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APPLICATIONS AND ISSUES

Working Paper No. 51

Thirty Years of Economic Reform and Openness in China: Retrospect and Prospect

by

Clem Tisdell

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October 2008

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Thirty Years of Economic Reform and Openness in China: Retrospect and Prospect

ABSTRACT

This article provides a general coverage of political decisions in China to undertake, continue and extend its economic reforms and its goal of opening up to the outside world. It also considers the consequences of Chinese policies. The period leading up to the decision in 1978 to begin the reforms is considered first, particularly the period beginning in 1976, the year in which Zhou Enlai and Mao Zedong died and the Gang of Four were arrested. Hu Guofeng succeeded Mao Zedong a Chairman of the CCP but did not propose any new ways forward for China. By 1978, however, Deng Xiaoping was able to exert substantial influence on the policy choices of the CCP. As discussed, the 3rd Plenary Session of the 11th Central Committee of the CCP held in 1978 adopted his blueprint for economic reform and modernization of the Chinese economy. It was decided that the reforms would begin with agriculture and the rural sector. Towards the end of 1980, Hu Guofeng was requested to step down as Chair of the CPC because of his leftist leanings. This consolidated Deng Xiaoping's position. In 1984, it was agreed that the reforms would be extended to the whole economy particularly the urban economy. Many important decisions about China's future economic structure were made, including the decision to establish a rational price system using economic incentives as levers and to strongly promote economic openness. These policies continued to be applied by China's new leaders in the later part of the reform period, namely Jiang Zemin and Hu Jintao. However, as discussed, changed circumstances also required adjustments to the reform policies as new issues emerged even though the overall aim of the CCP was still to undertake reforms to increase significantly the well-being of the Chinese people. There is no doubt that China has made remarkable economic progress as a result of its reforms and some indications of its achievements are presented. The systematic gradual (but not slow) and pragmatic approach taken in bringing about China's economic reforms has provided a pillar for China's economic achievements. The main purpose of the reforms was said to be to create socialism with Chinese characteristics and there is some discussion of what this means. While the basic objective of the reforms remains unaltered, some variations in focus have become necessary as circumstances have changed and further changes in emphasis can be expected in the future as conditions continue to alter. The social and economic change that has occurred in China is unlikely to be reversed in the foreseeable future. China has now achieved the status of being a top global leader and resource-user and this will bring with it new challenges.

Thirty Years of Economic Reform and Openness in China: Retrospect and Prospect

1. Introduction

Few, if anyone, could have imagined in 1978 how much economic and social progress China would make in the next 30 years as a result of deciding to embark on its economic reforms and to introduce open-door policies. The purpose of China's reform was said to be develop 'socialism with Chinese characteristics' (Deng Xiaoping, 1984). As a result of these reforms, China's economy has been transformed. It has changed from an economy in which market forces played virtually no role in organizing economic activity to one in which these forces play a major role. China has also gone from a position where it had virtually no foreign investment and a low-level of international trade and exchange to a position where it is a major global recipient of foreign investment and its trade and foreign exchanges are very high in comparison to its level of national production. A variety of indicators demonstrate that economic welfare in China has shown an upsurge in the last 30 years.

However, in 1977, there was no sign that China was about to change its economic policies and the extent of its cooperation with the outside world. For example, examination of the documents of the Eleventh National Congress of the CCP (The Communist Party of China) held in 1997 reveal a commitment to past practices and policies (The Communist Party of China, 1977). It, therefore, seemed that without a change in political leadership, China would be stuck in its old economic groove, with well-worn philosophies and a negative outlook on the world.

Credit for the change in direction goes primarily to Deng Xiaoping and subsequent Chinese leaders who have followed in his footsteps and have continued to develop and apply his approach. In retrospect, it can be seen that Deng Xiaoping was a wise and courageous leader. He was courageous in that several CCP members at the time would have viewed his approach as radical. He was wise in the sense that he could foresee the advantages to China of the reforms and opening up but was also aware that the reforms would have to be phased in at a gradual pace and systematically.

