

China's Peaceful Rise: Implications for Domestic Development and International Relations

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One of the easiest ways to observe recent developments in China is to understand the Guidelines of the Plan for National Economic and Social Development for 2006–10 (the Guidelines of the 11th Five-Year Plan), which was deliberated upon and approved by the Fourth Plenary Session of the 10th National People's Congress, convened in Beijing in March 2006. The reason: this document is the guideline for actions to lay a solid foundation so that China can achieve rapid, sound development in the first 20 years of the 21st century.

One part of the equation: the domestic situation

China's major decisions during the new era have been closely associated all along with a proper understanding and a conscientious command of the "two overall situations": the external environment facing China and the domestic environment in China. The first two decades of the 21st century represent an important window of opportunity for efforts to build a more well off society.¹ This has been the judgment made by the Chinese government on the basis of the two overall situations. In turn, China's 11th Five-Year Plan (FYP) has been formulated as a result of in-depth analyses of these two situations.

Let us start with the internal development environment and the development characteristics of China during the current phase. The author is of the view that the 11th FYP period will be China's golden age of development, but also a period of prominent contradictions.²

China's development demonstrates that the 10th FYP period (2001–05) witnessed the first steps in China's comprehensive efforts to build a more well off society and also to attain truly remarkable achievements. Under the guidance of Deng Xiaoping's theory and the important concept of "Three Represents,"³ China has explicitly put forward and made earnest efforts to implement the concept of the scientific approach to development and the construction of a harmonious socialist society, firmly embraced development as the top priority in the country's governance and rejuvenation, focused attention on economy building, concentrated on economic development, and constantly pushed ahead with reform and greater openness ("opening-up"), as a result of which China's economic health, overall national strength, and international status have been significantly enhanced.

China's level of urbanization had increased to 43 percent by the end of the 10th FYP period, up from 36 percent toward the end of the last decade, and the population in cities and towns had risen to 562.1 million, up from 459.1 million toward the end of the year 2000. A cluster of cities connected by transportation, energy, and information networks has gradually taken shape. Several major city clusters are full of vitality and dynamism. Urban development is advancing by the day, and cities are running more smoothly.

As a sign of its economic strength, by the end of the 10th FYP period, China's gross domestic product (GDP) had risen to Y18.2 trillion, up from Y10.1 trillion, an increase of 80 percent relative to the end of the 1990s, while budgetary revenues more than doubled, to Y3.2

trillion, up from Y1.3 trillion. The people's living standards have risen in that the retail sales of consumer goods nationwide increased to Y6.7 trillion, rocketing up by 97.7 percent compared to the end of the 1990s. Per capita disposable income among urban residents shot up to Y10,490 from Y6,280, while per capita net income in rural areas reached Y3,255, up from Y2,253.

As regards the progress in industrialization, infrastructure, and information technology systems, the country's industrial structures have been enhanced in terms of overall competitiveness. Basic industries such as transportation and energy have evolved rapidly. A relatively modern, integrated transportation network, encompassing air, rail, waterways, and expressways has begun to take shape. The penetration rates of fixed and mobile phones exceeds 57 percent and 30 percent, respectively, and the number of internet users is expected to exceed 100 million.

In a sign of the strengthened capability of the national economy to fend off risks over the past five years, potential shocks on economic and social security and the national economy because of the outbreak of severe acute respiratory syndrome (SARS) and major natural disasters were successfully averted. Automobile manufacturing and agriculture, which were projected to experience major difficulties during the process of China's accession to the World Trade Organization, have witnessed stable and healthy development and enjoy good prospects. Reform in the banking sector is accelerating, and reform of the exchange rate mechanism is being pushed through. Other financial sectors are steadily being liberalized in accordance with the commitments associated with the accession to the World Trade Organization. The financial system has greatly boosted its ability to weather risks.

Meanwhile, social services have made advances, and the achievements in socialist democracy and politics, in the promotion of "spiritual civilization,"⁴ and in the development of a harmonious socialist society have been remarkable.

Clearly, because of the efforts undertaken during the 10th FYP period, China has positioned itself on a higher historical plane and laid a solid foundation for greater development during the 11th FYP period.

