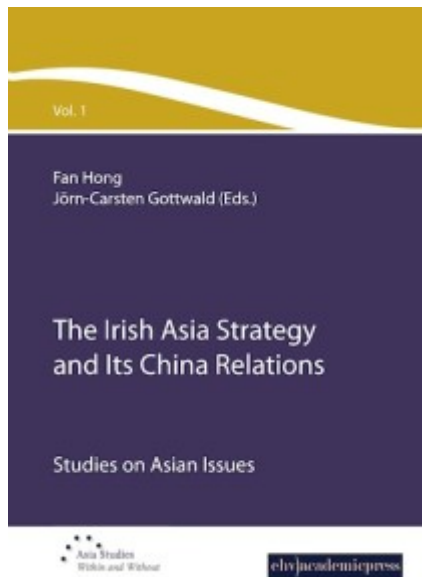
**[ii]** Commercial Councillor's Office, Chinese Embassy in Ireland, 2006 Sino-Ireland Bilateral Trade and Investment, April 26, 2007.

**[iii]** Major bilateral economic and trade agreements between China and Ireland include: Economic, Industrial, Scientific and Technological Partnership Agreement 1986, Agreement on the Avoidance of Double -Taxation ,April 2004, Sino-Irish Partnership Agreement on Science and Technology, September, 2000, Agreement on Research Fund of Scientific and Technological Cooperation, December 2002, Protocol on the Quarantine and Veterinary Health Conditions for China's Importation of Pig Meat from Ireland, January 2005, etc.

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## **Chapter 3: Social Change and the Urbane - Rural Divide in China ~ The Irish Asia Strategy and Its**

# China Relations



## *Social Change and the Urban-Rural Divide in China\**

To most observers, China today is an extraordinary success story. In three short decades the world's most ancient continuous civilization, most populous state, and the former "sick man of Asia" has been transformed into an economic powerhouse that will shape the global political economy for the rest of the 21st century and beyond. In comparison with the former Soviet Union and its East European satellites, China seems to have made a remarkably smooth and successful transition from a centrally planned socialist system to a dynamic, market-oriented economic engine. Yet beneath the surface China's social and political order suffers from paradoxical internal contradictions which that society's reformist leaders have not been able to resolve.

The current essay deals with perhaps the most important such unsolved institutional problem in China today, the sharp cleavage between its urban and rural citizens. As Ireland and other countries heighten their economic interaction and diplomatic engagement with China, it is important that they be aware of the deep-seated social conflicts and injustices that have characterized rural-urban relations in China since 1949, as continued failure to address and rectify these problems may threaten China's continued rise.

It is now clear that the revolution led by Mao Zedong, usually seen as dedicated to creating a more egalitarian social order, in actual practice created something very much akin to serfdom for the majority of Chinese citizens - the more than 80% of the population residing in rural villages, who were effectively bound to the soil. **[i]** Despite some weakening of the bondage and discrimination faced by rural citizens in recent years, China is still struggling with the legacy of the system the Chinese Communist Party (CCP) leadership created during the 1950s. That a peasant army led by a son of the soil, Mao Zedong, established "socialist serfdom" for rural citizens is a major paradox of the Chinese revolution. Before discussing the grounds for these claims and pondering how this situation came about and was sustained over time, it is worth considering how much at variance this

development is with the conventional view on inequality trends in China since 1949.

### *Conventional Views on Inequality Trends in Post-1949 China*

In most conventional accounts, the history of the People's Republic of China can be divided into two very different eras, the socialist order presided over by Mao Zedong from 1949 to 1977, and the reform era launched by Deng Xiaoping, from 1978 to the present. In the first era, so the story goes, Mao and his colleagues (including Deng) relentlessly worked to attack feudal remnants left over from Imperial and Republican China and to promote greater social equality, even when such egalitarian interventions interfered with economic growth. In the closing phase of Mao's rule, the Cultural Revolution decade (1966-76), Mao and his radical followers criticized the social order they had built during the 1950s, as well as the Soviet model on which it was based, as still too hierarchical and unequal. It is believed that the resulting Cultural Revolution reforms transformed China into an even more egalitarian (but also more economically inefficient) social order.**[ii]** In the reform era, in contrast, the conventional wisdom is that Deng and his reformist colleagues switched gears and began pursuing economic growth at all costs, while ignoring the goal of promoting social equality. As a result of this switch, China today is characterized by both high growth rates and rising inequality.

While there is much truth in this conventional account, it doesn't fit the reality of the changes over time in what has become China's foremost social cleavage - the rural-urban gap. What actually happened to China's rural residents was very different from the scenario of systematic promotion of equality under Mao followed by widening inequality in the era of market reforms. As indicated at the beginning of this essay, the actual trend looks much more like descent into serfdom for rural residents in the Mao era, with only partial liberation from those bonds in the reform era. In other words, in multiple ways the social status, mobility opportunities, ways of life, and even basic citizenship claims of China's rural and urban citizens diverged sharply under the socialist system that Mao and his colleagues created, producing a caste-like division that did not exist prior to 1949. Mao's socialism led to a fundamental aggravation of the rural-urban cleavage, not the reduction implied by the conventional discourse.**[iii]**

Since 1978 the picture is more complicated. In some respects the rural-urban cleavage has been weakened and reduced, while in others it has widened still

further.**[iv]** What is clear, at least, is that the extraordinary status gulf between rural and urban residents in China, substantially a product of socialist policies and the practices and institutions of the Mao era, has left a legacy that has endured to the present. This persistence has occurred even as those socialist policies and institutions that were its basis have been increasingly dismantled, replaced by market distribution. This institutional inertia poses a second major paradox: why has it been so difficult in the midst of so much other hectic change to dismantle the systems of urban privilege and rural discrimination that were originally embedded in China's distinctive form of socialism?

This inertia contrasts sharply with what happened after Mao's death to another very important caste-like division created by Mao-era socialism. All Chinese families had been classified during the early 1950s into class origin categories based upon their economic standing, property, participation in labor, and other characteristics prior to 1949. These categories (e.g. landlord, poor peasant, worker, capitalist) became the basis for a system of class origin labels that persisted over time and were inherited in the male line. By the 1960s and 1970s your class label, by then based upon past history rather than current social position (for example, those with landlord labels had not owned any excess land since 1953), had a strong influence over whether you were favored or discriminated against in many spheres of life (access to higher education and good jobs, entry into the Party or the army, whom you could marry, etc. - see Kraus 1981). In 1979 China's reformers declared these class labels outmoded and harmful, required that they be removed from personnel dossiers and other identity documents, and forbid favoritism and discrimination based upon class labels. Almost overnight this class label caste system began to disappear from public consciousness, and it appears to play no significant role in influencing access to opportunities in China today.**[v]**

However, nothing comparable has occurred regarding China's rural-urban caste system. The remainder of this essay presents a brief summary of the specific policies and institutions that created "socialist serfdom" for rural residents in the Mao era. That discussion is followed by a similarly brief overview of some of the important changes that have altered rural and urban social patterns and rural-urban relations in China since 1978. The essay concludes with some preliminary comments on recent developments that give some hope that the legacy of "socialist serfdom" may finally be under challenge.

### *The Mao Era: The Institutionalization of “Socialist Serfdom”*

In late imperial times, and continuing after the 1911 revolution, China was anything but a “feudal” society. Although the economy was based primarily upon agriculture, and more than 80% of China’s population lived in rural areas, there were few legal or institutional barriers to geographic and social mobility. Poor villagers could and did leave their communities in droves to seek their fortunes in the cities or frontier areas, or even overseas, sending back a portion of their incomes as remittances if they could, and perhaps returning periodically for family events and festivals, and maybe eventually to retire and die. A system of household registration existed over the centuries, but its function was to keep track of where people lived, not to restrict their movement. A rural migrant who succeeded in finding employment in a city could readily submit to registration, rent or buy housing, and in general become a settled urbanite, although perhaps still retaining a strong sense of being an urbanite from a particular rural place of origin and therefore different from neighbours from other places. **[vi]** By the same token there were no aristocratic entitlements (outside of the imperial family prior to 1911) or caste barriers to prevent the rich from losing their fortunes, jobs, and/or land and descending into poverty and desperation. Given the high rates of upward and downward mobility and the relative freedom of movement of the Chinese population, over the centuries the status barrier between rural and urban residents was not large.

When the CCP swept to national power in 1949, this general pattern did not change much at first. Indeed, the CCP victory produced a huge wave of rural to urban migration, as the victorious revolutionary army, largely consisting of rural recruits and heretofore confined to relatively inhospitable rural base areas, swept into the cities and took over the management of all urban government offices and enterprises. Throughout much of the 1950s, substantial freedom of geographic and social mobility continued, with ambitious rural residents both recruited to, and flooding on their own accord into, cities to staff the growing offices and factories of the new socialist state. However, a series of interrelated institutional changes introduced in the years from 1953 to 1958 fundamentally changed this situation, replacing the relatively free movement of people with a regime of bureaucratic assignment and immobility that lasted until after Mao Zedong died in 1976.

China’s revolutionary leaders from the outset were worried about their ability to

control and manage China's cities, which until the final stage of China's Civil War had been controlled by Chiang Kai-shek and the Kuomintang (not to mention earlier by Japanese occupiers and by other foreign powers in treaty-port concessions) and as such had been centers of private business; foreign influence; secret society penetration; and rampant crime, drug addiction, and other social problems - all forces threatening CCP rule. Free migration from the countryside into the cities was seen as aggravating the difficulties of bringing unruly Chinese cities under control. Thus even as the new government declared that Chinese citizens had the freedom to migrate and to live wherever they chose, they also criticized "blind" migration that didn't serve national interests and launched targeted attempts to get certain groups of migrants to return to the countryside (Cheng and Selden 1994). Only after the socialist transformation of the economy and the introduction and elaboration of a range of additional control institutions during the 1953-58 period was comprehensive control of individuals and their movements possible.

Just as the full control system was completed in 1958, it was massively disrupted by the launching of the Great Leap Forward, which led to active recruitment of an additional 20 million migrants from the countryside to fill the projected labor shortages of urban factories. After the collapse of the Leap there ensued a mass deportation to the countryside on roughly the same scale. It was only as of about 1960 that the "invisible walls" (see Chan 1994) Mao and his colleagues had created around Chinese cities slammed their doors shut, effectively eliminating virtually all further voluntary rural to urban migration until the reform period.

Despite their unfamiliarity with, and anxiety about, urban management when they came to power, and also despite the rural roots of the Chinese revolution, Mao Zedong and his colleagues ended up pursuing a vision of socialism that was every bit as biased toward the cities and industrial development, and against agriculture and rural residents, as the versions promoted by Marx, Lenin, and Stalin before them. The embodiment of socialism was seen, as in the Soviet Union, in large, vertically organized, capital-intensive industrial complexes located overwhelmingly in cities, complexes whose production and other activities were tightly controlled by the bureaucratic decisions of planners, with that control facilitated by the fact that Chinese socialism involved the elimination of markets not only for capital and land, but also for labor. **[vii]** As in the USSR under Stalin, agriculture and the rural population were seen primarily as providing a source of extraction of resources to power industrial development in the cities. **[viii]**

The combination of a capital-intensive industrial development strategy and the failure of the Great Leap Forward convinced China's leaders that the labor power of rural residents, in the form of migration to take up urban jobs, was no longer needed or desirable in the 1960s and 1970s. Indeed, during those years efforts that were much more massive and successful than those undertaken during the 1950s resulted in millions of urbanites being mobilized to leave the cities and settle in the countryside – an unprecedented mass “ruralization.” **[ix]**

Since rural labor power was not needed to power urban industrialization, the countryside primarily served as a source of low-cost agricultural products to feed the urban population, with a portion also destined for export to earn foreign currency to finance technological acquisitions and other key activities. These strongly urban-biased economic priorities led to fundamentally different official distribution policies being adopted toward the cities and toward rural areas. Urban residents were provided with secure jobs; heavily subsidized housing, education, and medical care; rationed allotments of food and consumer goods; and a broad range of benefits (such as aid maternity leave, disability pay, retirement pensions, etc.), a combination one scholar (Solinger 1999) refers to as the “urban public goods regime.” **[x]**

Rural residents, in contrast, received no such guarantees, were outside of the state budget, and generally only received such compensation and benefits as their own labors and their local communities could provide. **[xi]** Although direct taxes on farmers were relatively moderate, the obligation to meet grain procurement quotas and thus turn over a large share of the harvest to the state at artificially low, bureaucratically set (and relatively fixed) procurement prices, when combined with the rising cost of urban manufactured goods and even agricultural inputs, such as chemical fertilizer, produced a price differential “scissors problem” for residents in China's rural communes. **[xii]** These price policies, combined with the minimal and generally declining rates of state investment in rural areas and in agriculture, produced a situation in which many rural communities remained mired in poverty throughout the socialist period.

