

The Chinese Path to Sustainable Development, a Critical Analysis of Reality and Propaganda

Nicoletta Ferro
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Summary

The fourth generation of Chinese leaders inherited the fastest growing economy in the world, as well as the consequences that more than two decades of uneven development had had on the country's social and economic structure. Regional disparities, rural/urban divide, lack of a welfare system, environmental degradation, widespread corruption, and ethnic tensions are only some of the more urgent challenges the Chinese Communist Party's (CCP) General Secretary Hu Jintao and his lieutenants are currently called to face. In this scenario, there has been an urge for new objectives, capable of leading the country into a new stage of development. These ideas have been found in the Confucian philosophical tradition and in its idea of 'harmonious society' (*héxié shèhuì*). The vision of 'scientific development' (*kexué fazhan guan*) and 'sustainable development' (*kechíxù fazhan*) which came along with this Confucian revival, rapidly became the rubric under which every advance in social and economic fields had to be achieved in China. This paper deals with issues such as what the discourse on the 'harmonious society' stands for and implies, and its connections with sustainable development.

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Address for correspondence:

Nicoletta Ferro
Fondazione Eni Enrico Mattei
Corso Magenta 63
20123 Milano
Italy
E-mail: Nicoletta.ferro@feem.it

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Introduction

At the end of December 2008 China celebrated the 30th anniversary of the wave of reforms which opened the country to a market economy. The Chinese Communist Party (CCP) Secretary General and President of the People's Republic of China Hu Jintao commemorated the event reaffirming the commitment of the National Government to a set of ideas and conceptions which have characterised the political discourse of the 4th generation of Chinese leaders since they came into power in 2002.

The ideological platform of this new generation of politicians is mainly based on the pursuit of a harmonious society (*héxié shèhuì*) both within the domestic borders and on the international front, the so-called harmonious world (*héxié shìjiè*). Both these goals can only be pursued within a new paradigm of progress which has been defined as Scientific Development (*kexué fazhanguan*), a development model tailored to the real environment of the times and inspired by order, method and regularity, which reminds us of sustainable development (*kechíxù fazhan*), as it was first conceived¹. These goals have to be consistent with the well-known idea of Socialism with Chinese Characteristics or with Capitalism with a Chinese touch².

Though this stance of the Chinese leadership in the sustainable development debate has been judged critically by some analysts who consider it as instrumental and driven purely by economic and political reasons, it cannot be denied that the topic is gaining more and more relevance in the Chinese context. Moreover, despite the recent world economic slowdown, it seems that rather than hampering the construction of the harmonious society in China, it is achieving the opposite result, such as fostering government action towards the achievement of a series of objectives pivotal to the construction of a harmonious world and to meeting the goals of sustainable development³.

In view of this changing scenario, the aim of this paper is to shed new light on the political discourse centred on this topic. In order to clearly understand what this debate on sustainable development deals with, what it stands for and what it implies, it is necessary to take a step into the past, looking back at the recent history of the country. Moreover a great deal of attention has to be given to the official rhetoric on sustainable development so as not to forget the way rhetoric is

¹ In 1987 the Brundtland Report defined sustainable development as the "development that meets the needs of the present without compromising the ability of future generations to meet their own needs".

² A very recent and interesting insight into the new role of market in China is: Yasheng Huang, *Capitalism with Chinese characteristics, Entrepreneurship and the State*, 2008, Cambridge University Press.

³ China Csr Editors; *Global financial woes may impact social responsibility in China*, 15 October 2008; China Csr Editors, *Companies focus on sustainability in China during downturn*, 16 February 2009.

translated into reality. Lastly a glimpse into Confucian philosophical beliefs proves necessary to illustrate the classical roots of this tradition and to draw some preliminary conclusions.

