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Economic Growth of China in President “XI” Era

China has been witnessing, the highest growth rate after openness of its economy in 1978 and as a result China raised from poor developing country to upper middle class country in terms of per capita income. This miracle has been explained in great details in the earlier part of the book, however more detailed information is given in this chapter about the major drivers of the economic growth of China. With an average growth rate of GDP at 10% and moving about 850 million people from the line of poverty. This growth is though slowed down in last couple of years due to declining returns to investment, slowing productivity, and diminishing labor force growth, yet China is endeavoring to explore innovative ways for its economic growth. This will include to find new drivers and paths while dealing with the social and environmental challenges of the previous wave of economic developments¹. The recent economic development under President Xi are given in the following Table²

As quoted by Napoleon, *Leader are the dealers in hopes*. The leadership style of President Xi can be manifested in the Servant Leaders. This famous style of leadership was introduced by Robert K. Greenleaf in 1970. His famous definition of Servant leader is³:

1 Dhar, B. K. (2020). Impact of COVID-19 on Chinese Economy. *Economic Affairs*, 9(3/4), 23-26.

2 World Bank (2020). *The World Bank Report; Country: China*.

3 Leadership theories; Servant-leadership; Greenleaf, Robert K. (1904-1990).

“[Servant leadership] begins with the natural feeling that one wants to serve, to serve *first*. Then conscious choice brings one to aspire to lead. The difference manifests itself in the care taken by the servant – first to make sure that other people’s highest priority needs are being served. The best test . . . is: do those served grow as persons; do they, *while being served*, become healthier, wiser, freer, more autonomous, more likely themselves to become servants? *And*, what is the effect on the least privileged in society; will they benefit, or, at least, will they not be further deprived? (p. 15)”

Recent Economic Developments of China Under the Leadership of President Xi Jinping

Indicators of Economic Development	2015	2016	2017	2018	2019
Population (in million)	1,375	1,383	1,390	1,395	1,400
GDP per capita (USD)	7,945	8,134	8,858	9,916	10,212
Economic Growth (GDP, annual variation in %)	7.0	6.8	6.9	6.7	6.1
Annual Consumption (variation in %)	7.4	6.8	6.4	9.1	-
Annual Investment (variation in %)	7.0	8.6	5.2	4.9	-
Annual Industrial Production (variation in %)	6.1	6.0	6.6	6.2	5.7
Annual Retail Sales (variation in %)	10.7	10.4	10.3	9.0	8.1
Unemployment Rate	4.1	4.0	3.9	3.8	3.6
Fiscal Balance (% of GDP)	-3.4	-3.8	-3.7	-4.1	-
Public Debt (% of GDP)	15.5	16.1	16.2	16.3	-
Annual Money (variation in %)	13.3	11.3	8.1	8.1	8.7
Annual Inflation Rate (CPI, variation in %)	1.4	2.0	1.6	2.1	2.9
Annual Inflation (PPI, variation in %)	-5.2	-1.3	6.3	3.5	-0.3
Policy Interest Rate (%)	4.30	4.30	4.30	4.31	4.15
Annual Stock Market (variation in %)	9.4	-12.3	6.6	-24.6	22.3
Exchange Rate (vs USD)	6.49	6.95	6.51	6.88	6.96
Current Account (% of GDP)	2.8	1.8	1.6	0.4	1.2
Trade Balance (USD billion)	594	510	420	351	422
Exports (USD billion)	2,273	2,098	2,263	2,487	2,499
Imports (USD billion)	1,680	1,588	1,844	2,136	2,077
Annual Exports (variation in %)	-2.9	-7.7	7.9	9.9	0.5
Annual Imports (variation in %)	-14.3	-5.5	16.1	15.8	-2.8
International Reserves (USD)	3,406	3,098	3,236	3,168	3,223
External Debt (% of GDP)	12.7	12.6	14.3	14.2	-

Source: World Bank (2020). The World Bank Report; Country: China.

The achievements of President Xi in the areas of reform, development, stability, internal affairs, diplomacy and national defense, governing the party and the country, are exemplary. Some of his very strong attributes as leader are given as follows:

People oriented and people friendliness: He maintained close contacts and relations with the people at local and central levels. His very close connection with the people in remote areas from different beliefs and ethnicity is always regarded as his great assets. During the COVID-19, pandemic when China was faced with high turbulence and turmoil, he approached people from all

regions and religions. He also visited the Muslim community and spent time with them at their mosques, as token of solidarity. For leaders of high degree empathy and social awareness is always a great asset.