The rural picture is not entirely bleak during the Mao period, since considerable effort was expended by the state to promote techniques and institutions designed to improve agricultural performance and presumably raise the incomes of rural residents. However, for the most part these efforts took the form of “unfunded mandates” to build reservoirs, plant new strains of crops, change local incentive

systems used to reward farm labor efforts, and so forth, all in the spirit of “self-reliance” by relying on local resources and labor-power with minimal financial assistance from the state. Some of these initiatives from above, such as China’s own version of the “green revolution” promoting new, higher-yielding strains of major grain crops, were quite successful, and state promotion of rural health care and village cooperative health insurance plans and rural education raised life spans and education levels very significantly during the socialist period. However, other interventions from above were less successful (as in the limits on crop diversification and free marketing of the 1970s) or even disastrous (as with the Great Leap Forward with its estimated 30 million deaths, almost entirely a rural phenomenon). The result was a widening of the gap in income and standard of living between rural and urban areas over the course of the Mao era, not progress in pursuing the proclaimed goal of shrinking that gap. When local communities were not successful in their efforts at “bootstraps” agricultural development, residents had no alternative but to remain locked in local poverty (Ash 2006).

In China before the 1950s and in other societies around the world, the traditional remedy for rural poverty is out-migration. Individuals flee poverty-stricken communities to seek better prospects elsewhere - in other villages, in the cities, and sometimes even abroad. If they are successful in gaining an economic foothold elsewhere, they may send back cash remittances that help family members and relatives left behind and foster chain out-migration to share new opportunities, and in some cases they even return eventually and buy farmland or start up a village business. The potential gains to poor villages from out-migration generally far outweigh the potential losses (the feared “brain drain”). In socialist China, this escape mechanism was effectively closed off after 1960. China’s rural residents were bound to the soil much like serfs in medieval Europe through a combination of institutions centering on China’s system of household registration - the *hukou* system.

As indicated earlier, the requirement starting as early as 1951 that urban households all be registered through the local police substation did not initially prevent rural to urban migration. However, increasingly after 1953 new registration regulations and edicts were passed aimed at making such migration more difficult, culminating in much tougher regulations promulgated in 1958, which essentially prohibited all voluntary, individually initiated migration upward in the urban hierarchy. Even though the new rules were not effectively enforced



until after the high tide of the Great Leap Forward, they put in place the institutions that made China's rural and urban not simply areas of different economic priorities, but lower and higher castes (see Cheng and Selden 1994; Wang 2005).

At birth individuals inherited the household registration status of their mothers (although China is a thoroughly patrilineal society by tradition)**[xiii]** and were classified as either agricultural or non-agricultural, as well as by the level of city for those with non-agricultural *hukou*. Registration status was tied to a complex set of migration restrictions. Individuals could move voluntarily downward (to a smaller city or to a rural place), or horizontally (as when rural brides moved into the villages and homes of their grooms), but not upward. Permission to migrate upward in the system was to be granted only if the urban destination gave bureaucratic approval in advance, and that was to be granted only in relatively rare and special situations (e.g., admission to an urban university, service in and then demobilization from the army as an officer,**[xiv]** or when an urban factory had taken over rural land for plant expansion).

As noted earlier, urban registration status was not necessarily permanent, and over the years millions of urban residents were mobilized to leave and resettle in smaller cities or in the countryside, where their new rural registration status would normally prevent them from returning to their cities of origin.**[xv]** The burden of accommodating "rusticated" urbanites was an additional hardship for China's villages. China's cities could through such "rustication" mobilizations remain relatively lean demographically and economically, with virtually all able-bodied adults fully employed, while villages became places of concentration of the unemployed and underemployed. **[xvi]**

If a determined rural resident ignored the rules and wanted to move to the city without bureaucratic permission, it was next to impossible to do so. The other institutions (besides household registration and migration restrictions) that made China's caste system enforceable were extensive urban rationing and the associated bureaucratic controls over the essentials of life (see the discussion in Whyte and Parish 1984, Chapter 4). After the 1950s, urban individuals were assigned to jobs in a bureaucratic fashion by local labor bureaus, rather than hired by firms and enterprises directly. Local urban registration status was a requirement, and most of those assigned were graduates of local middle schools and universities. There was no labor market, and no job fairs or personnel ads - in general there was no way for someone from outside the city to compete for a job there.**[xvii]**

Urban housing was also bureaucratically controlled and allocated, again with no market for housing rental or purchase by the general public. After the 1950s individuals and families obtained access to housing predominantly through their work organizations, and urban housing was generally so cramped that informal rental to a migrant would have been out of the question even if it had been legal. Individuals and families also obtained medical care through clinics and hospitals affiliated with their work organizations or neighborhoods, and to which they were referred when they needed medical treatment, making anything except emergency room care off limits to those who lacked local urban registrations at a minimum. Needless to say, only those with urban hukou could enroll their children in city schools. In addition, many but not all basic food items and consumer goods were strictly rationed, so that again at least a local urban registration and perhaps other qualifications were needed (along with cash) in order to make a purchase. The list varied somewhat from city to city and over time, but in general it was a long one, including grain and flour, cooking oil, pork, sugar, doufu, powdered milk, cotton cloth and garments, soap, “beehive coal” for heating and cooking, bicycles, certain furniture items, etc. etc. As a result of these extensive regulations and rationing, it was extraordinarily difficult for someone from rural areas, or even from a town or smaller city, to stay for any period of time in a Chinese city.**[xviii]** The rigidity of these institutional arrangements, and their strict enforcement, help to explain how the age-old remedy of flight from the village to seek opportunities in China’s cities remained effectively closed for two decades after 1960.**[xix]**

### *The Reform Era*

The story of China’s dramatic about-face after Mao’s death is now familiar. In what amounts to a new social revolution, many of the institutions and policies of China’s socialist era were jettisoned after the reforms were launched in 1978, increasingly replaced by market distribution, openness to the outside world, and frenzied pursuit of economic development along lines similar to what had occurred earlier in Japan, Taiwan, and South Korea. These reforms have changed basic aspects of economic and social life in China’s villages and cities and have altered the nature of the rural-urban relationship. However, some important institutions and practices have not changed, or have changed only around the margins, so that China entered the new millennium still sharply divided into two separate castes, rural and urban, with sharply different rights and opportunities in life.

The two most important institutional changes affecting China's rural residents and rural-urban relations are the de-collectivization of agriculture and the loosening of migration restrictions. The ending of collective farming (in the period 1978-83) and the return to family farming through the household responsibility system mean that villagers are no longer under day-to-day command of local cadres and have much more autonomy to plan their economic activities and deploy their family labor power as needed. Provided that families meet their obligations to turn over the required grain procurements and agricultural taxes on their contracted land, they can experiment with new crops, start a business, or even leave to seek work elsewhere. **[xx]** Even though China's authorities have maintained a strong preference that "elsewhere" be restricted to village factories or jobs in rural towns, eventually migration to distant locales and large cities became common. Indeed, China's establishment starting in 1979 of Special Economic Zones along the coast, which rapidly grew into major urban centers, would not have been possible without large-scale migration from China's villages. The vast majority of the "made in China" items that have flooded markets around the world are the product of such migrant workers.

The new opportunities for rural people to augment or even replace reliance on growing grain with a much more diverse array of activities - growing specialized crops, engaging in handicrafts, marketing to towns and cities, starting a village business, working in a rural factory, or seeking wage employment in urban areas - helped spur an initial rapid improvement in rural incomes in the 1980s and a dramatic reduction in the proportion of rural residents mired in poverty. Indeed, the fact that China's rural reforms took off earlier than the reform of the urban economic system (in the late 1970s, rather than after 1984) contributed to an initial shrinking of the income gap between China's rural and urban residents during the first half of the 1980s. **[xxi]**

However, some new developments of the reform era further disadvantaged China's villagers, rather than "liberating" them to pursue better opportunities. In particular, the rural health care system, which had done so much to foster better health and longer lives despite the material poverty of the Mao era, collapsed. Village cooperative medical insurance systems ceased to function in most villages, with rural residents having to seek medical care on a fee-for-service basis, while many of the rural paramedical personnel (the famous "barefoot doctors") and even some fully trained medical personnel left rural areas or left medicine entirely. Similarly, the financing, teaching, and attendance levels in rural schools

were undermined by market reforms, leading to a sharp decline in the early 1980s in rural secondary school enrollments, with partial recovery in later years. As a result, in terms of access to medical care and education, the gap between rural and urban widened in China in the early years of the reform period.

The de-collectivization of agriculture, in combination with market reforms in the urban economy, unleashed waves of rural to urban migration in China, with estimates of the size of that country's "floating population" at any one time ranging from 8 million to 130 million or even more. Urban rationing was phased out in the midst of the growing abundance available in urban markets, and Mao-era prohibitions against employing and renting housing to rural migrants were also relaxed. For individuals with agricultural household registrations, getting established and earning a living in a city went from being close to impossible to simply difficult.

In established large cities initially most of the migrants filled niches and took jobs that the urban population disdained (as the "three Ds," jobs that were dirty, difficult, and dangerous), particularly in construction, hauling, domestic service, and in street-corner commerce. However, the rapid growth of new factories and businesses, many of them based upon foreign or private ownership, produced a rising demand for labor across the board that could only be satisfied by hiring rural migrants. Most large cities in the 1980s and 1990s responded to the migrant "threat" by passing complex sets of regulations designed to prohibit migrants from being hired in particular occupations and in certain kinds of state enterprises and government agencies. However, the availability of masses of eager rural migrants, willing to work for modest wages and in many instances having at least some secondary schooling, led urban firms to try to get around such regulations in order to hire migrants. After the mid-1990s, as state-directed reform of state enterprises accelerated, with large numbers of state firm employees laid off or threatened with firm closure, increasingly rural migrants were competing directly with urban residents for some urban employment opportunities.

Despite the expansion of opportunities in the cities for rural migrants, the situation is still very far from equal opportunity for all Chinese citizens. The key point to bear in mind is that the vast majority of rural migrants seeking opportunities in Chinese cities still retain their agricultural household registrations, no matter how long they have resided in an urban locale. There are

some limited exceptions to this generalization. If rural residents manage to find stable employment and housing in low-level cities (at the township level starting in 1984 and at the county level after 2001), they can apply to obtain non-agricultural *hukou* status in that locale. Also, in some periods and in some cities, wealthy rural migrants willing to invest large sums in either businesses or housing purchases have been able to obtain “blue seal” local non-agricultural *hukou*.

