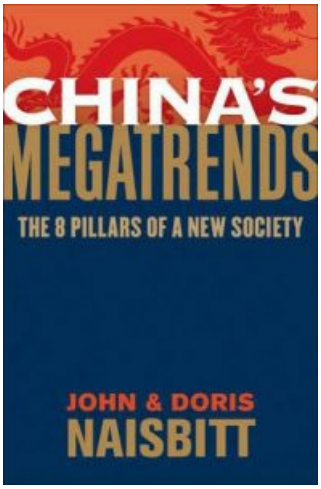

Book China's Megatrends

The 8 Pillars of a New Society

John Naisbitt and Doris Naisbitt
HarperBusiness, 2010
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Recommendation

Futurist John Naisbitt was never one for understatement, and that holds true with this sweeping book on China. His early works broke ground and brought provocative ideas to light. This book, written with his wife, Doris Naisbitt, is less revolutionary. With warm enthusiasm, the authors present a comprehensive, generous compilation of eight major forces shaping China. They explain China's politics simply and straightforwardly, with a generous dose of quotes from former leader Deng Xiaoping and others. The Naisbitts' prose style and their slogans or sayings seem to lilt with a slightly Chinese cadence and, sometimes, even sentence structure. The book is not directed at cognoscenti who seek academic or deep coverage of China's complexities, contradictions and challenges. Instead, *BooksInShort* finds that it is a very accessible look at how China is evolving today, written for an interested but not expert general audience and slightly sugared with an accent on the positive. The authors praise China's leaders – and even laud the fact that most leaders aren't elected – and believe that criticism of China is based on misunderstandings that will clear up as the eight forces they list come to fruition over time.

Take-Aways

- As head of state, Deng Xiaoping set the goal of economic progress and granted China's people the freedom to determine individually how to achieve it.
- Now, eight "pillars" are shaping China's future:
- First, China is ending doctrinaire thinking with "emancipation of the mind."
- Second, China is pioneering "vertical democracy," a form of government that fits its culture, by "balancing top-down and bottom-up."
- Third, leaders frame "the forest and let the trees grow" to support both order and diversity.
- Fourth, the Chinese take experimental risks by "crossing the river by feeling the stones."
- Fifth, creativity thrives as the Chinese explore "artistic and intellectual ferment."
- Sixth, by "joining the world," China is reaching for its rightful international place.
- Seventh, seeking "freedom and fairness," China is balancing social equity and economic progress.
- Eighth, by hosting the Olympic Games, China touted its social and economic advances, while clearly showing that it will develop its own way – not by following the West.

Summary

"Pillar 1: Emancipation of the Mind"

Eight pillars mark the rise of modern China. The first is an end to doctrinaire thinking. Deng Xiaoping, who came to power in 1978 after the chaos of the Cultural

Revolution, recognized the hazards of dogma and the harm done by brutal restrictions on ideas. He inherited an impoverished China, its population forced into passivity by decades of formulaic communism. Deng began the liberation process with his support of 18 farmers who bravely risked their lives by dividing up communal land and taking individual responsibility for cultivating and selling crops.

> "To Deng Xiaoping the question was not whether communism or capitalism would be best...the real question was what works and what doesn't work."

Widespread agricultural reforms triggered China's emancipation, but freeing minds is a long process and China generally moves slowly. After millennia of authoritarian governments and top-down social structures, plus decades of communal property, many people felt discouraged about innovation or risk. Deng and his successors moved patiently to privatize unprofitable state-owned enterprises and build a modern financial system. The results legitimized the unelected regime. In the intervening years, China has cautiously re-evaluated Mao Zedong's legacy. Esteemed for his undeniable achievements in bringing the People's Republic of China into existence, but no longer seen as infallible, Mao has become a more ambiguous figure.

> "[The] Chinese look at China from the background of their own history. People experience a great deal of joy and optimism about their current and future living conditions."

By the end of the 1990s, companies in communist China were handling IPOs, and mergers and acquisitions. Foreign pundits often criticize, not entirely fairly, China's political-economic system, but China was like a company in crisis. It needed a turnaround fast and didn't have time to take polls. Today's thriving market economy, freedom of thought (if not always of expression) and tempering of totalitarianism with some sensitivity to public opinion, all illustrate the magnitude of China's strides from revolutionary indoctrination to intellectual emancipation.

"Pillar 2: Balancing Top-Down and Bottom-Up"

The Chinese are not aiming for Western-style democracy. China's Confucian culture has always understood order's role in preserving freedom, and China's orderly system provides the conditions for this type of freedom. As Deng said, "It doesn't matter if the cat is black or white, so long as it catches mice." He meant that people should focus on practical methods that work, not just on the ideologies behind them. China is creating a new system that balances top-down direction with bottom-up communication and initiative.

