

**GUANGDONG UNDER WANG YANG:
“MIND LIBERATION” AND DEVELOPMENT**

BO Zhiyue

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Executive Summary

1. Wang Yang (汪洋), party secretary of Guangdong (广东) and a Politburo member, has been exploring new development plans for the pioneering province. Under the motto of “mind liberation” (解放思想), he is seeking to upgrade Guangdong’s production chain and introduce clean technology.
2. Located in the south of China, Guangdong is one of the large provinces in China with a population of 94.5 million. One of the worst performers during Maoist era, Guangdong took a step ahead of the rest of the country in reform and opening to the outside world thirty years ago; and it registered an average annual growth rate of 13.8 percent from 1979 to 2007.
3. Guangdong’s economy is larger than that of not only any other provincial unit on Mainland China but also three of the four little tigers of Asia. In terms of Gross Domestic Product, Guangdong surpassed Singapore in 1998, Hong Kong in 2003, and Taiwan in 2007.
4. Due to changes in the global economy and domestic conditions, Guangdong is facing serious challenges. Factories are closing in large numbers because of weak demands, a strong Chinese currency, and a more stringent Labor Law.
5. As soon as he assumed office in Guangdong in December 2007, Party Secretary Wang Yang began to call for another round of “mind liberation” in Guangdong for further development.
6. He enumerated Guangdong’s problems in social and economic development and urged local leaders to acquire a sense of urgency, establish a global vision, and pay attention to people’s livelihood.
7. He met with Ma Yun (马云), founder and board chairman of Alibaba (阿里巴巴) (an online service for international and domestic trade) in Hangzhou,

Zhejiang, enlisted Thomas L. Friedman, *New York Times* columnist and Pulitzer Prize winning author, to advertize Guangdong to the world, and challenged Shenzhen (深圳) to catch up with Singapore.

8. In September 2008, Wang Yang will tour Southeast Asia, visiting Vietnam, Malaysia, Singapore, and Indonesia. He will explore business opportunities and expand his horizon on economic development.
9. Wang Yang's focus on "mind liberation" is mainly on economic development with two concerns: finding a new mode of growth and reconnecting to the world as a key link to a production chain with new technologies.
10. A spillover of his campaign for "mind liberation," however, is political liberalization in Shenzhen. Under the leadership of Party Secretary Liu Yupu (刘玉浦), Shenzhen has recently proposed measures of political reforms including having more than one candidate for the positions of district heads.

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BO Zhiyue*

Another Round of “Mind liberation”

- 1.1 China is at the crossroads. After 30 years of reform and opening to the outside world, China has emerged as one of the most dynamic economic powerhouses in the world. With a Gross Domestic Product (GDP) of 25 trillion yuan¹ (about US\$3.28 trillion²), China has the world’s fourth largest economy, after the United States, Japan, and Germany.
- 1.2 Yet the way China developed its economy in the past three decades is not sustainable and has generated a series of negative consequences. China has relied heavily on labor-intensive industries, and its growth is coupled with high levels of energy consumption and environmental degradation.
- 1.3 General Secretary Hu Jintao (胡锦涛) has been trying to alter the old mode of growth since 2003 when he proposed a new approach to development—the scientific outlook of development (科学发展观). Instead of focusing on GDP growth alone, this approach tries to strike a balance between economic development and social development.

* Dr Bo Zhiyue is Senior Research Fellow at the East Asian Institute, National University of Singapore. He would like to thank Professor John Wong for going through many drafts of this paper and giving helpful comments.

¹ According to the “Statistical Communiqué of the People’s Republic of China on the 2007” released on February 28, 2008, China’s GDP in 2007 was 24,661.9 billion yuan, up by 11.4 percent over the previous year (see http://www.stats.gov.cn/english/newsandcomingevents/t20080228_402465066.htm). But the figure was revised on April 10, 2008 to 24,953 billion yuan, up by 11.9 percent over the previous year (see http://www.stats.gov.cn/was40/gjtjj_en_detail.jsp?channelid=1175&record=40).

² At the average exchange rate of US\$1=7.6058 yuan in 2007, a rate from the US Federal Reserve. See <http://www.federalreserve.gov/releases/g5a/current/>.

