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CHINA IS STILL A DEVELOPING COUNTRY - A COMPARATIVE STUDY WITH GERMANY AND JAPAN



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Is China Still a Developing Country?

- An Economic Comparison with Japan and Germany

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Forward.

Why we discuss this issue.

The beyond the mountain glows, the Yellow River seawards flows. You can enjoy a grander sight by climbing to a greater height.

Wang Zhihua

Tang Dynasty

Wang Zhihuan was a famous poet in the Tang Dynasty and this poem was a description of the scenery appreciated by the poet when he ascending the gate tower: the first two sentences represent a view of setting sun in the expanse of rolling hills and the Yellow River was flowing to the sea. The latter two sentences – you can enjoy a grander sight by climbing to a greater height. The sight stirred up the feelings of the poet and poem reached a higher realm and became eternal quatrains.

We are citing the poem to illustrate that we shall climb to a greater height to observe problems and explore countermeasures in order to promote China's economic development and world peace. Specifically, the book is an attempting to compare several indicators in China, Japan, Germany, and the United States to explore the gap between the Chinese economy and those countries, recommending China's future economic reform and development so as to promote the economic development of China and the world.

Target Readers

This book is written for ordinary readers - they have a greater interest in economic comparison between China and foreign countries but they are not experts in this; they are interested in foreign cultures, but they have no overseas study or life experience; they would like to hear the opinions of related experts or scholars when they see or hear media reports, comments or predicts on China or they simply have some spare time and just want to read the book to kill time.

This book will possibly satisfy your requirements if you happen to be one of the above readers.

That is why we have been trying to use plain languages, public data released by international organizations, popular methods of comparative study to introduce and illustrate the development and issues of China since its reform and opening up, the controversies and reasons arising from international comparison since China's trade and total economic output overtakes German and Japan as well as our views on those issues.

Therefore, this book is not focused on "innovation" since we are not attempting to propose any unconventional or even frightening thought sparks or brainstorming raised by the so-called geniuses not even spoken of or heard of before. On the contrary, we are aiming to propose data, viewpoints and disputes to identify the problems or differences, providing a more realistic image of the Chinese economy.

As a native of China, the author have been studying and giving lectures abroad for many years, however, we do not think the point of view of this book is correct or the results of comparison are

accurate while other opinions or conclusions not consistent with the book are wrong or biased considering there are no absolute right people, things or perspectives. Readers are encouraged to read and understand those different points of view. As researchers specialized in international economies, we advocate the principles of the contention of a hundred schools of thought, independent thinking and seeking truth from facts, so please do not mind if you find that some of the arguments in the book or inference are different with some popular or mainstream opinions or conclusions you hold or approve of, after all, the conclusions presented in this book are merely our research results and academic insights. Also, you perhaps have heard of similar remarks of this book on other occasions.

Although the book's target readers are non-professionals interested in the Chinese economy, we will definitely feel honored if professional Chinese experts and scholars are interested in the book and we also hope that the book can be evaluated from a professional point of view.

Main Ideas of the Book

The following viewpoints are presented in the book:

(1) China's economic development is an important part of world economy, China's rapid economic development has caused, and will continue to cause significant changes in world economic pattern; as the most populous country in the world, China's development cannot be separated from the world, and the world also needs China.

(2) China has made great economic progress since the 1978 implementation of the reform and opening up and its total economic output and total exports in recent years has surpassed Japan and Germany to become the world's second economy only after the United States. However, in terms of economic structure, particularly social system building, China still lags behind many developed countries such as Japan, Germany and the United States.