> "The evolving Chinese dynamic of top-down government directives and bottom-up citizen initiatives is shaping a new model we call 'vertical democracy'."

For thousands of years, China had a feudal, authoritarian culture that suppressed any expression of unconventional ideas. Then, in 1978, Deng gave a speech, "Emancipate the Minds, Seek the Truth from Facts, Unite and Look Forward," that set a new direction for China's great economic modernization. The 18 farmers exemplified this liberation, which had another important consequence: state encouragement of entrepreneurial initiative. This openness did not extend to the popular selection of leaders, which was seen as potentially destabilizing. Consider the chaos in the former Soviet Union when Mikhail Gorbachev launched perestroika. China's leaders ensured progress within the framework of order. As elections legitimize the exercise of power in the West, getting results that benefit people legitimizes wielding power in China. People see the Chinese Communist Party's power as legitimate because its results speak for themselves: Under its leadership, hundreds of millions of people overcame poverty. Of course, hundreds of millions are still poor, including many exploited migrant workers, but that happens in the West also.

> "The overarching frame expressed as, 'The socialist case will be crowned with victory,' was set and has remained untouched, but within that frame the country has changed dramatically."

The absence of voting for leaders "releases politicians from election-driven thinking and permits long-term strategic planning." Yet China is slowly experimenting with village elections. Its emerging "vertical democracy" probably will be unlike Western democracies. As President Hu Jintao promised, "Citizens will have more extensive democratic rights," but neither progress nor economic growth requires Western-type democracy. The government does conduct and heed surveys to solicit public input on topics such as women's rights. The party pays some attention to these opinions. Because of public opposition, the state suspended plans to build a magnetic train between Shanghai and Hangzhou. The state also works relentlessly against official corruption.

"Pillar 3: Framing the Forest and Letting the Trees Grow"

Mao demanded uniformity. Every tree had to be the same. Diversity emerged only when Deng saw that he had to "allow variety to take root." He encouraged different kinds of trees to grow in China, though the West wanted China to turn itself into a Western-style forest – and quickly. However, China will become its own kind of forest. Deng and other leaders have provided a framework for a Chinese forest to grow. For example, one guiding framework for individual growth is "modest wealth." This gives the Chinese people increased freedom to prosper.

> "Opening up can be experienced in all fields."

Deng recognized the destructiveness of Mao's "class struggle" theory and the importance of economic emancipation. China strove to double its GDP by 1990, and to redouble it by 2000. China's economic goal for the first five decades of the 21st century is to "complete the modernization of the country." China's public goals are not like Western campaign promises. Among other differences, the Chinese clearly delivered. Indeed, China has exceeded its objectives for its GDP, which increased from $309.3 billion in 1980 to some $1.2 trillion in 2000.

> "The constancy of the ruling political party allows long-term planning without the disruption and changing politics of thinking and acting that are focused on elections."

What does China plan for the next century? Its framework will keep the party in power and at the forefront, but expect some political movement toward a sort of democratization of the party. On the military front, a defensive military buildup without territorial grasping "seems more than likely," as does "peaceful national unification" with Taiwan. Economically, China will set out to become the globe's premier innovator and to address its dire environmental challenges.

> "China's leadership has achieved remarkable results, which even harsh critics are beginning to concede."

"Pillar 4: Crossing the River by Feeling the Stones" Deng drew on China's legacy of strategic wisdom by setting a grand objective – economic progress – and granting people the freedom to find their own means of achieving it. Experimental pilot projects have tested innovations in law, investing, schooling and economic structures. Chinese policy makers are responding to popular demand for social-welfare assistance. They have noticed the need for rural shopping centers and have invested in improving the general shopping experience. Deng successfully established "special economic zones." In 1979, Shenzhen, near the Hong Kong border, was a fishing village with 20,000 residents; now it is a metropolis with more than 10 million people. "Deng's concept, 'Let some cities get rich first,' was a breakthrough." China is experimenting with solutions to the problems of archaic state-owned enterprises. The Haier Group Company, a typical state-owned enterprise in 1984, is now a successful appliance manufacturer, with revenues of more than $2 billion and aspirations for global status. Its transformation is a case study at international business schools such as Harvard.

> "Our intention is to base our views on facts. Our view might be colored by our positive emotions, but if so, it may serve to balance the heavily weighted negative commentary."