Historical background

During the last 30 years, China has been experiencing rapid economic development and growth. The origin of all this has to be found in Deng Xiaoping's reforms which, liberalising the Chinese economic system, opened it up to the market economy. All this came after the first 30 years of the People's Republic of China, known as the Maoist era (1949-1979). These decades were marked by a Soviet-style development model based on "Five Year Plans" and on China's particular condition (the heart of what constitutes socialism with Chinese characteristics). Mao's political and economic project was centred on expanding heavy industries (such as the production of coal, steel and petrochemicals) and on creating the supremacy of State Owned Enterprises (SOEs) respect to any other economic entity. The social life of the Chinese people was organised entirely around the work unit (*gongzuo danwei*) the individual belonged to. Being the ancestor of modern welfare, this system provided a minimum labour wage for all SOE employees, insuring services such as housing, medical assistance, education and a basic pension treatment. In the countryside, land was taken from landlords and more wealthy peasants and given to poorer peasants in an attempt to attain the goal of collectivisation of property. The success of the First Five Year Plan encouraged the drawing up of the Second Five Year Plan with tragic consequences. Things started worsening when the Great Leap Forward was announced in 1958. It was an ambitious economic and industrial plan aimed at accomplishing the economic and technical development of the country by achieving a simultaneous development of industry and agriculture in a very short time. The Second Five Year Plan (1958-72) was an integral part of this project but proved to be a failure as China faced the collapse of the food supply system and the worst famine ever that caused more than 30 million hunger deaths. As a result, the Maoist Era marked one of the most tragic periods the country has ever been through. Famine, political oppression and a progressive weakness of the industrial system plagued by disorganisation and a very low level of productivity, made the country one of the nations with the lowest income worldwide.

When Mao died in 1975 and his successor Deng Xiaoping took over, he slowly began to walk the path to economic reforms. The aim of the "Four Modernisations Policy" (agriculture, industry, defence, education) run by Deng was to give priority to the economic development of the country. This meant introducing market mechanisms in a Soviet-style planned economy without permission for extensive reforms in the political system, since the centrality of the Communist Party remained

crucial as it was under Mao. This was the only element of the recent past that was kept, as at the heart of Deng's reforming movement lay the revolutionary decision of abandoning the paradigm of Maoism, rejecting Mao's principle of 'class struggle' and denying the basis of the cultural revolution. The focus of the reforms was put on economic development and on the opening up of the Chinese economy to outside investments (namely to foreign direct investments). Under Deng, the society underwent a slow but effective process of demaoisation, and a series of revolutionary changes in the economic order meant a paradigm shift from the past. A fundamental change in the political scene was a revaluation of the market: "*being no more condemned as a tool of capitalistic class to exploit labour classes but as an ideologically neutral instrument of resource allocation and a tool reserved not only for a capitalistic economy*"⁴.

From a merely economic point of view, the opening up of the Chinese economy to foreign investments (FDI) was fostered by the establishment of Special Economic Zones (SEZ), limited geographical areas within the country empowered with special laws to attract foreign capitals and investments. Tax benefits, quality of infrastructures, concentration of services and the proximity to customers were the secrets behind this new economic reality. Moreover, due to their high inefficiency, SOEs were dismantled and reorganised, their structures rationalised according to free market paradigms. This put an end to the entire work unit supporting system which helped the individual from the "*cradle to the grave*", leaving people to face life's challenges alone⁵.

In the rural sector the collectivisation of land was dismantled and People Communes, initially set up to trigger collective economic activities, progressively disappeared. Their highly inefficient rates of productivity were among the main reasons that induced such a change. What was introduced instead was a household contract responsibility system, linking remuneration to output. Contracting land out to farmers altered the distribution of land and sparked the farmers' enthusiasm for production⁶. As a result, during the six years following 1978, agricultural output grew more than twice as fast as the average growth rate over the previous twenty five years. A strict demographic planning policy, based on the 'One Child Policy'⁷, that allows only one child per family, put an end to an encouraging demographic policy and was at the forefront in the new era, allowing the rapid and sustainable take off of the Chinese economy.

⁴ Chen R. J., 2007, Goodbye Marx Hello Confucius: Ideological Paradigm Change in Economic Transition of PRC, Centre for the Study of International Institutions (CSI), Faculty of Economics and Statistics, University of Innsbruck.

⁵ Zheng Y. & Chen M., June 2007, China's recent State-Owned Enterprises reform and its social consequences, China Policy Institute.

⁶ Trau Y., The Economic Role Of Agriculture In China, <http://ezinearticles.com/?The-Economic-Role-Of-Agriculture-In-China&id=1079481>

⁷ For more about One Child Policy see: Ferro N., *Cina, L'insostenibile figlio unico*, 2007, www.lavoce.info

Paying a tribute to development

The above-mentioned transformations are all part of a changing scenario which slowly but inexorably contributed to the entering of China into the modern age, thanks to an unprecedented economic development. Although the Tiananmen events in 1989 put a halt to progress, they did not interrupt it entirely.

