

# A Win-Win Future

Chinese Economy in   
the Age of Globalisation

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全球化时代的中国经济（英文版）

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# Introduction

Global trends are massive. Go with the trends, and you will prosper. Go against them, and you are doomed.

## (1)

The foundation for any development is economic development. Any recovery starts with economic recovery.

In the present world, the Chinese economy, along with the Chinese factor behind it, is a research field with tremendous value. How does China join hands with other countries to drive the development of the global economy? How to cooperate and eliminate the factor of uncertainty in the global economy? This requires the direct coupling of the interests of the politicians, academics and experts, entrepreneurs and investors. And increasingly this is related to the direct interests of every world citizen.

Economic research is not just dry numbers and models. It is also a vibrant and colorful area of study indirectly related to life, leisure, consumption, and even sports. For instance, behind the Olympics and the World Cup is a competition of economic power among various nations.

Since the Vuvuzela was blown aloud in the 2011 World Cup in South Africa, every international sports event has had significant links with the term “Made in China”. In the 2012 London Olympics, the Chinese language, Chinese words, Chinese restaurants and Chinese enterprises were seen everywhere. In fact, the “Made in China” sign has become the most prominent Chinese element in the London Olympics. Ac-

According to statistics released by the International Olympics Committee, 65% of the franchised products sold at the London Olympics were made in China. In addition, the uniforms of the US delegation as well as the “weird” berets were manufactured by an enterprise in Dalian, China. Meanwhile, the ceremonial uniforms of the British Olympic delegation were produced by an enterprise in Yantai, China. And countries like Iran and Kazakhstan chose the sportswear produced by Chinese brands.

Since Mr. Liu Changchun represented China to take part in the 1932 Olympics, right up to the 2012 London Olympics, phenomenal changes have taken place in the Chinese sports arena, and this also reflects the cataclysmic changes in the Chinese economy over the past eight decades.

Indeed, the development of the Chinese economy has become a global trend in the present world. Economic development is not only changing China, it is also influencing the world. In today’s globalised world, China and other countries are doing what they each are good at, and this has created a situation in the trading industry where “You are among us and we are among you”. Originally this is the result of optimal allocation of resources, but it also created a controversy around “Made in China”. This even became a good excuse for the rise of trade protectionism.

What we should pay even more attention to is that most of the consumers in the West have a totally opposite attitude to “Made in China” vis-à-vis people who hold an extreme view. In the eyes of ordinary consumers in the West, commodities are commodities, and there is no need to attach a political label to the same commodities. To them, “Made in China” equates to quality goods at low prices, which brings benefits to ordinary consumers.

Several years ago, a US business journalist Sara Bongiorni (邦吉奥尼) studied data from the US Ministry of Commerce (美国商务部) and found that the US imported large quantities of commodities from China every year. She then persuaded her family to try out living a life free from “Made in China” commodities for a year starting from 1 January 2005. During the year, Bongiorni found that her daily life had become



much more inconvenient and even difficult. Since she would not buy Chinese products, she had to boil water to prepare coffee after her coffee kettle broke down. After her stirrer broke down, she could not repair it because the blade to be replaced was made in China. In order to identify non-Chinese-made commodities, she spent a lot of extra time and efforts, and also had to pay much higher prices.

After a year, she wrote a book called *A Year without "Made in China"* to share her experience and insights, and vowed never to do this again. While admitting that Chinese goods had occupied the major consumer goods market in the US, she stated in even clearer terms that "Made in China" benefited the ordinary US citizens the most, particularly the people in the low to medium income group.

From the micro perspective, "Made in China" means "Chinese products". From the macro perspective, it represents the Chinese economy. Whether you are willing to admit it or not, consumers all over the world—from the London Olympics to the ordinary US consumer—have endorsed "Made in China", "Chinese products" and even the Chinese economy by their choice and action.

