



# China's Economy in Global Perspective

A. DOAK BARNETT

The Brookings Institution

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# Foreword

SINCE the death of Mao Tse-tung (Mao Zedong) in late 1976, Chinese policies have undergone profound changes. Mao and China's leading "radicals" had for years insisted upon "uninterrupted revolution," giving priority to ideological and social transformations aimed at achieving an egalitarian society. During the Cultural Revolution of the late 1960s and early 1970s, they created turmoil throughout the society. Since 1977, China's post-Mao leaders, with Vice Premier Teng Hsiao-ping (Deng Xiaoping) taking the lead, have shifted priorities and reoriented policies in far-reaching ways, stressing the need to establish political stability and to accelerate economic growth. They have been remarkably pragmatic, eclectic, and experimental in searching for new solutions to China's problems. In economic affairs, they have moved toward a new strategy of development at home and have begun to involve China in the world economy to an unprecedented degree.

In 1980, Teng called the current period "another turning point in Chinese history" and stated that Peking's modernization program "is in a real sense a new revolution." An essential component of this new revolution, he indicated, is a dramatic turning outward. "China," he declared, "has now adopted a policy of opening our doors to the world."

The shifts now occurring in China's domestic economic policies call for basic structural and systemic changes that would move the country toward a Chinese version of "market socialism." The changes in China's foreign economic relations call for a rapid increase in trade, growing imports of capital goods and technology, greatly expanded international scientific and technological exchanges, the encouragement of foreign investment in China, and a new willingness to borrow abroad.

In earlier years, when China's leadership stressed self-reliance and the

country's economy was relatively isolated, little attention was paid to either the actual or the potential importance of China in the world economy. Now, it is clear that China's developmental experiments and growing role in the world economy are potentially of major international importance.

Despite its low per capita income, China today has the sixth largest gross national product in the world. It is becoming a significant market for capital goods and technology, and its expanding exports of raw materials and low-cost manufactured goods are having an increasing impact on world markets.

In two specific fields, its importance is especially great. As one of the three largest agricultural producers in the world, China feeds more than a fifth of the world's population. Since the 1960s, it has also been the largest grain importer among the developing nations, and its grain imports are still rising. China is the third largest producer and consumer of energy in the world, and since the early 1970s it has been an exporter of modest quantities of oil and coal. In the immediate future, trends in energy output and consumption in China are likely to create a tight energy supply situation, domestically, which probably will limit and might even reduce its energy exports. If Chinese offshore oil is vigorously developed during the next few years, however, China conceivably could become a significant energy exporter in the second half of the 1980s, at a time when the world's energy problems are likely to be even more difficult than at present. Because of these facts and possibilities, any serious analysis of global food and energy problems in the future must take China into account.

In carrying out its new policies, China will face formidable obstacles and problems both at home and abroad, and it remains to be seen how successful and lasting the policies will be. These policies also will pose a variety of new problems and issues—as well as new opportunities—for leaders in the United States, other major nations, and international organizations dealing with global problems.

In this study, A. Doak Barnett analyzes the recent changes in China's economic policies at home and abroad, the opportunities and problems they create, and their prospects for success. The study deals broadly with China's trade, technology imports, and foreign borrowing. It also discusses China's present and future roles in world food and energy balances. In discussing the new policy issues that face other nations as a result of China's emergence on the international scene, the study devotes

special attention to the problems and prospects of U.S.-China economic relations and discusses policy issues now facing policymakers in Washington.

While focusing on recent trends, the author has analyzed them against the background of the past three decades of Communist rule in China. He projects likely trends for the rest of the 1980s on the basis of statistical and other data available as of mid-1980.

Barnett has studied China and U.S.-China relations continuously since the 1940s, and in recent years he has been personally involved in many new relationships that have developed between the United States and China, serving as a member of the U.S.-China Joint Commission on Scientific and Technological Cooperation, Consultant to the National Security Council and Department of State, member of the Academic Advisory Board of the National Council for U.S.-China Trade, Vice-Chairman of the Committee on Scholarly Communication with the People's Republic of China, and Board member (and former Chairman) of the National Committee on U.S.-China Relations.

