



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

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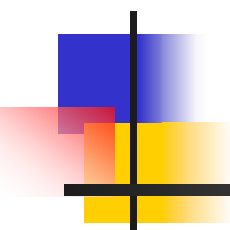


***APEC Economic Leaders' Declaration
Shanghai, China; October 21, 2001***

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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 ...

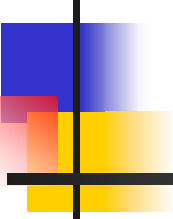




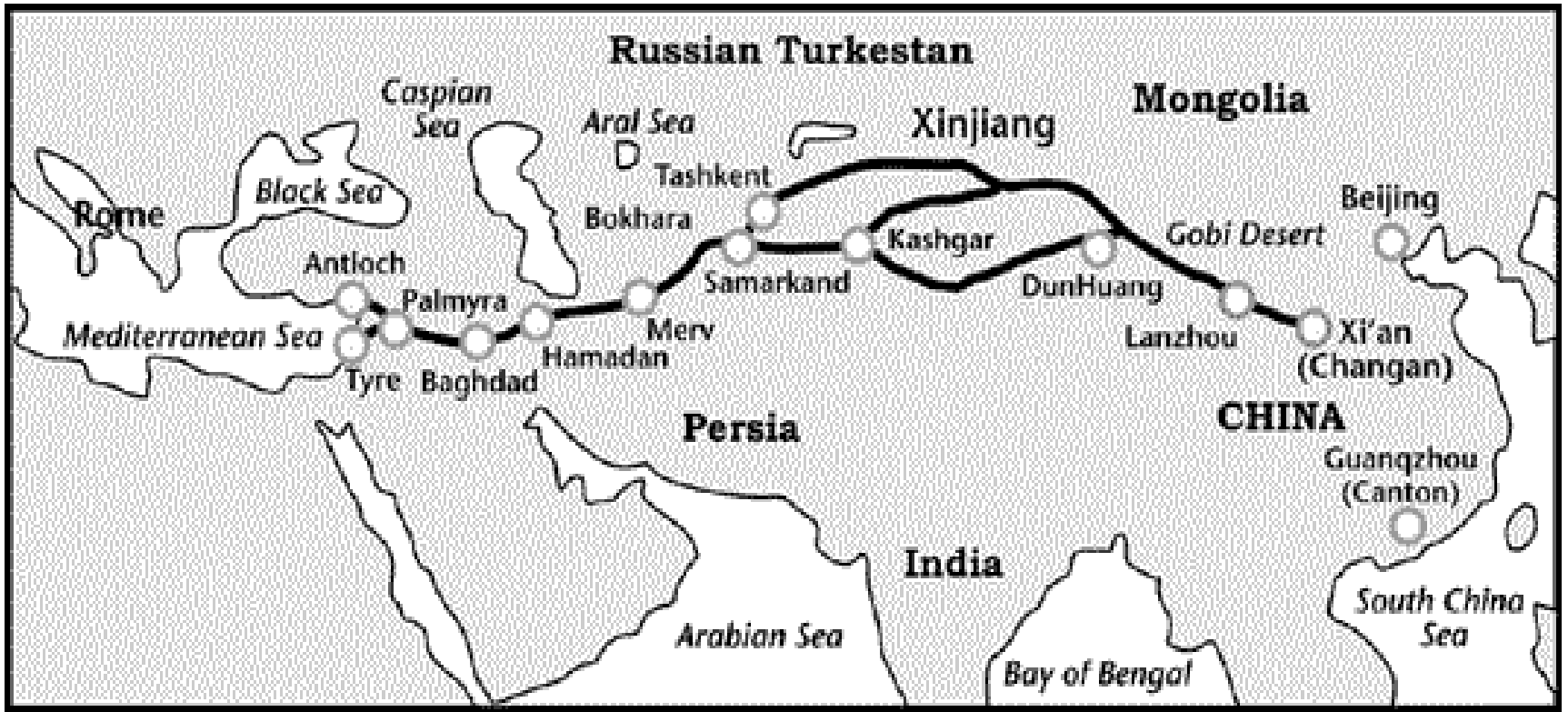
Historic Notes on China's Relationship with the Rest of World

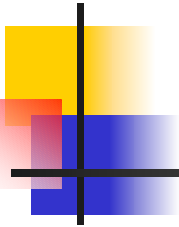
- **In ancient times, China was a very open society and established considerable trade relationships with the the rest of Asia and Europe.**



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- 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**.)