Soon after the repression, economic reforms began again under Jiang Zemin who succeeded Deng Xiaoping in 1992. However, the rapidity of growth implied an uneven distribution of its benefits. Thus the fourth generation of Chinese leaders found themselves dealing with the inheritance of 30 years of uneven economic growth, that had achieved unprecedented results at an economic level but had paid little or no attention to the social outcome of such changes.

A few of the challenges the 4th generation of leaders has to face are mentioned below; China has to confront:

- **Major regional disparities**, especially the uneven economic development existing between the **coastal zone** (the Pearl River Delta in the Guangdong Province and the Yangtze River Delta) and the central and southern areas of the country which are lagging behind;
- **Rural/urban divide**, creating mounting social disparities (the World Bank data reveal an estimated 270 million people still living in poverty) and leading to 120 million people moving into urban areas in search of a job;
- **Growing rate of unemployment**. The dismantling of the SOEs which were privatised using various means caused the break up of the social security system which had supported millions of workers for decades. Moreover, as a consequence of massive dismissals, the rate of unemployment rose dramatically to a value of 8.4% jobless in the country. This situation has been worsening as a result of the recent economic crisis which has driven about 20 million migrant workers from urban areas back to the rural lands due to the loss of their jobs, not to mention the 7.1 million young university graduates entering the job market this year with very little hope of finding a job;
- **Lack of a welfare system**. As already mentioned above the dismantling of the SOEs destroyed the only form of security system China used to have. Suddenly millions of people found themselves without any form of medical, educational or social assistance and had to take care of their basic needs by themselves⁸ ;

⁸ For more information about the consequences of the dismantling of SOEs see: Zheng Y & Chen M., 2007, China's recent State-Owned Enterprise reform and its social consequences , Briefing Series , Issue 23, China Policy Institute .

- **Environmental degradation** is one of the major tributes China is paying to development. The lack of a structured regulatory system that controls industrial activities has caused high levels of air, water and ground pollution;
- **Widespread corruption** at a local level causes abuses of the system by those in power;
- **Ethnic tensions which are not limited to Tibet alone but include** 55 official ethnic minorities which are struggling to survive alongside the dominant Han group, which makes up 92% of the total population. Recent riots in the northwestern Xinjiang Autonomous region, home of the **Uighur** Muslim minority, proved very dangerous for the government's stability
- **Demographic issue**, consisting of an increasingly ageing population as a result of a combination of falling fertility rates, due to the One Child Policy, and rising longevity of its population. Currently 10% of the population (130 million of people) are over 60 and this figure is growing at a rate of 3% yearly. This means that by 2050 the population over 60 will be 400 million (one Chinese out of 4) making China an older country than the US and the only nation which has not yet reached a full development stage but has an ageing population. The consequences on the markets as well as on the social system can only be imagined⁹.
- **Quest for political reforms** on behalf of a small part of the population. The recent circulation on the Internet of a document called Charter 08, a political manifesto signed by hundreds of Chinese political dissidents and intellectuals and calling for sweeping democratic reforms in the country, is an example of something moving within the society.

The fourth generation of leaders and their ideological platform

In all the above-mentioned areas, the situation has worsened in tandem with economic reforms, causing widespread discontent and danger of social unrest in the whole country. The slow transition from Jiang Zemin's power ended in 2004 and the Fourth Generation of Chinese leaders found themselves in need of strong developmental ideas in order to boost the political discourse on common objectives and to face the major challenges the future seemed to pose. When Hu Jintao was appointed General Secretary of the PCC and President of the Republic and Wen Jabao became Premier of the State Council, their first aim was to contain the loss of credibility political

⁹Jackson R., Nakashima K. & Howe N., *China's Long March to Retirement Reform*, Centre For Strategic International Studies and Prudential Foundation.

institutions were facing in this new era¹⁰. In this scenario the discourse regarding social harmony slowly made its way into Chinese political rhetoric as a path towards advancements in social, economic and political fields.