## (2)

It was the best of times; it was the worst of times. It was the season of light; it was the season of darkness. It was the spring of hope; it was the winter of despair. When we ponder Charles Dickens' famous lines, you and I will be astonished to find that after 200 years have passed, the current world is still at the crossroads of contradiction typified by Dickens. Indeed, the world's future depends very much on our choices today.

From the standpoint of reason, we can take a realistic look at "Made in China", "Chinese products" and the Chinese economy. We can even look at the renaissance of China, which has gone beyond China itself to become a global issue.

In the past century, it was extremely difficult for a developing country to become a great global economy. After a century of vicissitude and 30 years of superb management and positive effort, China has risen



to the global economic stage to play a key role. While we can summarise the modes of development of the Chinese economy from different perspectives, we must stress a few things.

First, China abandoned a confined and secluded nation, and insisted on opening itself to the world, and actively linking with the global economy. As a result, there is a beneficial interaction between the Chinese economy and the economies of the rest of the world.

Second, China abandoned its planned economy in favor of market economy. In the operation of the socialist market economy, China fully demonstrated the advantage of its unique, highly efficient and unified policy formulation and implementation.

Third, good policies and systems have enabled the Chinese people to make good use of their racial characteristics of diligence, bravery and endurance. When China's advantage in human resources is put to good use, the inexhaustible workforce will become the engine of wealth generation, bringing benefits to consumers around the world.

China has exhibited its strength and perseverance in its systems, policies and operations. When this is in line with the global trends, the development of the Chinese economy is the inevitable outcome. The importance of the Chinese economy to China is evident. The next question is—what is the importance of China's economic growth to the world? Is the Chinese economy “good” or “bad” for China itself and the world at large?

The key to evaluating the Chinese economy is to determine the criteria. We propose the following two criteria—one is the humanistic criterion. For any economic growth, if it is not of benefit to the development of the people, this kind of economic development cannot be labeled as “good”. The development of human society boils down to the development of the people. This is globally true. The other criterion is based on the common interest across the globe. If any economic development is beneficial only to its own country and not to other countries or regions, this economic development is not a “good” one. In other words, economic growth needs to be win-win and mutually beneficial.

I. About the first criterion—the relationship between the develop-





ment of the Chinese economy and the development of “people”. One approach to economic research is to start from the production factors. Production factors refer to various social resources needed for social production and operation. In general, they include land, natural resources, manpower, capital, science and technology, intellectual property, information, and the quality of the entrepreneur. Be it Western classical economics represented by Adam Smith and David Ricardo, or the doctrines of Karl Marx’s labor theory of value, the emphasis is always the value of the workforce and its contribution to economic growth.

In 2011, China’s average per capita GDP was RMB 35,198.57 (or US\$5,414), and the per capita disposable income in cities and towns was RMB 23,979. Although this is not ranked high in the global chart, yet the growth rate and duration are both ranked among the world top economies when compared against 1979 at the start of China’s reform and open policy, when the per capita GDP was only RMB 416, and the disposable income in the cities and towns was only RMB 387.

China’s economic growth not only testifies to the vitality of the theory of labor value in classical economics, it also testifies to the recognition of the capabilities of entrepreneurs in the book *Principles of Economics* by Marshall. Whether it is general labor, or the capabilities of entrepreneurs, it can be grouped under the “human” factor. The major endowment of China’s economy is not in natural resources, but on “people”. The “human” factor has played a decisive role in China’s economic development, and this is where the power of “people” becomes evident.

II. About the second criterion—the relationship between China’s economic development and the world’s economic development. Looking at China’s economy from the standpoint of global interest, the development in the past three odd decades, especially in the decade or so after China’s accession to WTO, we can say that instead of the China factor impacting on the global economy, the truth is that the Chinese economy and the global economy have formed a mutually complementary beneficial cycle where both share their triumphs and defeats. China’s economic development has never aimed to achieve its own dominance. Rather, the goal has always been to achieve mutual prosperity as it pursues its

own development.