This article first of all considers the period leading up to the decision in 1978 to begin the reforms and then outlines this decision and the consolidation and extension of the economic and social reforms. Then the nature of the ongoing reforms under Jiang Zemin and Hu Jintao are outlined and this is followed by some measures of China's economic progress since 1978. Subsequently, the reform process is viewed in retrospect and a perspective is provided on China's future prospects. The discussion is of necessity selective and restricted because so much has changed in China in the last 30 years. Given the nature of China's system of government, unavoidably much of the discussion hinges on political changes in leadership of the CCP.

2. The Period Leading up to the Decision to Begin the Economic Reforms

Three major events occurred in China in 1976. First, the moderate leader Premier Zhou Enlai died in January. He was more sympathetic to reforms than Mao Zedong and felt it important that China make progress with the 'four modernizations'. He was greatly missed by the Chinese people who it is said spontaneously displayed their grief in Tiananmen Square (Li et al., 2007). Mao Zedong did not attend his funeral (Li et al., 2007).

In September 1977, Chairman Mao Zedong died. He had piloted China for around 27 years following the foundation of the People's Republic in 1949. He was a strong leader but during his period of leadership the 'Great Leap Forward' and the 'Cultural Revolution' involved a heavy cost to China. Next, not long after Mao's death, the Gang of Four were arrested. They were blamed for political ferment and adding to social unrest in Mao Zedong's later years.

With these changes, the stage now seemed to be set for China to follow a new development path. But there were no signs of this happening in 1977, despite continuing concerns in China about the excesses of the Cultural Revolution.

After Mao Zedong's death, Hu Guofeng became Chairman of the CCP and chaired its Eleventh Congress held in December 1977. Mao Zedong had nominated Hu Guofeng as he preferred successor. The documents of the Eleventh Congress reveal no fresh prescriptions for China's development. Its documents support past policy approaches and attribute any past shortcomings in policy to the influence of capitalist deviationists in the CCP and those who failed to follow Mao Zedong thought, such as

the Gang of Four. The emphasis of the documents is on the need for appropriate political action in being alert to deviationists in the CCP, eradicating these deviationists and guarding against external enemies of the CCP and China, including several foreign nations. In retrospect, the documents did not provide a positive and constructive way forward for the CCP and China. They focused on political controversy and theory with little or no attention to economics and pragmatism.

During 1977, Deng Xiaoping returned from the political wilderness to which he was assigned for a while before Chairman Mao died. Before Mao's death, Deng Xiaoping (like Zhou Enlai) believed that there was a need for economic and social reforms in China but his approach was rejected by the then leadership of the CCP.

With his partial restoration to political power in 1977, Deng Xiaoping already displayed a positive new approach. He reformed the university entrance system. Entrance to university for students was now to be based on academic merit as indicated by examination results. The past histories of families of prospective students and their political connection were no longer to count. In the past, some students were barred from university entrance because members of their families had previously been landlords or capitalists (Li et al., 2007).

3. The Turning Point in 1978 and the Consolidation and Extension of the Economic and Social Reforms.

Already in 1977, Deng Xiaoping made it clear that performance should be the main consideration in the economic and social advancement of individuals. In other words, professionalism and results should count. Furthermore, he emphasized the importance of academics and scientists for the future of the economic development and the international standing of China. He thought that this should be more widely recognized by the Chinese people. During 1978, Deng Xiaoping's reform philosophy gained growing support in the CCP and its desirability was accepted in December 1978 at the Third Plenary Session of the Eleventh Central Committee held in December 1978. This session proved to be a turning point in the direction of China's policies for economic and social development.

It was decided at this meeting that the system and methods of economic management in China would be transformed; economic co-operation with other countries would be

expanded; special efforts would be made to adopt the world's advanced technologies and equipment; and that scientific and educational work would be greatly strengthened to meet the needs of modernisation. The importance of the four modernizations (modernising agriculture, industry, national defence, science and technology) was emphasised.

