



Four Decades of Reform and Opening up: China's Unique Development Path and Enlightenment

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The economic miracle created by China's reform and opening up

Four decades of China's reform and opening up has created an economic growth miracle. From 1978 to 2017, China's economic growth averaged 9.5% annually, with GDP rising from RMB 367.9 billion to RMB 82.7 trillion, up by 223 times. Merchandize trade growth averaged 14.5% annually, with total value of merchandize trade rising from \$20.6 billion to \$4.1045 trillion, up by 198 times. The international status of China's economy also rose rapidly. In dollar terms, China's economy surpassed Japan's in 2009 and became the second largest economy in the world. China's exports value surpassed Germany's in 2010, making China the largest exporting country worldwide. In terms of total trade, China surpassed the U.S. and became the largest trading nation in 2013. In terms of dollars, China's GDP amounted to nearly \$13 trillion in 2017, or 65% of U.S. GDP. However, in terms of purchasing power parity (PPP), China already surpassed the U.S. in 2014 to become the largest economy in the world. In 2017, China's GDP per capita reached \$8,800, 37 times greater than the \$229 level in 1978. During this period, 700 million people escaped poverty (using the international standard of \$1.25 per person per day).

Under a stable and pro-growth environment created by reform and opening up, over four decades of exploration and hard work, the diligent, perseverant, and intelligent Chinese people forged a unique path to prosperity, driven by their desire for a better life.

China's journey to a prosperous nation has garnered worldwide attention and has become the research object of economic development. China's journey of reform and opening up in the past four decades reflects the rich content as well as the Chinese philosophy about what needs to be changed and what needs to remain constant. There are several salient characteristics. First, while the leadership of the Chinese Communist Party is steadfastly upheld, system reform and structural innovation are being actively pursued, symbiotically combining the basic principles of socialism and market economy. Second, while actively attracting foreign investment, opening markets, and engaging in international economic exchange and cooperation, national characteristics have been well maintained by adhering to develop with the elements of self-reliance and national conditions. Third, actively learning from advanced international experience and ideas as well as aligning with international practices by both "bringing in" and "going abroad" while sticking to core socialist values, promoting Chinese culture and establishing a national spirit centered on patriotism. Four, insisting on peaceful development, conforming to international norms, and respecting the interests of

different countries while using mutual benefit and sharing the future as a basis for international cooperation.

Over four decades of reform and opening up, China's approach of development consists of the adaptation to local conditions, pragmatism, and pioneering. During the early phase of reform and opening up, the classic ideas of "it doesn't matter whether the cat is black or white, as long as it catches mice", "cross the river by feeling the stones", and "development is the fundamental principle", greatly liberated people's minds and unleashed their productivity. During the wave of globalization, measures such as "bringing in and going abroad" and joining the WTO greatly opened the market as well as people's minds, driving growth of an export-led economy. As technology improved and the opportunity for economic restructuring arrived, under the guidance of "scientific development", industrial restructuring and adjustment progressed swiftly, boosting advanced and high value-added industries. When China was well equipped to seize the opportunity to build an economic powerhouse, the 19th National Congress of the Communist Party of China announced "the two centenary goals", transitioning the economy from high speed growth to high quality development through supply-side reforms. Under the current international environment of rising protectionism, China has unequivocally supported free trade and open markets, increased investment overseas, proactively promoted imports, actively boosted international economic exchange and cooperation, and closely aligned China's goal of building a strong and modern nation with the trend of global economic development. Arguably, in the past four decades, every footstep of China's development was a marking of the Chinese culture of pragmatism, inclusiveness, and harmony.

China's economy becomes the main driver of world economic growth

China's reform and opening up greatly liberalized markets and propelled market economic development. However, contrary to the popular prediction of political and academic elites in the West, China's societal system and institutional mechanisms did not converge with those in the West. Moreover, China's enduring characteristics, vitality, and competitiveness is the polar opposite of speculative doom and gloom theories. China's unique development path is getting wider and vigorous in practice.