French classical economist Quesnay in his book *Tableau Economique* puts emphasis on economic cycles and their similarity to the blood circulation system of the human body. If a beneficial cycle is maintained between production and consumption, among various production units and various countries, then the economy can maintain steady growth. On the other hand, all economic crises are the result of the failure to maintain a normal economic cycle. China's economic growth has always insisted on integration and interaction with the global economy. Today, the Chinese economy has become a part of the global economy, and both have formed a cycle. Based on this close and mutually beneficial relationship, the sustainability of the Chinese economic model comes as no surprise.

Whether from the human perspective or based on global interest, any inspection of the Chinese economy will yield this conclusion: the Chinese economy has created a good era for the country itself, and has also created a good start for the global economy.

China's economic growth has transformed the world in the following aspects:

First, China's commodities have not only brought benefits to consumers all over the world, but also they have eliminated the "stagnation" that has plagued the economic growth in Western countries for many years. China's exports have reduced the inflation rate in different parts of the world (especially in the US), benefiting the ordinary consumers. To the ordinary people in the US, clothing, daily necessities and electronic products that are "Made in China" have become part of life for the majority of Americans. According to data from the Chinese Embassy in the US, Chinese commodities in the past decade have saved over US \$ 600 billion for the US consumers, increasing the disposable income for an average US family by US \$ 1,000.

Second, the development of China's manufacturing industry has filled the gap left by insufficient capacity in the US manufacturing industry, building a robust platform for the restructuring of the US economy, and indirectly promoting the development of high technology



and venture investments in the US new industry by eliminating the worries in the process. China's manufacturing industry, which is huge, highly efficient and comprehensive, has not only created a haven for global financial capital, it has brought massive profits for foreign capital financial companies entering the Chinese market. Statistics show that in the past nearly 10 years, China has used over US\$ 1,000 billion.

Moreover, the scale and dynamics of the Chinese market not only affect the global strategies of multinational companies, but they also promote the development of these companies. Hence the Chinese market has become an important part of the global production chain. Indeed, China is an irreplaceable link in the global production chain and even the global purchasing chain. A large number of multinational corporations will set up their supply chain as an indispensable part of their global strategy. Today, any multinational corporation that needs to complete the chain of design, purchasing, production and sales cannot do so without having a presence in China.

Finally, the needs of China not only affect the price trends of international commodities, but they also stabilise the growth of the global economy. Take the iron and steel industry as an example. 10 years ago China imported 92.3 million tons of iron ore. Then the figure increased to 400 million in 2008, and 600 million in 2011, making the country the world's largest importer of iron ore. This enables countries with rich natural resources, like Australia, Brazil, Canada, Middle East countries and Southeast Asian countries, to have a steady flow of foreign currency income.

### (3)

The development of the Chinese economy is a historical process. Since 1949 there have been two distinct stages in China's economic development. 1978 marked the start of "the Chow's Test" as propounded by famous Chinese origin American economist Prof Gregory Chow. Prior to this, China was a relatively closed economy, and economic development was relatively slow. Then China opened itself up, and its economy enjoyed a sustainable growth, and its strength continued to increase, re-

sulting in a steady rise in the people's standard of living. In the meantime, China's status in the global economy has been on the rise, with an increasing impact on the international scene.

Indeed, December 1978 was the turning point in the Chinese economy. The 3rd plenary session of the 11th Central Committee of the Communist Party determined the national policy of reform and opening-up. Then in 1979, Deng Xiaoping visited Washington DC in the US, and made a historical handshake between China and the US. Lee Kuan Yew, then Prime Minister of Singapore, said after hearing this, "China will never close its door again!"

In 1999, about 10 years later, Chinese President Jiang Zemin had a telephone meeting with then US President Bill Clinton. This heralded in the resumption of talks on China's entry into the World Trade Organization (WTO). Two years later, China officially became a member of the WTO. A year or so later, US representative in the WTO talks, Charlene Barshefsky, said in a seminar, "The rise of the Chinese economy has been the greatest change in the global trade and investment arena. In fact, this is the greatest change on the international trade and commerce scene in over a century. China is changing the face of Asia, promoting growth in the global economy, and possibly changing the status of political influences at the international level."