It was stated that "The general task put forward by our Party for the new period reflects the demands of history and the people's aspirations and represents their fundamental interests" (The Research Department of Party Literature, 1991, pp. 9-10). The CCP now intended to concentrate on 'rapid growth in production [to] improve the people's living standards significantly and strengthen national defence" (The Research Department of Party Literature, 1991, p.10).

Several other important decisions about reforms were made at the Third Plenary Session. There was recognition of the need to reduce bureaucratic centralised management of the economy and eliminate bureaucratic and political impediments to achieving economic efficiency and development, particularly at lower leves (such as local levels) of economic activity (The Research Department of Party Literature, 1991, pp. 12-13). This was consistent with Deng Xiaoping's emphasis on professionalism and efficient economic management.

It was decided that the economic reforms should begin with agriculture because at that time it was "the foundation of the national economy". Particular attention was given to the rule of law, decentralization and resource ownership in undertaking the agricultural reforms. These features were applied later to the rest of the economy.

Again, in line with the views of Deng Xiaoping, it was agreed that economic incentives should be incorporated in the economic system and that economic responsibility should be stressed. The principle of "each according to his work" should be followed rather than the principle of "each according to his need". It was stated that in order to promote production, it is necessary "to work out payment in accordance with the amount and quality of work done, and avoid equalitarianism". This represented a major departure from the previous "iron bowl" policy which emphasised egalitarianism.

The importance for China's economic development and its future international standing and welfare of maintaining political stability under the continuing leadership of the CCP was emphasised. The Third Plenary Session also praised Deng Xiaoping for his leadership in 1975 (The Research Department of Party Literature, 1991, p.15) and criticised those who were instrumental in his temporary fall from power (The Research Department of Party Literature, 1991, p.16). It rejected completely the view of his critics who claimed that Deng's political line was "Right-deviationist wind to reverse correct verdicts" (The Research Department of Party Literature, 1991, p.16).

Towards the end of 1980, the Political Bureau of the CPC's Cultural Committee advised Hu Guofeng that he should step down as Chair of the CPC. Hu was accused of following "Left policies formulated by Comrade Mao Zedong in his later years" as evidenced, for instance, by his statement supporting the "two whatevers" (The Research Department of Party Literature, 1991, p.105).

The "two whatevers" refers to a joint editorial of which Hu Guofeng was a joint author. It appeared in the *People's Daily* on February 7, 1977 and elsewhere. The editorial stated "we will resolutely uphold whatever policy decisions Chairman Mao made, and unswervingly follow whatever instructions Chairman Mao gave" (The Research Department of Party Literature, 1991, p.887).

Possibly, Hu Guofeng had no other political option after he became leader following Mao's death but to stress the continuity of policy in order to maintain social stability. This possibility was mentioned by the Cultural Committee in its non-confrontational advice to Hu (The Research Department of Party Literature, 1991).

Deng Xiaoping was offered the Chair of the CPC but declined it and instead accepted the offer of Chairman of the Military Commission. Now it seemed that any remaining political impediments to the consolidation and extension of the economic reform policies advocated by Deng Xiaoping had been overcome.

In March 1979, Deng Xiaoping gave a frank speech in which he stated:

> "Realizing the four modernizations is a many-sided complex and difficult undertaking. The task of the ideological and theoretical workers cannot be confined to discussion of the basic principles. We are confronted with many

> questions of economic theory, including both basic theory and theory applied to particular spheres such as industry, agriculture, commerce and management. Lenin called for more talk about economics and less about politics. In my opinion, his words are still applicable with regard to the proportion of effort that should be devoted to theoretical work in these two spheres. I am not saying of course that there are no more questions to be studied in the political field. For many years we have neglected the study of political science, law, sociology and world politics, and now we must hurry to make up our deficiencies in these subject. Most of our ideological and theoretical workers should dig into one or more specialized subjects. All those who can do so should learn foreign languages, so as to be able to read important foreign works on the social sciences without difficulty. We have admitted that we lag behind many countries in our study of the natural sciences. Now we should admit that we also lag behind in our study of the social sciences, insofar as they are comparable in China and abroad. Our level is very low and for years we haven't even had adequate statistical data in the social sciences, a lack that is naturally a great obstacle to any serious study". (Deng Xiaoping, 1979, p.188.)