During the 11th FYP period, the Chinese economy will enter a new phase of long-term development that will be relatively rapid, but stable. In the absence of such development, it will be difficult to resolve various contradictions that crop up in the course of development. Indeed, without stable development, these contradictions will become acute.

Experts estimate that, during 2006–15, cities and towns throughout the country will see 5.5 million local residents enter the workforce each year. Moreover, calculated on the basis of an annual urbanization rate of 1 percent, cities will need to absorb 10 million surplus rural laborers each year. Because of the more profound reforms in state- and collective-owned enterprises, 4.5 million jobs will need to be generated for laid-off workers each year. If one takes into account the cumulative unemployed population, cities and towns will need to offer a total of 24 million new jobs each year. Pressures for job creation are therefore very great. Between 2006 and 2015 and possibly even all the way to 2020, if only to meet the needs of job creation, China's annual GDP growth rate cannot be lower than 7 percent. It follows that a scenario in which the national economy does not enjoy relatively rapid development is simply not acceptable.

On the other hand, there is a need to strive for stable development. If one follows the traditional model of economic growth driven by investment, investment often becomes overheated, and it is hard for consumption to play a leading role. Prices readily increase, and, more often than not, job creation lacks vibrancy. Such a model can easily lead to huge fluctuations in the economy that are driven by excessive macroeconomic controls or excessive

deregulation. Thus, success in achieving rapid, stable, and healthy economic development depends on the implementation of a scientific approach to development, huge efforts to transform patterns of growth, adjustments in economic structures, the stimulation and expansion of domestic demand, and fine tuning in macroeconomic controls.

Beyond doubt, the 11th FYP period will be a golden age of development and will witness a new upswing in the Chinese economy and society because conditions are favorable, and the time is ripe. In the first place, the mix in household consumption is gradually evolving in China. Moreover, industrialization has entered a transitional phase, and the pace of industrial restructuring and urbanization is accelerating.

Experience internationally indicates that, when a country's per capita GDP is growing from US\$1,000 toward US\$3,000, household consumption exhibits a corresponding shift from subsistence-level consumption to a new stage of development, that is, a shift from seeking enough food to eat and enough clothing to wear, from gaining access to durable consumer goods, and from acquiring permanent shelter to gaining access to more nutritious, higher-quality food and better clothing, improved living conditions, better durable consumer goods, and expanded services.

First, the chemical industry and, especially, the automotive, home building, and building materials industries will witness substantial advances in infrastructure and technological inputs.

Second, China abounds in labor resources, and human capital will increase rapidly. By the year 2010, the labor supply will total 800 million people, 25 million of whom will possess fresh degrees at the undergraduate and postgraduate levels. These labor resources will be massive in scale and relatively low cost; this huge pool of human capital will constitute a strong comparative advantage in favor of China's economic growth.

Third, in terms of access to capital, China has a relatively high domestic savings rate, and this represents a source of investment for industrial development.

Fourth, along with urbanization, the modernization in the transportation sector, and information technology, particularly digital communications, the infrastructure, expressways, railways, ports, airports, and information networks in Chinese cities will witness steady improvement. During the 11th FYP period, the modernization in China's industrial sector and various areas of infrastructure will advance to a new stage.

Fifth, the socialist market economic system will gradually improve, and social harmony and political stability will be consolidated and enhanced.

All these five areas can be described as our strengths, and they will create favorable conditions for socio-economic development during the 11th FYP period.

Naturally, we are also sober about this "golden age of development." It will be an era of prominent contradictions. Specifically, during the 11th FYP period, China will continue to be confronted by three major challenges.

First and foremost is the challenge of resources, especially energy. China ranks third in the world in terms of aggregate resources. It is a major energy producer. Its total reserves in primary energy resources are estimated at 4 trillion tons of coal equivalent. However, at about half the world average in per capita ownership of energy resources and consumption, it ranks 53rd on this indicator. In 2005, China's per capita drillable oil reserves stood at less than 3 tons (accounting for 11.1 percent of the world average), while its per capita extractable natural gas reserves were about 1,000 cubic meters (4.3 percent of the world average), and its per capita extractable coal reserves were about 90 tons (55.4 percent).

