

# WORKING PAPER

## **THE MISUNDERSTOOD REFORMS, THE STRATEGIC CHOICES OF THE XI JINPING ERA AND CENTRAL AND EASTERN EUROPE**

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*Keynote Address*

*at the Conference*

***“How CEE Countries Perceive China’s Development - 40<sup>th</sup> Anniversary of China’s Reform  
and Opening-Up Policy”***

*jointly organized by*

*China–CEE Institute of CASS and Antall József Knowledge Center*

*Budapest, November 29, 2018*

Distinguished Participants,

Ladies and Gentlemen,

First of all, I express my most sincere congratulations to the organizers of today’s conference for having such an important and interesting international scientific event of commemoration.

I also express my congratulations to the China–CEE Institute of CASS, located in Budapest for successfully establishing its scientific reputation and building up its professional capacities and activities within such a short time since its establishment in spring 2017.

I wish the Institute to continue its productive activities in Budapest and to build further up its reputation among, and continue the multiple forms of cooperation with other respectable research institutions in Europe, the CEE region and Hungary, such as the Antall József Knowledge Center.

Furthermore, please allow me to make some analytical contribution of my own in my capacity of a Central and Eastern European researcher to the topics of our conference as well.

## **1. Some major characteristics of the Chinese reform process**

Reforms in China were an absolute necessity after the tragedy and deep destruction of the Cultural Revolution. A new political coalition within the Communist Party of China (CPC) headed by Deng Xiaoping introduced reforms and opening up in 1978, based on some creative local economic and social initiatives, and aiming for preventing the collapse of the party itself and its power within the state structure of the People's Republic of China (PRC).

The Chinese reforms and opening has become a successful self-developing national policy for the last 40 years. It has also become a major factor of fast economic growth, social development and transformation, and reasonable political stability. The key to the reforms' historic success were its continuous deepening and gradual progress in consecutive waves. Up till now, there were five waves of reforms: (1) rural reform in 1978, (2) city-township reform in 1984, (3) market reform in 1993, (4) globalization reform in 1999, and (5) supply side and comprehensive reform in 2013. They were combined with gradually widening opening up to the outside world as well.

Each wave opened up new space and spheres for development of the dynamic creative forces of the Chinese economy and society, and when those forces fulfilled the given space, the CPC was able to open up new space for them again and again by introducing the next wave of reforms and opening. That is what can be called the working mechanism of the "Chinese reform egg", i.e. the concentric ellipses of expanding reform waves.<sup>1</sup> This "reform egg" is still in incubation phase, i.e. still has not hatched yet. So, it is impossible for the present to give the final general scientific evaluation of it, and to make reliable long-term predictions for its further development and final result, although its enormous historical success of the last four decades is unquestionable.

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<sup>1</sup> See Figure Slide attached.

In general, the five reform waves were adequate to the needs and absorbing capacities of the Chinese economy, society and political system at times of their introduction. The fact that there has been only one major national political and social crisis in China for 40 years is a strong proof to that. The crisis of 1989 was a result of social and political consequences of the then implemented semi-successful reform wave, the city-township reform, and the lessons of that crisis were drawn by the CPC later, as were the lessons of the major external changes of the early 1990s: the collapse of the Soviet Union and its satellites, or the major phenomenon of the early 2000s: the rapid globalization of the world economy.

After 40 years of reform and opening up, there is a postmodern China today with a gigantic multiply mixed economy, enormous ecological challenges, differentiated and transforming society, changing value system and syncretic ideological tendencies, party-state and socialist legal system, and a dominating ruling party. This country is an influential rising major power with great national and civilizational pride, strong regional ambitions and global outlook, aiming for substantive participation in international rulemaking and global governance. Simultaneously, today's China is still a developing country with its own, unique socio-economic system and political regime, both differing considerably from those of many other countries, and with large internal and external challenges and difficulties. It is historically unprecedented that one of the most important global economies and a major global power is not one of the most developed countries of its times, but rather shows characteristics of a developing country with its own distinct, unique economic, social, spiritual and political system and regime.

As a result of the historic achievements of the reform and opening process, China presents us with certain uniqueness, multiple contradictions and controversies, which challenge our postmodern China studies fundamentally.