From this, one could conclude that Deng Xiaoping was of the opinion that much of the past ideological and political debate that had been occurring in china was arid and not conducive to tangible results. He made it quite clear that he wanted to change social concerns from politics to economics in order to provide China with positive economic benefits.

In mid-1981, the CPC again stressed the importance of striving for the modernisation of China's economy by acting systematically and in a staged fashion while basing its development policies on the realities of Chinese conditions and the level of available resources in China (The Research Department of Party Literature, 1991, p.196). Only modest and realistic goals would be sought. This contrasted with the much earlier attempt by China to make massive economic advances during China's Great Leap Forward (Tisdell, 1996, p.228). Policies for the Great Leap Forward were mainly based on exhortation and did not take account of economic realities such as the importance even in the domestic economy of regional and local economic specialization in accordance with the theory of comparative economic advantage.

The issuing by the CCP of the document “On Reform of Economic Structures” in 1984 marked an important milestone in the strengthening of China’s economic reforms and their extension. It was agreed that following the success of China’s rural economic reforms, similar reforms should be extended to the whole economy with the focus now being placed on the urban economy. By continuing and extending reforms, it was hoped to establish a dynamic economy, invigorate enterprises and establish an economic system in which economic activity and production would be responsive to economic values.

Several important goals were stressed in the document “On Reform of Economic Structures”. It was stressed that a rational price system should be established for the whole economy and that this system should make use of economic incentives as levers. This would mean the extension of reliance on market systems for organising economic production – in essence, the development of market socialism with Chinese characteristics.

Enterprise functions were to be separated from those of the Government. This was to ensure that investment and production decisions by enterprises were made on economic grounds rather than political ones. Furthermore, it was confirmed that economic responsibility systems should be established for enterprises. This meant that the government no longer intended in the long-run to prop up uneconomic state enterprises with soft loans and other forms of financial support. In addition, it was intended to press ahead with payment according to work as an economic incentive even though it was realized that this would result in greater income inequality.

It would no longer be the case that state enterprises would have an unassailable position in the economy. A diversity of enterprise forms was to be encouraged.

A continuing feature of the reforms would be further promotion of economic openness through international economic cooperation, investment, trade and exchange. Great success was subsequently achieved in pursuing this goal.

In line with Deng Xiaoping’s emphasis on the relevance of professionalism, and the ability of individuals, it was also agreed that more emphasis should be put on promoting competent and talented persons in managerial and other positions. In addition, it was thought to be beneficial to strengthen party leadership in order to

ensure the successes of the reforms. The unity of China under the CCP was seen as essential to securing a strong and reasonably prosperous future for China.

The last part of the document "On Reform of Economic Structures" outlines a significant observation by Zhou Enlai. In the quotation from him, he observes that the world is always changing and consequently policies have often to be altered to fit these changing circumstances. Zhou Enlai concludes "therefore, man has constantly to sum up experiences and to go on discovering, inventing, creating and advancing" (The Research Department of Party Literature, 1991, p.426). In this regard, Zhou Enlai's philosophy and that of Deng Xiaoping were similar. Deng was of the view that the world had changed and that the situation unfolding in the 1970s and beyond was different to that in the early days of the Republic. Hence, there was a need for the reforms that he advocated. He wanted to be guided more by economic pragmatism and current realities than by old political theories based on a continuing class struggle and the inevitability of conflict between socialist countries and nations with economies based primarily on market capitalism. It is said that he was quite impressed with the industrial advances that Japan made after commencing its modernisation policies following the Meiji Restoration (Li et al., 2007).

4. Ongoing Reforms - Jiang Zemin and Hu Jintao

Both Jiang Zemin and Hu Jintao continued advancing China's economic reforms and adapting them to changing economic circumstances. Their core consideration continued to be the adoption of policies which would promote the rapid economic development of China.