Although oil does not occupy a dominant position in the structure of China's energy

consumption, it should be noted that, since China became a net oil importer in 1996, crude oil imports have generally displayed a rapidly rising trend. In 2005, the country imported 126.8 million tons of crude oil, which represented a degree of import dependence of 42.9 percent. It is projected that, by the year 2010, China's demand for oil will amount to 500 million tons, which is a degree of import dependence of nearly 60 percent. Oil security will become an increasingly salient problem.

China's ownership of freshwater resources is one fourth the world average. Of the 666 urban areas classified as cities in China, 440 are in short supply of water. It is estimated that, by the year 2030, China will be included on the list of countries with a serious shortage of water.

Because China's manufacturing sector is developing rapidly (albeit at a generally low level of scientific, technological, and engineering sophistication), its unit and aggregate consumption of resources, including energy, is among the highest in the world. Coupled with this is the massive shift toward China in the share of global manufacturing, which has brought about a considerable increase in energy and water consumption. This has resulted in resource shortages, particularly energy, which are becoming a thorny issue during China's peaceful and steady rise.

The second challenge is the environment. In the course of its rapid industrialization and modernization, China has encountered serious environmental pollution, ecological degradation, huge consumption and wastage of resources, and environmental damage resulting from low recycling rates. These problems have evolved into a bottleneck in the sustainable development of the Chinese economy. At the same time, they are also an important backdrop for the scientific approach to development put forward by the leadership of China.

The major problems facing China's ecological environment are, first of all, diminishing surface water and serious soil erosion. According to calculations based on the results of a satellite remote-sensing survey conducted in 1992, the area affected by diminishing surface water and soil erosion was 1.8 million square kilometers, accounting for 18.7 percent of the territory of China.

Another problem is the rapid spread of desertification. China is the one of the countries in the world undergoing the most severe desertification. In the northern part of the country, the area covered by deserts and water-poor drylands exceeds 1.5 million square kilometers, approximately 15.5 percent of China's territory. Since the 1980s, desert land has been spreading at an annual rate of 2,100 square kilometers. In the course of 25 years, 39,000 square kilometers of land have given way to desert.

The third problem is the reduction and slow recovery of forest resources. China's forest coverage is only 61.5 percent of the world percentage average per country (world rank: 130). Per capita forest coverage is 0.13 hectares, less than one-fourth the world average (world rank: 134).

The fourth problem is worsening water pollution. According to a city monitoring survey conducted in 1987, 42 percent of the sources of drinking water supplied to cities were seriously contaminated, and 63 percent of the water in cities was polluted to varying degrees. Of the 532 rivers surveyed, 82 percent were contaminated to some extent.

The fifth problem is serious air pollution.

The third major challenge is the series of dilemmas encountered in the course of coordinating economic and social development. Among the most difficult and risky current problems during the 11th FYP period is, first, the dilemma of the high growth rate of China's economic development relative to the stubborn growth in the level of employment. From the perspective of the engines of China's economic growth, investment and exports are having a relatively big impact, while domestic consumption is exhibiting only a weak pull on the

economy. The reason is that investment is mainly focused on the development of infrastructure and related industries, which do not create many job opportunities. Along with the progress in technologies and the increase in organic capital formation, investment by state-owned enterprises and foreign direct investment have provided only relatively limited employment creation. This is the fundamental reason why, despite the rapid growth in the Chinese economy, job creation has been sluggish in taking up the surplus labor from rural areas and the expanding labor force in cities and townships.

Another dilemma in the series of dilemmas is the difficulty in curtailing the widening income disparities between and among cities and rural areas, urban and rural residents, and different localities. In general, income is increasing across the board, but at different rates. In 2005, according to data provided by the National Bureau of Statistics, the net per capita income of farmers reached Y3,255, while the per capita disposable income of urban residents had crossed the Y10,000 threshold and reached Y10,493. The disparity between urban and rural residents in terms of per capita income was thus 3.22 to 1, and there have been signs that the disparity may expand. In terms of growth momentum, the net income of farmers was increasing from a small base and at a low rate; the most optimistic forecast is that annual growth will probably be around 6 percent during the 11th FYP. In comparison, the disposable income of urban residents has a larger base than the net income of farmers, and it is expected to register a minimum growth rate of around 8 percent during the 11th FYP. As a result, it is probable that the income gap between urban and rural residents will continue to display a widening trend.

