

Zheng Xinli

UNDERSTANDING
TODAY'S
CHINA

Seeing the Real China in the Economic Perspective

Understanding China's Real National Conditions
Comprehensively and Accurately Through Comparative Analysis



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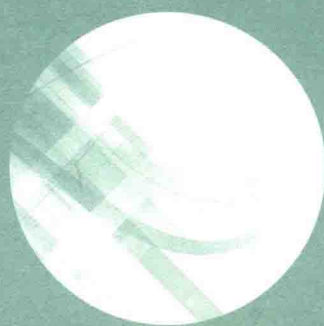
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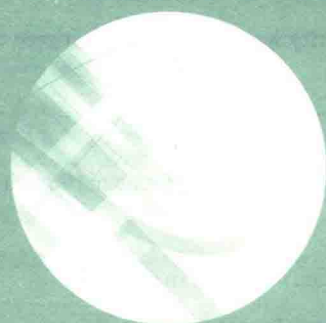
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PREFACE

By Zheng Xinli

With its rapid economic development, China has become the world's second largest country in terms of economic aggregate. Embracing this new position, the nation also contributed more to the world's economic growth than did the United States during the outbreak of the international financial crisis and thus established itself as a major engine of the global economy. This feat has captured international attention. However, China, with a sprawling population of 1.35 billion and a land mass of 9.6 million square kilometers, is experiencing economic development that is far from balanced. To comprehensively and accurately understand it is a daunting task, especially from non-Chinese perspectives. A case in point, fear prematurely rose among the international community in 2012 and

the first half of 2013 when its economy slowed. Some foreign investors even began to “short China”. In the third quarter of 2013, when China’s economy rebounded, foreign research institutions and media organizations returned to optimism and realized that they needed a more comprehensive understanding of the blueprint for China’s reform and opening-up. They have high expectations for the goal set forth at the Third Plenary Session of the 18th CPC (Communist Party of China) Central Committee, of building a moderately prosperous society in all respects. This book, through extensive introduction, provides international comparisons and in-depth analysis to help readers both abroad and at home to comprehensively and accurately understand Chinese economy.

As both the paces of global economic integration and China’s opening-up quicken, the international community has changed dramatically in their knowledge about China. Fewer people now view China as poverty-stricken and backward. In fact, many believe that Chinese people have high levels of income. Sure enough, the number of Chinese outbound tourists has been increasing along with a surge in demand for luxury goods. Rich Chinese families are sending their children to study in developed countries and buying mansions abroad. Influenced by these phenomena, people are likely to overestimate the Chinese income level and even classify China out of the “developing nation” category.

To correctly estimate the development level of China, this book begins by clarifying several internationally practiced methods of measuring per capita income. It then compares China’s per capita income to those of other countries. The general conclusion is that although China has stepped beyond the low-income stage and entered

the upper-middle income range, its current per capita income is still below the world's average level. Depending on the statistic indicators being compared, China is ranked at the middle end among 180-plus countries and regions. Therefore, China is still a developing country and there is a long way to go before it becomes a high-income country. Though China has stepped beyond the low-income stage and entered the upper-middle income range, its current per capita income is still below the world's average.

On the basis of the above, by describing the huge gap between Chinese bustling cities and backward villages, analyzing development differences between different regions of China and comparing the level of China's industrial development with those of other countries, this book will help you better understand real China and its development goals.

According to the goal set forth at the 18th CPC National Congress of building a moderately prosperous society in all respects by 2020, China's total GDP and income levels of urban and rural residents will be double that of 2010. Can this grand goal be smoothly realized? This issue not only concerns the Chinese, but international community has set its sights on the nation as well. As a matter of fact, as the development level of China's economy goes up and the total production output increases, the international society shows much more concern about the prospects of China's economic development growth. Pessimistic scholars even believe that China's economy will bid farewell to the current nearly double-digit growth and the future potential growth rate will decline to 3-3.5%. Through the examination of labor force, capital, technology, resources and other aspects, this book draws the conclusion that though maintaining two-digit economic growth rates would be impossible,

potential still exists for 7-8% annual growth within the next decade. This prediction is sufficient in achieving the strategic target set by the 18th CPC National Congress.

To fully tap China's economic growth potential, further deepening reform and opening-up are indispensable. For instance, if the urbanization is expected to proceed smoothly, it will be necessary to speed up reformation on land, household registration, social security and other related aspects; if China's total factor productivity needs to be improved, investment has to be increased in research and development and the price-forming mechanism of these factors has to be reformed; and accelerated adjustments of economic structures must sync with the reformation of fiscal, taxation and financial systems. The *Decisions of the CPC Central Committee on Some Major Questions of Comprehensively Deepening the Reform*, adopted at the Third Plenary Session of the 18th CPC Central Committee, has formulated a comprehensive layout for China's future reform and the implementation of this *Decision* will become a main approach to fully stimulate the potential for China's economic development in the future.

China's economy strengthens by opening up, so China has an unswerving policy to continue widening its doors. The Shanghai Free Trade (FTA), opened in September 2013, is one of the latest examples of fulfilling this policy. The *Decisions of the CPC Central Committee on Some Major Questions of Comprehensively Deepening the Reform* has mapped out a new system for the open economy. In order to better participate in the international competition and cooperation, China will remain an active player in the processes of economic globalization, regional economic integration, and global governance reform, claiming for what developing

countries including China itself deserve while taking the responsibility which a large developing country should take.

Sustained and healthy development of China's economy is the only way for China to develop towards a well-off society and realize the "China Dream" of a great rejuvenation of the Chinese nation, and also will bring benefits to the world.



After 30-plus years of development since the reform and opening-up in 1978, China's economy has expanded and developed rapidly. China's impact on the world is turning for the better. Seeing how China remained relatively unscathed by the 2008 financial crisis, the international community is focusing on the fact that China is now the world's second largest economy, rather than simply being a developing country. With the Chinese economic slowdown in 2012–2013, concerns for China's future economic development rose. China's level of development must be accurately gauged through a variety of indicators. Careful research is paramount for the country's future. Its economy continues to have ample growth potential. China is expected to cross the average middle-income stage and enter the ranks of high-income countries in 2020. Even then, China's per capita income will pale in comparison to that of developed economies like the United States. This income gap will not close within a single decade.

Economic Aggregate and Level of Development

The Reality and Prospects of China's Economic Development

China's Economic Reality: A Large Economic Aggregate at a Low Level of Development

It is significant to determine the level of development of a nation or region. International organizations such as the United Nations require a country or region to bear the corresponding rights and obligations in international organizations in accordance with the level of development of the country. Currently, there are several methods and indicators to measure this. Commonly used indicators include per capita gross domestic product (hereinafter referred to as GDP) and the United Nations human development index.

Output Indicators Reveal That China Is Still at a Relatively Low Level of Development

According to a variety of indicators, there is no controversy that the total amount of China's economic aggregate ranked second in the world. According to the accounting data and the current exchange rate of the 2012 GDP released by the National Bureau of Statistics, China's (not including Taiwan Province, Hong Kong and Macao special administrative