In 1989, Jiang Zemin stated that China's continuing economic development would become more dependent on scientific and technological progress and on improved labor quality (The Research Department of Party Literature, 1991, p.305). In essence, this recognized that China's economy was catching up with the rest of the world and that in higher income countries economic growth was highly dependent on scientific and technological progress and improvement in human capital, for example, via greater investments in education and in skilling (Denison, 1962).

He also mentioned that population growth would continue to be controlled. This policy was introduced after the departure of Mao who favoured population growth

and thus followed the line of Marx and Engels who rejected the theories of Robert Malthus completely. This policy has most likely helped China to raise its per capita income more quickly than otherwise. It can also be argued that it would have had environmental benefits.

Nevertheless, by 1989, pollution and environmental problems had intensified in China as a result of its economic growth. Similar, and arguably even worse, environmental problems were observed in capitalist countries during the Industrial Revolution. Jiang Zemin mentioned that now increasing attention would be given to conservation of the ecological environment and to addressing environmental issues. This indicated that expanding the level of economic production would no longer be the sole arbiter of China's development policy. In effect, the supremacy of the economic growth goal (put forward in 1978) would be modified.

In his report to the 16th Congress of the CCP in 2002 Jiang Zemin provided further guidance on policies for the continuing development of China (Jiang Zemin, 2002). He highlighted the importance of further raising living standards in China, of continuing improvement in the market system and the need for further expansion in overseas trade, foreign investment and international co-operation. However, he also expressed some concerns about growing income inequality in China and in disparities in access to social services. He suggested that some reforms would be needed in these areas. Therefore, some modification on equity grounds to the principle put forward in 1978 of payment according to the amount and quality of work done seemed to be called for due to China's changed economic circumstances. It was becoming evident that some modification to the principle favoured in 1978 of payment according to work was needed on equity grounds. Some of the general issues raised by this principle are discussed in Tisdell (1993, Ch.6).

Hu Jintao (2007), in reporting to the 17th Party Congress, outlined China's remarkable achievements in the reform period. He confirmed continuing support for China's reforms as a way of further strengthening China's socialist market economy. He also mentioned several points which called for policy responses. These included:

- Growing income inequality and unequal access to social services by individuals.

- The fact that as a result of its economic development the Chinese economy had modernized greatly and was approaching some development frontiers.

- The increased importance to China of energy and environmental issues.

Jiang Zemin had noted these items earlier but they were given more emphasis by Hu Jintao.

The implication is that some review and reform of China's income distribution system and its social services system are needed; more attention should be paid to energy issues and the quality of the environment, and because of its catching up with the rest of the world, China's future development will become increasingly dependent on its own science and technology capabilities and its use of more sophisticated science and technology as well as improvements in its human capital. The latter will, amongst other things, require improvements in its educational system and more effective methods for imparting skills to its people. It is also expected that cultural development will become more important in the future. These changes in emphasis reflect variations in China's circumstances as the extent of its economic development has increased.

5. Indicators of China's Economic Progress Since 1978

In a short presentation, it is impossible to provide a comprehensive list of indicators of China's economic progress since 1978 and to specify all the changes in its economic structure since the reforms began. However, during the reform period, China amazed the rest of the world by its rapid rate of economic growth which in most years reached, or almost reached, double digit levels. As a result, China's real GDP was over 13 times higher in 2006 than in 1978. The extent of this growth is highlighted in Figure 1. Furthermore, because of its controlled growth in population, the level of per capita income in China rose steeply.