Barnett wishes to thank a number of persons who read and commented on early drafts of this study, especially Robert Michael Field, Dwight H. Perkins, and Michel Oksenberg, who made valuable suggestions concerning the entire manuscript, but also those who commented on particular parts, including: Martin Abel, Mary B. Bullock, Joel Darmstadter, Robert F. Dernberger, Richard Gilmore, James P. Grant, Herbert E. Horowitz, James A. Kilpatrick, Charles Liu, Nicholas H. Ludlow, Martin M. McLaughlin, John Mellor, Leo A. Orleans, J. Ray Pace, Robert B. Oxnam, Fred Sanderson, Lyle Schertz, Benedict Stavis, John D. Steinbruner, Anthony M. Tang, Thomas B. Wiens, and Joseph A. Yager. None of these, of course, bears responsibility for the final product.

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The views expressed in this book are the author's own and should not be ascribed to the Ford Foundation or the Rockefeller Brothers Fund, or to the trustees, officers, or other staff members of the Brookings Institution.

BRUCE K. MACLAURY  
*President*

*November 1980*  
*Washington, D.C.*



# A Note to Readers

THIS is a large book on a big subject. To readers who may be intimidated by its length, I make the following suggestions.

Although all five parts of the book are closely interrelated, each also stands on its own. Any reader who has a special interest in a particular subject—China's new domestic economic policies, its trade and foreign economic relationships, its roles in the world food and energy systems, or U.S.-China economic relations—can turn directly to the part that deals with it. The table of contents is a guide to topics covered in each part.

The book contains a great deal of statistical information. Since much of the subject matter is unfamiliar to all but a few China specialists, and since the figures on China's economy are controversial even among them, it seemed necessary to include many data. Any reader not interested in detailed figures can focus attention on my broad discussion of and generalizations about trends, problems, and policies and skim sections filled with statistics.

A. D. B.

# A Note on Statistics

FOR almost two decades, until recently, there was an extreme paucity of reliable, official Chinese statistics. During the 1950s Peking (Beijing) released fairly extensive figures on the Chinese economy. Some were summarized in State Statistical Bureau, *Ten Great Years* (Peking: Foreign Languages Press, 1960). Others were collected and published in Nai-Ruenn Chen, editor, *Chinese Economic Statistics: A Handbook for Mainland China* (Aldine, 1967). However, in the 1960s and early 1970s virtually no overall national statistics were released, and foreign government specialists and scholars working on China were compelled to make independent estimates, based on laborious collection and analysis of fragmentary data. The Central Intelligence Agency (CIA), with a large staff of economic specialists dealing with China, has published more extensive statistical estimates on the period from 1949 to the present than any other body outside China; its estimates probably have been more widely used by the scholarly community than those from any other source.

In the mid-1970s, Peking again began to publish a few national statistics. Then, in mid-1979, the State Statistical Bureau and certain other central government agencies released, for the first time in two decades, overall national statistics on key aspects of the economy; the amount of official information released has slowly increased since then. The official Chinese figures are still limited, however, and interpretation of them presents problems because of differences between Chinese and Western statistical practices and uncertainties about the effectiveness and reliability of the Chinese statistical system in many areas and sectors. Nevertheless, the recently published official Chinese statistics provide important new data on the Chinese economy that are now the best avail-

able, though they should be used cautiously and with some qualifications. Unfortunately, however, these statistics cover mainly the years starting with 1977; the statistical vacuum of the previous two decades persists (although some Chinese officials have indicated that eventually statistics on earlier years will be released).

In this book I have made full use of the recently published official Chinese figures, but since the study deals not only with recent events but also with long-term trends, I have had to rely heavily for the earlier years on non-Chinese estimates made by U.S. government agencies, international organizations, business organizations, and private scholars. Not surprisingly, these estimates vary, and the choice of which to accept presents difficult problems since there is still debate over some of them. Because of this, I have fully documented in my notes, tables, and appendix the sources for all the figures I have used.