In very recent times there have been experiments in a variety of Chinese cities to more fundamentally reform the *hukou* based system of discriminatory access to urban facilities and opportunities, but in general throughout the reform period categorical discrimination based on the rural-urban cleavage has persisted. Indeed, one might say that the primary change since the Mao era is that there is now a three caste system in China, rather than a two caste system, with one’s opportunities and treatment differing sharply for rural residents, rural-urban migrants, and urban *hukou* holders. **[xxii]**

Migrants, as the intermediate caste, have access to many more opportunities than the rural kin they leave behind. However, on many different fronts they are subjected to inferior treatment and discrimination by both urban *hukou* holders and urban authorities, again no matter how long they have been a *de facto* urban resident. For example, migrants not only tend to be concentrated in less desirable jobs with lower pay and benefits, but even when they work in the same jobs as urban residents, they may not receive the same treatment. Indeed, many migrants have their wages docked in order to pay substantial fees and deposits in order to be hired in the first place, making them in effect bonded laborers until they can pay off their “debts.” In addition, migrants have generally not been able to send their children to urban public schools unless they are willing to pay special high fees, requiring most to resort to inferior but less expensive private schools that cater to migrants. Urban authorities have from time to time bull-dozed suburban housing settlements catering to migrants, and they have also closed and padlocked some migrant schools as “substandard.” Migrants are vulnerable to police arrest, detention, physical abuse, and deportation to their native village, particularly if they are not able to present acceptable proof of urban temporary registration and other identity documents. **[xxiii]**

For their part many if not most urbanites continue to regard rural residents as well as urban migrants as uncultured, backward, and in general less civilized than urbanites, **[xxiv]** and they often blame migrants for the increasing congestion and

crime they see around them. Given this institutionalized discrimination, it is not surprising that there are striking parallels between the treatment of China's "floating population" and illegal immigrants in the United States and blacks and coloureds in the former apartheid system in South Africa, ironic parallels given the fact that migrants are Chinese citizens supposedly entitled by their constitution to equal treatment.**[xxv]**

Despite the many obstacles and forms of discrimination they face, migrants keep flooding out of the countryside and into China's urban areas. They constitute the great majority of the de facto population of newly arising export-oriented cities, such as Shenzhen in Guangdong. Even in China's established large cities, they may constitute as much as 30% or more of the actual urban population at any one point in time. By the same token, the proportion of China's population residing in rural areas has declined sharply since the reforms were launched, from perhaps 80% or more at that time to roughly 60% or even less today.**[xxvi]** If we take into account the fact that a significant proportion of the rural population and labor force no longer are involved in farming, then China early in the 21st century reached a milestone, with less than half of the total labor force dependent on farming (see Naughton 2007: 182).

It is generally acknowledged that migrants play a vital role in the economic revitalization of the Chinese economy since 1978, and in the economies of Chinese cities in particular. Migrants provide vital labor and services upon which urban hukou holders and enterprises have come to depend. The reestablishment of at least relatively free-flowing migration after a generation of urban closure also has the same potential benefits for rural villages and their residents that characterized China in the 1950s and earlier - underemployed rural labor power and extra mouths to feed can be removed from poor villages, migrants can send cash remittances and gifts back to families left in the village, migrants can assist family members and others to join them in taking advantage of urban opportunities, and some proportion of migrants return to the village with new skills and resources they may use to start businesses to enliven the local economy.

Despite the positive gains unleashed by massive out-migration since the 1980s, China's villages continue to face serious development obstacles. State priorities still heavily favor urban and industrial development, with the lion's share of government investment funds expended in that direction, rather than in

agriculture, despite the pressing development needs of villages. Similarly, the great preponderance of bank loans in China's state-directed banking system go to large industrial firms, and particularly to the remnants of China's once dominant state owned enterprises, with little credit available for either private business or farm investments. In addition, the way the government's administrative and financial policies in rural areas developed after 1978 accentuated some development difficulties faced by villages. Higher levels of government expected townships and villages to maintain and improve village public facilities, such as roads and schools, while meeting demanding targets in multiple areas, but without significant state funding - a continuation in altered form of the "unfunded mandate" approach of the Mao era. In order to pursue their ambitious agenda, many local governments levied a large number of local taxes and fees in order to meet such obligations (not to mention to pay the salaries of their growing staffs). The result was an aggravation of the peasant "burden problem" and rising rural discontent during the 1990s.**[xxvii]**

There were, however, positive developments in the reform era with some potential for reducing the rural-urban gap. In an arguably more successful variant of the state's preference for "bootstraps" development with minimal state funding, rural residents and China generally profited from a boom in township and village enterprises (TVEs) after the early 1980s, with the number employed exceeding 120 million by the early 1990s. Local non-agricultural jobs in TVEs constituted the primary alternative to urban migration for villagers wanting to escape a life of farming. However, two features limited the impact of TVE development on rural economies. First, TVEs were very unevenly distributed, primarily concentrated in already relatively prosperous rural areas along the coast and near sources of foreign capital and export markets, rather than in poor interior villages where alternative employment was most needed. Second, the changed economic climate in the 1990s made it much more difficult for TVEs to compete and grow, so that total TVE employment has been fairly stagnant since, rising to only about 140 million in 2003 (Naughton 2007:286). Nonetheless, some rural locales have benefited during the reform era from the availability of two important employment alternatives that were largely closed off during the collective era - rural industry**[xxviii]** and migration to the cities - and despite the state's continuing bias toward urban development.

The changing opportunity structure after China's reforms were launched has enabled some rural families, and indeed some entire rural villages, to become

very prosperous. [xxix] However, since the mid-1980s the most dynamic growth in the economy has been in urban areas, and the income gap between rural and urban residents has widened once again - to levels that are unusually large compared with India or other developing societies. The combination of state favoritism toward cities and industry on the one hand and continuation of institutionalized discrimination toward China's rural citizens through the hukou system on the other has counteracted any tendency for market reforms to help close the rural-urban income gap. As a result of the reforms, the term "socialist serfdom" is clearly not applicable any longer, since rural residents are neither bound to the soil as they were in the commune era nor operating in an economic system organized on socialist principles. Nonetheless, both rural residents and rural migrants living in cities continue to suffer from institutionalized discrimination in China today.

### *Signs of Change? New Policy Initiatives in the 21st Century*

Although China's market reforms have not, to date, done much to reduce the disadvantages that come with being born in a village and bearing an agricultural household registration, there are two developments in the new century that provide a glimmer of hope that the institutions that have promoted such a sharp cleavage between rural and urban might eventually be reformed and the social injustice they foster ameliorated. The first involves announced changes in state priorities in favor of rural areas, and the second involves increasing public discussion and debate about the injustices of the hukou system and experiments with that system's reform or even elimination.

Already toward the close of the period of Jiang Zemin's leadership (1989-2002), the CCP decided to shift economic development priorities somewhat away from the previous primary emphasis on coastal development and toward the interior, as symbolized by the campaign to "Open up the West" launched in 2000. At around the same time, vigorous new efforts were made to address rural discontent arising from the excessive burden of local taxes and fees, efforts focused on instituting "tax for fee" reforms and providing increased state financial resources to rural communities. [xxx] These changes, combined with another round of increases in the procurement prices paid to farmers for their grain deliveries in the mid-1990s, were intended to redress China's widening regional and rural-urban income and consumption gaps. Additional efforts along the same lines have characterized the team of CCP leader Hu Jintao and Premier Wen Jiabao that



assumed command after 2002. Hu has warned about the danger of social unrest – particularly in China’s villages – and is promoting the slogan of China becoming a more “harmonious society” and fostering a “new socialist countryside.” As part of this effort, beginning in 2004 the new leadership announced efforts to phase out agricultural land taxes and rural school tuition fees and to have the state provide an increased share of funding for rural schooling. A year earlier, experiments were launched to introduce and provide state financial subsidies for a new network of cooperative medical insurance systems in rural villages in order to reduce the barrier to obtaining treatment posed by medical fees. Also on an experimental basis, some localities in China have introduced a minimum income subsidy system for poor rural families (along the lines of the dibao system implemented earlier in Chinese cities)[**xxxii**] as well as a system of modest cash old age payments to rural parents who don’t have a grown son to support them. Again the picture is not entirely upbeat, since rural areas in recent years have been racked by rising protests stemming from another form of rural-urban tension – the confiscation of rural land for urban commercial and industrial development without adequate consultation and compensation. Still, on balance the range of recent policy initiatives designed to at least marginally shift priorities and resources more toward China’s rural areas seems a hopeful sign.[**xxxiii**]

The other area of possibly hopeful developments involves a rethinking of China’s hukou system. Increasingly since the mid-1990s, Chinese authorities as well as intellectuals have recognized the fundamental injustice of China’s hukou-based caste system as well as the way in which this system interferes with the optimal mobilization of the talents and energies of all of China’s citizens. Instances of abuse of both rural residents and urban migrants have been condemned in the official media and over the internet. Discussions have been aired about the need to promote a general sense of citizenship for all Chinese regardless of the accidents of where they were born. Regulations have been passed designed to give migrants equal treatment with urban hukou-holders in such realms as wages, fringe benefits, and schooling for their children. Many cities have repudiated their lists of proscribed industries and occupations, lists that had been used to restrict many urban jobs to those with urban hukou, while many localities have been experimenting with a variety of schemes designed to either make it easier for migrants to obtain permanent urban hukou or to reduce and eventually phase out some of the regulations designed to restrict access to urban resources and opportunities to natives of the city.

However, efforts to reform the system of hukou discrimination remained at an early stage when this essay was being written and apparently still faced stiff resistance within the leadership. One researcher (Wang Feiling) makes the jaundiced observation that there have been waves of proclaimed reforms designed to abolish the hukou system's injustices since the late 1990s, each of which has passed with only minimal impact. One reform being introduced starting in 2007 involves the replacement of the distinction between holders of agricultural and non-agricultural hukou with a distinction between local residents and outsiders. However, this change appears mainly to add another category to those discriminated against (migrants from other urban areas, who join rural migrants from elsewhere as "outsiders"), rather to give all of China's citizens equal legal rights to compete for and enjoy the opportunities and benefits of life in the nation's cities.

In March 2010 there was a dramatic outburst of public advocacy for abolition of the hukou system. Stimulated by some encouraging words from Premier Wen Jiabao during preparations for meetings that month of the National People's Congress and Chinese People's Political Consultative Congress, thirteen media outlets led by the *Economic Observer* jointly published an editorial calling for the abolition of the hukou system, including emotional language such as, "We hope that decades of Chinese government maladministration can end with this generation.... Let the next generation enjoy the sacred constitutional guarantees of freedom, democracy, and equality." (quoted in Minzer 2010). The response of the authorities was swift and harsh. The offending editorials were quickly removed from media websites, and the chief drafter of the plea, Zhang Hong, was forced to resign his editorial position. [xxxiii] In his subsequent remarks at the National People's Congress, Wen Jiabao stated that abolition of hukou restrictions would still apply only in small towns and cities, but not in large cities. In other words, the status quo in regard to China's dual caste system since the mid-1980s was not to be altered.

There remains considerable fear that if all hukou restrictions are removed, and particularly if this done too suddenly, Chinese cities will be swamped by tidal waves of additional migration from rural areas, posing a serious drain on urban resources and services and a serious threat to social and political stability (see Wang Fei-ling 2010). Nonetheless, the increasingly open debate and new initiatives launched in recent years provide some positive signs. The caste-like

divisions the hukou system perpetuates have survived three decades of market reforms, and China's leaders have given no sign that they have figured out how to dismantle the hukou system. However, the increasingly vocal consensus that this fundamental axis of social injustice must eventually be abolished suggests a possibility, at least, that the Mao-era caste barrier between China's rural and urban citizens may eventually be breached.

#### NOTES:

\* The essay is based upon a talk presented at the conference, "China in the 21st Century," organized by the Irish Institute of Chinese Studies, University College of Cork, Ireland, June 6-8, 2007. A somewhat different version appears as the introductory essay in Whyte 2010.

**[i]** This essay builds on previous research on rural-urban relations in the People's Republic of China, including Potter 1983; Whyte and Parish 1984; Chan 1994; Solinger 1999; and Wang Fei-ling 2005.