- 1.4 More specifically, according to the scientific outlook of development, China would coordinate urban and rural development, coordinate development of different regions, coordinate economic and social development, coordinate harmonious development between human beings and their environment, and coordinate domestic development and opening to the outside world.³
- 1.5 To translate these new tenets of development into practice, Hu called for “mind liberation” in his speech to the Central Party School on 25 June 2007. Instead of Deng Xiaoping’s “four cardinal principles,” Hu introduced a new set of four cardinal principles for the CCP in the next decades: mind liberation; reform and opening up; scientific outlook of development and social harmony; and building a well-off society.⁴
- 1.6 Of course, Hu is not the first to use the phrase “mind liberation.” It was Deng Xiaoping (邓小平) who popularized the phrase in his famous speech, “Emancipating the mind, seeking truth from facts, and unite as one in looking to the future” delivered on 13 December 1978 as a prelude to the era of economic reforms and opening to the outside world.
- 1.7 The fact that Hu used the same phrase before the Seventeenth Party Congress of 2007 indicated his interest in promoting another round of “mind liberation” so as to engineer a fundamental switch from a GDP-oriented mode of growth to one that is more environment friendly, more energy efficient, and more sustainable.

Guangdong at the Crossroads

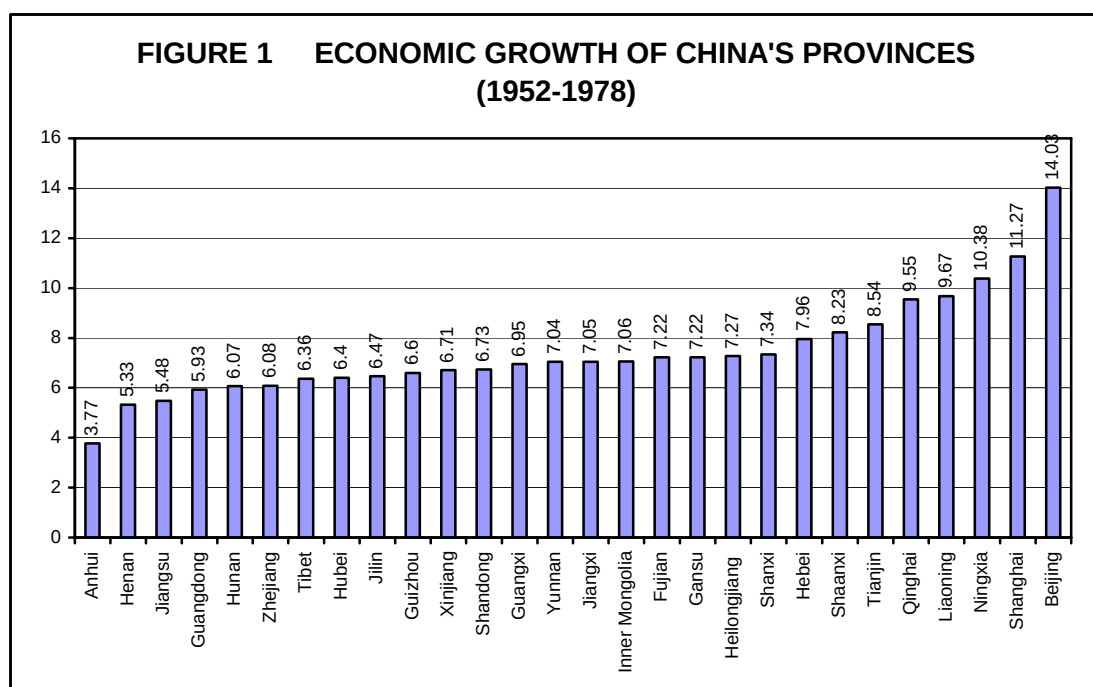
- 2.1 Guangdong (广东), the pioneering province in the era of economic reforms and opening up to the outside world, embodies China’s dilemmas at this stage

³ “The CCP Central Committee’s resolution on a number of issues regarding perfecting the socialist market economic system” (14 October 2003) in *Shiliuda Yilai Zhongyao Wenxian Xuanbian* (*Important Materials Since the Sixteenth Party Congress*) (Beijing: Zhongyang Wenxian Chubanshe, 2005), pp. 464-482.