At various points in the book, especially in the notes, I discuss in detail the problems relating to the figures used for particular economic sectors; however, a few general comments on the statistical sources I have mainly used, especially for the years before 1977, are appropriate at the start.

For estimates on China's industrial output, agricultural production, and gross national product (GNP), I have relied heavily on CIA publications. Most of the CIA's production estimates have been remarkably accurate; when Peking published official statistics for 1977 and 1978, in only a few areas (some of which will be mentioned later) did the CIA's estimates prove to be far off the mark. Since mid-1979 the CIA, taking into account the new official Chinese data, has adjusted some of its figures for earlier years; I have used these revised figures when possible. The CIA's estimates of China's GNP are still open to debate (see part I, note 288); nevertheless, I believe they are still the best available series on China's GNP covering the entire period since 1949. The reader should not forget, however, that they are estimates and probably will have to be revised eventually as more data become available.

The statistics on China's foreign trade are among the most reliable and complete of any figures on the Chinese economy, since they were constructed in large part from data published by countries that deal with China. Both the CIA and the U.S. Department of Commerce have published extensive series of figures on China's foreign trade. The figures differ to some degree because of variations in the statistical methodologies used (for example, Chinese imports are sometimes given cost, in-

surance, and freight [c.i.f.], sometimes free on board [f.o.b.] or free alongside ship [f.a.s.]). But the differences are not great. I have used both series since the different ways of breaking down and analyzing the data have been useful for different purposes. In making international trade comparisons, I have mainly used CIA figures plus International Monetary Fund statistics on the trade of other nations and total world trade.

Except for the years for which official Chinese figures are available, my principal sources for agricultural statistics on China have been the CIA and the U.S. Department of Agriculture (USDA). Here, as in the case of the trade figures, there are differences in the calculations made by different U.S. government agencies, but generally they are not great. For world agricultural trends, I have relied mainly on USDA statistics, supplemented by figures from the CIA and the United Nations Food and Agricultural Organization. For China's population, apart from the official Chinese figures available, I have relied to a considerable extent on estimates made by the Foreign Demographic Analysis Division of the Department of Commerce. For world population trends, I have used figures from a variety of sources, including U.S. government agencies, UN bodies, and private organizations dealing with population issues.

On energy, especially oil, I have relied heavily (except for the years for which official Chinese figures are available) on CIA estimates, but I have also made use of estimates in several independent scholarly studies. However, in analyzing long-term world energy trends and projections of future trends, I have relied mainly on UN statistics, supplemented (for recent years) by data from the CIA, U.S. oil industry sources, the Organization for Economic Cooperation and Development, and several private studies.

On all of these subjects, I have used current press reports for some very recent figures and estimates.

The complexity of the subjects dealt with and the variety of the sources used have inevitably created problems of interpretation. It is virtually impossible to achieve total statistical consistency; the reader will have to judge how adequately I have dealt with these problems.

In writing this study, I confronted special problems because of the rapid pace of change, both in China and worldwide, and because many of the organizations making the statistical estimates have periodically revised their figures for past years. Each year, the CIA has updated its entire series on China's GNP to give figures in the dollar values of a new

base year (usually, the year before the estimates are published). Furthermore, not only the CIA but also the USDA, the Department of Commerce, and UN agencies often revise figures on agricultural and industrial output in past years on the basis of new data.

It is no simple task to keep completely up to date, either on actual developments or on the latest statistical data and estimates. Unavoidably, the figures in the book include some that already could be updated if time were available to do so. However, in general, I have used the latest figures or estimates available as of mid-1980.

However, the numbers used in this volume or, for that matter, any economic statistics on China should not be regarded as precise. At best, they provide only approximations of—or good clues to—reality. I believe, nevertheless, that the data used in this study are adequate to provide a sound basis for judging broad economic trends and problems, and for examining their implications for other countries and analyzing the policy issues these pose for decision makers in Washington and elsewhere.

