

Compiled by the China (Hainan)
Institute for Reform and Development

30 Years of China's Reform

Through Chinese and International Scholars' Eyes



Foreign Languages Press

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Foreword

China's All-Round Reform in a New Stage

China has entered a new stage in its reform—the stage of all-round reform. Human development is a basic requirement of the reform in this new stage. The all-round reform in the new stage entails the following main tasks: the market-oriented reform aimed at promoting a sound and rapid development of the national economy; the political restructuring aimed at developing democracy; the social restructuring aimed at providing basic and secure public services; and the reform of the cultural system aimed at advancing a thriving and innovative culture, and a more active and dynamic strategy of opening to the outside world. Confronted with hard issues in the process of reform, whether or not we will be able to make some major breakthroughs in readjusting interest-based relations has become the key to promoting the reform in an all-round way in the new stage. Therefore, while keeping to a “gradual” approach, the reform in the new stage will also need “relatively obvious breakthroughs.”

China’s economic development and social progress in the past period of almost 30 years have directly benefited from the reform and opening up, two great turning points of historical significance: moving from the orthodox planned economy to a modern market economy and from a closed or semi-closed state to the decision to open up the country in an all-round way. Having entered into a new period and a new stage, and faced with new contradictions and problems, China depends on a process of all-round reform and innovation of its economic, political, social and cultural systems in order to realize its development goal—a moderately prosperous society in all respects.

I. A New Stage of All-Round Reform

1. China has entered into a new stage of all-round reform

Since the advent of the new century, China has embarked upon a transition from a subsistence-type society to a development-oriented one, as evidenced by the changes taking place in the consumption structure, industrial structure, employment structure, urbanization rate and social structure. During this particular stage of development, our entire society is experiencing a gradual lessening of pressures of a subsistence type while those of a development type are mounting in every aspect. For example, contradictions and problems are becoming more prominent daily, such as those relating to resources and the environment in the areas of sustainable development, a balanced urban and rural regional development, a fast and comprehensive growth of public needs and pressures brought on by the changes in public governance and social structure. Such contradictions and problems are more in the nature of institutional contradictions as the cumulative results of the fact that the reforms are not yet fully adequate rather than in the nature of inevitable factors in the course of development. To relieve the pressures from development in the new stage, it is necessary to break through the institutional barriers impeding economic development and social progress. The contradictions and problems stemming from the growing pressures of development require the further improvement of the market economic system and the reform of the social system focusing on improving people's livelihood, as well as the changes and innovations in the political and cultural systems.

2. Human development is a basic requirement of the all-round reform in the new stage

In the new stage, the pressures of development have found a concentrated expression in human development. The essence of sustainable development is to make human resources the most important source of motivation for economic development. Members of society at large, having freed themselves of worries about food and clothing, now have accelerating needs for education, medical care, basic social security and other services. In the new stage in which material wealth grows quickly, people also aspire for a more equitable and just distribution of wealth and equal access to basic public services. They demand the freedom to choose and participate. They demand high-quality cultural products.

3. The main tasks of China's all-round reform in the new stage

(1) Deepening the market-oriented reform with the promotion of a sound and rapid development of the national economy as its objective is one of the main tasks of the reform in the new stage. In this new stage, it is more important than ever to achieve substantial breakthroughs in market-oriented reforms in order to resolve the institutional contradictions and problems which China faces in its efforts to achieve sustainable development. Whether it be issues relating to resources and environmental problems, or issues relating to coordinated development between town and country and among regions—the solutions for such issues all depend on further advances in the area of market-oriented reform so as to enable, through institutional arrangements, the market forces to better play their basic roles in the allocation of resources.

(2) Advancing the political restructuring with the development of democracy as its objective is another important goal. At present,

China's reform has entered a new stage with regard to restructuring in the economic, political, social and cultural fields. Reforms in any of these areas, including the efforts to open wider to the outside world, invariably place immediate demands on the political restructuring with the development of democracy as its objective.