**[ii]** Deng Xiaoping was purged not once but twice during this period. He was purged in 1966, then rehabilitated in 1973, but then was purged again in 1976. After Mao's death later that year, the ouster of his radical followers (the "gang of four" and their supporters) prepared the way for Deng to be rehabilitated again in 1977. He remained the dominant figure in the Chinese leadership until his death in 1997.

**[iii]** In both the Mao and the reform eras, China has had one of the largest income gaps between rural and urban residents of any nation.

**[iv]** It would make a more appealing and even more paradoxical story if we could report that China's shift to market distribution since 1978 has led to a systematic reduction of rural-urban inequality in China, contrary to the conventional account which associates markets with inequality. However, the reality is too complex to support such a simple generalization.

**[v]** While class labels appear to play no role in affecting current decisions regarding opportunities and social mobility, the effects of two decades of class label-based discrimination on older Chinese could not be erased so readily.

**[vi]** There was a strong cultural tradition of native place psychology among Chinese migrants and a continuing role of native places and native place associations in organizing social life in pre-1949 Chinese cities, characteristics some claim inhibited the development of a general sense of urban citizenship or class identification in China compared with Western societies.

**[vii]** Urban China differed from the Soviet Union in having more total

bureaucratic allocation of labor and inability of individuals to change jobs.

**[viii]** During the Mao era there was a major effort to redistribute resources and funds from already developed to less developed parts of the economy, typified by withdrawal of resources from China's largest and richest city, Shanghai. However, the redistributed resources were used overwhelmingly to invest in industrial growth in smaller and newer cities in China's interior, and even in industrial complexes located in remote mountain areas (as in the "third" front campaign of the 1960s - see Naughton 1988), rather than in agriculture or rural development.

**[ix]** The unprecedented nature of these reverse migrations away from cities is conveyed by the need to invent the term "ruralization" to convey the obverse of urbanization. What other developing society has seen its largest city shrink in population over time? That is what happened to Shanghai, which had over 7 million people in 1957 and only about 6 million in 1973. See Howe 1981.

**[x]** Access to these benefits was not equal within the urban population, however. Some of these public goods were available only to the roughly four out of five adults employed in state-owned (rather than urban collective) enterprises, and even within the state sector, those employed in or connected with high priority firms managed at high levels of the bureaucratic system generally received better treatment than others (see Bian 1994).

**[xi]** However, certain categories of rural residents - those employed on China's limited number of state farms, as well as certain local officials, teachers, and medical personnel, were classified as state employees and/or nonagricultural population, and they were thus entitled to treatment more comparable to the urban population.

**[xii]** Bureaucratic control over prices and the use of price differentials were also the primary means of extracting low cost agricultural products to feed urban residents in the Soviet Union. When China's agriculture was collectivized in 1955-56, the resulting collective farms were termed "agricultural producers' cooperatives" (APCs). In 1958, as part of the Great Leap Forward, the APCs were merged into much larger units called rural people's communes. After the collapse of the Leap, communes were reorganized into somewhat smaller units, but the commune was retained as China's form of collectivization until de-collectivization was carried out in the early 1980s.

**[xiii]** After 1998 new regulations began to be implemented allowing individuals to claim the registration status of either their father or their mother, although some cities resisted following this practice for several years.

**[xiv]** The People's Liberation Army over the years relied heavily on rural recruitment. Unlike officers, enlisted personnel were required to return to their original residences and hukou when their service was completed, even if they had been serving in an urban location. However, the additional training and skills acquired in the military often led to leadership or other specialized roles back in the village, rather than a return to life as an ordinary farmer.

**[xv]** There are some exceptions to these generalizations. The unpopularity of the program that sent 17-18 million urban educated youths to settle in the countryside in the decade after 1968 led to a change in the rules, so that youths sent down after about 1973 were promised a return to their cities of origin, and a recovery of their registration status in that city, if they had spent a designated number of years (often three) laboring in agriculture.

**[xvi]** When urban educated youths were forcibly resettled in rural villages, the state provide a one-time "settling down fee" that was supposed to ease the financial burden on the receiving villages. It was assumed that over time the rusticated youths would acquire farming skills and become contributors to, rather than drains on, village economies. However, given the poor preparation of most urban youths and the substantial morale problems involved in rural resettlement, it is questionable how often this optimistic scenario was fulfilled.

**[xvii]** One exception to this generalization is that some urban employers, particularly factories, could request permission to hire temporary, contract laborers to meet short-term fluctuations in production activity. In some cases they could recruit such temporary workers from rural locales (see Solinger 1999: 39-40).

**[xviii]** Short term visits were possible, such as on business assignments or to visit relatives, with the proper travel papers and after converting grain or local grain ration coupons to the provincial or national grain ration coupons required to purchase food in the destination city. People who managed to stay in a place where they were not registered were referred to as "black people, black households" (heiren heihu). The main instance of this occurring on any scale involved urban youths who had been sent down to the countryside in the mass campaign after 1968 who sneaked back and stayed with family or friends. In these cases they might prevail upon their hosts to share ration coupons and food in order to evade the system, but even so the black market, theft, and other shady activities some youths resorted to in order to survive contributed to a sense of declining urban social order in the 1970s.

**[xix]** Flight from poor villages in the past might be to other villages or to more

sparsely settled regions around China's periphery. We know little about such poverty-induced migration within rural areas in the 1960s and 1970s. However, such migration is likely to have been minimal also, since the strict enforcement of the household registration system and the way in which rural people's communes operated as exclusive corporate membership trusts posed substantial barriers against migrants (except for in-marriage brides) trying to gain entry and acceptance in other villages.

**[xx]** There have been experiments and proposals to phase out the mandatory procurement of grain from the countryside and rely entirely on markets. Over time the proportion of the crop governed by state procurement has declined so far that today almost all crops in China are traded at market prices. The state grain tax was abolished in 2004 (see discussion below).

xxi. A long-overdue increase in the state procurement prices paid to farmers for their obligatory grain deliveries in 1979 also contributed to the shrinking of the rural-urban income gap in the early 1980s.

According to official figures, the ratio of average incomes of urbanites compared with rural residents fell from close to 3:1 prior to 1978 to less than 2:1 by 1984, before shooting up again to more than 3:1 in recent years. See Li and Luo 2010, Figure 5.1

**[xxii]** However, since villagers can readily become migrants, while neither villagers nor migrants can readily become urban citizens, it seems more accurate to describe the present system as still consisting of two distinct castes, rural and urban, with the rural caste subdivided into two subgroups, villagers and migrants.

**[xxiii]** After a widely publicized incident 2003 involving the death of a migrant in detention in Guangzhou, Sun Zhigang, new regulations were passed designed to minimize such abuses, although a few years later they seemed to be occurring again. Sun's case stirred special outrage because he was a college graduate from another large city (Wuhan). No comparable outrage has been expressed over cases of abuse of true rural migrants. Migrants are supposed to register with a local police station if they are staying for more than three days in their destination city and apply for temporary household registration if they are staying longer than a month, but these requirements are unevenly enforced, and at times it has been estimated that less than half of the migrants present in the city are officially registered in this manner.

**[xxiv]** One study (Fong 2007: 87) states, "even the impoverished, academically unsuccessful urban Chinese [youths]...tended not to think about themselves as part of a lower class because they, like most urban Chinese citizens, saw

themselves as united with urban citizens of all classes in a superior urban citizenship category defined by its opposition to an inferior rural citizenship category.”

**[xxv]** China’s institutionalized discrimination against migrants has been criticized as a major human rights abuse. See Human Rights in China 2002.

**[xxvi]** Urban population statistics in China involve multiple complexities and puzzles—particularly the fact that official city size statistics are affected by administrative boundary changes and the variable inclusion of large rural areas within city administrative jurisdiction, and not solely by the natural increase of the existing urban population and rural-urban migration. Since experts engage in heated debates about what the most meaningful figures are for the urban population proportion at any point in time, we will be content here with these “ballpark” urban population estimates.

**[xxvii]** Villages that had successful business enterprises could tax the profits of such businesses to meet these local expenses, thus reducing the need to dun village families with extra fees. Since such enterprises were concentrated in China’s coastal provinces, the burden problem seems to have been most severe in interior provinces.

**[xxviii]** During the Mao era there was some emphasis on development of rural industry. However, the goal of such village factories was to meet rural needs for cement, farm tools, fertilizer, and other agriculture-related products, not to produce for domestic or foreign markets or to augment village incomes. As such the employment and other impacts of the village factories were limited prior to the reform era.

**[xxix]** One special category of very rich villages has developed in recent times, referred to as “urban villages.” These are rural communities that have been swallowed up by expanding cities, and in the process they have been able to negotiate highly advantageous financial arrangements for turning over their land for development by city or private developer use. Through these arrangements members of the village retain their claims to the land and receive regular payments (essentially rent) that are often so lucrative that the villagers can live on them without engaging in any labor themselves. Members of this new “peasant rentier” class differ from the vast bulk of China’s villagers and migrants in rejecting offers to change their household registration status from agricultural to non-agricultural, for to do so would forfeit their claims to their land and thus to these rent payments.

**[xxx]** The effort to reduce the rural tax and fee burden already has had

considerable impact, according to the data in a national survey I directed in China in 2004. About 70% of the rural respondents in that survey replied that there had been some or substantial reduction in the taxes and fees they paid compared with three years earlier.

**[xxxii]** The dibao system is a very modest minimum income program in which the urban poor receive cash subsidies from local governments.

**[xxxiii]** However, as of 2009 urban incomes were still growing faster than rural incomes on average, with the urban-rural income ratio increasing to 3.33 to 1 according to official figures, the highest level since 1978. See Fu 2010.

**[xxxiiii]** The other editors involved received administrative rebukes. After he was sacked, Zhang remained unrepentant. In an article explaining how the joint editorial came about, he concluded, "I have a firm conviction that legislation that disregards the dignity and freedom of the people will ultimately land in the rubbish heap of history. I hope that this system will ultimately be abolished. When the time comes I believe that many people will burst into tears from happiness and run around spreading the news." (Zhang 2010).

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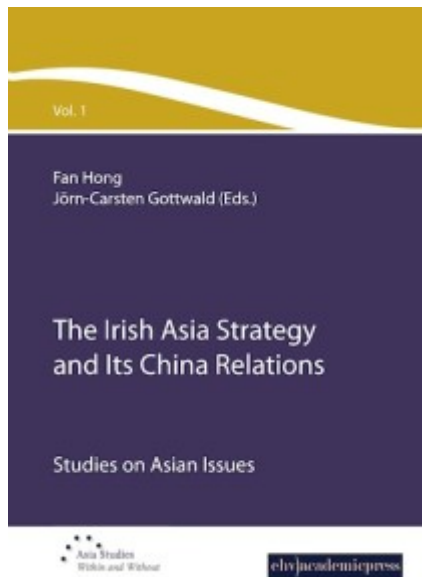
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## **Chapter 4: Towards A Creative China - Education in China ~ The Irish Asia Strategy and Its China**

# Relations



## *I. Introduction*

This paper discusses creativity and independent thinking in Chinese culture and education. Though focusing on China, it also poses the deeper pedagogical and philosophical question of how to make people creative. The question is something of an oxymoron. For it would seem that in the process of making others creative, the actively creative agent is the one who makes them so, and the outcome, namely the creative student, a passive creation. In fact, the oxymoron reveals an illuminating point. We most probably cannot make others creative. We can only enable them to make themselves creative or facilitate their enhanced creativity. In order to become creative, one must make oneself so.

Creativity is therefore not something to be taught, and in many cases, teaching may even reduce creativity. From the moment of their birth, human beings display a most tangible kind of creativity by inventing, entirely on their own, ways to interact with their surroundings. But then many unlearn their inventiveness through the systematic standardisation of our schooling system - they learn how not to be creative. This is far from being a problem restricted to China but is present in all places presiding over a institutionalised school curriculum.