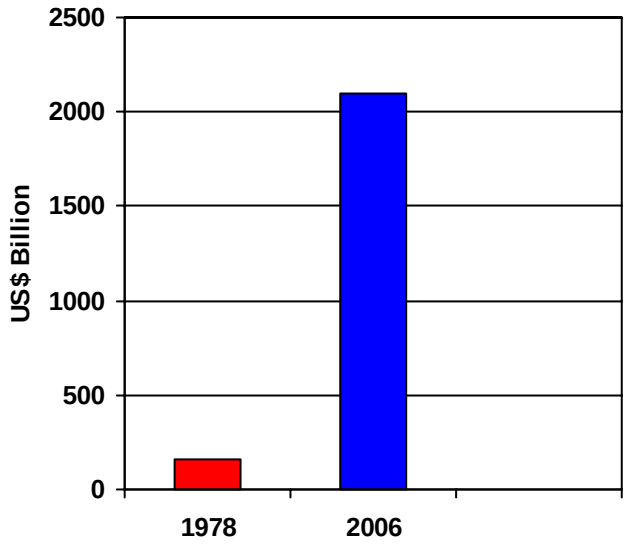

Figure 1 China's real GDP in 1978 compared to 2006 based on US prices for 2000. The growth in its real GDP is extraordinary, it rose from US$157.7 billion to US$2.1 trillion. (Source: World Bank, data)

Furthermore, China experienced a substantial rise in its Human Development Index (HDI) during this period. Its HDI (one indicator of well-being) rose from 0.530 in 1975 to 0.777 in 2005. The upward trend is shown in Figure 2.

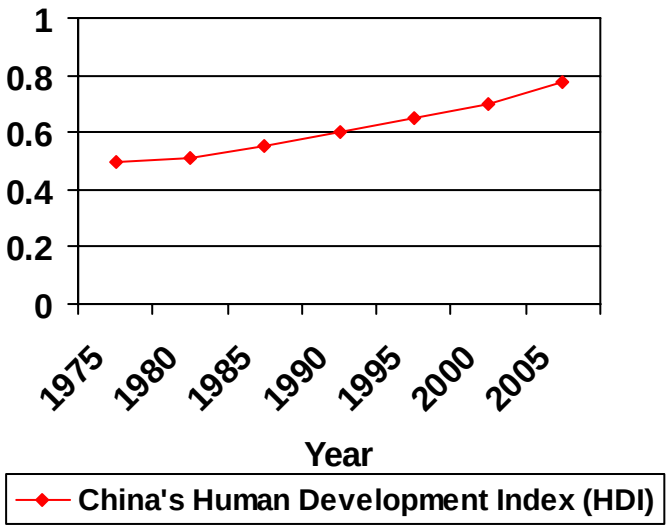

Figure 2: The trend in China's Human Development Index 1975-2005. China's HDI has shown a considerable increase in the Reform Period (Source: UNDP data)

Great inroads were made by China in reducing the incidence of absolute poverty in the reform period (Tisdell, 2003). It is now very low. For example, Premier Wen Jin-bao stated in a speech at the United Nations addressing the Millennium Development

Goals, (MDGs) that "China has brought down the number of people in absolute poverty from 250 million to 15 million in less than 30 years" (Wen, 2008).

The nature of enterprises in China's economy has diversified greatly. The relative importance of state-owned enterprises has declined considerably (Yang and Zheng, 2005; Wen, 2005). During the reform period, China also became a magnet for foreign direct investment and many foreign enterprises now operate in China. Furthermore, the international trade openness of China has grown remarkably (Tisdell, 2006) and the structure of its trade has altered. It has increased its importance as an exporter of commodities that are more technologically sophisticated than in the past and the level of its own foreign direct investment has risen significantly. Nevertheless, the structure of its international trade still displays features of a country at a middle stage of development (Tisdell, 2007).

Some other structural features associated with China's reforms include massive levels of rural to urban migration (Cao, 2005) and there has been a large increase in the tertiary sector of the economy as a relative contributor to China's employment and GDP, an expansion in its secondary sector and a decline in its primary industry in terms of relative employment. Given underemployment in many rural areas of China in previous times, the structural change has been economically advantageous to China. However, once China's agricultural labor surplus is fully employed, this may place upward pressure on wages in China in the future. Consequently, increased human productivity will increase in importance as a source of continuing economic growth as China's labor surplus becomes increasingly absorbed.

