

CHINA'S ECONOMY in 2000

Compiled by
Liu Guoguang, Liang Wensen
& Others

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FOREWORD

Since 1980, discussions have gradually unfolded in economic circles in China on problems relating to the country's development strategy.

At the Twelfth Congress of the Communist Party of China, a broad programme for the modernization of China was mapped out in which the objectives, priorities and steps of our economic construction are explicitly set forth for the period ending in the year 2000. It is for the purpose of giving coverage to the development strategy outlined in this modernization programme that this book has been written.

What we attempt to do in this book is to examine the experience gathered in the historical development of China's strategy for economic growth, compare it with that of other countries, and on this basis, make an in-depth study according to the principles of Marxism, of all the theoretical and practical problems concerning China's development strategy and its various aspects.

In our study, we have made certain estimates about the prospects for China's economy, and have put forward a series of proposals with regard to the realization of our objectives. It is hoped that this book will serve as a reference to various persons and organs involved in giving guidance to the economic work of the country, and contribute to the cause of building China into a socialist country with Chinese characteristics. The book is also expected to assist those engaged in research and teaching jobs at relevant research centres, institutes of higher learning and economic organizations.

A treatise presenting a systematic discussion of China's development strategy, this book contains an introduction and twenty-four chapters grouped into eight parts. The first part is a general survey dealing with the basic conditions of China and

the strategic objectives of its future economic development. The second part centres on the measures for restructuring the economy, taking into consideration problems related to industry, agriculture, energy, transportation, technical development, scale of enterprises, distribution of the forces of production, and the relationship between urban and rural areas. The third part focuses on the role of demography in economic development, giving an overview of problems such as population, employment, development of intellectual resources, and equality and efficiency in the distribution of consumption funds. The fourth part covers problems concerning economic development funds, including fund accumulation and utilization, pricing, financial credit and balancing, etc. The fifth part is devoted to the discussion of land resources, with special emphasis placed on the exploitation and use of natural resources, the protection of natural environments and the maintenance of ecological balance. The sixth part dwells on problems concerning the reform of the economic system such as centralization vs decentralization, and planning vs market. The seventh part studies the major aspects of China's foreign economic relations such as foreign trade, the strategy for utilizing foreign funds and the balancing of international payments. The eighth part or the last chapter contains a brief survey of the views of Western economists on the development strategies of China and other developing countries.

Work began on this book in 1981, but before we set pen to paper, all the relevant problems were subjected to long deliberation and abundant data were accumulated. Then, the outline and draft of each chapter of the book were submitted for collective discussion and repeatedly revised. As the last step, an editing group was formed under the chief compiler, and once again the book was carefully revised and improved upon.

Participating in the compilation of this book are mainly national economy researchers of the Institute of Economics of the China Academy of Social Sciences. Also contributing to the book at our invitation are a number of economists working in other organizations such as Li Chengrui, Director of the State Statistics Bureau; Liu Suinian, Director of the Research Institute of the State Planning Commission; Huang Da, Professor

and Vice-President of the People's University of China; Gao Hongye, Professor of the People's University of China; Zhang Peiji, Director of the Research Institute of Foreign Trade of the Ministry of Foreign Economic Relations and Trade; Qu Geping, Director of the Bureau for Environmental Protection of the Ministry of Environmental Protection in Urban and Rural Construction; and Li Jingwen, Head of the Policy Research Centre of the State Bureau of Building Materials.

While the book was being finalized, Yang Shengming and Zhang Zhuguang took part in the revision work, and Li Renzhi did a lot in the way of language polishing of the Chinese edition. We gratefully acknowledge their services as well as the energetic support of all who work either in this institute or elsewhere.

AN INTRODUCTION — IMPORTANT PROBLEMS CONCERNING CHINA'S ECONOMIC DEVELOPMENT STRATEGY

The programme for creating a new situation in all fields of socialist modernization adopted at the Twelfth Congress of the Communist Party of China convened in September 1982, has outlined the strategic objectives of China's economic construction as well as many other vital aspects of its development strategy such as the priorities, steps, principles and policies. These objectives mirror the results of discussions conducted in recent years in economic circles on the country's economic development strategy. The fact that the results are set out in such an important document will produce a great impetus on the future study of this problem. In fact, it is an important task and a social duty of economists in China to explore the various aspects of China's economic development strategy, theorize about them and put forward realistic proposals based on China's actual conditions and the experience gathered both at home and abroad.

I

The use of the term economic development strategy is relatively recent in China. By development strategy we mean a long-term plan (say, 5, 10 or 20 years), specifying the general objective, the priorities, the different phases of development, the arrangements to be made for organizing the necessary forces for its fulfilment, and the major policies and measures to be adopted. It is a **plan** mapped out on the basis of an assessment of the various factors and conditions of economic development, and

of its various aspects that will affect the economic situation as a whole.

Proceeding from the above definition, we may state tentatively that the absence of a development strategy in our past work does not imply that we had never studied or tackled problems of this nature. In point of fact, we had; and our research on China's strategy of economic development was embodied in all the lines, principles and policies we formulated for the expansion of the economy over a relatively lengthy period of time. What we failed to do was to implement this kind of study, consistently and deliberately, on the basis of a clear understanding of the concept of development strategy. It is only recently that the concept of strategy has been formally introduced into our economic work, and we have begun to attach importance to research on problems concerning development strategy, giving it an official status.