About a decade later, in 2008, another momentous event took place—also in Washington. Chinese President Hu Jintao attended "the Group of 20 (G-20) Summit", and held discussions with political leaders all over the world on reforming the global financial system. Shortly before this summit, former French President Jacques Chirac stressed, "Without China's participation, we cannot possibly hold any meaningful discussion on global issues like the financial crisis, climate change, and energy resources."

The establishment of the new China, especially its economic development in the over three decades after the period of reform and opening-up, shows that China is not just passively accepting the influences of the external world, but also actively learning from the achievements of humankind in terms of advanced productivity and advanced civ-





ilization. At the same time, China has made tremendous contributions to world prosperity and stability.

In today's world, no country can afford to neglect the rise of China. No multinational corporation is willing to give up the Chinese market, and no economics scholar can turn a blind eye on China's influence. Global affairs call on China's participation. Global patterns need China's rise. Global balance requires China's power.

On the one hand, China has made economic achievements that the West world finds hard to comprehend. On the other hand, China has provided a success story on economic development for reference by other countries.

When we cast our sight on how China integrated itself in the development trends of world economies, and seriously appreciate the vicissitudes over the past three odd decades, we are bound to draw a common conclusion that the fate of China and the world are more and more integrated. China's interests are the world's interests; the world's interests are China's interests. In interacting with the world, China has been growing its own economy, and this has made a profound impact on the world's political and economic scene, and has provided new opportunities for the development of other countries.

A great era has begun. This is the era of mutually beneficial interactions between China and the world.

#### (4)

In the three decades or so since China started to implement its reform and opening-up policy, the country has basically established a vibrant socialist market economy system. China has consistently maintained an economic growth rate that is higher than the global average; its GDP and per capita GDP has dramatically risen, and its status in the global economy has fundamentally changed. Indeed, China has become one of the engines for the world economic growth.

The renaissance of China is the focus of global attention, and a challenging topic for academic research. It is also an issue that has strong political undertones.

Due to various reasons, the international community has long been ignorant of how the Chinese economy is developing and its direction and modes. Different people have grasped certain characteristics, such as the “cheap labour theory”, “foreign capital motivation theory”, “export pulling theory”, and “authoritative government theory”. However, these represent only part of the picture, but fail to provide a holistic and accurate explanation of China’s economic development.

While the world enjoys the benefits brought by the sustained development of the Chinese economy, and delights in this progress, some foreign media have been invalidating the development mode of the Chinese economy, or limiting this mode to China’s specific historical setting, thereby generating the theories of “China’s collapse” and “China’s threat”.

These voices have accompanied China’s economic development process over the past 30 odd years, and have made themselves heard in the international community. The Chinese who have experienced the reform and opening-up of China will understand this—the world needs time to understand and accept China’s economic development model. Indeed, China in its development process will inevitably encounter a diversity of problems and issues, and both applause and criticism will accompany the process all the way. All of these are a test for the Chinese people’s determination in holding onto their characteristic mode of development, and also an exercise in their patience in winning the world’s understanding. We do not pursue universal understanding of China’s renaissance, yet we firmly believe that China will definitely win more and more understanding and trust. More and more friends will join hands with China to achieve world peace and human prosperity.

In fact, China’s economic development has never been marred by the “China collapse theory” or the “China threat theory”. Rather, it has subtle harmony, motivation and self-encouragement, insisting on the key motif of “development being the hard truth”.

The three decades of China’s reform and opening-up has proven that China will not collapse, and it will not constitute a threat. China’s renaissance is a developing process along the main theme of China’s sus-





tained economic development. This is the trend of the world, and the logic of history. This process not only takes the form of GDP growth, but it also accompanies the renaissance of the Chinese culture with the values of loyal, piety, benevolence, love, trust and virtue as the core. This results in the strengthening of the power that maintains world peace.