6. A Perspective on Socialism with Chinese Characteristics

Deng Xiaoping (1984) first proposed that China should build socialism with Chinese characteristics and subsequent Chinese leaders have emphasised the importance of doing this. Nevertheless, it does not seem to be possible to find an exact (or even a relatively precise) official definition of the term. However, it is clear that Deng Xiaoping was of the opinion that China in its transition to a mixed economy should take account of economic realities in China and its cultural background and be pragmatic in seeking China's stable economic development. Also he had in mind that during China's economic transition, its prior institutional structures would have to be

taken into account in planning and executing its reforms. In other words, he was well aware of the phenomenon of path-dependence.

The question naturally arises of how does socialism with Chinese characteristics differ from market socialism as envisaged by Taylor (1938) and Lange (1938) and as also considered by Barone (1935). Their type of socialism envisaged that a socialist government would play a guiding role in adjusting market-determined prices to facilitate movement to market equilibria. A relevant government body would be established to act as a pilot to guide market prices by trial-and-error towards their equilibria in markets (Tisdell, 1972, Ch.22). But such a mechanism is not used in the People's Republic of China. To a large extent, prices of commodities in China are allowed to seek their own levels within markets. Nevertheless, not every market is entirely free of government intervention, as in most capitalist countries. Therefore, the market guidance mechanism for equilibrating markets proposed in Lange's form of market socialism has not been adopted in China.

Lange (1938) also envisaged that the government in his socialist market economy would have a major influence on the level of aggregate investment. The Chinese Government has a major influence both on the amount and nature of investment in China, particularly in infrastructure and in the selection of key sectors for development, as well as in human capital formation and in the direction of scientific and technological research. It could therefore be argued that this aspect of Lange's socialist model has, to a larger extent, been adopted. The Chinese economy has become a mixed economy in which the CCP plays a s central role by providing a general framework or blueprint for China's development.

Given the economic transformation that has occurred in China, the question has arisen of whether China's economy displays socialism with Chinese characteristics or would be more appropriately described as involving capitalism with Chinese characteristics. Could it be that Deng Xiaoping was really aiming for capitalism with Chinese characteristics but for political reasons, found it unwise to state this? Or is it possible that he did not know exactly how the economic reforms would evolve? To some extent, this is however, irrelevant. The reality is that China has a mixed economy today in which the CCP has a major overall guiding role with detailed economic decisions being to a large extent decentralised.

The continuing success of China's economic development and its sustainability of China as a nation depend integrally on the quality of the leadership shown by the CCP. This was emphasised by Gérard Roland in a presentation made at Renmin University of China on 20th September, 2008 at a conference to mark 30 years of economic reform in China. Professor Roland of the University of California (Berkeley) argued that given the new institutionalist perspective on factors favourable to economic development as, for example outlined by North and Thomas (1976) and North (1990), China should not have had the spectacular economic growth which it has experienced in the last 30 years. For example, North and Thomas (1976) attributed rapid economic growth in Britain in the Industrial Revolution to the reduction of state control over civil activity and the restriction of the power of the state to interfere in economic decision-making.

Although the CCP has significantly reduced its interference with microeconomic decision-making since beginning its reforms of China's economy, major patterns of China's economic development are still subject to central direction, either directly or indirectly, in accordance with the policies of the CCP. It is this approach that appears to be the kernel of socialism with Chinese characteristics.

The implication is that the rapid economic growth of the Chinese economy in the last 30 years is due to positive leadership of the CCP, and that continuing improvements in the welfare of the Chinese people depend on the quality of that leadership being sustained. Thus an issue of continuing importance is how this quality can be maintained. Furthermore, as China's economic development proceeds its broad-based direction of economic development will become more complex. When China began its reform in 1978, its overriding aim was to promote economic growth. This seemed appropriate at the time given the low level of per capita income in China. However, as economic growth has proceeded and per capita incomes have risen, other goals such as those involving the environment and income distribution have increased in importance. Thus, multiple economic goals are of growing importance. It is much more complicated to set performance goals for achieving multiple goals and the measurement of performance is much more difficult than in the case of pursuing a single goal, such as one of accelerating economic growth. Therefore, it is possible that the CCP maybe tardy in providing economic incentives for the pursuit of multiple

goals. In any case, pursuing multiple development goals is very challenging from an administrative point of view.