## **2. Misunderstanding and misinterpreting the Chinese reforms**

The most important problem of postmodern China studies manifests itself in chronic misunderstanding of the reform process, which in turn leads to unreliability of predictions regarding the stability and future development of the PRC. Evidence to that is the perpetual reemergence of failed theories of “imminent collapse” of and “doomsday scenarios” for China in many forms. The two major causes for that situation are (1) the misperception and misinterpretation of the real aims of the Chinese reformers and reforms, and (2) the scientific imperfections of the postmodern China studies. It is necessary to overcome both of them.

For cause (1), it is imperative to deeply understand that Deng Xiaoping & Co., i.e. the political coalition within CPC which introduced reforms, and their successors up till today have never aimed for replacing socialism and the ruling party status of the CPC by any other system of economy, society, ideology, state, and politics. The key formula for them, the “*primary stage of socialism*” has remained the theoretical cornerstone of all reforms for the last 40 years. It means that any, even capitalist, methods, ways and means are acceptable to speed up the development of China with the purpose of overcoming its backwardness, restoring its national greatness and major international power status, but the basic economic, social, ideological, and political structures of the PRC, including the one party rule of the CPC, shall remain in place as guarantees of the socialist character and final prospect of that development. So, it is totally misguided to expect that the reforms lead to systemic or regime change in China willingly, or result in that outcome unwillingly but with active participation of the leaders of the country.

For cause (2), it is time to overcome the present limitations in scientific approaches to postmodern China studies.

(A) In substantial (ontological) terms, at present we simply do not have the necessary amount of knowledge of the Chinese realities to have an appropriate, detailed and objective assessment of the conditions and circumstances in the

Chinese society. Consequently, it is necessary to gather and uncover as much empirical data, information and knowledge of the real situation in China as possible, and after getting to the scientifically required minimum of reliable knowledge, that shall be analyzed and interpreted with the most rigorous realism.

(B) In methodological (epistemological) terms, it is imperative to stop substituting substance with form in our China research. E.g., the economic mechanisms for resource allocation in China shall be studied diligently, instead of just comparing them superficially to market forms of that important economic function, and declaring that as they are different from the latter, they are insufficient or wrong by definition. Or, the Chinese political system's mechanisms for formulating and channeling diverging interests of a differentiated society into the political decision-making process shall be analyzed in detail and objectively, instead of just merely comparing them superficially to forms and ways of multiparty representative democracies for performing the same substantial socio-political function, and by concluding that the Chinese mechanisms do largely differ from those of the latter, simply lament on their insufficiencies or declare them totally wrong and invalid. There are myriad of such issues of substance in postmodern China to study and understand deeply, instead of concentrating on comparison of them to the characteristic forms of similar substances in other, mainly western societies. It is imperative to return to the real analysis of the substance of economic, social, spiritual and political phenomena in China, instead of the present, principally formalist approaches to them.

(C) In subjective terms, the frequent national and civilizational vanity – if not outright arrogance –, the multifaceted interest- and value-based distortions by some researchers shall be overcome totally, and the most stringent scientific objectivity and realism shall prevail in postmodern China studies.

### **3. The strategic choices of our times**

The Xi Jinping era marks the entering of China into a new phase of its development. The Great Recession of 2008 changed the conditions of China's development both internally and externally, and posed very serious challenges to it. The danger of middle income trap, slowing economic growth, environmental degradation, social differentiation and tensions, spreading value vacuum, and some political power struggle were the most visible signs of the domestic challenges after 2010. The evolving crisis of globalization, global and regional instability, and escalation of great power confrontations were the main manifestations of the international challenges in the latest years.

A new political coalition within CPC formed and led by General Secretary Xi Jinping around 2012 has made the unavoidable strategic choices, and has worked out a coherent response to those internal and external challenges by declaring the China Dream, and later formulating the Xi Jinping Thought.

This concept still does not break with the basic theoretical thesis of “*primary stage of socialism*”, does not contain any signs of systemic or regime change in China. So, the theoretical and political basis of utmost importance for the present phase of the reform process remains unchanged.

Internally, this new strategy combines the disciplining and strengthening of the CPC and recentralizing its power and responsibility within the state and government with a new wave of reforms, the supply side economic reform with the comprehensive deepening of reforms in many other spheres. It also includes a proactive economic and social policy for promoting innovation, digitalization and green development as well as continued social engineering, enhanced nation building and postmodern social management and governance.