In terms of regional development, 65 percent of the increase in GDP is being generated in the eastern part of the country. About 80 percent of foreign direct investment benefits the east, and 60–80 percent of bank lending, job opportunities for university graduates, and exports take place there as well. As a consequence, much still needs to be done if the development disparity between the eastern and western parts of the country is to be appropriately controlled during the 11th FYP.

The sets of problems outlined above interact, and this leads to dilemmas in China's economic and social development. Thus, there is a need to sustain the rapid growth in GDP, while quickening the pace of social development; to preserve the momentum of robust growth in the east, while promoting the concurrent development of the central and western parts of the country; to push ahead with urbanization, while providing support to rural areas; to emphasize equity and to close up social and economic gaps, while maintaining the vitality of the country and increasing efficiency; to absorb more foreign direct investment, while optimizing the structures of investment absorption; to open up markets and encourage technology imports, while strengthening the independent capacity for scientific and technological innovation; to deepen reform in all sorts of areas, while upholding social stability; and to push ahead with market competition, while being sensitive to the work and the livelihoods of the masses mired in difficulties. The list goes on well beyond the scope of this essay. *When such issues are addressed, one should not emphasize only one side of each of these dilemmas, while ignoring the other side. Rather, one should plan for and accommodate both sides of each dilemma in the series in order to achieve rapid, but sound development.*

The “three major challenges” described above are, in essence, evidence of the contradiction between the expanding material and cultural needs of the people at large on the one hand and the less than advanced level of productivity and the relatively short supply of resources in China on the other. They are the inevitable reflection of the fact that China is still and, for a long time to come, will remain at the elementary stage of socialism.

Precisely under these circumstances, the structural contradictions in the economy of China—in industries, in urban and rural areas, and in regions—are becoming more salient. Precisely under these circumstances, the need is extremely high on the agenda to promote urbanization, to increase efforts to address the complex of problems revolving around farmers, agriculture, and rural areas, to undertake structural adjustment, and to expand domestic demand, while transforming the pattern of growth of the country, boosting the independent capacity for innovation, and fostering skills and talents. Precisely under these circumstances, the host of problems that affects the real interests of people at large, including jobs, social security benefits, poverty reduction, school enrolment, health care, environmental protection, occupational safety, and income distribution, has developed into pressing issues calling for focused attention. Also, precisely under these circumstances, it has become an unshakeable guideline that more profound reform in economic structures and more wide-ranging structural reform must continue to be regarded as the fundamental driving force during the 11th FYP period and over the longer term. The 11th FYP reflects a major decision formulated on the basis of a full consideration of the characteristics of the stage of development of China and in response to the above challenges.

Overall, if we wish to map out the development to be achieved during the 11th FYP period within this domestic environment, in which the “golden age of development” and the “period of prominent contradictions” coexist, it is imperative that we take into full consideration all this multitude of issues and embark on huge efforts at coordination so as to achieve development that is relatively rapid and truly stable.

Another part of the equation: the international environment

Let us now center our attention on the international environment facing China and the stage-specific characteristics of the country’s external economic relations.

This author is of the view that the 11th FYP period will continue to witness deepened interdependency and frequent frictions between China and the rest of the world.

Since the start of the 21st century, the international environment as a whole has been stable. Global economic development and even the economic and social development of a particular country or region require a peaceful environment. In turn, maintaining peace, which includes counterterrorist and nuclear nonproliferation efforts, requires international cooperation in a wide array of areas. The alignment of global political forces favors the maintenance of a stable overall international environment.

At the same time, the trend toward economic globalization is advancing and deepening. Scientific and technological progress is leading to changes by the day, and the mobility of factors of production and geographic shifts in industries are gaining in speed. As countries strengthen their cooperation in trade, investment, technologies, and labor services and bring into play their comparative advantages, the economic interdependence between China and the rest of the world will become more profound.

The external environment, as a whole, is favorable for China’s development.

First, the pattern of relations between and among major powers will continue to undergo change. In regard to China’s path of peaceful development and its international environment during the 11th FYP period, the crucial issue is how properly to handle relations between and among major powers. In the wake of the onset of the Iraq war, the relations between the United States and other major powers are in a phase of repair, and the trend toward multilevel polarization is being reinforced. The competition in overall national strength among major

powers will be intensified, and various countries will be vying for a new strategic advantage. China's peaceful rise has provided various major powers with more favorable market opportunities, and China's status in the relations among major powers will steadily rise.