(3) China's economy has the characteristics of the "trinity": large population, largest economy and small per capita income. Predictions of China's "rise" made by Chinese scholars or discussions carried out by western experts are based on population and GDP. They tend not to consider or fully consider this crucial feature of per capita income of China because it is much lower than that of the developed or rich countries and is actually less than half of the world's per capita income. We are convinced that the analysis or prediction that merely focused on total economic aggregates instead of individual income is problematic and it will cause misleading and misunderstanding to political, academic circles and even ordinary people. Now many experts or institutions are boldly or cautiously making predictions on when China's GDP will surpass that of the United States. We believe that these theories or researches are boring through us, as economists, admit that it has economic significance in spending a lot of human and materials resources and creating a considerable number of jobs. However, please forgive us for this silly assumption, even though China's GDP surpasses that of the United States and reaches 1.5 trillion USD as you read this book, this will not change the fact that China's per capita income is lower than the worldwide average per capita income. China has 1.3 billion people and its per capita income is merely more than ten thousand dollars which is slightly over the world average even the country's GDP reaches 1.5 trillion dollars. So how come that relevant experts and media are so dwelling on this subject and foreign governments and ordinary people are so alerted?

(4) The ultimate goal of China's economic development is not to compete with the United States for GDP gold medals but to improve the living standards of its people, to eliminate the gap

between rich and poor and uneven regional development issues, to meet people's growing material and spiritual requirements and to make due contributions to the peace and development of the international community at the same time. Of course, when a developing country's total economic output was placed second in the world while its per capita income is less than half of the average world per capita income, plus, various of social and economic problems are becoming acute and expanding with the rapid growth in the total economy at the same time - the conflicting phenomenon with huge contracts are causing consternation, confusion, anxiety, suspicion and even fear of many people around the world, it's understandable - because a lot of Chinese people have the same or similar feelings. Therefore, Chinese government and scholars, foreign governments and scholars too obsessed with GDP ranking will likely to reduce the ultimate goal of China's economic development to a vulgar commercial event. One of the important reasons for us to write this booklet is to explain China's development issues and answer the questions raised by our readers.

We are attempting to solve certain questions such as what is the disparity of China and developed countries such as Japan, Germany (sometimes including the United States and other countries) through comparison in this booklet. At the same time, we are also trying to figure out China's position in current global economy through comparison. What are the main achievements and problems of China's economic development? What are the main domestic and international points of view on the development of China's economy? What are the advantages and disadvantages? China's correlation between economic development and globalization? Why do they maintain a relatively high per capita income? Why is their relatively low Gini coefficient? What experience can we learn from them to narrow the gap between the rich and the poor and improve the level of per capita income? What is the direction of the future development of China? Our main objective is to find each other's advantages, strengths and references to solve our own problems, that's why we are not going to introduce the achievements of China's economic development or specifically criticize the problems and shortcomings of other countries in their development - that is not because "the moon in foreign countries is more beautiful than that is in China", but it is not the book's focus. Readers interested in those topics may read other publications.

(5) China is currently in sharp socio-economic transformation process towards which the awareness and perceptions are continuously changing. A lot of data are actually proved to be obsolete when the book is not yet presented to you. In fact, some of the views or conclusions may have been "out of date" when you read this book. China has a large population, vast territory and huge economy scale, so even for scholars like us who have been engaged in Chinese economy researches for decades may feel a sense of powerless when studying and exploring China's economy - to be charitable, we are engaged in "research" and "analysis", to put it bluntly, our view of research is quite limited. That is because we are observing and studying a object with very limited knowledge and efforts, moreover, the object is not simple, single or plain, instead, it is a overlapped, almost unlimited, huge and dynamic object featured by multiple properties, multiple dimensions and multi-directional development opportunities and composed of multiple elements which include tangibility, intangibility, ups and downs, miracles and ordinariness, affluence and poverty, development and underdevelopment. That is the cause of the failure of analysis and predictions made by many politicians, economists and historians, not because they are not professional or the computer modeling software is not advanced, it is because the object of study is too large and too complex. So we hope our readers are lenient with the shortcomings of this book and do not have too high expectations.

(6) Researchers shall place themselves in such situations to for authenticity and accuracy and be directly involved in its activities and feel its impulse considering that China has such rich and

complex features. Unfortunately, it might be difficult for many experts and scholars outside China to acquire this opportunity, so they choose to be a distant spectator and critic; meanwhile, researchers are required to jump out of this object to observe and think from a particular distance for better objectivity and impartiality and comparison with other countries. It shall be noted that, it is also difficult for many experts and scholars in China to do this for a various reasons. Therefore, many a studies and reports related to China do not fit the reality of China. Maybe Sino-foreign cooperative researches, education, discussions and publications may compensate for those deficiencies to extent.