As we have already pointed out, a development strategy invariably involves a situation which must be dealt with in its totality. But the range of the situation differs from level to level. It may refer to a country, a department, a region or even an enterprise, each of which has its own situation and hence its own development strategy. As is usually the case, the development strategy of a smaller range at a lower level constitutes an integral part of the development strategy of a larger range at a higher level.

What we shall focus on in this book is the development strategy for the country as a whole, and for each of the major aspects of the national economy.

The use of the term economic development strategy and its introduction into economics started only after the Second World War. However, the development theory as such goes back to much earlier times. In works by Adam Smith, we can detect its traces, and in the theses of Karl Marx concerning the development of society, particularly the birth and growth of capitalism and its inevitable replacement by a higher social form, we can see what the earliest scientific development theory is like. After the Second World War, a series of countries gained national independence one after another, and in their efforts to extricate

themselves from serious economic backwardness, they have found it more and more imperative to tackle problems concerning economic development. It is in this context that the development theory has gradually blossomed into an independent economic discipline. The emergence of such a discipline has been due primarily to the ever-changing political and economic situation after the Second World War.

Economic development in the developing countries is, as a rule, different from the economic growth in the developed countries. The former calls for an approach which is not copied verbatim from the general principles of economic theory, but is adapted to the special needs of the developing countries. Thus, development economics, which makes its aim to study the laws of economic development in the developing countries, has gradually been formulated. Along with the formulation, a number of new concepts and terms, such as economic development strategy, have come into use.

The concept of the development strategy was first dealt with in a number of economic works, notably the *Strategy of Economic Development* by A. O. Hirshman.* In the sixties, quite a few countries set out to sum up their experience in industrialization. While so doing, they proposed many models of economic development (i.e. the import substitution development strategy, the export substitution development strategy, etc.). In the meantime, under the auspices of the United Nations, an effort was made to work out three international development strategies for the sixties, the seventies and the eighties respectively. This enabled the concept of the development strategy to be employed on a still wider scale in the world.

Economic construction in the developing countries is always carried out under the guidance of one strategy or another, no matter whether or not they are aware of this fact. Though after thirty years of practice, none of them completely succeeded in their efforts to build their economies, thereby affording a perfect example for others to follow, they have all achieved some gains in one area or more. While a few of them have already entered

* New Haven: Yale University Press, 1958.

the ranks of mid-level developed countries, the majority of them still have to tackle the many problems lying in the path of their development. A number of them have failed to deal effectively with poverty, unemployment and inequality in distribution, thus widening the gap between them and the developed countries instead of narrowing it.

Successes and failures have both provided examples for study. After a long period of observation, economists have concluded that economic developments in the developing countries have proceeded in two or three stages under the guidance of several different strategies.

First of all, there is what we know as the "conventional" or "old" economic development strategy. This strategy was in use in the Soviet Union and the developed capitalist countries in their early days of development, and was adopted by many developing countries after winning independence for lack of experience in developing their economies. This kind of strategy aims chiefly at making a country prosperous and strong by increasing the GNP or the national income through industrialization. Its adoption has often led to placing undue emphasis on the accumulation rate while neglecting agricultural production — a practice accompanied by many ill effects such as inequality in distribution, increase in foreign loans, deterioration of the environment, financial deficits, inflation, and wide price fluctuations.

Secondly, there is the so-called "improved" or "adapted" economic development strategy, which has been introduced by many developing countries since the 1960s as a remedy of all the ill effects mentioned above. Chief among the features of this strategy are the placing of emphasis on balanced development and economic structure; carrying out a "green revolution" to raise agricultural production; attaching great weight to population control; giving attention to the development of intellectual resources; implementing the principles of independence and self-reliance in the economic construction; and instituting reforms in foreign trade. Evidently, this strategy can serve to mitigate some of the evils brought about by conventional development strategies, but it can never solve problems of a more fundamental

nature because it is, after all, only an improved version of the conventional strategy, and its execution is subject to the limitations of the social system.

The third strategy is referred to as the "new" economic development strategy, which has been followed by many developing countries since the 1970s as a way out of the difficulties their economies have run into in a worsening world economic situation. The new strategy makes a special point of following the realities of the developing countries and meeting the basic needs of the masses. It calls for a new yardstick for measuring economic growth, a yardstick which consists of sets of indexes such as the employment rate, the literacy rate and the average life expectancy. Yet the focal point of this strategy seems to differ greatly — to some, it is the necessity of guaranteeing the material quality of the people's life; to others, it is equality in distribution. Whatever the focal points may be, they seem to have one thing in common — they all take the people's benefit into consideration to a greater or lesser extent. However, under the existing social systems of many developing countries, these principles cannot really be carried out.

