

Economic rehabilitation and modernisation in china



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ECONOMIC REHABILITATION AND MODERNISATION PROGRAMME

1. Post Mao Interlude

(a) Fall of the Gang of Four, leadership under Deng Xiaoping restated the modernization program.

(b) They also set new policies for accomplishing the Four Modernizations which was to turn the nation into a relatively advanced industrialized nation by the year 2000. The modernizations was to be in the field of industry, agriculture, science and technology, and national defence.

(c) The new policies reinforced the authority of economic decision makers and managers at the expense of party officials, and called for expansion of the research and education systems .

(d) Foreign trade was intended to be increased, and exchanges of foreign experts and students with developed countries was encouraged. It called for high rates of growth in both agriculture and industry.

(e) The economy was reformed to a market oriented economy.

2. Reforms in Agriculture Sector.

(a) Mao's policy of self-reliance was relaxed, and his motto " grow grain everywhere" was abandoned.

(b) Communities were restructured into the responsible system wherein farmers no longer devoted maximum of their efforts in collective production but farmers were allowed to decide for themselves how and what to produce.

(c) The constraints on the movements of rural populations was relaxed.

Towns, villages, and groups of families referred to as “ rural economic unions” established factories, processing units, construction teams, catering services, and other nonagricultural concerns.

(d) A system of “ specialized households’ was made wherein free farmers markets in the urban areas and in the countryside were established.

(e) Rural cadres implemented an entirely new system to motivate farmers, called ‘ Baogan’ system.

(f) The rural banking system (Agricultural Bank and Rural Credit Cooperatives) was restored and extended[1].

(g) However, the major change was after 1978 farm families were permitted to invest funds, and their investments in small tractors, rural industries, and housing were substantial.

(h) Rural marketing system improved significantly in the post Mao period. The policy of selling the farm to local state came to an end. People had several options of selling the surpluses to local market or to state or consumed on the farm. Rural markets which were disbanded during the Cultural Revolution were reopened.

3. Reforms in Industrial Sector.

(a) The impetus to reforms were based on the framework of ‘ Four Modernizations and industrial policies outlined by Deng Xiaoping. These included strengthening management and managerial rules, restoring the

status of engineers and technicians, providing clear directives for realizing the eight planning targets (output volume , product type, quality , consumption of materials and fuel, labor productivity, costs, profits and use of liquid capital) , greater regional coordination, firmer central planning and tighter control of investment policy and increased import of foreign technology[2].

(b) Emphasis on rapid industrial development was given and a group of 120 key large scale projects was central to the plan which aimed at lifting the rate of growth to the value of industrial output to 10 percent a year and at large increases in the areas of power, fuels, raw materials and transport and communications including doubling the output of steel[3].

(c) In 1978 policy of ‘ Thirty points’ was envisaged which included rules for enterprise management and post responsibility , state plans was to be fulfilled based on ‘ five sixes’ (fixed nature and scale of production, fixed personnel and organization , fixed consumption and supply quotas, fixed capital allocation and relation of cooperation with other enterprises)[4].

(d) In 80’s the growth of mixed economy with complementarity’s between the plan and market competition was promoted[5].

(e) Mandatory planning covered sixty products such as coal, crude oil, nonferrous metals, timber, cement, basic industrial chemicals, chemical fertilizers, machines and electrical equipment, fibers, newsprint, cigarettes, and defense products.

(f) Under the reforms of Guidance planning, enterprises try to meet the state's planned goals but also make their own arrangements for production and sales based on the orientation of the state's plan, the availability of raw and unfinished materials and energy supplies, and the demands on the market.

(g) Urban, collectively owned enterprises (owned by the workers) for the most part were small units equipped with relatively little machinery. Many of these units were engaged in handicraft production or other labor-intensive activities, such as manufacturing furniture or assembling simple electrical items.

(h) Rural, collectively owned industrial enterprises commonly referred to as “township enterprises” were the most rapidly growing portion of the industrial sector in the mid-1980s. The government regarded them as a means of expanding industrialization[6].

4. Development of Infrastructure.

(a) China had inadequate transportation systems which hindered the movement of coal from mine to user, the transportation of agricultural and light industrial products from rural to urban areas, and the delivery of imports and exports. As a result, the underdeveloped transportation system constrained the pace of economic development throughout the country. From 1980s onwards the updating of transportation systems was given priority[7].

(b) Development of Railroads.

(i) Priority was given to link all provinces of the country, by railroads. Many double-track lines, electrified lines, special lines, and bridges were added to the system.

(ii) National highways linked provincial-level capitals with Beijing and major ports.

(iii) Roads were built between large, medium, and small towns as well as between towns and railroad connections.

(iv) Contract system for the management of railroad lines was introduced in China.

(c) Development of Waterways.

(i) The maritime fleet made hundreds of port calls in virtually all parts of the world, but the inadequate port and harbor facilities at home still caused major problems.