A. D. B.

# A Note on Romanization

NO SYSTEM of transliterating Chinese into English is wholly satisfactory. Many romanization systems have been devised, each of which has good and bad points. For several decades, the Wade-Giles system was the most widely used in English-language writings on China. Even when this system was generally accepted, however, there was no complete consistency in usage. Well-known place names were generally romanized on the basis of a different system used by the Chinese postal authorities; the names of certain well-known leaders were often based on other, often idiosyncratic, transliterations, sometimes based on southern (Cantonese) rather than northern (Mandarin) pronunciation. Moreover, even when using the Wade-Giles system, most authors writing for a general audience modified it by eliminating umlauts, which are used for certain *u* sounds, and apostrophes, which are used to differentiate aspirated from nonaspirated sounds (for example, Wade-Giles uses *p'* for *p* and *p* for *b*).

Some years ago, the Chinese devised a new system, called pinyin (or hanyu pinyin). Like the Wade-Giles system, it is based on the standard northern dialect (Mandarin, kuo-yu, or pu-tung hua). Unlike Wade-Giles, however, it uses a different alphabetical symbol for each different Chinese sound and abandons the use of the apostrophe to differentiate aspirated and nonaspirated sounds. Peking's State Council finally decided that, from January 1, 1979, on, pinyin would be used in all English-language materials published by agencies of the People's Republic of China. (Even when deciding this, the Chinese authorities again allowed for exceptions for certain well-known historical places and persons, for which traditionally used forms of romanization could still be employed.)

Subsequently, the U.S. government, the United Nations, most American news organizations, and many if not most American scholars switched from Wade-Giles to pinyin.

The change has been confusing for the majority of ordinary English-language readers who are not specialists on Chinese affairs. For them, although the Wade-Giles system created some difficulties, the pinyin system created even more. Linguistically, pinyin is in many respects clearer and less confusing than Wade-Giles for those who know the system. However, some of the letters used to represent particular sounds make a large number of Chinese words unintelligible, or at least unpronounceable, for average English-speaking readers who have not learned the system. For example, the use of *x* for the sound *hs* (or, roughly speaking, *sh*), *q* for *ch*, and *zh* for the sound *j* is extremely confusing to nonspecialists. Perhaps, in time, average readers in the West may become familiar with the new system. However, during this transitional period, many still find the Wade-Giles romanization easier to understand than the pinyin system.

Because this book is aimed at a broad readership, not just at China specialists, I have adopted the following policies regarding romanization in this volume.

In the text, I use traditional postal system spellings for well-known Chinese place names and a modified Wade-Giles system (without apostrophes or umlauts) for all other Chinese words, including personal names, lesser-known place names, and other Chinese terms. In Chinese names, surnames come first, following Chinese usage (but in Japanese and Korean names the order is reversed and surnames are given last, since this is now the usual practice in Western publications). The first time that any Chinese name or term appears in each part of the text, I indicate, in parentheses, what the new pinyin spelling is, even when it is identical with the Wade-Giles form.

In the notes, although I use modified Wade-Giles or traditional postal spellings for any comments I make, titles of publications and names of authors are given in the romanization used in the publication cited; however, apostrophes and umlauts have been deleted from all Wade-Giles romanizations. (As a result, over time, the citations for certain publications appear with different romanizations; for example, what was the *Peking Review* before 1979 has been the *Beijing Review* since January 1979.) The first time that any Chinese name or term appears in each

part of the notes, whether it is romanized according to Wade-Giles or pinyin spelling, I give the alternative in parentheses (or in brackets if it is within a title or quotation).

Like all compromises, this one is less than wholly satisfactory and creates some anomalies, but I believe that the result is suitable for this volume. Appendix table 3 lists the modified Wade-Giles, full Wade-Giles, and pinyin forms of the Chinese names and terms appearing in the book.

A. D. B.



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