Institutionalisation and standardisation contain the danger of excessive concentration of the uniform structure per se at the expense of generating diversified outcomes to which the structure should be conducive. Thus, ever since creativity and independent thinking began to be considered desirable traits in the West a few centuries ago, they have been and still are among the most consistent conundrums of the various Western education systems.

But in contemporary China, it seems, the problem is particularly pressing. Chinese educators, entrepreneurs, parents and even the odd politician worry in particular about the inability of the Chinese education system to produce creative and independent thinkers. Among these, many believe that without such characteristics, China's future capacity to maintain economic growth and a continually stronger position in global politics will be endangered. There is

certainly a strong element of truth in this, as will be discussed in the following, but I also argue that the concentration tends to start on the wrong end, to be, so to speak, on the “wrong” kind of creativity, a kind that can be sustained only with great difficulty if a deeper, more underlying kind of creativity is not fostered as a basis.

Before proceeding further in this analysis, some of the vocabulary applied in these pages require clarification. For “creativity” is far from being a self-explanatory concept. Rather, how it should be defined and understood has for a long time been and is still being discussed and debated in various academic, artistic and other circles.

## *II. Understanding Chinese Creativity*

The meaning of creativity depends largely on certain cultural assumptions that may not always be entirely known to us. Different cultures may rest upon a metaphysics or cosmology that engenders divergent conceptions of creativity. In Western culture, while certainly containing divergent views of creativity, the dominant understanding can be traced back to the Judeo-Christian notion, influenced by classical Greek philosophy, of *creatio ex nihilo*, creation from nothing, according to which God created the world out of the great void. This fundamental understanding of the world as a “personal creation” seems to have had an impact upon virtually all later conceptions of creativity in the Western (Christian) world. To be creative has been regarded as a production of some thing, idea or design out of nothing but one’s own selfhood. It has to emanate from there, for otherwise it would tend to be considered an insincere act of copying or plagiarism, or a “mere” rearranging of something that already exists. Creativity is necessarily tied to the mysteries of the self and its spontaneous faculty of imagination. **[i]** Creativity consists, by definition, in originality.

Just as Western metaphysics is fundamental for coming to an understanding of Western notions of creativity, comparable Chinese notions rest upon Chinese views of the world. Traditional Chinese metaphysics, however, travels its own path. In Chinese views of the world, cosmogony, while certainly existing, has never played a prominent role. In other words, how the world originally came into existence has not had a bearing on the way in which the world is understood. **[ii]** The classical Chinese worldview is that of *wanwu* 万物, literally “ten thousand beings” or simply “all the things that exist”. The *wanwu* is in a continuous state of flux, that is to say, it is continuously arranging and rearranging itself according to

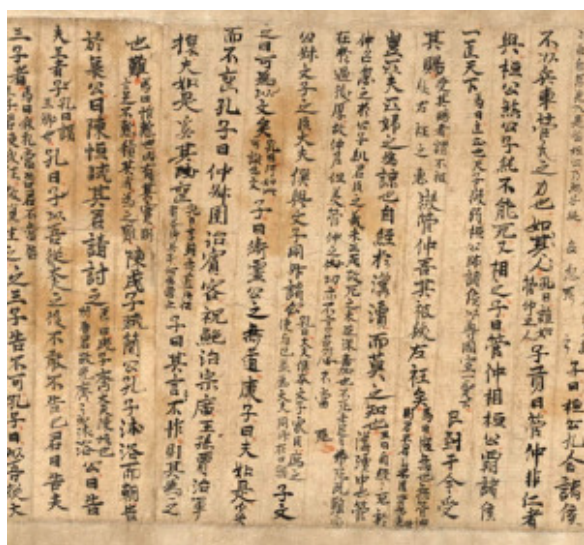
tendencies inherent in the self-engendering (ziran 自然) process illustrated through the interaction of yin 阴 and yang 阳. Where the wanwu originally came from, or whether it originally came from anywhere at all, is not really an issue. In such a world, creativity is not an act through which something new is generated out of nothing (or the self), but one through which an advantageous or productive configuration is achieved of a certain field within the wanwu on which one happens to be currently focusing. **[iii]** From this point of view, creativity consists in making use of what one has in the best possible way, in making the most of one's circumstances.

Both ancient Chinese thought and contemporary practice exemplify this sort of creativity. The Classic of Changes (Yijing 易经) and the Classic of the Way and the Virtue (Daodejing 道德经) portray the world as a holistic process in which its components are continuously transformed. Even the well known section 42 in the latter, often interpreted as expressing some sort of cosmogony, conveys precisely this continuity of the world process: 道生一，一生二，二生三，三生万物. **[iv]** What it does not say here is that the way "originally" created the one, the one two, and so on, but that this is an ongoing process in which one thing gradually gives rise to the multiplicity of all things in the world. The way is not a creator, but rather the ongoing world process itself according to which things both come into existence and cease to exist.

Seeking to adopt practice in conformity with the workings of the ten thousand things, the Daoists present the most manifest example of a continuously transformative human living. In the Daoist classic, the Zhuangzi 庄子, we are told of the sages who preserve their own "constancy" within the flow of things by changing along with them in their continuous flux. **[v]** Being "constant" in this sense does not imply being static or stagnant; in fact, quite to the contrary. By continually reconfiguring their stance vis-à-vis previously unencountered circumstances, the sages are capable of handling them in a productive and effective manner. While this feature of Daoism is hardly debatable, one may ask whether anything comparable applies to Confucianism, which, after all, had the greatest influence on Chinese education.

Confucianism is commonly regarded as a philosophy of static or even reactionary tendencies that resists creative adaptations. But this is a highly misleading image derived from the state of the Confucian philosophy at the end of the last Chinese dynasty, the Qing. As is well known, Confucius certainly stated that he was simply

a transmitter of past wisdom, but not an innovator. **[vi]** While often taken as evidence of the conservative spirit of the teachings of Confucius, this statement appears, however, merely to exemplify Confucius’s own modesty as well as his respect for the cultural tradition. For the aim is not a mere preservation. Confucius is also to have said that “learning without reflection results in confusion, reflection without learning results in peril.” **[vii]** While the latter part of this statement refers to irresponsible and narrow speculation without considering overall consequences, the first part is a clear disapproval of mere preservationism. The character wang 罔, translated above as “confusion,” can also mean “disorientation,” and, in fact, Zhang Weizhong, a commentator of the Confucian Analects, explains it as “disorientation that leads to nothing.” **[viii]** Evidently, those who simply stick to old methods and norms without reflecting on how to adapt them to new situations are unlikely to be successful in their efforts. They will effect nothing. In the Zhongyong 中庸, Confucius is reported to have said that those who are “born into the present age and yet return to ways [dao] of the past will cause themselves misfortunes.” **[ix]**



An ancient script of Confucius’ Analects.  
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In the Analects, moreover, Confucius says that “one who realises the new by reviewing the old can be called a proper teacher.” **[x]** Confucius thus emphasises the importance of re-evaluating the tradition. Tradition is surely of vital importance as a foundation for proper behavior, but it should not dictate it in a dogmatic manner. Instead, proper behavior should be formulated with regard to a

critical re-examination of the tradition itself. **[xi]** The most concrete form of such an examination entails personalisation of the values and practices that constitute it, for new situations continuously call for new responses within the framework of its paradigms. Such responses, when thoughtful, take into consideration the relevant values and past practices belonging to the tradition. However, it is up to the agents as concrete persons to reinterpret the significance and meaning of these values and practices by constantly adapting and re-adapting them to the current circumstances. “Proper behavior” is therefore not only proper in the sense of conforming to traditional values and practices □ it is also “proper” in the sense of being the manifestation of personal “appropriation” of the tradition as such. By responsibly continuing the tradition, persons make it their own; make it “proper” to them. **[xii]** And, obviously, this can be done in a multiplicity of ways. Openness is guaranteed through the virtual infinity of diverse personal character-traits. Confucius would therefore surely agree with the communitarian philosopher Alasdair MacIntyre’s argument that “[t]raditions, when vital, embody continuities of conflict.” **[xiii]** The point is not to return to the ancient ways, or the ancient tradition. The Confucian junzi zhi dao 君子之道, the way of “refined,” “cultivated” or “edified” persons, **[xiv]** the ideal human way within the way of the world, refers precisely to the endeavor to continue forging the path that constitutes the tradition, to continue making the tradition, for otherwise it is not tradition (chuantong 传统) but dogmatic orthodoxy (zhengtong 正统) – tradition that has been ossified. **[xv]**

Throughout the history of China, Confucianism operated and even approached itself in such manner. The Confucian classics were interpreted and reinterpreted with regard to the needs of the day. Thus, when writing commentaries to these texts, there was, at least up to the late Ming dynasty, a conspicuous absence of an attempt to explain the text in question by getting to its “original” and “only true” meaning. Instead, the dialogue was continued in such a way that the ideas expressed in the texts evoked the commentators’ own ideas and inspired them to elaborate them further. The French sinologist François Jullien puts it in such a way that “the commentaries have not set themselves up as hermeneutics. Instead of interpreting, they elucidate.” **[xvi]**

Recent scholarship on the historicity of Confucianism has expressed similar views. For example, Chun-chieh Huang (Huang Junjie) says, speaking of the neo-Confucians’ reading of the Mencius: “During the prolonged dialogues back and

forth among [Zhu Xi] and his disciples we never find them regarding the Mencius as an objective text unrelated to their personal lives. They all blended their life experiences into their various readings of the Mencius.” **[xvii]** Not surprisingly, this constant elaboration of the classics has also resulted in a confusion as to how to characterise Confucianism in general without specifying particular perspectives, periods or even thinkers. It would, indeed, seem more appropriate to approach Confucianism as a temporal-specific, non-essentialisable kind (or indeed, kinds) of philosophy, which, through human intervention and creative interpretation, was (or were) in a process of constant change and adaptation to the particular historical circumstances.**[xviii]** It is not so much that such an approach prompts us to question whether we can speak of Confucianism as a consistent school of thought; it rather compels us to be more careful when applying labels of demarcation to any streams of thought in Chinese culture, since their open-endedness and flexibility appear as an almost “universal” hallmark.  
**[xix]**

An indication of an explanation of this peculiarity consists in the Chinese approach to tradition. A good case in point is the Song-dynasty philosopher Lu Jiuyuan (also known under his literary name Lu Xiangshan). Lu perhaps more explicitly than others formulated the nature of this interaction when he said that just as “the six classics interpret me, I interpret the six classics” (六经注我，我注六经).**[xx]** Just as we condition cultural artefacts by interpreting them, we are equally conditioned by those very artefacts. All in all, it is also I who interpret the six classics and thereby continue forging the ongoing cultural narrative, forging the “way” ahead. Confucius formulated perhaps the most powerful expression of this attitude or approach to the world when he said: “It is the human being who broadens the way, not the way that broadens the human being” (人能弘道，非道弘人).**[xxi]** Whether we understand the “way” (道) as a human construction, as “teachings” or “culture,” or as a cosmological propensity of the world, Confucius is reminding us that we, as living, thinking and acting human individuals, must not allow ourselves to be entirely conditioned by the way as it is at any given time. We should not submit unconditionally to tradition nor to the natural forces, but are instead responsible for its elaboration and/or creative adaptation to the present circumstances: to interpret, to understand, is simultaneously to develop and to create. Novelty emerges from new arrangements of present configurations.

Two main tendencies characterising classical Chinese creativity can be derived

from this. First, it endeavours to rearrange what is already present with regard to present circumstances, and secondly, it reaches out to the past in order to extend the present towards the future. An effort to create something new out of “nothing” is, for the most part, absent.