Second, cooperation among developing countries will be enhanced. As regards China's "peaceful rise" endeavor and its development environment during the 11th FYP period, the question will be how to address China's relationship with other developing countries. Unity and cooperation with these countries in the international economic sphere will help establish a new international economic order and speed up the industrialization process in the developing world. In addition, China's exchanges with other developing countries in the economic, political, cultural, and diplomatic fields will be expanded and deepened as the Chinese market grows.

Third, the environment of China's economic and social development contains both opportunities and challenges, but the opportunities seem to exceed the challenges. That China must take care in its relations with neighboring countries is clear. In accordance with the guidelines of "creating an amicable, friendly, and prosperous neighborhood" and the principle of "putting aside disputes," we have maintained sound relations of cooperation with neighboring countries and regularly addressed border issues. We are in consultation with neighboring countries in hopes of rationally developing the oil and gas resources in the East China Sea and the South China Sea with the precondition that national sovereignty must be safeguarded.

Fourth, as international relations evolve and regional cooperation is strengthened, China will have an even larger scope for development. As a developing power, multilateral diplomacy has become an important arena for the expansion by China of exchanges and efforts at cooperation.

At the same time, the international environment is complex and changeable. The potential for destabilization and uncertainty affecting world peace and development is growing. The pressures represented by the advantages on the part of advanced countries in the economic, scientific, and technological fields will continue for a long time to come. The imbalances in global economic development are intensifying. The competition for resources, markets, technologies, and skills and talents is becoming more fierce, and protectionism in trade is on the rise. These issues pose a new challenge for China's socio-economic development and security.

Murmurings about the "China threat," which are unfavorable to China's development, have been heard here and there. The theory that China represents a military threat has not faded, while the idea that China represents an economic threat has sprung up, and trade disputes and other economic frictions are becoming more noticeable and more numerous. Since China's accession to the World Trade Organization and following the elimination of restrictions such as quotas, there have been strong export surges in Chinese products in areas such as textiles. Some people in Europe, Japan, and the United States contend that China's economic growth and Chinese exports are causing energy shortages, affecting local production and jobs, and leading to global shifts in industries.

We should have a correct understanding and make a proper response. We cannot afford to let disturbances of this or that sort undermine our basic judgment and determination with regard to the overall trend of the international environment. We should continue to follow the path of peaceful development and act like a responsible power in the world. In this process, in answer to the concerns and worries of the international community, we should demonstrate through our actions that, along with rapid economic growth, China is making efforts to diversify its energy supplies, address its energy problems primarily within the country itself, transform vigorously its pattern of growth and mode of consumption, and build itself into an energy-

conserving society through efforts to save on energy resources at the core. Only through such means will the world be able constantly to deepen its understanding of China's strategy and policies for "peaceful development" and for China's "peaceful rise."

It should be noted that, with China's rapid development and robust rise, we have successfully left behind the old stage of development relying on balanced internal development, and we have entered a new stage, whereby we make use of international and domestic markets and resources to speed up China's modernization, as a result of which there is greater interdependence between the Chinese economy and the world economy. The huge domestic demand for investment and consumption is the main pulling force in China's economic growth. In terms of retail sales within the country, over 99 percent are balanced in supply and demand; there is even some excess supply. In 2005, China's market for capital goods was valued at Y8.9 trillion; the consumption of retail goods reached nearly Y6.7 trillion; and the market for services was worth between Y3 trillion and Y4 trillion. Concerning China's relationship with international markets, its imports and exports represented US\$1.4 trillion in 2005, and, calculated according to current exchange rates, its foreign trade dependence ratio had risen to 62.4 percent. In 2005, China exported US\$762 billion in goods and imported US\$660.1 billion in goods, including some resources in short supply within China. China has increasingly become a huge market for the world economy and a symbol for economic cooperation; the message is that no one can stand in isolation in the international economy.