(3) Speeding up the reform of the social system focusing on providing basic and secure public services is an important task. Faced with the pressures from quickly escalating needs for public services for all members of the society, the provision of those basic and guaranteed public services reflects the broadly based demands for a better life. This is a major objective in the improvement of the lives of people in the new stage, a task whose immediate and urgent nature is increasingly manifesting itself with each passing day.

(4) Reforming the cultural system by promoting a thriving and innovative culture is an important goal. At present, such a cultural undertaking in China has, in relative terms, lagged behind economic development and social transition. In order to enhance its "soft power," a country needs to advance its cultural development, including its ability to be innovative in the field of culture, to increase its vigor in the area of cultural development and to ensure the basic right to culture to all the members of society.

(5) Pursuing a more active and dynamic strategy of opening to the outside world is very important. At present, China is at a crucial moment in its shift from a big open country to a strong open country. Further upgrading its open economy will have a bearing on the overall situation of the country's reform and development.

■ II. Growing Need for Political Restructuring

1. There is a substantial and urgent need for political restructuring in the new stage

Compared with the past 30 years, the immediate need for political restructuring in China in the new stage is much greater in magnitude and urgency.

(1) A shift in the mode of economic growth first requires a shift, through political restructuring, of the economic operating mechanism from a government-dominated one to a market-dominated one, so as to provide an institutional guarantee for the market to be able to play a fundamental role in the allocation of resources.

(2) What is important to the promotion of the social undertaking focusing on the improvement of people's livelihood is, through political restructuring, to assign to the government a leading role and the status of main player in the provision of public services, so that it is vested with greater functions and capabilities in providing public services.

(3) What is important in order to combat corruption is, through political restructuring, to provide an institutional check for the combination of power with capital, so as to resolve such cases of corruption as might stem from faulty institutions and mechanisms and to ensure that powers are exercised in a sound way.

(4) The basis of coordinating the relations between the central and local authorities is, in essence, to shape a rational pattern of powers and interests between them and to formulate a financial and taxation system and official assessment system that are in keeping with this pattern.

(5) A substantial breakthrough in the restructuring of the administrative management system depends upon whether or not a power structure and operating mechanism can, through political restructuring, be shaped so that it features checks and balances among

the decision-making, implementing and supervisory powers as well as their mutual coordination. This will provide an institutional basis and guarantee for a public governance structure.

2. It is essential to focus on achieving substantial progress in advancing the all-round reform in the new stage through political restructuring

China has shown some progress in the area of political restructuring in recent years. On the whole, political restructuring has lagged behind the actual progress seen in the area of economic restructuring. Of course, this is a legacy from the past mode of gradual reform. Without changing this situation, the reform as a whole would, to a considerable extent, be adversely affected. Some contradictions in the public governance structure have come to the fore as the economy and society have moved forward. For example, the increase in administrative costs and lowering of administrative efficiency; a greater eagerness for political participation while channels for expression have not kept pace; some corruption cases in the government and incomplete social supervisory mechanisms; diverse interests and insufficient growth of social organizations; public participation in the formulation of public policies, etc. Such issues have identified new needs for improving the public governance structure. The reform and improvement of the public governance structure should aim at enabling the formulation of public policies and the exercise of public powers to stand above the limitations and bounds of departmental, sectoral and local interests and at placing them under social supervision and checks, so as to maintain social equity and justice.

3. The reform of the administrative management system has become the key to political restructuring in the new stage

To meet the immediate needs for eco-social development in the new stage, the key to improving the public governance structure is to speed up the process of reform of the administrative management system. Many practical examples have shown us that under the conditions of an initial market economy, government behaviors of direct investment or interventions in the economy at the micro level are beneficial neither to the sustainable development of the economy nor to the stability of the macro-economy. In accordance with the requirements for shifting the mode of economic growth, the economic functions of the government should mainly focus on the public services related to the economy, such as the strategic planning for medium- and long-term development, macro-control and market regulation. While ensuring its status as the main provider of public services, the government should focus on bringing the role of the market mechanism into play, encouraging and supporting non-governmental organizations in playing an important role in the provision of public services. In order that public policies consistently stand for and embody equity and justice, it is essential to speed up the building of an effective supervisory system over the government and strictly standardize the procedures for formulating administrative regulations.