⁴ *Renmin Ribao*, 26 June 2007, p. 1.

of development. One of the worst performers in the era of Mao and the best performer in the era of reforms, Guangdong has to decide what to do next.

- 2.2 Before 1979, Guangdong was a laggard in economic development. Guangdong's annual average GDP growth between 1952 and 1978 was only 5.93 percent, below that of most provinces during the same period. Its ranking was No. 25 out of 28 provincial units in China, and only better than Anhui (安徽), Henan (河南), and Jiangsu (江苏) (Figure 1).



- 2.3 With blessings from the Central Government, Guangdong took a step ahead of the rest of the country in opening up to the outside world in 1979 and emerged as a stellar performer in economic growth. From 1979 to 2007, Guangdong registered an annual average growth of 13.8 percent, ahead of the growth rates of all the other provincial units in China.

- 2.4 The fifth largest economy in China in 1978, Guangdong overtook Liaoning (辽宁) in 1981, Shanghai (上海) in 1982, Shandong (山东) in 1988, and Jiangsu in 1989 to become the No. 1 economy in China in 1989. The province

subsequently surpassed Singapore in 1998, Hong Kong in 2003, and most recently, Taiwan in 2007.

- 2.5 Guangdong's growth, as elsewhere in China, however, has been based on labor intensive manufacturing that is characterized by high consumption of energy, low value-added products, and a high level of environment degradation. Due to changes in the global economy and domestic conditions, Guangdong is facing serious challenges. Factories are being closed in large numbers because of weak demands, a strong Chinese currency, and a more stringent Labor Contract Law.
- 2.6 According to Dong Tao, Credit Suisse's top economist for Asia, about one third of Guangdong's export factories could be shuttered within three years.⁵ Taiwan sources claimed in June 2008 that 10,000 Taiwanese factories had already left the Pearl River Delta in favor of Vietnam, Cambodia, Bangladesh, or Indonesia. Another estimate stated that one in six Hong Kong-invested factories in Guangdong had already closed down or moved deeper into China.
- 2.7 In a province where the total number of corporate units was 529,196 (including 167,180 units in manufacturing) in 2006,⁶ 10,000 represents only a small fraction of the total. Yet the number, if true, signals a worrisome trend for the local leadership.

Wang Yang's Diagnoses of Guangdong's Problems

- 3.1 Wang Yang (汪洋) (March 1955-), party secretary of Guangdong and a Politburo member, began to call for another round of "mind liberation" in the pioneering province as soon as he arrived in December 2007.

⁵ George Wehrfritz, "Dark Clouds Over The Delta: Factories are closing in the Pearl River Delta, just as Beijing planned. The next step is even harder," *Newsweek*, 7-14 July 2008 Issue, <http://www.newsweek.com/id/143661>.

⁶ *Guangdong Statistical Yearbook* (2007) (Beijing: China Statistics Press, 2007), p. 37.

- 3.2 A native of Suzhou (宿州), Anhui, Wang has been a rising political star in China. With some background in the Chinese Youth League back in the 1980s in Anhui, he was party secretary of Chongqing, the fourth centrally administered municipality in Western China, between December 2005 and December 2007. Recently installed as a member of the Politburo at the Seventeenth Party Congress of the CCP in October 2007, Wang replaced Zhang Dejiang (张德江)⁷ as party secretary of Guangdong in December 2007.
- 3.3 At his first meeting in Guangdong on 25 December 2007, Wang Yang urged local leaders in Guangdong to emancipate their mind, seek a new approach to development, and pay attention to people's livelihood. "GDP growth," he argued, "is a means for improving people's livelihood, not the end of development."⁸
- 3.4 Guangdong has been the No. 1 economy in China for 23 consecutive years.⁹ But Wang Yang warned Guangdong cadres not to be complacent because they have been the holder of this "gold medal." Guangdong, as he pointed out, in fact had a series of problems in development.¹⁰
- 3.5 First, Guangdong's development is not comprehensive. Although its economic development has been fast, its social development lags behind that of other provinces. In education, Guangdong's tertiary education enrollment was 25.6 percent in 2006, lower than that of Zhejiang (浙江) and Jiangsu by 2-3 percentage points; its enrollment of high school students of 177.8 per ten thousand population is lower than the national average of 196, and ranking No. 22 in the country.