(7) Thoughts on China shall not be separated with those on the world and Japan, Germany, the United States and other countries. For experts and scholars, China is an attractive, exciting, challenging and risky area of academic study and policy thinking; for interested ordinary readers, China is an enchanting topic with indefinite news, disputes and indefinite answers. It seems to be ubiquitous despite the fact it is not. China itself seems to withdraw into the background when experts and scholars are dedicated to comments and forecasts and enthusiastic readers are busy with debates and discussions – they are actually talking or commenting about China they image or described by other people instead of China itself.

The road of economic development is tortuous. Japan, Germany and the United States used to stumble in the process of modernization and the process of China's economic development, reform and opening up is full of hardships. Therefore, Deng Xiaoping's view of "advancing cautiously" is of great significance. However, many international experts and scholars including those in China nowadays inaccurately deem China's development as a linear process China surpassed Germany and Japan successively in exportation and GDP and its next target is the United States. Let us tentatively assume that the forecasts are right. So, what is the next step? What if China surpasses the United States? Will it stagnate or will it continue to surpass another country? Who will surpass China? Only countless unknown, numerous impractical discussions. This makes us forget or neglect the pressing environmental issue, population issue, resource issue, energy issue, sustainable development, inequity, issues of peace, issue of women and children, issue of religion and issue of regional conflicts confronted by current China and mankind

(8) We believe that the future domestic policy of the Chinese government shall still be focused on reform and opening up, gradually narrowing domestic gap between the rich and the poor and regional development gap; China shall continue to actively participate in the globalization, gradually adjusting and rationalizing foreign economic and trade relations, and gradually narrowing the per capita income gap with developed countries or rich countries. This new Long March will encounter numerous difficulties and obstacles. This process will lead to huge changes in socio-economic structure and enhance the quality of the all citizens to a higher ladder. In this sense, the final goal of China's development is a full development of human potentials – that's to say, it needs to go beyond itself instead of Germany instead of Japan, Germany and the United States.

Content and Structure of the Book

The first chapter is a review of the responses of foreign media, experts and scholars when China's exportation exceeds Germany and its GDP surpasses Japan.

In chapter II, we will cite the coverage of China media and introduce the responses of Chinese scholars on foreign scholars' reactions, explaining the reasons of different reactions of Chinese and foreign scholars on the same fact.

Chapter III will explain the enchantments and traps of Chinese and foreign comparative studies as well as the information we select and use, hence providing a transition and pre-instruction for the comparisons of China, Japan and Germany (sometimes including the United States and other countries of the world).

In Chapters IV and Chapter V, we will use the data of the World Bank to briefly compare and study the economies of China, Japan and Germany and point out where the gaps are. Our main conclusion is: the most significant difference between China and developed countries does not lie in the size of the total economy but in low per capita income.

In the following five chapters, we will explain the reasons of China's low per capita income in five aspects in which we would cite many views of point of China's domestic economists and scholars (including their arguments); meanwhile, we will introduce related data of the economy of the United States, providing an even larger range for the Chinese economy. The main contents of the following five chapters are:

Chapter VI is about the geographic distribution of the population in China. Through the comparison with Japan, Germany and the United States, we can come to the conclusion that the low average per capita of China is closely correlated to China's vast territory and imbalanced population distribution.

Chapter VII is about farmers. Through the comparison with Japan, Germany and the United States, we find that China's low per capita income is actually, to a large extent, because of the low income of farmers.

Chapter VIII is about migrant workers. We can explain the other reason of China's low income which is that the migrant workers do not become the city people through the data released by the National Bureau of Statistics of China as well as the comparison with Japan and the United States.

Chapter IX is about the rich and the poor. We find that another reason of China's average low per capita income is the poor population and the gap between the rich and the poor through the comparison with the rich and the poor in Japan, Germany and the United States.

In Chapter X, by comparison with Japan and the United States, we represent the institutional reasons for the low per capita income in China, and will introduce related theories and policy progress.