This tendency has also been identified in contemporary Chinese practice, though undeniably with somewhat condescending or humble overtones, depending on where it comes from. Western sceptics have expressed the view that there is no need to fear competition of Chinese technology, since “China is all broth and no noodle.”**[xxii]** Scientific breakthroughs are beyond China, they say, due to its “shortage of national champions and its dependence on foreign technology.”**[xxiii]** Conversely, the Chinese themselves seem to overlook their creative potency. A giant Chinese company such as Huawei humbly considers a truly original and simplifying modification of its mobile-phone base-stations as “merely an improvement in engineering processes” instead of real innovation worthy of the name.**[xxiv]** Analysts have noted that the strength of Chinese technology “lies in ‘trolling’ through existing technologies and components, and combining them in new ways.”**[xxv]** A good example is Haier, as told by Donald Sull at London Business School: “Haier’s repairmen found that rural customers used their washing machines to clean vegetables, as well as clothes. Its response was to widen the drainpipes that might clog with the peels.” **[xxvi]** Besides the adaptative response on Haier’s end in this particular case, the creative use of the washing machines by the “rural customers” should not be overlooked.

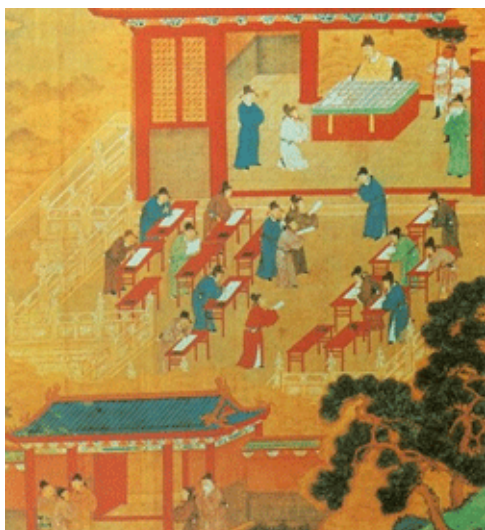
### *III. Teaching Creativity in China*

Given that the Confucian philosophy approaches existence in such a personalised, creative way as described above, it would clearly have to be capable of conveying that way to those who aspire to learn it. In other words, it must preside over an applicable teaching method if it is not to be a mere armchair philosophy. And indeed, the early Confucians offer us two kinds of teaching method, the verbal and the performative. From the ways in which these are carried out one can see the complementarity and connection between them. “Verbal method” refers to teaching through dialogue. In the Chinese tradition, dialogue is broadly conceived as a continuous process of elucidation in which the teacher is meant to inspire the student to come up with his or her own elaborations of the original ideas. Thus, in such a dialogue, a “teacher” could also be understood as a text and the “student” the reader and interpreter of that text. This partly accounts for the long scholarly



tradition of writing commentaries to canonical texts as discussed above.

The major part of the Confucian Analects is a particularly conspicuous example of the priority of incitement over dictation. This accounts for the virtually infinite richness drawn from it by Chinese commentators of the Analects for the last two and a half millennia, but, interestingly, also for its general failure to leave an impression on Westerners who tend to be disappointed by its lack of theoretical argumentation and “rational” systematisation. This is not merely a question of comprehension. For the Master, when responding to the questions posed by his disciples, tends to perplex not only his readers but also his own disciples by being extremely laconic and vague. The clear expression of their perplexity in the Analects is certainly not without significance. Moreover, many of his answers also appear to be mere platitudes or tautologies, and he often responds differently to the same question on different occasions.



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There are some passages, however, where Confucius provides a hint of an explanation, or at least a rationale, for his own method. For example: “If, when showing [the students] one corner and they do not return with the other three, I do not repeat myself.” **[xxvii]** Confucius’s ideal students are those who elaborate on his vague “sketches” and succeed in depicting a whole picture. On one occasion he discusses some sayings with his disciple Zigong who subsequently illustrates the Master’s answer with an appropriate quote from the *Book of Odes* (Shijing 诗经). Confucius responds to Zigong’s performance by praising him for being able to infer what could follow from the point he himself made

initially. **[xxviii]** I say could follow, for, as will be clear, Confucius is not fishing for one particular answer; the “other three corners” are not already fixed in their concealment and need merely be discovered. Confucius is not just a master of riddles. Nor is it the otherwise perfectly valid and valuable point, important in Plato’s *Meno* and common in contemporary pedagogic theory, that by making the students go through the entire process for realising the answer one will help them acquire a better and fuller understanding of the issue than if one simply told them the answer. The method of “hinting” certainly serves the purpose of inciting the students to reflect on the issue and develop their own understanding of it. But the key point consists precisely in “their own understanding,” or, more appropriately, considering the practical nature of understanding in Chinese thought, “realisation.”

This can be seen from another *Analects* passage, where Confucius asks Zigong to compare himself with the prodigy-student, Yan Hui. Zigong responds: “How could I dare comparing myself with Yan Hui! On learning one thing he realizes ten. I myself, on learning one thing, realize the second.” Confucius says: “You are not his match. Neither I nor you are his match.” **[xix]** In his translation of this passage, James Legge provides an illuminating elaboration on its fuller meaning. The Chinese character for “ten” (shi 十), by representing the four cardinal directions as well as the centre, is also associated with completion or entirety. **[xxx]** Thus Legge translates as: Hui “hears one point and knows all about the subject.” The implication of this passage, as François Jullien has noted, is that “the slightest indication bears fruit in” Yan Hui and that he can develop the lesson to the end on his own. On the other hand, when Zigong learns something, he can also complete it, but remains “limited by a successive progress, which is flatly deductive, without rising to universality.” **[xxxx]** Yan Hui’s superior ability consists in perceiving the opportunities and possibilities for development proceeding from the initial point. This interpretation is further supported by Confucius’s comment at the end, that neither he nor Zigong is Yan Hui’s match. Confucius perceives Yan Hui’s productivity or creativity as being superior to his own.

In the section on learning in the ancient *Book of Rites* (*Liji* 礼记), this hinting-method is spelled out even more clearly: When junzi 君子 have realized the sources for successful teaching, as well as the sources that make it of no effect, they are capable of teaching others. Thus, when junzi teach, they lead and do not

herd, they motivate and do not discourage, initiate but do not proceed to the end. Leading without herding results in harmony; motivating and not discouraging results in ease; initiating without proceeding to the end results in reflection. Harmony, ease and reflection characterize efficient teaching. ... Good singers induce people to carry on developing the tunes. Good teachers induce people to carry on developing the ideas. Their words are few but

efficient, plain but outstanding, with few illustrations but instructive. Thus they are said to carry on developing the ideas. **[xxxiii]** That good teachers “initiate but do not proceed to the end” means that they only hint at the path, but do not spell it out in detail. If they proceed to the end, they are dictating, or, indeed, indoctrinating, but not teaching. Although students initially acquire modes of action from within the parameters of the tradition, it is imperative that they be given sufficient leeway to refine and realise their own personalised modes, because tradition’s main evolutionary drive consists precisely in such modes. Thus, if the teachers also “proceed to the end,” they obstruct this evolution and prevent the tradition from growing. Put in another way: the path, instead of continuing, will only lead back to the starting point.

The Confucian philosophy of education is therefore in accordance with the general Confucian concentration on practical action over speculation. In fact, it would be difficult to see how that could not be the case. If the purpose of education is to enhance knowledge and wisdom, and, in turn, knowledge and wisdom are understood principally as the ability to handle affairs efficiently, then education will largely revolve around ways in which how best to enable the student to develop skills to manage real affairs. Thus, a performative mode of education, a mode in which the student gains first-hand experience, is emphasised even more than the verbal mode. After all, as it says in the *Records of Learning* (Xueji 学记), a chapter of the Rites: “Teaching is [only] the half of learning” (xue xue ban 学学半). **[xxiv]** The point of Confucius’s vague incitements is to make the disciples ponder his words, develop their own understanding, and then act on that understanding. Understanding (zhi 智) must lead to action (xing 行).

For this reason, education is to a significant part left to the students themselves. It is only through self-education or self-cultivation (xiushen 修身) that we may hope that individuals keep developing and adapting society to the always unpredictable forces of circumstances. To go back to the problem posed at the

beginning of this paper, it is in this sense that they make themselves creative. The task of teachers is merely to stimulate students to search for appropriate ways to figure out or handle their respective subject-matter. If the teachers dictate answers, they prevent a natural evolution of approaches to the constantly changing circumstances. They teach orthodoxy but do not maintain, that is to say, carry further, tradition.

Now obviously this contradicts the received image of Confucianism, and in Chinese history one finds many instances of Confucian teaching methods that, apparently, refute this interpretation. This is true enough and rests upon some problematic aspects of the Confucian philosophy of education. First of all, the method cannot be based on something of a “blueprint” as it must constantly adapt itself to both subject-matter and learner. And secondly, not everyone is able to master it, perhaps even only a few, while any given society requires a large number of teachers. These problems are characteristic of ambitious philosophical ideas, and ones that most, if not all, philosophies have to deal with when successful. And undeniably, Confucianism’s official status in the Chinese empire brought it towards ossification.

Nevertheless, it appears that until the latter half of the sixteenth century, Confucianism’s drive as “creative traditionalism” enjoyed, for the most part, considerable success in the dynasties in which had a strong foothold, most notably the Han, Tang and Song dynasties. The civil service examination system, originally initiated under Emperor Wu of the Eastern Han dynasty, had its weaknesses and limitations, and was subject to manipulation by the wealthy and powerful, but it still contributed to a modestly successful meritocratic hierarchy that probably reached its zenith during the Song dynasty.

After the Song, however, the system seems to have lost its dynamic qualities. The evolution of Confucian scholarship during the Ming and Qing dynasties is a fascinating but immensely complicated topic involving a number of various social and philosophical factors, on which only a few summarising comments can be offered here.

While in many ways understandable that the early Confucian focus was on society and social stability in the dire conditions under which it was produced and developed, it should have been a stimulant for other foci in different circumstances, i.e. in times of relative peace. Instead, when economic and social

factors underwent enormous changes that would have required certain responses from political leaders, it failed to produce these responses. One reason is of course the long-standing Confucian lack of interest in, even contempt for, commercial affairs and economic profit. But the divide between, on the one hand, an idealised form of government and organisation and a fast changing reality, on the other, further contributed to China's stagnation during and after the Ming dynasty. Helplessly facing an administration largely in the hands of corrupt eunuchs of the inner court who despised the educated class, the Confucians at the end of the Ming turned their attention away from the present and future evolution of society, and inward into the past, towards a pedantic, dogmatic and reactionary view of ritual and correct behaviour.

During the Qing, Confucian scholars found themselves in an even more complicated dilemma. They had, just like the Qing emperors, repudiated the idealist philosophy initiated by Wang Yangming for stimulating the selfishness and moral corruption that brought down the dynasty. **[xxv]** However, they were also incapable of sharing the foreign Manchu rulers' adoration of Song neo-Confucianism orthodoxy. And lastly, the Manchu emperors exerted rigorous control over scholarship in order to avoid the publication of anti-foreign writings as well as potentially revolutionary activities. Not many options seemed available. The way most scholars found out of this dilemma led them in fact further back, all the way to the original Confucianism of the Zhou dynasty through Han dynasty sources, whereby they also introduced a rigorous methodology of textual criticism, the so-called "evidential research" (kaozheng xue 考证学). Unfortunately, this revival of the antiquity did not produce a revival of Chinese culture comparable to the revival enjoyed in the West following the rediscovery of classical texts during the renaissance. "Evidential research" involved a disapproval of speculation and demand for "hard facts", which may sound as a form of scientific empiricism, but which gradually narrowed itself down to a rigorous and rather obscure textual analysis, such that many a group of scholars was "...so rigid in its view of the ancient commentaries of the Eastern Han as to preach that 'the ancient teachings cannot be revised' and one can only 'maintain conformity to the family statutes of the Hans.'" **[xxxvi]** Seeking their own identity in the classical sources, the tendency of Ming-Qing Confucianism was towards a further reification of the Confucian practices, including, of course, education and its "ingrained" innovative force. Needless to say, the education system suffered in a comparable manner. It is therefore fair to say that from the Qing dynasty

onwards, long before the civil service examination were abolished and Confucianism officially denounced in the twentieth century, Confucianism ceased to be a creative catalyst in Chinese educational practices.