⁷ Zhang is a vice premier and a Politburo member now.

⁸ *Renmin Ribao*, 29 December 2007, p. 10.

⁹ This is their account. According to China Statistical Yearbook, Guangdong has been the No.1 economy in China for 19 years, from 1989 to 2007.

¹⁰ "汪洋亮出广东“家底”教育位居全国第 22 位” <http://news.sohu.com/20071226/n254299556.shtml>.

- 3.6 Second, Guangdong's economic scale is huge but its mode of growth is still extensive instead of intensive. Its economic structure is not optimized, and innovation is lacking. Guangdong's economy is still basically characterized by high input, high consumption of energy, high pollution, and low efficiency. Industries are not competitive enough, and companies do not possess core and critical technologies.
- 3.7 Third, urban-rural development is not well coordinated. Uneven development between urban and rural areas in Guangdong has not been substantially mitigated.
- 3.8 Fourth, Guangdong's development faces resources and environmental constraints. There are not enough land resources in the province. The average arable land is only 0.032 hectare per capita, about one third of the national average and far below the warning level of 0.053 stipulated by the United Nations.
- 3.9 Fifth, in spite of rapid economic growth, Guangdong still has serious problems with people's livelihood. From 2001 to 2006, the per capita disposable income of urban residents and the per capita net income of rural residents increased by 3.3 percent and 6.7 percent, respectively. They were slower than both the per capita average GDP growth of 12.2 percent in the province and the national average per capita income growth.
- 3.10 In view of these problems, Wang Yang offered his cadres an advice of three don'ts and three dos. Don't be complacent, do have a sense of crisis; don't be narrow-minded, do establish a global view; don't be obsessed with materialistic targets, do cherish the pro-people perspective.

Exploring Options for Guangdong's Development

- 4.1 Wang Yang has been exploring ways to further develop Guangdong under the motto of "mind liberation." He visited high-tech companies in other provinces, discussed with American journalists on international advertisement, and

challenged Guangzhou (广州) and Shenzhen (深圳) to look outward for examples of emulation.

- 4.2 During his visit to Hangzhou, Zhejiang in February 2008, Wang Yang met with Ma Yun, (马云), founder and board chairman of Alibaba (阿里巴巴) (an online service for international and domestic trade).¹¹ Wang and Ma met again in Beijing in March 2008 to discuss the possibility of inviting Ma to assist in Guangdong's development of e-commerce.
- 4.3 According to Li Qihong (李启红), mayor of Zhongshan (中山), Guangdong, her municipality has signed a preliminary agreement to utilize Alibaba's commercial network online to establish a platform for industrial purchases and sales.¹² A city of 1.4 million (2006), Zhongshan is more developed in industries than in services.
- 4.4 With the total output at 358 billion yuan, Zhongshan's industries take 61 percent of the total economy. Mayor Li hopes to promote Zhongshan's development through its dual engines of industries and modern services, and the key is to establish a platform to facilitate industrial purchases and sales. In this regard, Ma Yun's Alibaba would be an ideal partner.
- 4.5 Wang Yang also enlisted Thomas L. Friedman, *New York Times* columnist and Pulitzer Prize winning author, to put an advertisement in the newspaper on behalf of Guangdong.
- 4.6 In his op-ed piece, "Postcard From South China," addressed to "Dear Mom and Dad" on 31 August 2008, Friedman gave a detailed account of his visit to

¹¹ “汪洋自揭与马云会面内容 邀马云到广东发展电子商务” http://news.xinhuanet.com/misc/2008-03/10/content_7752616.htm.