As different strategies of economic development are introduced, development economics progresses. Though opinions differ as to whether or not development economics has become a full-fledged science, one thing is certain: more and more people are interested in the study of development strategy, and more and more theses and observations are advanced. Over the thirty years or so, different schools of development economics have made their appearances. According to the classification proposed by C. P. Kindleberger, American economist, in his book *Economic Development*, there are three of them, designated respectively as neo-classical, structural and radical. While these schools of economics cannot be relied upon indiscriminately to give guidance in our work of studying and formulating the strategy for developing China's economy as a whole since they all belong by nature to the Western system of economic theories, certain methods they employ in analysing problems of economic development and certain approaches they propose for tackling them are something we can refer to, and there is a lot for us to learn from.

their study of the modes of economic development, and the conclusions they have gleaned from their experiences.

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The strategy of economic development is something which is new and yet not new in our own experience. It has been our practice to set a target for the economic development of a certain period, and to work out methods and necessary arrangements to realize it. But this practice did not exactly have the same connotations as the development strategy. However, we stand for the use of the term economic development strategy in our future work because this will enable us to observe and consider the problems of economic development on a higher plane, from a wider angle and in a longer-term point of view. The term was actually introduced into China in the late seventies by a number of economists, particularly those engaged in the research of world economy and the economy of other countries. In the early eighties, Yu Guangyuan, a well-known Chinese economist, put forward a proposal for carrying out the study of the economic and social development strategy, which evoked warm responses from all quarters concerned. In February 1981, a circular proposing the convocation of a symposium on the economic and social development strategy was jointly issued by the Institute of Economics of the Chinese Academy of Social Sciences, the Policy Research Centre and the Speciality Group of Techno-Economic and Managerial Modernization of the State Science Commission, the Institute of Scientific and Technological Information of China and the World Economy Society of China. At the very beginning of the circular, it is explicitly stated that "a general objective has now been set for China's economic development — to first enable the Chinese people to be comparatively well-off by the end of this century, and then from this basis to proceed gradually to a higher degree of modernization. But what is the road to take? What are the steps to adopt? To find answers to these questions, we must, as Deng Xiaoping has pointed out, "extricate ourselves from set patterns, old and new, so that we can have a clear and exact understanding of the conditions of China, and the interrelations between the various factors in economic activities." Clearly enough, this passage is tantamount to a call to probe

into the strategy for the economic and social development of China.

Ever since then, regular forums have been held in Beijing. In June 1983, one such forum took place, which was the 15th meeting in two years. The major topics discussed at this forum included the significance of development strategy; the working out of strategic objectives and ways of realizing them in the light of China's basic conditions; the integration of the present economic readjustments with the future economic growth; the scale of construction and sources of funds; the strategy for developing agriculture; the strategy for developing foreign economic relations; the experience gained in third world countries in choosing development strategies; and the study of the future.

In the meantime, similar forums were held in 16 provinces, municipalities and autonomous regions, and in the various departments of agriculture and foreign trade; and a lot of articles discussing issues relating to development strategy were published in newspapers and periodicals.

Now the study of development strategy as a new domain in economics has not only met with the approval of the government, but has also roused the interest and won the support of an ever greater number of people — those engaged in research and in actual economic work, sociologists and scholars of natural and technical sciences. This trend points unmistakably to the fact that the study of development strategy is an urgent need in China's modernization.

For three years, we have persisted in our effort to analyse and study foreign theories and experiences in the light of the specific conditions of China so that we can work out a development strategy of our own. This strategy is to be different from those adopted by other developing countries because, for one thing, it is guided by Marxism, embodies the principles of socialism, and ensures the consolidation of the socialist system and the full play of its superiority, for a second reason, it must take into account the basic features of China such as its vast population and its poor starting foundation and infrastructure. Merely copying the development patterns and practices of other countries will be of no avail.

II

The implementation of the principles of readjustment, restructuring, consolidation and improvement approved by the Third Plenary of the Eleventh Central Committee of the Communist Party of China convened at the end of 1978 has brought about significant changes in China's economic development strategy, and a lot of discussions have taken place on these changes. As an effort has been made to introduce the results of the study on development strategies of other countries in the course of discussions, it is only natural for Chinese scholars to make a comparison between the development strategy we have been pursuing and those used in other developing countries and to come to the conclusion that the changes witnessed in China in recent years also signify a transition from the conventional strategy to the "adapted" or "new" strategy. This conclusion may sound plausible if this question is viewed only from the angle of the policy change, effected in China as in other countries, from laying undue emphasis on increasing the GNP to paying attention to the satisfaction of the basic needs of the people. But if we go deeper, and take a wider view, we will find that the evolution of development strategy in China has many peculiar characteristics.

The merits and demerits of the development strategies enforced in China in the past and the fundamental changes introduced after the convocation of the Third Plenary Session of the Eleventh Central Committee of the Communist Party of China held in December 1978 will be discussed in full from different perspectives in the relevant chapters of this book. What we offer here is only a general survey of the evolutionary process of China's development strategies.

First of all, a question has to be answered: Can the economic development strategy adopted in China prior to 1978 be likened to what is known in the Western literature of development economics as the conventional development strategy? The answer is in the negative. This is because in the past thirty years we did not follow one and the same strategy. On the contrary, it was altered from time to time. In terms of these alterations, the eco-