(ii) Port construction also was listed as a priority project in the plan. The combined accommodation capacity of ports was to be increased by 200 million tons.

(d) Development of Airways.

(i) Civil aviation underwent tremendous development during the 1980s. Domestic and international air service was greatly increased.

(ii) The plan also called for updating passenger and freight transportation and improving railroad, waterways, and air transportation. To achieve these

goals, the government planned to increase state and local investment as well as to use private funds.

5. Reforms in Trade Policies, Foreign Trade and Emerging New Market.

(a) Abandonment of policy of ' Self Reliance'. Between 1975-80 China got into new trade activities, seeking to import technology, borrow money, request aid and adopt fresh methods of earning foreign exchange.

(b) Policies were framed to bring in foreign technology and capital with minimum expenditure[8].

(c) To earn more foreign currency and to conserve foreign exchange reserves, foreign capital was also used to expand production of export commodities, such as textiles, and of import substitutes, such as consumer goods.

(d) China has adopted a variety of measures to promote its foreign economic relations, maximizing the role of imports, exports, and foreign capital in economic development. Foreign trade organizations were reorganized, and control of imports and exports was relaxed or strengthened depending on the balance of trade and the level of foreign exchange reserves.

(e) China joined a number of economic organizations, becoming a member of the World Bank, International Monetary Fund, the Asian Development Bank, the General Agreement on Tariffs and Trade (GATT).

(f) Most loans went into infrastructure projects, such as energy and transportation, and funded raw materials imports.

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(g) Legal and institutional frameworks to facilitate foreign investment and trade also were created. Laws on taxation, joint ventures, foreign investments, and related areas were promulgated to encourage foreign investment.

(h) Special economic zones were created . The special economic zones essentially were export-processing zones designed to attract foreign investment, expand exports, and import technology and expertise.

(j) China took steps to decentralize its foreign trading system and integrate itself into the world trading system. In November 1991, China joined the Asia Pacific Economic Cooperation (APEC) group, which promotes free trade and cooperation in the economic, trade, investment, and technology spheres.

(k) China formally joined the WTO in December 2001. On joining China agreed to lower tariffs and abolish market impediments after it joins the WTO.

(l) China's global trade totaled 1384 billion dollars in 2005; the trade surplus stood at 60 billion dollars. China's primary trading partners include Japan, the EU, the United States, South Korea, Hong Kong, and Taiwan. According to U. S. statistics, China had a trade surplus with the U. S. of 150 billion dollars in 2005.

6. Foreign Investment

(a) Foreign investment was stalled in 1989 in the aftermath of Tiananmen. In response, the government introduced legislation and regulations designed to encourage foreigners to invest in high-priority sectors and regions.

(b) In 1990, the government eliminated time restrictions on the establishment of joint ventures and allowed foreign partners to become chairman of joint venture boards.

(c) In 1991, China granted more preferential tax treatment for wholly foreign-owned businesses and contractual ventures and for foreign companies which invest in selected economic zones or in projects encouraged by the state, such as energy, communications, and transportation.

(d) China revised significantly its laws on Wholly Foreign-Owned Enterprises and China Foreign Equity Joint Ventures in 2000 and 2001, easing export performance and domestic content requirements. In 2005, China received nearly 53 billion dollars in foreign direct investment, making it the number one recipient of FDI in the world.

7. Energy and Mineral Resources.

1. New energy policy was formalized which included development of indigenous oil and gas reserves, development of domestic oil and gas markets, diversification of energy sources, diversification of imported energy suppliers, encouragement of energy conservation and efficient energy use.

(b) Reforms carried out to improve energy efficiency and promote the use of clean coal technology. Only one-fifth of the new coal power plant capacity installed from 1995 to 2000 included desulphurization equipment.

(c) It has opened oil and gas industry. The offshore petroleum industry has also been developed with foreign investment.

(d) Refining capacity is also being increased. Storage and pipeline facilities are being increased and new ones are being added.

(e) China has developed a sound energy policy by diversifying its energy linkages and relationship through investment attraction , incentives for technology and dialogue with energy resource economy.

8. Development of Science and Technology.

(a) The Cultural Revolution had removed an entire generation from access to university and professional training, creating a gap in the age distribution of the scientific work force.

(b) However since 1978 China encouraged experimentation in its science and technology system as a means of arriving at reforms.

(c) In restructuring the science and technology system emphasis was placed on encouraging partnership between research, educational and designing institution on one hand and production units on the other and on strengthening the enterprises capability for technology absorption and development . More power for decision making was granted to research institutes.

(d) The long term policy of China's science and technology development was to open to outside world and establish contact with other countries.

[1]Agriculturereformswww. country-data. com

[2]Jack gray and Gordon White op. cit p. 91

[3]Jack gray and Gordon White op. cit p. 92

[4]Jack gray and Gordon White op. cit p. 95

[5]Jack gray and Gordon White op. cit p. 98

[6]China's economywww. country-data. com1987

[7]ibid

[8]Jack gray and Gordon White op. cit p. 149