China's press is not free, but the Chinese did not invent censorship. Indeed, the U.S. once banned James Joyce's *Ulysses*. The press is restricted, but diverse, and often draws sophisticated readers. Internet freedom is an issue, but the Chinese (300 million were online by 2009) have learned to use it as a bottom-up communication device to transmit ideas and suggestions to the leadership.

"Pillar 5: Artistic and Intellectual Ferment"

On the cultural front, the arts will flourish – because artists' minds have also been emancipated. Painters no longer merely copy old masterpieces. In an emerging artistic renaissance, they are pushing the usual boundaries by being innovative. Chinese modern art is a global phenomenon. China has more than a dozen artists whose works sell for $1 million or more. Chinese architects have progressed beyond imitating foreign designs as in the past. In 2006, Ma Yansong, a graduate of Yale's architecture school, won an international competition to design a building in Canada. This made him famous in China. Many Chinese, like Ma, are so-called "sea turtles," scholars who attended foreign universities and are returning to China to seek expanded opportunities. Many join the Western Returned Scholars Association, which is helping to lead China's transformation.

> "[We] don't feel entitled to lecture a leadership that has led millions out of poverty, has the support of the vast majority of the people and is well aware of what needs to be done."

Classical music is alive and well in China – so much so that Lorin Maazel, music director of the New York Philharmonic, said that China could be "one of the most important defenders of classical music." Symphony, ballet, opera and avant-garde drama play to sellout crowds in major cities. Cinema flourishes. Even farmers are engaging in the arts, writing, singing, painting, photographing and stepping into "the literary and artistic ranks in growing numbers."

"Pillar 6: Joining the World"

Despite its critics, China has made substantial steps toward taking its rightful international place. Its infrastructure is world-class. For example, its airlines have gone from being the globe's most hazardous to its most secure, even better than U.S. and European carriers. China is now a magnet for foreign investment and a foreign investor in its own right. Because it has devolved enough economic power to the provincial level, many provinces are now making foreign investment deals. The U.S. increasingly sees China as a strategic partner, though points of friction, such as the exchange rate, remain irritating. Some experts have suggested a G2 summit of only China and the U.S., but China prefers to engage more widely. Its relations with Japan and Korea are progressing despite remaining obstacles, and it is engaging with Latin America. China is helping Africa build up its infrastructure in return for long-term supplies of resources. The West often questions and criticizes China's ambitions and actions in Africa, however, "Westerners who claim that China is taking advantage of Africa's resources might want to think again about who is currently gaining the most from Africa."

"Pillar 7: Freedom and Fairness"

China's leaders face a trade-off between social equity and economic progress. The reformers led by Deng Xiaoping acknowledged that some people would get rich before others, but state, "To get rich in a socialist society means prosperity for the entire people." The government's goal is to elevate a majority of people to middle-class status by 2020. However, different states of economic progress are unfolding in various areas, and broad disparities still exist between rural and urban standards of living. The government of Wuxi is the first in China to try to raise the "living security standard" of rural areas to meet that of urban areas. Entrepreneurs, such as manufacturing magnate Zhang Yin – China's richest person and the world's richest woman – are expanding China's international business. Half of the 1.6 million households categorized as wealthy in China in 2008 were not rich four years earlier. To institute equity, the leaders of China's "vertical democracy" are working to provide people with medical care and a "social security system." China's most crucial need is improved education, "the key to opening the doors of freedom and fairness," not to mention wealth.

"Pillar 8: From Olympic Gold Medals to Nobel Prizes"

The 2008 Olympic Games were China's coming-out party, a display of social and economic advancement, far more than just artistic or athletic prowess. China's progress in science and innovation soon will reach the same level as these other achievements. In China, innovation has become a national priority, as the Chinese increasingly recognize the importance of intellectual capital. High-technology industries such as aircraft, electric cars and robotics are emerging in China and seem likely to succeed. While China may "not win a Nobel Prize tomorrow," its achievements "should certainly gain the acknowledgment of the world."

> "China has its own goals and dreams. How to get there, China and its people will decide."

This view of China is admittedly mostly positive and optimistic. Perhaps that balances the fact that China receives so much negative coverage and criticism, particularly on issues like Tibet and Taiwan. China's leaders understand the challenges ahead and are making progress. Even in controversial concerns, positive change is underway and there is more than "one truth." Ultimately, the Chinese will do what works for them; foreign critics should not demand that they do what works for the West.

About the Authors

John Naisbitt has studied China since 1967 and has visited more than 100 times. Since 2007, **Doris Naisbitt** has directed the Naisbitt China Institute. She is also a professor at Nankai University.