

China's New Political Economy

The Giant Awakes

S U S U M U Y A B U K I

translated by
Stephen M. Harner

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Susumu Yabuki

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Author's Preface to the English-Language Edition

I am truly delighted to be presenting this book to readers in the English-speaking world by virtue of the translation provided by a young and talented “Japan and China hand,” Stephen M. Harner. As a China watcher, I have heretofore often consulted the writings and views of U.S. and British researchers. In an open world, it is inappropriate that the products of intellectual labor should be imported only. It has thus been my desire to some day reciprocate the generosity shown to me.

It is my sincere hope that this book will, through deepening Americans' understanding of modern China's economic development, contribute in a small way to the advancement of U.S.-China relations.

Susumu Yabuki
Tokyo
March 1994

Author's Preface to the Japanese Edition

It has been fifteen years since Deng Xiaoping instituted the reform and liberalization policy in the late 1970s. Initially this set of policies was regarded as a small step toward compensating for the deficiencies of the policies of Mao Zedong. However, it has constituted a critical step toward the conversion from a planned economy to a market economy.

The term “socialism” is still applied, but the reality is that these fifteen years have produced a decisive and irreversible change in the nature of the system. The old model for Chinese socialism, Soviet-style socialism, has disappeared from view and from mind, leaving only certain troublesome vestiges. In China, conservatives find little left to indulge their nostalgia.

How did the reform and liberalization policy evolve? And how did the consequent development—the conversion from a planned economy to a market economy—unfold and progress? What changed, and how? This book is an attempt to answer these questions, and to do so based on a rigorous review of the relevant data.

Reform and liberalization are presented as a duality, but in fact the liberalization policy was the starting point of everything. What awakened China from its “socialist delusion” was not the realization that it would never catch up with the developed countries (Japan, Europe, and the United States) but rather the examples of the newly industrializing Asian economies of Hong Kong, Taiwan, South Korea, and Singapore and later those of members of the Association of Southeast Asian Nations. The example of countries so close to China was the inescapable lesson. China's awakening has proceeded from the special economic zones to the fourteen coastal cities and from the coastal region to the Yangtze River; to the regions bordering on the former Soviet Union (the northeast and the northwest); to the regions bordering Vietnam, Thailand, and Myanmar; and now in all directions. It is also permeating vertically the multiple strata of the society and economy.

Statistical reporting has been keeping pace with this tremendous transformation. Symbolic (and also substantive) is the conversion effected in the “Statistical Communiqué of the State Statistical Bureau of the PRC on National Economic

and Social Development in 1991," published in Beijing by the State Statistical Bureau in 1992. In this communiqué, summarized in *People's Daily*, February 29, 1992, the term "gross value and industrial and agricultural output" (GVIAO) disappeared and was replaced by "gross national product" (GNP). In the near future, we can expect a complete conversion from the socialist MPS (material products system) method to the Western SNA (system of national accounts) method.

This book relies heavily for basic data on *Statistical Yearbook of China*. Also employed is recent statistical information that has begun surging like floodwaters from sources such as provincial statistical yearbooks and *Foreign Economic and Trade Yearbook*. So abundant has statistical material from China become that it is necessary to consolidate and condense the information in order not to be inundated by it. This is one of the objectives of this book.

This book continues in the style of my previously published *The Economic Level of China: Illustrated* (Tokyo: Sososha, 1987) but is totally different in content, for two reasons. First, the subject, the economy of China, has undergone a major metamorphosis. Second, the statistical data necessary to describe the change have become available. Also to be mentioned are improvements in word processing and printing technology; advances in presentation media inevitably influence content.

When I reflect on the origin of this book, I begin with my article "Thirty-five Years of the New China in Figures," published in *Chuokoron*, November 1984. *The Economic Level of China: Illustrated* was an expansion of this idea. I continued this approach with new data in "China: Ten Years of Reform and Liberalization," *Sekai*, December 1988.