Rigidity and Softness Combined: Leaders cannot be either soft or hard all time. The leadership theories range from Traits approaches to situational, Behavior, Transformational, Transactional, Charismatic, Authentic and Adoptive etc. The various styles of leadership like authoritarian, bureaucratic, democratic, participative etc. None of these styles are perfect and leaders may use the most appropriate style or combination of these styles based on the scenario, capacity of the followers and nature of outcome and goals. For leaders, they are often soft in relations but hard on principles. President Xi is very stringent and hard on corruption in terms of punishments, elimination of ugliness from society and rectification of traditional work styles. On the other hand, in the matters of consultation and human respect, he is righteous, straightforward and sincere.

Dare to take responsibility: One of the important attributes of charismatic leaders is to lead from the front and take the responsibility for the results. A famous quote about leader says: He has repeatedly emphasized over the fact that "to be responsible, not to shirk, avoid lie, tell the truth to the organization, be brave to take responsibility".

Confidence and Calmness: Confidence, perseverance, calmness and determination are some of the important traits of leaders. He worked for more than 20 years as Governor, which developed his confidence and commitment. He has repeatedly called on the whole party to have road self-confidence, theoretical self-confidence, institutional self-confidence, and to show self-confidence everywhere⁴

Steady and Stable: Boldness and steadiness are important for leaders. The direction of the leaders must be accurate, well thought and the driving must be stable. He always thinks deeply

4 Brown, K. (2017). The Powers of Xi Jinping. Asian Affairs, 48(1), 17-26.

into national and international issues, analyzes far reaching impacts of his decisions.

Pragmatic and Flexible: President Xi always tries to understand facts and derive truth from in line with the spirit of Marxism. His pragmatic approach and adjusting himself and his decisions to the ground realities are some of his dominate attributes.

The leadership style of President Xi is linked to long term and sustainable development of China while keeping with its own identity. His thoughts on new era of socialist political economy is described as a new chapter in the 21st Century Marxist political economy⁵.

Success has many fathers and all the development economists are keen to analyze, the high economic growth and success of China. China has been harvesting the benefits of markets, trade, and globalization.

The high investment in China was attracted by skilled and cheap labor and large regional market. China inherited a poor social structure infested with rampant poverty and famine. Hence in its initial phase of developments, China adopted the basic first steps on education, health, and eventually fertility helped set the stage for growth and poverty reduction when later combined with market incentives. Through good negotiations with the investors and opening up policies, China could attract large chunks of FDIs. With these reforms, productivity of the commodity and service sectors increased in China at more than 42% during 1979-1994. Later huge investment in these sectors crated the second wave of economic development after 1994. There are also apprehensions, that this has been a bubble investment as the real commodity production is not high and most of the investment has been made in the real estate sector, which is also susceptible to Domino effect. The open door policies and special economic zones attracted regional investments. The reallocation of labor from agriculture to industry also created, labor productivity. China has been

5 BK Dhar, M.Mutalib-Leadership of Xi Jinping behind Unstoppable Sustainable Economic Growth of China- *International Journal of Organizational Leadership* 9(2020) 39-47

painstakingly and gradually implemented its reforms policies. New and transition institutions existed side by side.

Besides improving productivity and investments, China sold out most of the State Owned Enterprises (SOEs) but the larger SOEs are still a major challenge for China. The Town and Village Enterprises (TVEs) played an important role, which were gradually privatized. China has grown 4.5 times faster than US since 1980. But the developments in China have seriously challenged the environmental sustainability. High concerns of people were raised about the safety and security of Chinese products particularly foods and drugs. Another challenge to China, can be middle income trap, where lack of innovations which is essential for moving up on the industrial ladder.

China's economic growth rate is faced with many challenges which also includes the exports surplus created at 20-42%, which can be attributed to undervaluation of Chinese currency. This has been practiced by many East Asian economies for expansion of the manufacturing sector in 1970s, such as South Korea and Taiwan. On the cultural and social side, Chinese society is dominated by Hans dynasty ethnic population, which can contribute to slower economic growth. China is also poor in resource endowment and more innovations for development of skills and technology are required. The China experience of development provides a hope and model for the developing economies of the Asia to develop confidence that development can be possible. However, the developing countries differ in many ways such as in geography, demography, institutions, and allure to foreign investors. Many countries around the world view Chinese economic growth like a bubble which will burst sooner or later due to inherent imperfections in the system, still it will continue to be a major topic of debate by the development economists in times to come⁶.