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Nevertheless, education never lost its preponderant position in Chinese culture, and the twentieth century saw many reforms and experiments to construct a modern education system on a non-Confucian basis - with debatable results. Primary and secondary education in the PRC today is not very likely to stimulate independent thinking and creativity. The most important reason is that the education process revolves de facto around tests, in particular the gaokao or the college entrance examination, that, much as the imperial examinations of the past, is (or at least is held to be) the decisive factor for the quality of life that the person will enjoy. Therefore, parents have their children begin preparing for this examination at a very early stage. As one would expect, the one-child policy has merely exacerbated this tendency.

Lii Haibo, editor of Beijing Review, puts it in the following manner:

*In primary and secondary schools throughout the country, examination-oriented education still prevails, although both parents and educators have realized it hurts students' personalities, including the ability to think independently. In such an education system, students, including those prodigies, are trained to believe that their brains function mainly as a storage center. They are required to remember as much as they can. They are overloaded by heaps of homework. They don't have enough time to play, sleep or do anything they like to do.*

*I once asked a senior high school boy, "Have you ever believed your brain to be a magic box?" "What do you mean?" he asked. "I mean you can be a great scientist like Einstein, if you use your head as a source of new ideas." He told me that he*

*didn't need new ideas. All he wanted was to remember his teachers' ideas and the textbooks. I understood that. Because the reality tells him that's what an excellent student is all about.* [xxxvii]

Another educator, Li Junjie, says, in a similar manner, that "...elementary and middle schools emphasize filling students' brains with information, but ignore their moral, physical, and aesthetic dimensions. Teaching methods are directed toward pouring information into students, and not to the development of thinking skills, personal character, and creativity. In this model of teaching, students are treated like empty cups, and not surprisingly many psychological problems have been reported. In short, 'education for taking exams' has become a barrier to the development of education in China." [xxxviii] Considering this situation, especially with regard to China's new role in the world order, it is not surprising that Chinese teachers and at least low-level authorities in China have displayed considerable interest in alternative pedagogies. [xxxix]

An interesting example of such pedagogies is the "Philosophy for Children" programme, which was first developed in the 1970s by Matthew Lipman, a professor of philosophy at Montclair State University in the United States. This programme aims at enhancing students' critical and cognitive skills, creativity, concentration, sense of community, motivation for independent inquiry, and so on, by engaging them in philosophical discussion that focuses on students' initiatives in asking questions and discussing topics in which they themselves take genuine interest. [xl] In a session of philosophy for children, the teacher is merely a facilitator. He or she does not tell the children what to talk about or what is true or not, but only leads the discussion and tries to make sure that it reaches some philosophical depth.

The programme has been enormously successful around the world and is active at some level everywhere in Europe, in North- and South-America and in many places in Asia. It has aroused quite some interest in those places where it has been introduced in the People's Republic of China, and the methods have partly been adapted by Chinese teachers to be applied for teaching an even wider range of subjects. [xli] One of these places is Jiaozuo City in the province of Henan. Teachers in Jiaozuo got acquainted with the programme already in 1995 through exchanges with the University of Hawaii at Manoa, where philosophy for children has been practised since the 1980s. The Jiaozuo teachers saw in the programme an opportunity to improve education in China, and during the following years

sought to apply it in their own work.

However, this turned out to be particularly difficult. In a normal philosophy for children class, everyone sits in a circle on the floor, facing each other, listening to and participating in the discussion. But in a class of at least sixty and sometimes up to eighty students, this is obviously impossible. A further problem was simply time. The teachers' curriculum in China is overloaded with material to be covered, which made it difficult for them to find time to conduct open-ended discussions of topics for which the students would not be tested. **[xlii]**

But the teachers refused to give up. They thought of ways to adapt the programme to their circumstances. After several years of experimentation, they came up with the so-called "Elicitation Inquiry Style Teaching Method" (qifa tanjiu shi jiaoxue fa 启发探究式教学法). Instead of restricting the subject-matter to philosophy, teachers have been using this method in various subjects, mathematics, art, science, literature and others. The method encourages students to raise questions, to engage in small group discussions, and to think for themselves about possible solutions. In a manner similar to the Philosophy for Children programme, it challenges them to seek out clarification, reasons, implications, and assumptions, as well as to reflect on their own thinking. **[xliii]**

In this way, teachers found that they could adopt the inquisitive spirit of philosophy for children and at the same time work with large classes of sixty or more students. The experiment has enjoyed considerable success. In the year 2000, twenty-one schools in Jiaozuo participated in a trial of the method, and in the following year, both Jiaozuo's Municipal Education Committee and its Institute of Education Research recommended that all schools in Jiaozuo adopt the Elicitation Inquiry method in their classrooms. **[xliv]** The fact that Chinese educators should be willing to adopt such an alien teaching method, one that Lipman developed on the basis of the pedagogic philosophy of the great American educator, John Dewey, might cause some people to raise an eyebrow. But considering the teaching methods suggested in classical Confucianism as discussed above, the main gist, or rather, "spirit", of the method applied in the *Philosophy for Children* programme is remarkably familiar to the Chinese cultural tradition.

The psychological and pedagogical similarity between the methods of the *Philosophy for Children* program and the Confucian methods suggested in the



*Book of Rites* and elsewhere are not only intriguing but also provide reasons for being hopeful. In contrast to the dominant teaching methods in the current Chinese education system, both emphasise that the teacher “lead but do not herd, motivate and do not discourage, initiate but do not proceed to the end.”

Moreover, an ideal facilitator in a session of Philosophy for Children ought to be a kind of Confucius, hinting and indicating without purporting to provide final answers, thus stimulating the students to reflect on the problem on their own. Apparently, some forms and aspects of Confucianism are now on the rise in China, and the ancient classics have been introduced to Chinese classrooms again after decades of banishment. One would hope that the creative-enhancing elements of these writings will gradually be revived and utilised. Further research on Confucian pedagogic theory and its applicability to the present could prove to be of immense value in this regard. By comparing and even fusing it with contemporary methods, such as those developed in the *Philosophy for Children* programme, one might be better able to extract some of its practical features. It would certainly be an interesting turn of events if the contemporary Chinese found the way to their ancient cultural heritage through a foreign teaching. One should, however, not forget that this foreign teaching is inspired by the educational philosophy of John Dewey, who, in turn, was much influenced by Chinese thought while he resided in China between 1919 and 1921. Perhaps the similarity is not that surprising after all.

#### *IV. Concluding Remarks: Reflecting Without Learning?*

The long-standing Confucian disposition to downplay economic issues has clearly been overcome in the PRC. In fact, such considerations receive more attention than anything else. The perceived need for China to “modernise”, meaning: attain technological superiority, is the main drive behind current economic reforms. Creativity is understood first and foremost as scientific and technological innovation. Whilst moral or character education in the People’s Republic has been promoted by all higher educational institutions in later years, the obstacles due to ideology and methodological codification are not easily overcome. **[xlv]**

First of all, the promoted values tend to be ones that seem to serve the interests of the authorities, which by now is obvious not only to teachers but also to students themselves. Secondly, the usual “inculcation” method for transmitting these values, using exemplary individuals and models of morality, such as Lei Feng, is so heavy handed that it “has rendered the public and even school

children cynical.” **[xliii]** Thirdly, character education seems to be thought of as measures to bring about social stability in order to enhance creativity in the domains of science and technology. Consider the remarks of Li Lanqing, former Vice Premier and a major proponent of the current educational reforms in the PRC:

*Schools are expected to provide an intellectual education while placing more emphasis on moral education and advancing physical and aesthetic education, as well as work skills and social practice so that these fields may become integrated and achieve balanced development for our students. Unless these issues are addressed, efforts to improve the overall quality of students will be affected, and education as a whole will fall short of the demands of the 21st century for economic, scientific and technological development and social progress.* **[xlvi]**

With such an attitude to education, the Chinese authorities may be putting the cart before the horse. Confucius, while fully aware of all the practical consequences of a harmonious society, understood that learning, education and morality must, in order to be effective, be practised for its own sake, and not merely for the sake of reaching some distant aims. To learn and practise what one has learnt is in itself a source of human joy, as he famously states in the opening passage of the Analects. **[xlvii]** A truly creative society that stimulates meaningful learning and innovation for its own sake and lays just as much emphasis on humanities and arts as on science and technology is sure to yield creative results in the latter fields from within. Critics of higher education policies in the People’s Republic have pointed out that the “overwhelming policy emphasis on higher education as an instrument of economic success tends to ignore the discourse of the ideas of modern university” and have cast serious doubts upon “the change of university as a social institution to university as a market-oriented enterprise”. **[xlviii]**

There is every reason to be wary of imposing such roles on the education system. In lectures given in 1933, the Spanish philosopher José Ortega y Gasset criticised the modern attitude to education as vocational specialisation. He deplored the inherent lack of passion in the Western educational system, whereby students are made learn things for which they did not feel any need. This, he said, has produced a culture of knowledge that does not concern us in our daily life any more, a culture of apathetic specialists, a culture utterly alienated from the knowledge of that which constitutes the good life: *This culture, which does not*

*have any root structure in man, a culture which does not spring from him spontaneously, lacks any native and indigenous values, this is something imposed, extrinsic, strange, foreign, an unintelligible, in short, it is unreal. Underneath this culture □ received but not truly assimilated □ man will remain intact as he was; that is to say, he will remain uncultured, a barbarian. When the process of knowing was shorter, more elemental, and more organic, it came closer to being felt by the common man who then assimilated it, recreated it, and revitalized it within himself. This explains the colossal paradox of these decades □ that an enormous progress in terms of culture should have produced a man of the type we now have, a man indisputably more barbarous than was the man of a hundred years ago; and that this acculturation, this accumulation of culture, should produce □ paradoxically but automatically □ humanity's return to barbarism. [xlx]*

When these words were uttered, at the dawn of the arguably most gruesome and barbarous period in history during which fascist and ultranationalist ideologies exhibited their fierce contempt for human life and dignity in many parts of the world, Ortega y Gasset could hardly have realised just how true they were. The more alienated from their knowledge, the less the knowers are capable of critiquing the value of that knowledge, and are consequently more easily manipulable in the name of some ideology. *"The solution,"* Ortega y Gasset continues, *does not consist of decreeing that one not study, but of a deep reform of that human activity called studying and, hence, of the student's being. In order to achieve this, one must turn teaching completely around and say that primarily and fundamentally teaching is only the teaching of a need for the science and not the teaching of the science itself whose need the student does not feel. [1]*

These words echo the position of John Dewey who never tired of pointing out the importance of integrating education and personal experience so that the students realise the purpose of learning and are then able to appropriate and apply that which they learn for the sake of contributing to the continuity of meaningful human living. [1i] There is much to indicate that such mode of thinking is at most peripheral in the modern educational system in most of the industrialised world, and perhaps in particular in the People's Republic. Vocational education and specialisation, of course, yield tangible results. After graduation from school, a student finds an occupation and produces, in most cases, measurable goods, at least in terms of income-tax. The fruits of character or moral education, of a developed sense or judgment, on the other hand, are intangible, immeasurable

and thus statistically non-presentable. Moreover, it may very well be that keeping people technically specialised without a developed faculty of judgement serves certain purposes. Referring to what he calls “the banking concept of education,” in which students passively receive, memorise and repeat the “deposits” made by the teacher, Paulo Freire, in his classic *Pedagogy of the Oppressed*, argues that it is a dominant tendency among educators to regulate the way the world “enters into” the students. The teacher’s task is to organize a process which already occurs spontaneously, to “fill” the students by making deposits of information which he or she considers to constitute true knowledge. And since people “receive” the world as passive entities, education should make them more passive still, and adapt them to the world. The educated individual is the adapted person, because he or she is better “fit” for the world.