7. The Reform Process in Retrospect

Without its economic and related reforms, it seems likely that China would have been stuck in a political and economic rut after 1977. The reforms proceeded systematically and gradually as planned and were based on realistic goals. Nevertheless, although a 'big bang' approach was avoided, the reform process was carried out resolutely. In retrospect, the restructuring of China's economy was achieved in a relatively short period of time.

China's reforms proceeded step-by-step beginning in the rural areas, extending later to urban areas to encompass eventually the whole economy. They have been marked by pragmatism, a willingness to experiment nationally and to learn from experience.

As pointed out, the reform process and features of the economy requiring attention have altered as new stages have been reached in China's economic development but the basic goal remains the same as in 1978. The CCP is keeping to its basic goal of improving the well-being of the Chinese people but its policies are being adjusted to allow for changing circumstances. This is consistent with the philosophy expressed by Zhou Enlai and by Deng Xiaoping.

China's reforms have not only benefited the Chinese people but have brought substantial economic and global benefits. They have stimulated global economic growth and have contributed to global economic and political stability. China has developed into a new global economic center, making countries such as Australia less dependent on traditional overseas markets for their international trade. China's contribution to diversifying the location of regional and global economic activity appears to have provided a stabilizing force for reducing global and regional fluctuations in economic activity. Although China has become very dependent on international trade and exchange as a contributor to the level of its economic activity, its economic development during the reform period has expanded its domestic market greatly. While China is not immune to the consequences of global economic recession, further expansion in China's home market will help to mitigate the impact on it of global economic recession. This should help to maintain regional economic stability.

China will also be assisted in stabilizing its economy by the high level of its international monetary reserves. It might be noted that China played an important stabilizing role in containing the Asian Financial Crisis which occurred a few years ago.

8. Prospect

Change is inevitable, as Zhou Enlai pointed out and as Deng Xiaoping observed. The circumstances which China will face in the next 30 years will differ from those of the last 30 years. Even during the last 30 years, conditions have altered as China has made substantial headway with its economic development. This has required variations in policy decisions even though the basic goals of Chinese policy remain unaltered. China is adjusting and will continue to adjust its balance between equity in income distribution and access to social services, its environmental conservation goals and cultural development in relation to the continuing growth of its material wealth. While China will continue to seek ongoing economic growth, greater emphasis will be placed on other factors that affect human welfare than was the case in 1978. This is appropriate in view of changing circumstances.

China's importance for global and regional stability and development will continue to magnify. Its international economic, political and cultural influence will continue to grow.

Further changes in China's economic and social structure are likely as it approaches the frontier of economic development and as it becomes comparatively modernized. This has already been evidenced in major changes in institutional arrangement for delivering scientific and technological results (Gao and Tisdell, 2004) and continuing reform is occurring in China's higher education system.

Nevertheless, China's changing economic position and enhanced global status will also bring new challenges for China. It will be more difficult for China to keep a low profile in and avoid the spotlight in international affairs. Furthermore, the Chinese economy is becoming more dependent on the use of international resources and is becoming a major user of these resources. Access to these resources may generate international rivalry and China is likely to come under greater global scrutiny for its use of the natural environment, for example, the level of its greenhouse gas emissions.

Reforms under the banner of "socialism with Chinese characteristics" have made China a top international power and have resulted in a substantial improvement in the well-being of the Chinese people. As a result of its economic achievements and its considered foreign policies, China's responsibility for global leadership has grown. This implies that its foreign policies are of increasing importance for us all. Given its elevated global status, China now has an opportunity to help create a better future for us all.

It is noteworthy that Premier Wen Jin-bao (2008) announced (at a meeting to review progress in meeting the Millennium Development Goals) several Chinese measures designed to aid poor developing countries. These include extra aid to these nations for agricultural development and extra scholarships for training teachers and other personnel. As well, China will build 30 hospitals in Africa, equip them, train 1000 doctors and related staff, and complete 100 small-scale clean energy projects in developing countries. Taking into account the fact that China is still a developing country, this is an important gesture.

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