Before drawing up a short chronological résumé of how the “harmonious society” discourse made its way progressively into the Chinese political realm, it is necessary to shed further light on what this idea consists of. President Hu Jintao describes the harmonious socialist society as: “something featuring democracy, rule of law, fairness, justice, honesty, fraternity, dynamism, stability, orderliness and harmony between man and nature”¹¹

We can break down this definition to examine its subparts:

- **Democracy and the rule of law** mean that socialist democracy is brought into full play, the basic policy of the rule of law is implemented, and the positive elements of various political groups are fully mobilised.
- **Fairness and justice** mean that the interests of various social sectors are appropriately coordinated, civil conflicts and other social conflicts are correctly handled, and social fairness and justice is defended and achieved.
- **Honesty and fraternity** mean that everyone helps one another, honesty prevails in society, and people live next to each other in harmony in conditions of equality and fraternity.
- **Dynamism** means that every creative wish that is conducive to social development will be respected, creative activities will be supported, creative talents will be given free rein, and creative accomplishments will be acknowledged.
- **Stability and orderliness** mean a sound social organisation mechanism, social management, and social order; people live and work in peace and contentment; social stability and unity are maintained.
- **Harmony between man and nature** means economic development, wealthy life and balanced ecology.

The aim of the harmonious society can only be achieved through what has been labelled as a Scientific Outlook on development which puts people first and which is able to balance their basic requirements in a sustainable manner both for present and future generations. That is why a great

¹⁰ Zheng Y, Wang Z.& Lye L. F., 2005, China Political review 2005: promoting a harmonious society to cope with a crisis of governance, China Policy Institute , Briefing Series, Issues 3.

¹¹Hu Jintao's Report at 17th Party Congress available at: <http://www.china.org.cn/english/congress/229611.htm>.

deal of emphasis has been put on China's ability to develop a progressive economic and industrial plan that is more balanced and sensitive to social consequences.

To be able to draw up a brief chronology of the progressive steps the idea of a harmonious society made into the realm of real politics it is necessary to go back to 2003 when a document called: "Decision on several issues in perfecting the socialist market economy", that marked the end of the Third Plenum of the Communist Party XVI Central Committee, mentioned for the first time the mounting social problems China was about to face as a consequence of unprecedented economic development.

The Fourth Plenum of the Communist Party Central Committee, which took place in July 2004, marked Jiang Zemin's step down from power as he finally resigned from his last party post as Chairman of the Central Military Commission (CMC). Hu Jintao's taking over was thus formalised and in the final document presented he mentioned a social harmony to be achieved through scientific development. This is a balanced advancement in economic development, social fairness, sustainable development, environment protection and alleviation of income disparities within the country's regions and social sectors.

The following year, 2005, Hu Jintao held an important speech at the Central Party School, instructing the country's leading officials and party cadres to what were the ingredients of a harmonious society. In the same year, the Fifth Plenum of the Communist Party Central Committee approved a series of recommendations for the 11th Five Year Plan (2006-2011). The revolutionary thing about this new plan was that for the first time Chinese political leaders decided to abandon purely economic objectives, making sustainable development the focal point of future developmental goals.

The targets to pursue were drawn up: the acceleration of rural development (through massive investments in infrastructure, education and health assistance in the countryside), the decrease of social disparities, environmental protection and implementation of renewable energies and investments in research and development.

A resolution entitled: "Major Issues Regarding the Building of a Harmonious Socialist Society" was adopted at the end of the Central Committee Plenary Session, thus celebrating social harmony and sustainable development as basic elements of the Chinese way to Socialism. Another turning point in the process has been the release of the "Eight Honours and Eight Shames" (*ba róng ba chi*) by Hu Jintao in 2006. Being a sort of moral code, summarising what a good citizen should regard as an

honour and what to regard as a shame¹², they represent “the new moral yardstick to measure the work, conduct and attitude of Communist Party officials”.