Translated into practice, this concept is well suited to the purposes of the oppressors, whose tranquility rests on how well people fit the world the oppressors have created, and how little they question it. **[lii]** Freire’s position, in fact, has much in common with the Confucian view of education as a process of creative socialisation and thus enhanced humanisation. Education is conceived as a mode of transformation in which persons perceive themselves as not merely being in a world, but with it and with others. They are re-creators and not merely spectators. **[liii]** Whilst the importance of tradition is certainly underscored in the Confucian philosophy, it mainly serves to guide the evolving personalities on their paths towards improving and integrating their environment. Confucianism is, or could be, a revolutionary philosophy, but it is revolutionary in that the revolution, the re-creation, is continuous and never comes to an end.

The talent required for such an ongoing task is far from being limited to scientists or other specialists, but should be held of every single member of society. A truly successful society must be based on the inherent value and meaningfulness of communal living as well as the willingness to continually and creatively adapt its individual fields to changing circumstances for the sake of a dynamic integration of its members. It is to this that creativity and innovation, whether in science, technology, economics or in the moral sphere, ought to be conducive. Otherwise, to speak with Confucius, it may very well degenerate into “reflection without learning” that, eventually, “results in peril”.

## NOTES

**[i]** Probably the most influential Western theory of the imagination’s free, i.e.

disinterested, presentation of an external object to the inner subject is the one presented by Immanuel Kant in his *Kritik der Urteilkraft* . Kants Werke, vol. V (Berlin: Walter de Gruyter, 1968), e.g. §1, 204.

**[ii]** Cf. David L. Hall and Roger T. Ames, who argue that the “classical Chinese are primarily acosmotic thinkers,” that is to say, “do not depend in the majority of their speculations upon either the notion that the totality of things (wan-wu 万物 or wan-you 万有 , “the ten thousand things”) has a radical beginning, or that these things constitute a single-ordered world.” *Anticipating China. Thinking Through the Narratives of Chinese and Western Culture* (Albany: State University of New York Press, 1995), 184.

**[iii]** Hall and Ames have suggested the notion of a contextual “focus-field” order to characterise Chinese ways to continually arrange and rearrange the immediate surroundings. Cf. *Anticipating China* , pp. 268.

**[iv]** See e.g. *Tao Te Ching* , transl. D.C. Lau, 2nd edition (Hong Kong: The Chinese University Press, 1989). Lau displays brilliance by producing a deliberately vague translation of this passage: “The way begets one; one begets two; two begets three; three begets the myriad creatures.” In their interesting translation, Ames and Hall are somewhat more radical: “Way-making (dao) gives rise to continuity, Continuity gives rise to difference, Difference gives rise to plurality, And plurality gives rise to the manifold of everything that is happening (wanwu).” *Dao De Jing. Making This Life Significant* , transl. Roger T. Ames and David L. Hall (New York: Ballantine Books, 2003).

**[v]** Zhuangzi . *A Concordance to Chuang Tzu* . Harvard-Yenching Institute Sinological Index Series. Supplement no. 20 (Cambridge: Harvard University Press, 1956), 60/22/78.

**[vi]** Lunyu . *A Concordance to the Analects of Confucius* . Harvard-Yenching Institute Sinological Index Series. Supplement no. 16 (Taipei: Chinese Materials and Research Aids Service Center, Inc., 1966), 7.1.

**[vii]** Lunyu , 2.15.

**[viii]** Lunyu zhijie , 12.

**[ix]** Liji. *A Concordance to the Liji* . Ed. D.C. Lau and Chen Fong Ching (Hong Kong: Commercial Press, 1992), 32.28/146/26-7; Liji zhijie , annot. Ren Pingzhi (Hangzhou: Zhejiang wenyi chubanshe, 2000), 448.

**[x]** Lunyu , 2.11

**[xi]** Cf. Lin Li, “The Difficulties of Importing the Western Idea of Human Rights into China □ A Jurisprudential Approach,” in *Chinese Ethics in a Global Context. Moral Bases of Contemporary Societies* , ed. Karl-Heinz Pohl and Anselm W.

Müller (Leiden: Brill, 2002), 321.

**[xii]** The root of the word “appropriate” is the Latin *proprius*, meaning “one’s own.” In Confucian thought, it is the character *yi* 义 that expresses this complex thought of appropriateness. Cf. David L. Hall and Roger T. Ames, *Thinking Through Confucius* (Albany: State University of New York Press), 105.

**[xiii]** Alasdair MacIntyre, *After Virtue. A Study in Moral Theory*, 2nd ed. (Notre Dame: University of Notre Dame Press, 1984), 222.

**[xiv]** The traditional English translation of *junzi* 君子 is “gentleman,” which, however, due to its unfortunate sexism, is unacceptable. As the characters for *junzi* imply, it signifies a lord, and is in fact synonymous with “lord” or “nobleman.” But it is a prescriptive term indicating the moral, cognitive and affective qualities that a true lord ought to possess. The *junzi* is thus Confucius’s consummate person, someone who has become noble and refined through self-cultivation and learning. In recent years, a multitude of translations have been proposed for this difficult term, none of which, in my opinion, catches the original *junzi*. I therefore leave it untranslated.

**[xv]** Cf. a fascinating discussion of the views of Zhou Zuoren 周作人 on tradition and its role in the New Culture Movement, a view that to my mind exemplifies the natural Chinese propensity to a creative adaptation of the emergent configuration of things. Xudong Zhang, “A Radical Hermeneutics of Chinese Literary Tradition: On Zhou Zuoren’s *Zhongguo xinwenxue de yuanliu*”, in *Classics and Interpretations: The Hermeneutic Traditions in Chinese Culture*, ed. Ching-I Tu (New Brunswick and London: Transaction Publishers, 2000), 430ff.

**[xvi]** François Jullien, *Detour and Access. Strategies of Meaning in China and Greece*, trans. Sophie Hawkes (New York: Zone Books, 2000), 274.

**[xvii]** Chun-chieh Huang, *Mencian Hermeneutics. A History of Interpretations in China* (New Brunswick/London: Transaction Publishers, 2001), 258.

**[xviii]** Kai-wing Chow, On-cho Ng, and John B. Henderson, eds., *Imagining Boundaries: Changing Confucian Doctrines, Texts, and Hermeneutics* (Albany: State University of New York Press, 1999).

**[xix]** As one might guess, such a creative ongoing interpretation and reinterpretation did not always take place in reality. In fact, the very notion of a single Confucian tradition with a stable set of ideas, values, and texts has itself been one of the strategies employed by Confucians, and today especially by scholars writing about the tradition and its historical development. In ancient times, for example in the Han and in the Song dynasties, such a strategy aimed at implementing institutionalisation, requiring codification of the teachings. The

continuous hermeneutic transformation of the Confucian texts and doctrines generated “the constant need to canonize and legitimize texts and ideas, that is, to fix a boundary to establish a sense of stable authority. This imposed finality is, of course, fictive, and all canonical traditions are ephemeral.” Ibid, 2.

**[xx]** Lu Jiuyuan, *Xiangshan yulu* (Jinan: Shandong youyi chubanshe, 2000), 24. This resonates rather interestingly with the French philosopher’s Jacques Derrida’s insistence that “pure perception” does not exist: “we are written only as we write, by the agency within us which always keeps watch over perception.” Jacques Derrida, *L’écriture et la différence* (Paris: Éditions du Seuil, 1967), 335.

**[xxi]** Lunyu , 15.29.

**[xxii]** “Old parts, but a new whole,” *The Economist* , November 10th -16th 2007, 12.

**[xxiii]** “Old parts, but a new whole,”12.

**[xxiv]** “Old parts, but a new whole,”12.

**[xxv]** “Old parts, but a new whole,”12.

**[xxvi]** “Old parts, but a new whole,”12.

**[xxvii]** Lunyu , 7.8.

**[xxviii]** Lunyu , 1.15.

**[xxix]** Lunyu , 5.9.

**[xxx]** This association is stated quite explicitly in the Han dynasty lexicon *Shuowen jiezi*.

**[xxxi]** François Jullien, *Detour and Access. Strategies of Meaning in China and Greece* , trans. Sophie Hawkes (New York: Zone Books, 2000), 202.

**[xxxii]** “Records of Learning” (“Xueji” 学记 ) chapter of the *Liji* , 18.6-7/97/10-12 and 15-17.

**[xxxiii]** Following Ren Pingzhi in *Liji zhijie* (Hangzhou: Zhejiang wenyi chubanshe, 2000), 288.

**[xxxiv]** Jonathan Spence, *The Search for Modern China* , 2nd edition (New York and London: W.W. Norton & Company, 1999), 102f.

**[xxxv]** Zhu Weizheng, *Coming Out of the Middle Ages* , transl. Ruth Hayhoe (Armonk and London: M.E. Sharpe, Inc., 1990), 126.

**[xxxvi]** Lii Haibo, “Why Hasn’t China Reaped Scientific Nobel Prizes?”, *Beijing Review* 47:43 (2004), 48.

**[xxxvii]**Li Junjie, “America’s Philosophy for Children Teaching Method and the Development of Children’s Character”, *Thinking. The Journal of the Philosophy for Children* 17:1-2 (2004), 41.

**[xxxviii]** Cf. Michael Agelasto and Bob Adamson,. “Editors’ Conclusion □ The

State of Chinese Higher Education Today,” in *Higher Education in Post-Mao China*, ed. Michael Agelasto and Bob Adamson (Hong Kong: Hong Kong University Press, 1998), 407ff.

**[xxxix]** For a concise overview giving a good indication of the “spirit” of the Philosophy for Children program, see Thomas E. Jackson, “Philosophy for Children Hawaiian Style ‘On Not Being in a Rush...’,” *Thinking. The Journal of Philosophy for Children* 17:1 & 2 (2004).

**[xl]** Cf. Andrew Colvin, “Expanding the Circle of Inquiry: Introducing Philosophy for Children in the People’s Republic of China,” *Thinking. The Journal of Philosophy for Children* 17:1 & 2 (2004), 38f

**[xli]** Cf. Colvin, 38.

**[xlii]** Colvin, 39.

**[xliii]** Colvin, 39.

**[xliv]** Wang Yongquan and Li Manli, “The Concept of General Education in Chinese Higher Education,” in *Knowledge Across Cultures: A Contribution to Dialogue Among Civilizations*, ed. Ruth Hayhoe and Julia Pan (Hong Kong: Comparative Education Research Centre, The University of Hong Kong, 2001), 319.

**[xlv]** John N. Hawkins, Zhou Nanzhao, and Julie Lee, “China: Balancing the Collective and the Individual,” in *Values Education for Dynamic Societies: Individualism or Collectivism*, ed. William K. Cummings, Maria Teresa Totto, and John Hawkins (Hong Kong: Comparative Education Research Centre, The University of Hong Kong, 2001), 203.

**[xlvi]** Li Lanqing, *Education for 1.3 Billion - Former Chinese Vice Premier Li Lanqing On 10 Years of Education Reform and Development* (Beijing and Hong Kong: Foreign Language Teaching & Research Press and Pearson Education, 2005), 313. *Italics mine.*

**[xlvii]** Lunyu, 1.1.

**[xlviii]** Jushan Zhao and Junying Guo, “The Restructuring of China’s Higher Education: an experience for market economy and knowledge economy”, *Educational Philosophy and Theory* 34:2 (2002), 217.

**[xlix]** José Ortega y Gasset, *Some Lessons in Metaphysics*, trans. Mildred Adams (New York: W.W. Norton & Company, Inc., 1969), 23f.

**[l]** Ortega y Gasset, 25.

**[li]** Cf. John Dewey, *Experience and Education* (New York: Simon & Schuster, 1938), e.g. 25ff.; John Dewey, *Democracy and Education. An Introduction to the Philosophy of Education* (New York: The Free Press, 1944), 1ff.



**[lii]** Paolo Freire, *Pedagogy of the Oppressed*, trans. Myra Bergman Ramon (New York: Continuum International, 1970), 76.

**[liii]** Freire, 75.

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