Externally, it furthers economic opening, aims at achieving “Globalization 2.0”, and performs a proactive foreign and security policy for turning China into a strong, global, rulemaking major (great) power. One of the key strategic tools for the external – and even internal – strategic endeavors of this concept is the implementation of the Belt & Road Initiative, which in turn integrates into itself

the CEEC–China (16+1) Cooperation more and more as a specific sub-regional branch of it. For us, Central and Eastern Europeans that has a special importance.

Nevertheless, the implementation of this new general strategy of the CPC does not move forward totally smoothly, as it is hindered by many difficulties both internally and externally, including some clear counter-interests in the Chinese society and definite counter-actions on the global and regional arena. The sluggish, slow and uneven progress of the implementation is a real question of substance today. The new strategy's success is not guaranteed, as there were no absolute guarantees for success of the previous Chinese reform waves as well.

The existence of postmodern China in itself and its fast development with inherent complexities, controversies and contradictions pose many political, economic, practical, and intellectual challenges to the rest of the world.

In general, they present two major strategic choices for the outside world: (1) to relate to China with the approach of delicately balanced inclusion, cooperation and dialogue or (2) to treat it with resistance, confrontation and containment, creating by that a new Cold War. China has made its strategic choices for the new era, so it is high time to do that for the outside world, too.

To choose the right approaches or any combination of their above elements, there is an urgent and ultimately pressing need for objective assessments of China's actual situation and for reliable forecasts on its further development, future politics and policies. That makes the solution of imperfections of postmodern China studies even more important.

#### **4. The postmodern Central and Eastern Europe and China**

Central and Eastern Europe was not very attentive to the Chinese reforms during their first three decades, as the region had to face its own fundamental economic, social and political problems and transformation in the late 1980s and early 1990s. After the collapse of “existing socialism” and the regime changes, local and regional conflicts and instabilities in the region, the issue of the North



Atlantic and European integration came to the forefront of attention from the mid-1990s. That led to considerable delay in taking note of the enormous changes that have taken place in China for decades. It was only from the mid-2000s, that the countries, politicians, scholars and public opinion leaders of Central and Eastern Europe had to face the meteoric rise of China and its unavoidable international consequences. Hungary was among the firsts in that respect.

After the Great Recession of 2008, the distortions of the integration of the CEE region into the European Union, its remaining peripheral status within it and its failure to catch up in the level of development with Western Europe became more visible and distinctive. That situation resulted in increased interest of the CEE countries in other fast growing and influential regions and countries of the world, first and foremost in China. Those economic, social and political interests generated a rapid expansion of China research and growing general attention to Chinese things, realities, reforms, development and politics. Despite that attention, today's Central and Eastern Europe still lags behind Western Europe considerably in understanding China's development, the "Chinese miracle" and reforms, their importance and consequences.

On the other hand, up to the Great Recession, China did not show substantial interest to Central and Eastern Europe, but concentrated most of its European relation-building efforts on Western Europe. Only when the large eastward expansion of the EU took place in 2004, did the CEE region get some real attention in China, but the fundamental turning point came there only after 2008, too.

That was the general situation at the moment of the establishment of the CEEC–China (16+1) Cooperation in the early 2010s, which in its turn created a lot of new opportunities and some unrealistic expectations, impatience and illusions about the implementation of those opportunities on both sides. The lack of mutual knowledge remains a major hindering factor in the development of the 16+1 cooperation still today, despite the considerable achievements attained for

the last 7 years. That prescribes a clear objective to our mutually beneficial research activities in general, and to our work during this conference in particular.

Ladies and Gentlemen,

Nowadays, we live in transitional times, when the global and regional correlation of forces, the international system and order, the global and regional governance and its institutions undergo fundamental changes with undecided and unknown final outcomes. These are difficult but also exciting times, both professionally and personally. The better mutual knowledge and understanding of our postmodern Central and Eastern Europe and China may become conducive to our countries' participation in those changes and to the development of their constructive and mutually beneficial cooperation as well. That makes our conference even more important and useful.

Thank you all for your kind attention!

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### **About the Author**

Sándor Zoltán KUSAI is 59, the former Ambassador of Hungary to China (2008-2014), an independent expert on international relations and China, economist, and at present lectures as titular Associate Professor at Pázmány Péter Catholic University (Budapest).