III. The All-Round Readjustment of Interest Relations Is Even More Profound and Complex

1. The all-round readjustment of interest relations has become a major task in the all-round reform in China in the new stage

With the gradual deepening of the economic and social transi-

tion, the diversification of interest groups has become a general trend. The all-round reform in the new stage touches upon not only the coordination between the individual and collective interests and between the interests of parts and the whole, but also between the local and central authorities. Therefore, the job of reform with regard to the readjustment of interest relations has become more difficult. Judging by the gradual reform over the past 30 years, the relatively easy or less difficult reform tasks have, in the main, been completed while the hardest nut remaining to be cracked is the readjustment of interest relations, which is complex and where considerable contradictions are concentrated. Therefore, whether or not China can make some major breakthroughs in the readjustment of interest relations in an effort to attack the most difficult reform issues has become a key link in pushing forward the reform in an all-round way in the new stage.

2. Readjusting the interest relations in the course of pushing forward the all-round reform

(1) Speeding up the market-oriented reforms. A reliable institutional foundation for readjusting relations of economic interests can be laid only when some breakthroughs have been made in building a pricing regime for resources, a mechanism for costing environmental use and a marketization mechanism for essential factors of production, as well as the reforms of the state-owned monopolies and the system of property rights, etc.

(2) Speeding up the reform of the income distribution system. The key to a fair sharing of the benefits from the reform and development lies with an equitable income distribution system. In this regard, China faces two outstanding problems: firstly, the proportion of remuneration for work in the national income has remained too low for too long, so that, during the process of reform, the

interests of a sector of the population have, to varying degrees, been adversely affected. In pushing forward the reform of the income distribution system, it is vital, first and foremost, that this proportion be significantly increased, so that the majority of the population will benefit from the reform in the new stage. Secondly, the income gap between town and country, among regions and different interest groups shows a continuing trend of widening. This calls for the establishment of a public service system aimed at providing equal access to basic public services to town and country, regions and different interest groups. In the course of this economic-social transition, basic and secure public service should be the emphasis of redistribution. In actual fact, equal access to public services is not only a long-term strategic principle, but also the short-term policy objective, for it is a very important immediate need and practical foundation.

(3) Providing a political guarantee for readjusting major interest relations through political restructuring, especially the reform of the cadre system and the establishment of a social regulatory and supervisory mechanism. It is essential to consider an appropriate resolution of the contradictions between the interests of the central and local authorities, the overcoming of departmental interests and the prevention of power from combining with capital to be important objectives of the short-term political restructuring.

3. The need to sum up the experience of the gradual reform in an all-round way

The all-round reform in the new stage involves contradictions and problems that are more complex and profound than ever. It is necessary to keep to the “gradual” approach and at the same time call for “relatively obvious breakthroughs.” Only thus will the goals of tackling the hard tasks of the reform process be achieved. In this

context, it is necessary to make a fairly objective judgment of the gradual reform. It should be said that the gradual reform in the past period of almost 30 years, with incremental reform as its main feature, has been basically successful. The main purpose of adopting a step by step approach is to reduce the costs of reform and to move the measures of reform forward in a smooth fashion. From a realistic perspective, the costs of the gradual reform have been on the rise in recent years, and so have the so-called “residual” and cumulative problems. The country has paid a fairly high price for certain reforms.

4. The need to establish a coordinating mechanism for the measures of reform as soon as possible

At present, in view of the profound and complex nature of the interest relations in the country, China is in urgent need of a coordinating mechanism. An objective analysis would show that some reforms have been derailed or are not fully in place because, to a great extent, such phenomena are directly related to the fact that the mechanism for coordinating the reform has failed to keep pace with the current realities of the reform. In the new stage of all-round reform, it is of great importance to establish a coordinating mechanism for reform, which is in keeping with the all-round readjustment of interest relations, and is directly led by the central authorities and stands above local and departmental interests.

