Globalization and China: Impact on the Economy and People’s Quality of Life

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10. We are convinced that globalization is a powerful vehicle that stimulates economic growth, and holds great promises for delivering higher living standards to people and improving social well-being for our communities ...
Historic Notes on China’s Relationship with the Rest of World

• In ancient times, China was a very open society and established considerable trade relationships with the rest of Asia and Europe.
• Through the “Silk Road,” China exported to West Asia and Europe products made of its famous inventions of paper, printing, gunpowder, and compass.

• (Two other links on the silk road: One, Two.)
• In 1949, a new government led by the Communist Party was established in China.

• China was a relatively closed society between 1949 and 1977.

• Yes, there were a lot of diplomatic ties between China and countries in Asia, Africa, east Europe, and Latin America.

• But its economic ties with the rest of the world was very limited.
• China’s chief economic foreign partners were the Soviet Union and other socialist economies during 1950s.

• With the split with the Soviets after 1960, China's principal ties were with the Third World and with a few individual capitalist countries.
• Its relative isolation from the core of international economic activity in the early 1970s enabled it to escape the early onslaught of the processes of globalization.

• It was involved neither in the breakdown of Bretton Woods nor in the two oil price shocks of the decade.
• The founding leader of “New China”, Mao Zedong died in 1976, bringing an end to the 10-year long “cultural revolution.”

• During the “Cultural Revolution,” the focus of the government was ideological warfare and class struggles, rather than economic development.

• The Chinese economy was devastated as a result.
• In 1977, Deng Xiaoping was invited to “come out and work” at age of 73, and became the top leader of China.
• In 1979, Deng enacted the policies of economic reforms and opening up to the outside world.

• Until his death in 1997 and the present day, these two policies have been continuously embraced by the Chinese government.
The nature of the policies was to rescue a sluggish socialist, predominantly centrally planned economy with certain capitalist, market-oriented means.
Measures of Economic Reforms

• In agriculture: switched to a system of household responsibility in place of the old collectivization.

• In industry: increased the authority of local officials and plant managers; and permitted a wide variety of small-scale private as well as public enterprises in services and light manufacturing,
Opening Up to the Outside World

- opened the economy to increased foreign trade and investment.
A Caveat on Making Causal Inferences

• A lot has changed in China in the last 25 years in terms of economic development and people’s living standards.

• Both major policies have played important roles in causing these changes.

• It’s hard to single out the effects of globalization.
The Results

- China's gross domestic product (GDP), on average, advanced by 9.3 percent each year from 1978 to 2000.

- GDP in 2001 by current US Dollar: 1.2 trillion; seventh in the world, after U.S., Japan, Germany, France, U.K., and Italy.
• When measured on a purchasing power parity basis, China’s GDP was $4.5 trillion in 2000, the second largest economy in the world after the US.

• GDP per capita (PPP) was $3,600 in 2000.
Today, non-State economies account for more than 40 percent of the country's GDP.
The Economic Ties with the World - Trade

- China was the world's 32nd largest trade power (combining imports and exports) in 1978, 15th largest in 1989, and 11th largest in 1998, and 10th largest in 1999.

- China by 2001 had become the globe's sixth largest trader.
• In 2001, the United States, Germany, Japan, France and Britain were the top five countries in terms of total trade volumes.
• China's total goods imports and exports in 2001 reached 509.8 billion U.S. dollars, with exports at 266.2 billion U.S. dollars and imports 243.6 billion U.S. dollars.

• China already ranks as the number one exporter of many labor intensive products such as garments, shoes, clocks and bicycles, the report said.
The Economic Ties with the World - Export Trade

- Exports (billion $):
  1. 1981: 22.00
  2. 1990: 62.09
  3. 2000: 249.20

- China was the world’s 5th largest exporter in 2002.

Source: ADB and WTO
The Economic Ties with the World - Import Trade

- **Imports (billion $):**
  1. 1981: 22.01
  2. 1990: 59.14
  3. 2000: 225.09

- **China was the world’s 6th largest importer in 2002.**

*Source: ADB and WTO*
The Economic Ties with the World - Direct Investment

• By July 1999, China had approved 334,000 overseas-invested enterprises with actual investment of 288.94 billion dollars.
• From 1993 to 1998, China ranked second in the world and first among developing countries in attracting foreign investment for six consecutive years.

• Nearly 400 of the world's top 500 transnational companies have opened business or invested in China.
Changes in people’s living standards since 1979

• In the late 1970s, anyone considered rich was called "a person with 10,000 yuan (1,205 US dollars)."
• That title is outdated as such people are too common to stand out, especially in cities and towns.
• In 1999, the World Bank and the United Nations Development Program issued a report, which points out:

• "The number of poverty-stricken people is increasing in many places in the world, but China is an exception."
• The number of rural poor declined from 250 million in 1978 to 30 million in 2000, poverty incidence dropped from 30.7% in 1978 to about 3% in 2000.
• PRC’s official poverty line for rural areas is very low, Y635 (US$ 80) per capita income per year, and reflects absolute poverty based on the minimum subsistence necessary to sustain life.

• Using the $1 per day income based figures, the number of is 106 million in 1998.
• For China, ADB uses a rural poverty line of Y1,000 (US$ 120) per year.

• ADB use an urban poverty line of Y2,000 (US$ 250) in inland cities and Y3,000 (USD 360) in the coastal region.
• Excessive population growth has been brought under effective control.

• The birth rate and natural growth rate decreased from 33.43 per thousand and 25.83 per thousand in 1970 to 15.23 and 8.77 per thousand in 1999.
• The average life expectancy of Chinese people has increased from 35 years in 1949, 67.7 years in 1981, to 71.8 years in 2001.

• This is 10 years longer than that of other developing countries and the same as that of medium-developed countries.

• It is five years above the world average and seven years above the average level in developing countries.
As of the end of July 2002, China's fixed telephone users exceeded 200 million, ranking first in the world.

In 1988, mobile telephone service was opened to the public, and now there are 180 million subscribers, also the first ranking in the world.

In the early 1990s, few Chinese people knew of the World Wide Web; now 45 million Chinese surf the Internet at least one hour a week.
Some Challenges Ahead

- Large state-owned enterprises.
- From 80 to 120 million surplus rural workers are adrift between the villages and the cities.
• The deterioration in the environment.

• Loss of arable land because of erosion and economic development.

• Weakness in the global economy could hamper growth in exports.

• Income inequality is still a headache.
The End of Presentation