The final step in the formulation of the harmonious society discourse was reached in 2007; during the 17th CCP National Congress (which is held every 5 years to sanction the new political line for the country) Hu Jintao came out with a report which put the basis for the paradigm shift. In the fifth chapter of the Report, Hu specified the goal of building a moderately prosperous society by 2020. This meant quadrupling the per capita value of the gross domestic product (GDP) of the year 2000, passing from per capita earnings of 856 to 3,500 US dollars. What has been defined as moderate prosperity (*xiaokang shehui*) comes along with the expansion of a so-called “socialist democracy”, which has not been defined yet in political terms. Improving social equity and justice, providing Chinese people with a social security system and reducing waste of resources while putting greater efforts in environment protections, seem to be the main concerns.

In the sixth chapter of the same Report, Hu Jintao gives details regarding the actions that should be taken to pursue the above-mentioned goals. These include:

- Enhancing China’s capacity for independent scientific, technological and managerial innovation.
- Accelerating the transformation of the mode of economic development and promoting the upgrading of the industrial sector.
- Balancing the divide between urban and rural areas
- Improving energy resources, ecological and environmental conservation and enhancing China’s capacity for sustainable development.

These objectives seem to have found a practical application in new laws and regulations implemented by the Chinese government. An example is the enactment of the 2008 Fiscal Law that marked the end of privileges for foreign companies investing in China, providing equal tax treatment to both Chinese and foreign companies¹³. Through this Law a filter was established both

¹² Love the country; do it no harm, Serve the people; never betray them, Follow science; discard superstition, Be diligent; not indolent, Be united, help each other; make no gains at other's expense, Be honest and trustworthy; do not sacrifice ethics for profit, Be disciplined and law-abiding; not chaotic and lawless, Live plainly, work hard; do not wallow in luxuries and pleasures.

¹³ If previously foreign companies were exempted from corporate income tax in the first and the second year of their activity in China, and were granted a 50% deduction of corporate income tax from the third to the fifth year, the new law equalises the amount of taxes to be paid both for foreign and domestic companies, unifying the corporate income tax rate of 25 %.

on foreign direct investments and on domestic ones. The incentives offered by the Chinese government are restricted to areas now considered strategic such as water conservation and saving, rural development and technological development. In the meantime research and development have been promoted thanks to fiscal and monetary incentives and investments in academic institutions. According to Thomson Reuters' forecast, China "will dominate the patent information landscape by 2012¹⁴", having grown at a faster rate than any other nation in terms of patented inventions.

The underdevelopment of rural mainland areas is at the forefront of the government's commitment. In order to boost agricultural productivity, increase rural incomes and raise productivity in rural areas, the government recently revealed a land reform policy to improve the income of its 750 million rural residents. The main aim of this revolutionary reform is to encourage the growth of big farms. The real revolution lies in the fact that farmers are, for the first time, legally allowed to lease or transfer their land use rights by subcontracting, leasing, swapping, or using them to form a joint-stock company. The system in use until now saw the main source of local authority, such as village committees, dividing the existing land equally between residents who held 30-year leases free of charge, and who were allowed to grow what they liked and to sell their harvests. This system responded to a political strategy but proved to be inefficient and a source of waste in the long run. Moreover many of the 120 million farmers that headed to the city in search of a better employment started to informally lease their land-use rights to relatives and neighbours, leading to waste and to a limited use of land which was not exploited to its full potential.

The revival of Confucianism

As stated before, concepts such as social harmony and scientific development are not new to the Chinese culture. Their emergence coincided with the recent rediscovery made by Chinese intellectual and political élites of the ancient philosophical tradition of Confucianism. Although its roots lie in the VI century B.C., Confucianism is still very up-to-date in countries such as China, Taiwan, Korea, Japan and Singapore. Spread by a number of scholars and with the support of written texts, Confucianism believes that humans are endowed with a natural good attitude and that it is only through education and exercise that they can build a harmonic relationship with the external human and natural environment. Harmony is thus the supreme virtue that helps to regulate the links between man and nature and their equilibrium. As a consequence harmony is necessary also in human relationships and in dealing with social and political institutions. At the heart of this system of beliefs based on harmony are the five virtues: *ren*, the virtue of benevolence, charity, and

¹⁴Thomson Reuters, 2008, Patented in China- The Present and Future State of Innovation in China" http://science.thomsonreuters.com/scientific/info/world_ip_china/.

humanity; *xiào*, *filial piety* as the family is considered the most important social entity; *zhong*, doing one's best, conscientiousness, loyalty; *yi*, honesty and righteousness and *shu*, reciprocity, altruism, consideration for others. .