The three decade's sustained economic growth in China also proves that there are no deities in the world, and economic development does not depend on any saviour. It also shows that there is no single economic development model for the entire world, or there is not a path of economic development that is absolutely correct. What is reasonable will continue to exist, and what exists is reasonable. A scientific road of development is one that is based on fact, one that starts with the national reality, and one that is people-oriented. China's economic achievements are the result of the determination to go down the path adapted to conditions in China, and to insist on a people-oriented scientific outlook on development.

While history will not repeat itself, it encompasses startling similarities. 500 years ago the western part of the Asian-European continent welcomed the light of the Renaissance. Today, the eastern part of the Asian-European continent is going through another great renaissance. "Go your own way regardless of what people say " —this is the track record of the European Renaissance, and a reflection of China's economic development.

## (5)

China's renaissance is the result of abandonment, opening-up, and consolidation. China's development is based on the best of the Chinese traditional philosophy and culture, as well as the world's advanced productivity and cultural wisdom. China has creatively carved out its development path and mode that ride on world trends and are in harmony with the national realities.

China's renaissance is holistic, with economic development as the key melody. A comprehensive summary of China's economic growth,

accurately deciphering China's economic development, effectively eliminates the misconceptions about China's economic development—these are not only conducive to enabling China to achieve an even more robust development process, but also help developing countries to map out their own development path that suits their own national realities. Moreover, this also enriches and deepens the study of development economics.

Some people think that after a country has developed its economy, a sort of parochial nationalism will emerge, suggesting expansionism and hegemony. However, this is not a universal pattern, and this sentimental attitude needs to be questioned.

Historically China has attached great importance to “courtesy” and “virtuousness”, and the country has been hailed as a country of courtesy and modesty. On the Silk Road, what China exported was silk, ceramics and culture, and not expansionism. When Zheng He sailed to the western seas, what he brought from China was advanced agricultural and textile technologies, and not invasion. The Chinese element is in essence the element of peace.

Based on a respect for history and an observation of the reality, we can conclude that the sustained development of the Chinese economy is an increase in the power of peace in the world. Indeed, the power of China is the power of peace.

In recent years, China can say “no”, and this has become a common saying. Firstly, we must make it clear that China is not saying “no” for the sake of saying “no”. Secondly, the ability of China to say “no” is not the consequence of the increase in China's economic strength, and China's economic development is not the result of China's ability to say “no”. Since the setting up of the new China, China has dared to say “no” even in the face of widespread depression and limited economic strength. In the face of hegemony and authoritarianism, China has dared to say “no”.

Hence, China dares to say “no” in the face of elements not conducive to world and regional peace, and elements not conducive to promoting world and regional prosperity.



The process of China's sustainable economic development is the process of increasing world peace and prosperity. On the one hand, we urge the world to look at China's sustainable development and renaissance in a positive light. On the other hand, we will look at the development of other countries from a wider perspective and with a more open-minded attitude. With more patience, we look forward to more and more friends understanding and accepting China's rise to become an economic power.

## (6)

While the international economy and the natural environment are fundamentally different, yet both require balance. Balance, discipline and moderation are the safeguard for the normal operation of any system.

Balance is maintaining harmony in nature, and the gravitational force that maintains the running of the heavenly bodies. Balance is also the basis for the normal operation of economies. The loss of balance is the loss of cycles, and without cycles, there is no circulation and exchange, and this affects production and consumption. Of course, balance is dynamic balance, rather than static balance where nothing changes. Balance can be interrupted temporarily, but a long-term loss of balance will bring economic operations to a halt.

The economic system today is a pyramid with the US occupying the top echelon, and with developed countries like Japan and European countries on the next. At the bottom of the pyramid are the developing countries and new market economies.

In nature, the lion king that occupies the top of the food chain lives on animals that feed on plants. However, it will not over-greedily kill all the plant-eating animals—of course it does not have such an appetite. The balance between carnivores and herbivores, and that between herbivores and plants, maintain the cycle of regeneration in nature.

However, the greed and ambition of Wall Street go far beyond the greed and ambition of the lion king. In essence, Wall Street is a synonym for international capital dominated by the US, and international