In the meantime, industrialized countries in the West have been mired in low growth, high unemployment, hollowing out in manufacturing, and wage stagnation since 2008. Nearly a decade of quantitative easing and zero interest rates have failed to achieve targeted growth while worsening inequality. Against the backdrop of economic decline in the West, protectionism, populism, and de-globalization have emerged. Martin Wolf, the Financial Times columnist, penned an article entitled 'The Liberal International Order is Sick'. He pointed out the diminishing significance of Western military alliance after the Cold War and the declining share of Western economies in world GDP as the Chinese economy grew. These two developments have raised doubts about the benefits of free trade and economic globalization.

Facing the reality of China's economic rise, the Western political and academic elites has taken note of China's unique development path and studied the features of the Chinese system and the Chinese model. The

world has also realized that the Chinese and Western systems will coexist and develop together in the long run.

The Chinese economic development path proves that the evaluation of a system should ultimately hinge on livelihood and economic performance. In terms of stock, China's economic size is still some way off that of the U.S. However, in terms of flow, in 2017, China contributed over 30% of world economic growth, far greater than the U.S, which contributed 10%. According to the World Bank, from 2012 to 2016, the contribution to world economic growth was 10% for the U.S., 8% for the EU, 2% for Japan, and 34% for China, whose contribution is greater than those of the other three regions combined. In terms of long-run development strategies, China is a leader worldwide in growth trajectory and momentum. The Belt and Road initiative advocated by China has received global support. This initiative will help improve geographical and cultural connectivity globally and increase effective demand worldwide, becoming a new driver of global economic development. Prof. Martin Jacques at Cambridge, in as early as 2009, published a book entitled 'When China Rules the World: the End of the Western World and the Birth of a New Global Order'. This book provides a systematic analysis of China's unique economic system and model. This book has been highly influential, translated into 15 languages and 400,000 copies being sold.

The implications of China's reform and opening up on the world economy

China's economy has developed, people's livelihood has improved, and society has progressed. However, these advances are not universal in the world. In the past decade, the world witnessed rising conflicts between different regions, alliances, countries, between religions, races, cultures, and between factions within the country. World politics and economics are faced with a countercurrent of globalization, trade orders, and compliance with international rules.

China's development experience has many implications for promoting world economic stability and coordinated development, especially for developing countries to accelerate economic development and improve people's livelihood.

1) Governing for the people. The foundation of public policy is the economy and people's livelihood. This is the original goal of China's reform and has stayed true over forty years. In the U.K., the root cause of the Brexit referendum was people's livelihoods. On July 16th, 2016, then British Prime Minister David Cameron gave a farewell speech outside No. 10 Downing Street, opined that "Politicians like to talk about politics, but in the end it is about people's lives". Since the financial crisis broke out in 2008, British GDP per capita slid from over US\$ 50,000 in 2007 to US\$ 39,000 in 2017 for a drop of 22%. The lesson of Brexit is that the economy and people's livelihood have always been an important foundation for social harmony, stability and forward development.

2) Governing requires authority and efficiency. The downward trajectory of Western economies is not a

topic of this article to explore. However, in recent years, incentivized by votes, populism in Western countries has become increasingly extreme. On one hand, generous welfare, high taxes, and rigid labor laws have deterred investment. On the other hand, the relationship between ruling and opposition parties is generally at a standoff, the parliamentary checks and balances are out of shape, the government is in difficulty to implement policies and administrate effectively. Therefore, the downward trajectory in Western economies is at least partly due to flaws in these countries' systems and mechanisms as well as their development model. China's system affords government relatively concentrated power and authority, which is conducive to decision making, execution, and accountability. China's effectiveness in executing development strategies and achieving policy goals provides Western countries with a lesson on improving decision making and the effectiveness of governance.

3) Infrastructure investment is conducive to sustained economic development. From 1981 to 2017, China's social investment totaled 490 trillion yuan, an average annual growth rate of 20.2%, which was an important force for economic growth. China's experience shows that upgrading infrastructure and connectivity will provide the economy with sustainable growth momentum, laying an important foundation for economic growth and living standards improvement.