In a process associated with, rather than isolated from, economic globalization, especially in the years since China's accession to the World Trade Organization, frictions in foreign trade and investment have increased day by day. Because the advanced countries are plagued by weak domestic demand and industrial structures that are incompatible with the needs of economic globalization, China had disagreements with the European Union and the United States over such products as textiles, footwear, and furniture in 2004 and 2005. Chinese enterprises have frequently been subjected to antidumping and product safety investigations and intellectual property disputes involving manufacturing and the trading community. The frequency of technical trade barriers, economic and environmental barriers, and product safety barriers against Chinese products has also been increasing.

Overall, China must maximize benefits and minimize risks and seek mutually beneficial and win-win outcomes in this international economic environment in which greater interdependence and more frequent friction between China and the world coexist. This will, in turn, make it necessary for us to enhance our ability to make proper scientific judgments about development, be accurate in grasping the direction of development amid changes in the international and domestic situations facing China, make good use of development opportunities, create advantageous conditions for development, and have a broad command of the needs of development.

The next five years and beyond

Taking a general look at the international and domestic environment during the 11th FYP period and beyond, in the face of a complex and changeable situation, we can put forward an overall concept, namely, the next five years will be an important period that links the past to the future in China's comprehensive efforts to build a relatively comfortable society. We must firmly grasp opportunities, respond to various challenges, resolve prominent contradictions and problems that have existed for a long time, overcome development bottlenecks and institutional

impediments, base our efforts on scientific development, focus on an independent capacity for innovation, deepen reform and “opening-up,” and promote societal harmony. Then, we will surely be able to turn the five years of the 11th FYP period into a critical phase for the transformation of the current model of economic growth and for economic restructuring and institutional reform, all this with a view to creating a new context for socialist economic, political, cultural, and social development and erect a solid foundation for smooth development over the next 10 years.

Taking a more profound and long-term view, we can also see that the 11th FYP formulated by the Chinese government is a more vivid reflection of three inevitable megatrends with respect to China in the first half of the 21st century.

The first inevitable megatrend is that the Chinese people will continue to pool together all the resources available and seek their own development. The requirements and capabilities of the 1.3 billion people in China are an inherent, objective, and strong driving force for China’s economic and social development. When and if over 1 billion people become rich, they will represent not only a unique pool of human resources, but also a huge reserve of purchasing power and a domestic market with the biggest potential of any in the world. During the 11th FYP period, if China’s annual per capita GDP continues to grow at an average rate of 8 percent, its per capita GDP will have reached US\$2,483 by the year 2010, and aggregate GDP will, in constant prices, have risen to approximately Y26.8 trillion. Meanwhile, the domestic demand for investment and consumption will have reached Y9.4 trillion and Y17.4, respectively. These figures can be expected to continue to expand.

Such a level of domestic demand is quite sizable in world historical terms. This will, in turn, require that we exert sustainable efforts to raise the level of productivity. In a certain sense, it might even be said that, from the leadership to the people at large, all the efforts being undertaken in China at present and in the years to come are, at the end of the day, aimed at responding to the huge domestic demand generated by the 1.5 billion population peak that is expected to be reached in the 2030s or 2040s. This also means that, for a very long period of time, the Chinese people will be focusing their energies on addressing their own economic and social development issues.

As Deng Xiaoping used to emphasize again and again, we should lower our heads, work hard, and excel in every endeavor that is within the domain of China’s own business, and we do not seek world hegemony, but, rather, seek to ensure the right to subsistence and the right to development of over 1 billion Chinese people. This achievement, in itself, will be a huge contribution by China toward world development and human progress. No late-comer to development in the contemporary world has been able to achieve this during its rise.

In another inevitable megatrend, the Chinese people will continue to participate in economic globalization unswervingly on the basis of independence and self-reliance (even in terms of energy, the focal point is still domestic supply) and proactively, and they will make more conscientious efforts to use both international and domestic markets and resources and to trust in deepening interdependence and cooperation to achieve win-win outcomes with all relevant countries. Considering that countries vary in their resources, geography, demographics, and stage of industrial development, the trend toward regionalization and specialization in the division of labor is becoming increasingly obvious in the contemporary world economy. This dictates that countries must bring into play their own comparative advantages and conduct exchanges and undertake collaboration with one another in a bid to learn from one another’s strong points and achieve win-win and all-win outcomes. Precisely because of this, during the

11th FYP period, China will make more conscientious efforts to link itself with economic globalization rather than shying away, while independently building socialism with Chinese characteristics and, by capitalizing on its own comparative advantages, participating in global economic development and sharing the benefits accruing from development.