In spite of the direct connection with classic culture and Confucianism, if we take a closer look at official documents, such as the Report presented by Hu Jintao at the XVII CCP Congress in 2007, we discover that there is a clear effort on behalf of the political classes to present the social harmonious discourse and the link to Confucianism as an outcome of the progressive development of the Marxist theory, tracing back the roots of the idea to find a logical evolution in the thought of Mao's predecessors.

Nonetheless the connection with Confucianism cannot be denied and it can be framed in a cultural as well as a political project which some Chinese as well as foreign commentators call "Neo-Confucianism"¹⁵. As a consequence of the tremendous changes the Chinese society is currently facing, an age of moral vacuum and materialism has emerged. The revival of a domesticated form of Confucianism combined with the harmonious society doctrine is seen by Chinese government as an effective tool to cope with the increasing demand of moral imperatives emerging within different social strata, preventing the resurgence of threats such as the Falun Gong sect¹⁶.

The rediscovery of Confucianism is so profound that it has lead some observers to believe it can be the starting point for the reconstruction of a socialist moral code for a new era of Chinese progress and development. Some others firmly believe that sooner or later Marxism, unable to reconcile the contradictions existing between its roots and a free market economy, will be replaced with this new version of Confucianism.

Albeit interesting, this option shows some dangerous outcomes: for instance Confucianism supports meritocracy (public servants were recruited through public examinations) which is clearly in contrast with the selective model based on relationships and (*guanxi*) typical of contemporary China. Moreover, the call for freedom of religion and democratic reforms, which encompasses all the Confucian system, proves difficult to combine with Chinese reforms.

Conclusions

It cannot be denied that the project of making China a harmonious society calls for a political

¹⁵ Solé-FarràsJ., Harmony in Contemporary New Confucianism and in Socialism with Chinese Characteristics China Media Research, 4(4), 2008.

¹⁶ For a recent and extensive story of the Falun Gong movement see: David Ownby, Falun Gong and the future of China, Oxford University Press as well as Ian Johnsons', Wild Grass: Three Stories of Change in Modern China, 2004, Pantheon.

transition. Major adjustments and reforms both in its social and political organisation seem necessary in order to meet the goals set by the political leaders. These are set as priorities in the Chinese government agenda, currently struggling to build a new system of social security and reforming its healthcare system. The effects of the worldwide economic slowdown make these objectives more and more urgent in order to face the worst consequences of the crisis. As an export oriented economy, the Chinese system has been hit hard by the slump in global demand. The deceleration of global consumption calls for the new alternatives the Chinese government was already planning. Investments in the domestic market seem to be a viable option, but for its development it is necessary to provide people with a social security system, to stimulate domestic consumption. If we highlight that saving rates in China are as high as 45%, something unheard of elsewhere in the world, is easy to understand the links between stimulating the domestic market and undergoing a major policy shift in the country, which implies a total realignment of its developmental strategy. The political terms of this reform are still hard to assess.

Observers have drawn up three possible scenarios.

The first is called the Soothing one, considering democracy in western liberal forms as a natural outcome of the reform waves that began 30 years ago. The Upheaval scenario sees the refusal of such an evolution, with current social paradoxes and inequalities sooner or later bringing about a collapse in the system. In the last scenario, things will not change that much from current equilibrium till something happens.

Chinese intellectuals and political personalities have diverging views over social harmony. They can be divided into two groups: the so-called Leftists, that can be further divided into the Old Leftists, those stressing the rights of the traditional working class and peasantry, and the New Left who insist on new marginalised groups and on the negative effects globalisation is having on the country's social equilibrium; and the Rightists, supporting globalisation and its economic advantages and insisting on the 'harmonious world' conception.

The next challenging step for the harmonious society discourse will revolve around how the party will be able to face the current economic slowdown. The promises made by the Chinese Premier Wen Jiabao at the World Economic Forum in Davos, last year, that implied that, despite the crisis, China's economy would grow by 8% this year, must be kept. A fundamental turning point for the future evolution of this topic will be the XVIII Communist Party Plenum to be held in 2012, which will demonstrate whether the successors of the fourth generation of leaders will call for new ways of dealing with the challenges China will be facing or will carry out their predecessors' political and ideological legacy.

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