4) China's export-led economic experience proves that international trade and open markets are not a zero-sum game. Instead, they optimize resource allocation, make the economic pie bigger, and create win-win outcomes.

5) China's unique development path shows that different countries can have different economic development models, which need to match the countries' own features and circumstances. A proper combination of the countries' own development needs with international experience is also the key to success. Different development paths can be complementary and learn from each other.

Looking ahead, the emergence of protectionism is both a pressure on and a driving force for the future development of China's economic transformation. In the future, China will rely mainly on structural transformation and domestic demand to drive economic growth in a stable manner. This will inject new impetus into further reform, opening up and development, and make new contributions to the coordinated development of the world economy.

主要經濟指標 (Key Economic Indicators)

	2016	2017	2018/Q2	2018/Q3
一. 本地生產總值 GDP				
總量 (億元) GDP(\$100 Million)	23,586	25,432	6,352	6,761
升幅 (%) Change(%)	1.9	3.8	3.5	2.9
二. 對外貿易 External Trade			2018/9	2018/1-9
外貿總值 (億元) Total trade(\$100 Million)				
總出口 Total exports	35,882	38,759	3,750	30,728
進口 Total imports	40,084	43,570	4,227	34,945
貿易差額 Trade balance	-4,201	-4,811	-477	-4,217
年增長率 (%) YOY Growth(%)				
總出口 Total exports	-0.5	8.0	4.5	9.2
進口 Imports	-0.9	8.7	4.8	10.9
三. 消費物價 Consumer Price				
綜合消費物價升幅 (%) Change in Composite CPI(%)	2.4	1.5	2.7	2.5
四. 樓宇買賣 Sale & Purchase of Building Units			2018/10	2018/1-10
合約宗數 (宗) No. of agreements	73,004	83,815	5,374	72,202
年升幅 (%) Change(%)	-4.1	14.8	-23.9	4.6
五. 勞動就業 Employment			2018/6-2018/8	2018/7-2018/9
失業人數 (萬人) Unemployed(ten thousands)	13.3	11	11.7	11.8
失業率 (%) Unemployment rate(%)	3.4	2.9	2.8	2.8
就業不足率 (%) Underemployment rate(%)	1.4	1.1	1.1	1.1
六. 零售市場 Retail Market			2018/9	2018/1-9
零售額升幅 (%) Change in value of total sales(%)	-8.1	2.2	2.4	11.1
零售量升幅 (%) Change in volume of total sales(%)	-7.1	1.9	1.4	9.6
七. 訪港遊客 Visitors				
總人數 (萬人次) arrivals (ten thousands)	5,665	5,847	471.9	4,668.2
年升幅 (%) Change(%)	-4.5	3.2	1.8	9.5
八. 金融市場 Financial Market			2018/8	2018/9
港幣匯價 (US\$100=HK\$) H. K. Dollar Exchange Rate (US\$100 = HK\$)	775.6	781.4	785	782.8
貨幣供應量升幅 (%) change in Money Supply(%)				
M1	12.3	9.8	4.8	2.2
M2	7.7	10	4.7	4.7
M3	7.7	10	4.7	4.7
存款升幅 (%) Change in deposits(%)				
總存款 Total deposits	9.1	8.7	4.4	5.5
港元存款 In HK\$	9.4	11.6	4.7	4.2
外幣存款 In foreign currency	8.8	5.9	3.9	5.3
放款升幅 (%) in loans & advances(%)				
總放款 Total loans & advances	6.5	16.1	8.5	7.2
當地放款 use in HK	7.4	15.5	8.3	7.0
海外放款 use outside HK	4.5	17.4	8.8	7.5
貿易有關放款 Trade financing	0.2	8.7	5.0	-0.6
最優惠貸款利率 (%) Best lending rate (%)	5.0000	5.0000	5.0000	5.1250
恆生指數 Hang Seng index	22,000	29,919	27,889	27,789