In the final chapter of the book, we will compare the theory of China's rise and economic development theory, pointing out the similarities and differences as well as problems, and put forward our points of view: the economic development theory is better in line with the reality of China's economic development because it is people-oriented and its goal is to achieve the full development of human potentials, so the increase in per capita income is an approach to achieve this ultimate goal. Our conclusion is that the goal of China's economic development in the future is not overtaking the United States - even if one day China's GDP is likely to exceed that of the United States - but to overtake China itself.

Chapter I

A tossed stone raises a thousand ripples - China overtakes Germany and Japan

Confucius said: Gentlemen seek harmony but not uniformity.

"The Analects"

The concerns, interests and comments of China from international community have been continuously increasing since the reform and opening up initiated by Deng Xiaoping in 1978. At the same time, reviews and comments written by foreigners on China's economy also draw the attention of many Chinese. However, Chinese and foreigners tend to have inconsistent understandings and conceptions on the same issue, and sometimes the difference is quite obvious. The existence of differences is normal. Two thousand of years ago, China's great educator and thinker Confucius said, Gentlemen seek harmony but not uniformity. However, we also find that through many years of study that gentlemen's harmony will also be affected if the difference between Chinese and foreigners are too big and no essential communications and discussions are provided to narrow the gap. The following is an example for the readers:

News from Abroad

BBC rebroadcasted a news on January 10, 2010: "China overtakes Germany as World's largest exporter" (see Fig.1-1).



Fig. 1-1 BBC News

<http://news.bbc.co.uk/2/hi/business/8450434.stm>

Originally, according to the classification of the scholars of Europe the United States and Japan, China's economy has been classified into the so-called "export-oriented" economy over the years, considering most of the export goods are labor-intensive low value-added products, therefore, undertaking Germany is not an earth-shattering event.

However, as the saying goes, "A tossed stone raises a thousand ripples". Some European and American experts and scholars makes a disturbing speculation to the future of Japan from the change of Sino-Germany trade volume and related news:

Japan's economy has been stagnating for most of this decade, and this [2010's second] quarter it grew at just 0.4 percent, while China continued to grow at an enormous rate. After surpassing the economies of countries like Great Britain, France and Germany, China finally went past Japan to take 2nd place in the world economy, thus stamping itself as a world economic and political power. .. Also for the full year's figures, China will easily surpass Japan for the first time ever in history.

We are going to make a few comments: many foreign countries as well as a small number of Chinese scholars often describe China as a economic and / or political power and especially a super power, which is inappropriate. Many Chinese readers are complacent to see foreign comments translated into Chinese – wow, China is a super power. There have been few countries called super powers. But those experts and readers forget the specific meaning of this word in the context of modern international politics and economic development history, it is associated with many unpleasant things including colonialism, imperialism, power politics and gunboat diplomacy. So Mao Zedong, Zhou Enlai, Deng Xiaoping and other Chinese leaders have reiterated on many occasions: China will never be a superpower, even when one day China really becomes one of the most developed countries. China will politely decline the flattery presented by foreigners even it is favored by many Chinese.

This prediction was confirmed in the beginning of 2011. The following is a news of BBC:

China has overtaken Japan as the world's second-biggest economy. Japan's economy was worth \$5.474 trillion (£3.414 trillion) at the end of 2010, figures from Tokyo have shown. China's economy was closer to \$5.8 trillion in the same period.

Although China's economy's overtaking Japan is really a news, China has a large population, and the fact that China's per capita income is much lower than that in Japan has not been changed - BBC clearly pointed out:

Though, a noticeable difference is that unlike Japan, China is far from being a developed nation. The standard of living in China is much below as compared to Japan. And even though China is as big as the United States in terms of land mass, it has almost a fifth of the world's population.

Reactions of foreign experts and scholars

Obviously, our critics may have brought their best if they follow this thought, e.g. they may contribute their own unique views of the historical reasons and solutions to China's large population and low per capita income instead of making exaggerated comments or over-anxious reactions – regrettably, what we are seeing is precisely the latter.