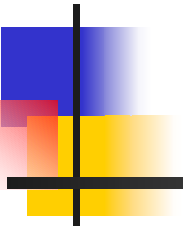


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- **In 1949, a new government led by the Communist Party was established in China.**
 - **China was a relatively closed society between 1949 and 1977.**
 - **Yes, there were a lot of diplomatic ties between China and countries in Asia, Africa, east Europe, and Latin America.**
 - **But its economic ties with the rest of the world was very limited.**

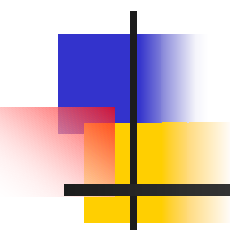


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- **China's chief economic foreign partners were the Soviet Union and other socialist economies during 1950s.**
 - **With the split with the Soviets after 1960, China's principal ties were with the Third World and with a few individual capitalist countries.**




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- **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.**

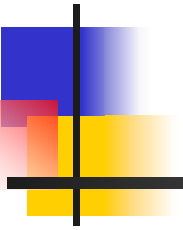


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- **The founding leader of “New China”, Mao Zedong died in 1976, bringing an end to the 10-year long “cultural revolution.”**
 - **During the “Cultural Revolution,” the focus of the government was ideological warfare and class struggles, rather than economic development.**
 - **The Chinese economy was devastated as a result.**

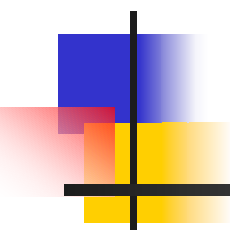


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- **In 1977, Deng Xiaoping was invited to “come out and work” at age of 73, and became the top leader of China.**



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- **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.**



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- **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

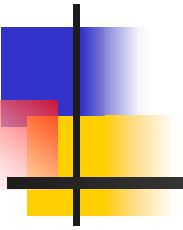
- **A lot has changed in China in the last 25 years in terms of economic development and people's living standards.**
- **Both major policies have played important roles in causing these changes.**
- **It's hard to single out the effects of globalization.**



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.**



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- **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.**



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- **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.**



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- **In 2001, the United States, Germany, Japan, France and Britain were the top five countries in terms of total trade volumes.**



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- **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.**

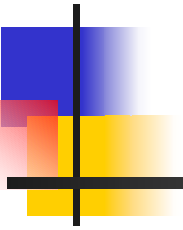
Source: ADB and WTO



The Economic Ties with the World - Direct Investment

- **Foreign direct investment (net inflows in current US\$): 50 billion in 2002.**



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- **By July 1999, China had approved 334,000 overseas-invested enterprises with actual investment of 288.94 billion dollars.**



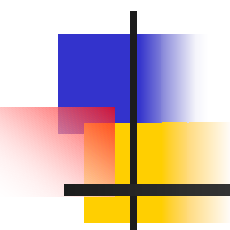
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- **From 1993 to 1998, China ranked second in the world and first among developing countries in attracting foreign investment for six consecutive years.**
 - **Nearly 400 of the world's top 500 transnational companies have opened business or invested in China.**



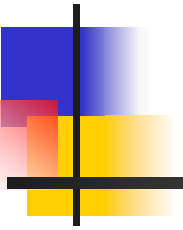
Changes in people's living standards since 1979

- In the late 1970s, anyone considered rich was called "a person with 10,000 yuan (1,205 US dollars).

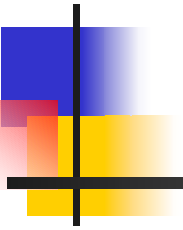


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- That title is outdated as such people are too common to stand out, especially in cities and towns.

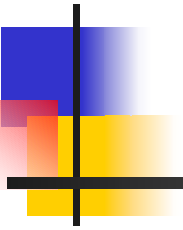


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- **In 1999, the World Bank and the United Nations Development Program issued a report, which points out:**
 - **"The number of poverty-stricken people is increasing in many places in the world, but China is an exception."**

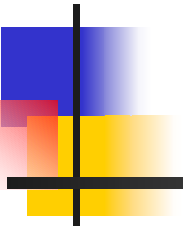


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- **The number of rural poor declined from 250 million in 1978 to 30 million in 2000, poverty incidence dropped from 30.7% in 1978 to about 3% in 2000.**

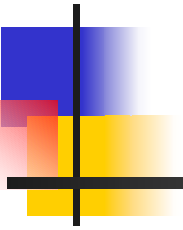


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- **PRC's official poverty line for rural areas is very low, Y635 (US\$ 80) per capita income per year, and reflects absolute poverty based on the minimum subsistence necessary to sustain life.**
 - **Using the \$1 per day income based figures, the number of is 106 million in 1998.**




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- **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.**



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- **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.**



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- **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.**



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- **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.**

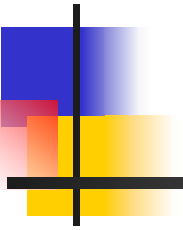




Some Challenges Ahead

- **Large state-owned enterprises.**
- **From 80 to 120 million surplus rural workers are adrift between the villages and the cities.**



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- **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

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