We should soberly assess the changes in the supply of and demand for resources on the global scale and the increasingly fierce competition for resources. Resource shortages and price increases will drive technological progress, promote models of growth and modes of consumption that focus on conserving resources and energy, and facilitate the search for and discovery of new alternative resources and energy so as to change the general public's lifestyles and patterns of production. Under such circumstances, intensified efforts relating to the development of an independent capacity for innovation in knowledge and technology represent a requirement of China's development within the context of economic globalization and the most dynamic inherent driving force behind China's economic development.

At the same time, we should also assign top priority to international economic and technological exchanges and cooperation. The first 20 years of the 21st century will be a period in which regional economic cooperation evolves at an accelerated pace; in terms of preferential trade arrangements, customs unions, common markets, economic unions, and economic integration, there will be more profound changes. These developments are conducive to a lowering in trade frictions and in the costs of exchanges and to safeguarding the economic interests of each and every participating country. New development opportunities will undoubtedly come our way if we firmly align ourselves with this trend, proactively participate in regional economic cooperation initiatives like ASEAN 10+3 (the Association of Southeast Asian Nations, plus China, Japan, and the Republic of Korea) and Asia-Pacific Economic Cooperation, and facilitate the development of regional economic cooperation organizations. We should persist in opening up to the outside world and, in the process of linking ourselves to economic globalization rather than isolating ourselves from it, independently build socialism with Chinese characteristics. No late-comer to development in the contemporary world has been able to achieve this during its rise.

The last inevitable megatrend is that we have defined the great renaissance of the Chinese nation in the middle of the 21st century and China's peaceful rise as the harmonious development of "material civilization," "political civilization," "spiritual civilization," "social civilization," and "ecological civilization," as the expansion of the general public's moral qualities and the development of harmonious relations internally and externally, and as the construction of a harmonious socialist society. This means that we are inaugurating the great renaissance of Chinese civilization on the basis of socialism, which, in turn, signals a great change in Chinese society and a great transformation of the Chinese nation in the first half of the 21st century. Such a definition has become a fundamental guideline, and it is a peaceful, civilized, and open pathway. As Chairman Mao Zedong, founder of the New China, remarked in the 1950s, China would become a big, powerful, yet approachable country. This objective is certainly a significant one. We are pursuing it earnestly and will persist in doing so. No late-comer to development in the contemporary world has been able to achieve this during its rise.

In conclusion, in the development process during the 11th FYP period and beyond, China is set to face major challenges, as well as opportunities in various areas. Under the strong leadership of the Central Committee of the Communist Party of China, with Comrade Hu Jintao as general secretary, as long as we soberly take into account the international and domestic situations, bear in mind the risks and the uncertainties, while remaining confident, continue to

emancipate our thinking, aggressively blaze ahead, carry on being reform minded, promote innovation, work earnestly and remain down to earth, and lower our heads and work hard, we will surely be able to reach new achievements and gain new glories.

Notes

¹ The concept of a “well-off” society was put forward during the 10th five-year plan period (2001–05). The concept recognizes that, with the considerable progress achieved through economic growth, the major challenge is now not only to increase per capita incomes, but also to adopt broader objectives to enhance social welfare.

² Experience in some market economies indicates that, when a country’s per capita gross domestic product is between US\$1,000 and US\$3,000, society often undergoes dramatic social and economic transformations. With per capita GDP now exceeding US\$1,000, China is at precisely this stage of dynamic change, and, indeed, it is being confronted with both challenges and opportunities.

³ “Three represents” is the notion that the Communist Party of China must represent the requirements of the development of China’s advanced productive forces, the development of China’s advanced culture, and the fundamental interests of the vast majority of the people in China. The theory was initiated by then President Jiang Zemin in 2000 and later written into the Party Constitution in 2002 and eventually the State Constitution in 2004.

⁴ “Spiritual civilization” is a term used to denote general intellectual activities, including initiatives in ethics and morality, science, and culture.