

Like Mao and Deng, Xi Jinping enshrines China's miracle

The Communist Party of China (CPC) has paid Xi Jinping, who was confirmed as President for a second five-year term during the 19th party congress which concluded on Tuesday, the ultimate accolade of enshrining Xi Jinping Thought in the Chinese constitution. As many commentators have pointed out, this puts Xi in the same league as [Mao Zedong](#) and Deng Xiaoping.

To put this in perspective, it is worth recalling that for Deng this accolade was posthumously given. Xi's de facto pre-eminence within the CPC therefore has been made de jure, and along with it comes enormous power to shape China's path well beyond the five years of his second presidential term.

This has been likened by some to the absolutist monarchs of China's feudal past, rubber-stamped by a supine, if not fawning, CPC. Others with less historically inclined imaginations see it simply as a power grab which bodes ill for China and the rest of the world, as Xi begins to flex his muscles on the world stage.

But Xi's current pre-eminence was not always given. Flashback to the 18th Congress of the CPC in November 2012. The Bo Xilai scandal that rocked the CPC had barely subsided, and more importantly, it represented a political challenge from the left of the CPC. Xi himself had mysteriously disappeared two weeks prior to the Congress. The world economy's meltdown post the financial crash of 2008 threatened to upturn China investment and export driven growth model. Most analysts predicted what economists call a hard landing—a sharp slowdown in output growth accompanied by a deep devaluation—with dire consequences for the Chinese as well as the global economy.

All of this seemed to be vindicated when China devalued its currency in 2014, stunning global financial markets. Added to this were the clear environmental costs of rapid growth. In November 2012, then, the Chinese economy was faced with a near perfect storm—political instability stemming from inequalities associated with rapid growth based on globalisation; the real dangers of a hard landing; and an environmental challenge the size of China. Not a propitious moment for Xi to assume power and certainly not a pre-eminent position.

The situation could not be more different when the 19th Congress was inaugurated last week and Xi was paid this rare accolade at its end. The economy has slowed down but achieved a soft landing. The currency has appreciated and made good the ground lost as a result of 2014 devaluation. Per capita income has increased by more than 30% in real terms between the two Congresses. Savings growth has decelerated faster than investment growth, allowing consumption to grow at unprecedented levels. Exports volumes have decelerated faster than import volumes.

One outcome of this is a substantial decline in the current account balance as a percentage of GDP, as growth is fuelled much more by the domestic economy. Therefore the rebalancing of the economy, which many doubted could happen, has had a successful start.

To meet the environmental challenge, this rebalancing in turn has meant a restructuring of productive capacity away from what are called smoke stack industries. For example, according to a Morgan Stanley report of September this year, in 2016 and 2017 China shed more than 200 million tonnes of steel capacity which led to an increase in global steel prices.

To put this in perspective, India produced 95 million tonnes of steel in 2016, while Japan's production was 105 million tonnes. The same story in varying degrees repeats itself in coal and

aluminium as well. As a result, China has begun the switch to renewables, adding in 2016 as much as 35 gigawatts of solar energy generation, almost equal to Germany's total capacity. Little wonder then James Thornton of Client 2 Earth, a public interest environmental law firm, and one of the world's leading environmental lawyers and campaigners, is so enthused by China's recently articulated notion of an "ecological civilisation" and the institutional structures that are being put in place to achieve it.

All of this-the soft landing, the start of economic rebalancing, restructuring towards a low-carbon economy and taking on the environmental challenge-has happened under Xi's leadership. Xi's relative success has also meant that the challenge from the left has been quelled, at least for the moment. For a stability and legitimacy-obsessed CPC this is no small victory.

One then begins to understand why the CPC is singing paeans to Xi's leadership and why he was accorded this rare honour. More often than not we tend to view China through our own prisms which may have its own value but also often obscures Chinese reality. The CPC uses consensus as its decision-making procedure. It is not something we use or understand well. But that is little reason to dismiss it, because we then misread and misjudge.

This is not to say that China doesn't face serious challenges or that it is the land of milk and honey. It does and it isn't. Ethnic unrest, ethnic discrimination, rampant inequality, weak labour rights, the curbing of political dissent, growing regional suspicion of a rising China not to mention Hong Kong and Taiwan-the challenges are many and various.

It is to say, however, that this consensus-based decision making has exhibited a remarkable ability to course correct without being forced to do so as a result of a crisis. The course correction has not always worked and sometimes has had unintended consequences, but nonetheless it has mostly successfully tailored strategy to changing circumstances.

This inability to understand how the CPC functions has meant that commentators have been predicting China's imminent collapse ever since the Communist Revolution of 1949. But China has survived, grown and prospered. As Xi and the CPC attempt another course correction towards a consumption driven, low carbon, more equal and participative economy, they are very self-conscious that one phase of the long march of decolonisation is over and China today has the wherewithal to be a technologically dynamic society with a sustainable economy.

There will be many more challenges, of course, and how China overcomes them will have global repercussions. I am not for a moment saying that we should become Chinese (or Japanese, German or American for that matter). All that I am trying to say is that we will be doing ourselves great injustice if we continue to view China through our own narrow, national prisms.

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