

## CHINA'S NEW FOCUS ON QUALITY COULD PAY OFF FOR ITS CITIZENS

March 7, 2015

Last week as I was returning from China, its central bank cut interest rates for the second time in roughly three months, and Premier Li Keqiang lowered the economic growth target to 7 percent for 2015. This marks a significant shift from an average growth rate of close to 10 percent during the past 30 years. Today, China is on the precipice of perhaps the greatest transition since Deng Xiaoping launched market reforms in the '80s. Accompanying the downshift in growth is an emerging priority: the transition to quality.



Li just announced that the country will implement a "Made in China 2025" initiative to move its factories up the global value chain using innovation-driven development that considers human-machine interaction and smart technology directed in part toward medical diagnostics.

Progressive movement up the global value chain is standard fare. Japan began with rubber slippers and cast-iron hibachi stoves after World War II and then led the way into electronics. Korea and Taiwan followed. Behind them were newly industrialized economies like Thailand and Malaysia.

China's transition to quality is not a matter of simply upgrading industrial outputs. President Xi Jinping is also determined to root out graft at all levels of society. His promise to smash both the tiger and the fly is a message to those of high position, whether in business, government or the military as well as rank-and-file members of society.

In recent weeks powerful politicians and decorated generals have been called out for indiscretions. Success in this effort will not only further consolidate control of the country's leadership, it will also ensure the people's confidence as it builds integrity.

Services will benefit from the quality initiative as well. Ultimately, this effort will support a maturation of core values that emphasize relationship and not only financial gain. Virtue, a cornerstone of traditional Chinese society that encompasses ethical and moral behavior, will be cultivated.

This will strengthen China's version of state capitalism in which markets flow quickly and easily but are still fully subject to state control where the objectives are prosperity and security for its people. To this end, Xi Jinping recently announced his signature initiative, the "Four Comprehensives," which calls for a moderately prosperous society, deepening reform, governing

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according to law and strict party discipline. Bear in mind that regarding the rule of law, there is no separation of powers in China.

As the quality initiative refines the way business is done, it will also refine perspectives on the environment, health care and education. Until now the natural, physical environment has been seen as a resource to be used for growth and prosperity. The importance of clean air, potable water and healthy food is rapidly becoming a critical priority.

A widespread culture of littering, which until now has been a matter of course, can change abruptly with government direction. Singapore's founder Lee Kwan Yew completely halted littering in his country by making it punishable. The preliminary climate change agreement forged with Xi Jinping during President Barack Obama's visit to China late last year is consistent with this emerging Chinese priority.

In terms of health care, the people of China will benefit from being better able to trust the quality of medication and medical products produced in their country. They will also appreciate a stronger doctor-patient relationship in which they can trust that providers have in mind their best interests and not simply income.

The most challenging wholesale change — also the one that will bear the greatest fruit — is in the realm of education. While China has excelled at productivity, it has suffered from an educational approach that lacks innovation, one that does not sow the seeds of creativity.

By and large, education in China still centers on rote memorization. The result of an educational culture of intensely hard work is top students with excellent scores who all give the same answers to questions in a job interview. The powers of the information age push rote learning toward obsolescence. Moving forward, China will leverage the ethic of a cooperative, collaborative society and cultivate creativity through education reform.

The China of tomorrow will have slower year-on-year growth, but the people will suffer less from corruption and enjoy a better quality of life. China will move up the global value chain and work toward cleaning up the environment. Health care and education innovation will improve gradually. Market reforms will continue, prosperity will spread and the country's leaders will maintain strict control.