Bringing together data and figures from previous works, updating, and adding new material proved to be an extremely time-consuming and physically demanding project. I must apologize that I can only mention names of persons who directly helped me. They are Motohiro Kondo, editor of *Chuokoron*; Kan Yamazaki, editor of *Sekai*; Kiyoshi Inagaki, Mitsubishi Research Institute (senior researcher, International Trends Analysis Center); Hideo Ohashi (former researcher, Mitsubishi Research Institute, currently Senshu University associate professor); Hiroshi Waki (expert on Chinese personnel issues), who assisted in analyzing personal relationships; Akio Takahara (Oberlin University associate professor), who assisted on wages; Koji Kobayashi (former senior fellow, Institute of Developing Economies, currently Kansai University professor), who gave me the opportunity to organize data on the development of the liberalization policy; Tadayoshi Murata (professor, Yokohama National University), who assisted in using the FM.TOWNS personal computer; and Kazuyoshi Shiraishi (director, Research Office, Overseas Department, Agricultural Research Institute, Ministry of Agricultural and Water Resources), who provided his rigorous comments on the proofs.

Finally, the greatest contribution was from the editorial department of my publisher, Sososha, particularly Kimiyoshi Nakamura, Yuna Shimaguchi, and the late Keiko Takeda. Their efforts in gathering materials, producing illustrations, and

proofreading were extraordinary. Of course, many of the illustrations were produced based on the comments and suggestions made by readers of my previous works. To all and for all of the above, my deepest gratitude.

Susumu Yabuki
Personal Residence in the
Western Suburbs of Tokyo
March 1994

Translator's Preface to the English-Language Edition

China's continuing quiet revolution has implications for all the countries of the world and for its close neighbor, Japan, more than most. It is not surprising, then, that political and economic analysis on China in Japan is both abundant and of high quality. This book is an example.

As Japanese businesses survey the world today, China looms as an enormous and inevitable strategic challenge—in many ways the “Last Frontier.” Their response to this challenge is proving worthy of it and typically Japanese—that is, involving painstaking, detailed, dispassionate research into the risks and potential rewards. This research is being conducted by the companies themselves, by industry associations and quasi-governmental agencies like JETRO, and by the academic community, often in business advisory roles.

It was in this context that the original version of this book was written by Professor Susumu Yabuki, in close cooperation with his longtime publisher, Sososha Ltd., which specializes in books and materials on China. Professor Yabuki is one of the most respected of Japan's younger, postwar generation of China scholars. This will be the first time one of his works has appeared in English. The book was initially directed toward Japanese corporate executives and students and was designed to provide a concise but in-depth overview of the major issues in China's political economy. The fundamental and highly estimable approach of the author and publisher was that “a picture is worth a thousand words”—hence the extensive use of charts and graphs based on the mass of statistics coming out of China. The book's original title was *The Economy of China: Illustrated* (Zusetsu: Chugoku no Keizai). The original work enjoyed three printings in Japan. A revised edition was published in January 1994.

For the current translation, Professor Yabuki, Sososha Ltd., and I, together with Westview Press, have completely updated the original Japanese book, using the most recently available statistics from China and Japan. In addition, we have added new chapters covering political and economic developments and trends through 1993 and into 1994 and incorporating thoughts on the post-Deng era and

differing U.S. and Japanese approaches to China on the issue of human rights and development.

With the addition of the new material, especially, we feel that American readers will find in this book a uniquely comprehensive and yet clear and in-depth presentation of the key issues, challenges, and opportunities presented by China, whether the readers are approaching China as businesspersons, scholars, students, or generally interested individuals.

The translator's role is to give to an author a voice in another language, striving always to convey the author's message, and not to substitute the translator's. This I have tried to do faithfully. At the same time, however, I was asked by Professor Yabuki to assume the role of an American reader and to suggest changes to make the presentation interesting and accessible to American audiences. This I have also done, particularly in Chapters 19, 20, and 21. In all these endeavors I have been greatly assisted by and owe thanks to Susan L. McEachern, acquisitions editor at Westview Press, as well as Kimiyoshi Nakamura, president of Sososha Ltd., and of course, Professor Yabuki. Finally, I must thank my wife, Annie Lai Harner, whose patient support and efforts to educate me about China over twenty years of marriage deserve any credit for this translation.

Stephen M. Harner
March 1994

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