

GLOBAL VIEWS



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Great changer

Thoughtful and far-reaching reforms are propelling China out of poverty

The more globalization is inclusive, the more it will truly be win-win. And the more developing countries are able to learn from Chinism, the more it may help in their economic progress.

In the history of humankind, there has never been a case where, in a brief episode of the life of one generation, the relative economic strength has changed on such a large scale for so many people as it has in China and Russia over the past three decades. Both countries are undergoing profound structural and institutional changes, but while the former has recorded impressive results in terms of developing and catching up with the advanced economies, the latter's achievements have been very modest. This happened due to many factors — from the traditional cultural heritage to geopolitical conditions, from the legacy of the previous state socialism to different natural resource bases — however, the substance and duration of the political leadership of Deng Xiaoping in China was of fundamental importance. Without taking into account the influence of the thoughts and actions of this statesman, it is impossible to understand the essence of tectonic changes that have occurred in the world economy recently.

Thirty-two years ago, on May 15 to 18, 1989, the Chinese-Soviet summit was held in Beijing in which Chinese paramount leader Deng met the Soviet leader Mikhail Gorbachev. On this occasion, Henry Kissinger — who already had an abundance of his own geopolitical experience — published an essay in a weekly magazine, “Newsweek”, in which he asked the fundamental question: Who is right? Gorbachev, who considering the Soviet reality engaged in certain political reforms, but did not go too far in terms of economic changes? Or Deng, who boldly initiated economic changes that made the economy more market-oriented?

I referred to this query when I first met Kissinger in the summer of 1996 in Paris. Later, I have come back to the choosing of the path of reforms during subsequent meetings with Gorbachev — always in Moscow — and especially during more numerous conversations with Kissinger — in Beijing and in New York. Even though this grand question, if at all, can be answered completely and satisfactory only by history, it is worth investigating the subject as much as possible, including having direct discus-

sions with the people who were making the history.

Considering the matter as expressed by Kissinger — either-or — on each subsequent occasion neither of us had any doubt that Deng was right, not Gorbachev. What happened to the two economies from the time of the meeting of these two titans of politics were tectonic changes. Nobody expected the incredible development of the Chinese economy, nor the economic stagnation of Russia, and thus that there would be such a huge difference in the growth dynamics of the two countries. Suffice to say that while in 1989, calculating according to purchasing power parity, the GDP of Russia, still Soviet back then, was about 50 percent higher than that of China. Today the GDP of China is almost nine times greater than that of Russia.

Obviously, the comparisons cannot be reduced solely to the dynamics and the level of GDP but the relationship of these indicators is very telling. After all, the observation of many other fields of socio-economic development is also strikingly meaningful. It is enough to look at the dynamic development of transport infrastructure, which both facilitates the life of the Chinese population and contributes to the improvement of the international competitiveness of Chinese companies.

It is worth mentioning also that at the beginning of the 1990s, GDP per capita was slightly higher in India than in China. Now it is about two and a half times higher in China than in India. Moreover, while the extreme poverty (defined according to the methodology of the World Bank as daily

consumption below \$1.9 at purchasing power parity) has been eliminated in China, because of many years of high production dynamics and appropriate government income distribution policy, it still affects around 12 percent of the Indian population, around 100 million people. The complete elimination of extreme poverty is a great achievement, which has not been accomplished on a similar scale by any country on a level of development similar to that of China. It is worth noting that when the current leader of China President Xi Jinping announced in 2012 that this goal would be achieved in such a short time frame, many sceptics did not believe it. Some still do not want to believe that in 2024 or 2025 China will advance to be part of the group of economies treated by the World Bank as high-income countries.

All this has been possible because China has adopted a development model in which rational people act rationally, pragmatically solving problems. It is good that the New Pragmatism — a useful economic theory that I propose in place of discredited neoliberal capitalism and leading astray populism — is widely used in Chinese socio-economic policy. It is a specific polity, referred to in China as socialism with Chinese characteristics, which I call “Chinism” — the system of creative synergy between the visible hand of the State and the invisible hand of the market, accompanied by the intelligent policies of taking advantage of irreversible globalization — that is the cause of China's great economic success. The more globalization is inclusive, the more it will truly be win-win. And the more developing countries are able to learn from Chinism, the more it may help in their economic progress.

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