After fall of Berlin Wall, reunification of Germany and collapse of Soviet Union, a unipolar world order started in the late

6 Michael P. Todaro, Stephen C. Smith - Economic Development, 11th Edition (The Pearson Series in Economics) -Prentice Hall (2011)

1990s and for more than two decades now, US has been ruling over the world. This so called custodianship of US inflicted serious repercussions for America both inside and outside the country. The War Against Terror and many such misadventures by US, shattered the identity and unity of the US in many ways. In one of his remarkable speech by President Biden at the fall of Afghan Government to Taliban in August 2021, he categorically admitted that such misadventures costed United States to the tune of One Trillion US dollar. He admitted that ending 20-year war at Afghanistan was a correct decision. The China contrarily pursued its trade and economic agenda in a more peaceful manner in the Asia and outside. Some important excerpts from Biden's speech are given as follows⁷:

"I stand squarely behind my decision. After 20 years, I've learned the hard way that there was never a good time to withdraw US forces," Biden said during a speech from the East Room of the White House Monday afternoon. *"That's why we're still there. We were clear-eyed about the risks. We planned for every contingency. But I always promised the American people I would be straight with you. The truth is, this did unfold more quickly than we had anticipated."*

By 2050, the global trade volume of China will be three times larger than US and it will make China as world single power in the new world order. The world trade will be shifted to RMB (Reimbi) instead of USD. In this new world order, China will not be supporting the democratization of the world. As part of oversea propaganda, China has been supporting the Autocratic forms of Governments. This is also important for the survival of Socialist China and its CPC. China has been lending to developing countries more than the World Bank in recent years, which is supporting their economic agenda to transfer to other parts of the world⁸.

7 DJ Judd, Allie Malloy and Jasmine Wright CNN Report-Biden admits Afghanistan's collapse 'did unfold more quickly than we had anticipated' dated Aug 16,2021

8 Michael Pillsbury-The Hundred-Year Marathon_ China's Secret Strategy to Replace America as the Global Superpower

The America concerns about China becoming the Global power in next three decades are manifested in their many apprehensions, which may be partly correct. The geo-economics would become more important than the geostrategic. For China, a peaceful world and Asia is becoming inevitable for its sustained economic growth and prosperity of the nation. In recent initiative after declaration of Taliban led Government and emergency situations in Afghanistan, China has offered USD 31 Million, in the form of food supplied and coronavirus vaccines. In the statement of Foreign office of PR China, declared establishment of the new interim government as "necessary step to restore order" in Afghanistan. A senior official said about US troops withdraw "US had inflicted serious damage on the Afghan people from the very first day of its invasion to the last minute of its withdrawal". At the other hand, Taliban senior officials have announced China as important partner in the reconstruction of their worn torn country⁹. In the emerging unpredictable scenario, China can become a strong supporter in the rebuilding of Afghanistan, provided that Afghanistan is not used for export of terrorism to other countries. The relationship of China with Afghanistan will have two dimensions, first the trade based mercantilist and second understanding of no interference in the mutual internal affairs. The situations in Afghanistan after withdrawal of US troops has created an understanding in the Chinese think tanks that US and West are declining. Though theoretically both China and US want to fight terrorism together but in practice, this seems rare as US will not physically engage in such adventures again. The sudden withdrawal of US troops, led to collapse of Ashraf Ghani Government and access of Taliban to the power in Afghanistan.

⁹ "China Offers \$31m in Emergency Aid to Afghanistan", BBC News, September 9, 2021, available at <https://www.bbc.com/news/world-asia-china-58496867>



The Taliban's political chief, Mullah Abdul Ghani Baradar, and Chinese Foreign Minister Wang Yi meet in Tianjin in July 2021.
(Ref: Li Ran/Xinhua/Reuters)

In the above context China will assume and follow a careful approach of engagement with Taliban based interim Government to progressively develop confidence on the basis of decisions and results shown thereon. At the same time, China will also not disengage from US as in case of any fatal repetition of Taliban earlier approach based on exporting terrorism as we witnessed in their previous tenure, their China-US collaboration will be used to contain it. Though in the revised version of Taliban after QTTA, this seems less imminent. If things move smooth as expected, peace can be restored in the region, which will ultimately the entire world but particularly China and Pakistan. For Pakistan, a peaceful neighbor with Taliban in power is more than important, whereas for China it is their trade expansion as well extension of their consumer market. In wake of peaceful South Asia, the future of BRI and CPEC seems more secured, which can benefit the entire region. The role of China as custodian of peace in the region will get more involved and entangled.