¹² *Ibid.*

Guangdong where he found a striking dichotomy between high reliance on fossil fuels and emergence of clean technology.¹³

- 4.7 Under the invitation of Wang Yang who had read one of his books on globalization in Chinese, Friedman visited Guangdong and was impressed by his host, the boss of Guangdong Province. He was pleased to relay Wang's message in his piece:

“Please put it in your column that Party Secretary Wang Yang welcomes [Western] clean energy technology companies to come to Guangdong Province and use it as a laboratory to develop their products,” he told me. “We will be most willing to participate in the innovation and provide the services they need.”¹⁴

- 4.8 Wang Yang also urged local leaders of Guangzhou and Shenzhen to have a global vision and to emulate Singapore and South Korea in their next stage of development. “If you can reach Singapore's level of development,” Wang challenged these officials, “we will ask the Center to give you Singapore's salaries.”¹⁵
- 4.9 Wang Yang will visit several countries in Southeast Asia including Vietnam, Malaysia, Singapore, and Indonesia in September 2008. This will be his first trip abroad as the boss of Guangdong. He will take this opportunity to explore business opportunities and expand his horizon on economic development.

“Mind liberation” and Economic Development

- 5.1 With “mind liberation” as an overall slogan, Wang attempts to address two major concerns. On the one hand, he is trying to find a new mode of growth

¹³ Thomas L. Friedman, “Postcard from South China,” *New York Times*, 31 August 2008, p. WK10.

¹⁴ *Ibid.*

¹⁵ <http://www.luckup.net/show.aspx?id=38565&cid=61>.

for Guangdong. On the other hand, he is trying to reconnect to the world and place Guangdong as a key link to a production chain with new technologies.

- 5.2 Guangdong's growth in the past 30 years, as Friedman correctly observed, has been powered by low-cost manufacturing based on cheap energy. With rising labor costs and energy prices, this mode of growth is no longer sustainable. It is imperative to find an alternative.
- 5.3 Guangdong has been an integral part of the global economy, but at the lower end of a production chain. Guangdong is No. 1 in China in terms of total foreign investment, total foreign trade, and total export. In 2007, Guangdong's total foreign trade was US\$ 634 billion, including US\$ 369 billion of exports. However, US\$ 246 billion of exports were products of processing manufacturing, taking 67 percent of the total exports.¹⁶
- 5.4 Guangdong's challenge is not to cut off its links with the world economy but to reconnect the province with the globalized world as a key link to a new production chain of new technologies. In other words, its challenge is to engineer a fundamental shift from being a part of the "world workshop" to that of the center of technological innovation.
- 5.5 If Guangdong is able to find a new approach to development, Wang hopes, it will serve as the role model (排头兵) again for other provinces in their pursuit of "the scientific outlook of development," a newly enshrined doctrine of development in the CCP Constitution authored by President Hu Jintao.

"Mind liberation" and Political Reforms

- 6.1 Apparently, the focus of the "mind liberation" campaign is still on economic development. This is consistent with Deng Xiaoping's exhortation that

¹⁶ "2007 年广东国民经济和社会发展统计公报" http://www.gdstats.gov.cn/tjgb/t20080229_53272.htm.

development is a fundamental truth (发展是硬道理). It is also consistent with Hu Jintao's call for implementing the "scientific outlook of development."

- 6.2 A direct spillover, however, is political liberalization in Shenzhen. Under the leadership of Party Secretary Liu Yupu (刘玉浦), Shenzhen has recently proposed measures of political reforms.
- 6.3 During his visit to Shenzhen in March 2008, Wang Yang encouraged Shenzhen leaders to introduce a national model in the area of "democratic legal construction" (民主法制建设).¹⁷ Shenzhen subsequently published a draft proposal on political reforms online.
- 6.4 According to the proposal (《深圳市近期改革纲要(征求意见稿)》), Shenzhen would serve as the trailblazer in China in the following areas in the next three years: 1) building a socialist democracy and a rule of law system; 2) building a clean, efficient, and service-oriented government; 3) building a complete market system; 4) building a socialist advanced culture; and 5) building a harmonious society.
- 6.5 Shenzhen would gradually expand direct elections at grassroots party organization elections, introduce more candidates than there are positions for heads of districts, and establish a system of district Party congress deputies who serve on tenure.
- 6.6 The municipality is also considering the possibility of allowing candidates to compete for positions of standing members of district or municipal Party committees by organizing campaigns within certain boundaries.

¹⁷ "深圳拟推区长差额选举 学习香港“廉政公署”" http://news.xinhuanet.com/politics/2008-05/23/content_8233188.htm.