

# CHINA

El mercado más grande del Mundo

# PART THREE

## **FUTURE, MISSION and CHINESE VISION**

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# Part One:

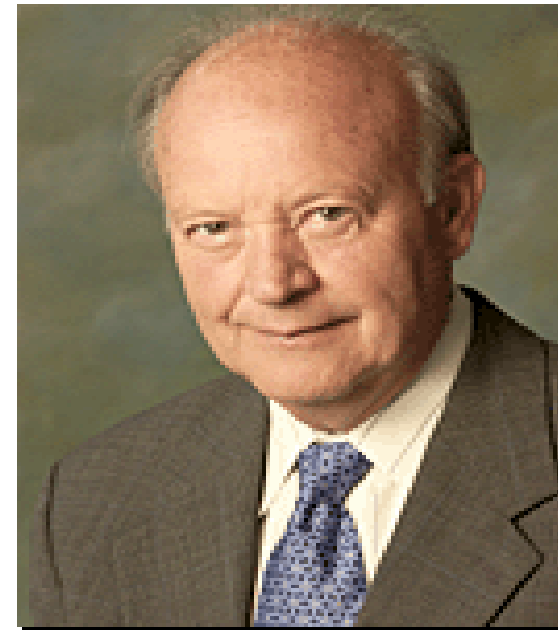
## China Model

Beijing Consensus



# From Washington Consensus to Beijing Consensus

- John Williamson, a World Bank economist



# Summary by John Williamson

- The ten reforms that I originally presented as a summary of what most people in Washington believed Latin America (not all countries) ought to be undertaking as of 1989 (not at all times):



## Summary by John Williamson(2)

- 1. Fiscal Discipline. This was in the context of a region where almost all the countries had run large deficits that led to balance of payments crises and high inflation that hit mainly the poor because the rich could park their money abroad.



## Summary by John Williamson (3)

- 2. Reordering Public Expenditure Priorities. This suggested switching expenditure in a pro-poor way, from things like indiscriminate subsidies to basic health and education.



## Summary by John Williamson (4)

- 3. Tax reform. Constructing a tax system that would combine a broad tax base with moderate marginal tax rates.
- 4. Liberalizing Interest Rates. In retrospect I wish I had formulated this in a broader way as financial liberalization, and stressed that views differed on how fast it should be achieved.





## Summary by John Williamson (5)

- 5. A Competitive Exchange Rate. I fear I indulged in wishful thinking in asserting that there was a consensus in favor of ensuring that the exchange rate would be competitive, which implies an intermediate regime.
- 6. Trade Liberalization. I stated that there was a difference of view about how fast trade should be liberalized.



# Summary by John Williamson (6)

- 7. Liberalization of Inward Foreign Direct Investment. I specifically did not include comprehensive capital account liberalization, because that did not command a consensus in Washington.
- 8. Privatization. This was the one area in which what originated as a neoliberal idea had won broad acceptance. We have since been made very conscious that it matters a lot how privatization is done: it can be a highly corrupt process that transfers assets to a privileged elite for a fraction of their true value, but the evidence is that it brings benefits when done properly.



# Summary by John Williamson (7)

- 9. Deregulation. This focused specifically on easing barriers to entry and exit, not on abolishing regulations designed for safety or environmental reasons.
- 10. Property Rights. This was primarily about providing the informal sector with the ability to gain property rights at acceptable cost.



# Summary by John Williamson (8)

- What is Washington Consensus
- Macroeconomic discipline,
- A market economy,
- And openness to the world



# Joe Stiglitz

- Today's economic crisis, especially in Latin America, is because of Washington Consensus.
- In his recent book, for example, specifically endorses gradual trade liberalization and carefully done privatization.



# The Washington Consensus failed?

- A decade ago many countries, especially in Latin America, were attempting to implement an agenda much closer to the Washington Consensus.
- The results have been disappointing, to say the least, particularly in terms of growth, employment, and poverty reduction.
- Should we conclude from this that the Washington Consensus failed?



# Beijing Consensus

- Tactically speaking, the Beijing Consensus demands that ideas such as privatization and free trade be approached with incredible caution.



## China PM Wen on Beijing Consensus

- China PM Wen on Beijing Consensus:
- China model is "coordinated development", a focus not simply on gross domestic product growth, the sine qua non of Washington Consensus success, but also on growth that is both environmentally friendly and corruption-free.





## China PM Wen on Beijing Consensus (2)

- Dengxiaoping: "It doesn't matter if it's a black cat or a white cat, as long as it catches mice"
- This is history now.
- China now wants a cat that is green; a cat that is transparent.
- China wants a "peaceful rise" .



# Questions for discussion

- "China Threat" is popular now, how do you think of China's today and future power?
- How a country rises often has more drastic consequences for the world than the rise itself?



# Part Two

## Long and short term goals

- Long term goals
- Short term goals



# Long term goal

- China has signaled its intent to use the export-driven industrialization process as a key means to achieve sustainable development.
- The industrialization effort is intended to take into account the need for distribution of economic and social opportunities throughout the country. The outcome should be the achievement of a *xiaokang* society, i.e. a well-off society built in an all-round way that pays attention to progress in five dimensions—economic development, material life, population quality, cultural life and environment.



## Long term goal (2)

- *Xiaokang*, an ancient concept for a social ideal within China.
- In past years it was applied as Deng Xiaoping's vision of modernization in China at the time opening to markets began. **It was envisioned as a process where first subsistence, then higher levels of wealth were to be created—a quadrupling of GDP between 1980 and 2000 to achieve a basic *xiaokang* society.** The further modernization process was to be until 2050, at which time Chinese per capita income levels would reach those of mid-income countries.



## Long term goal (3)

- However, a measure such as GDP says nothing about equity, and that is the concern being addressed by the use of the term "all-round, well-off society."



# Reality

- The 30 million or more Chinese living more or less in absolute poverty, without access to sufficient food and clothing, fall far below a stage of *xiaokang*.



## Reality (2)

- Well-being needs to be defined by factors such as living conditions that promote good health, access to education and training, good standards of accommodation, amenities for recreation, the means to be creative, and a good quality of environment. Fairness, transparency and consistency in addressing citizen needs and concerns is important element for societal and individual well-being.





## Reality (3)

- All-round *xiaokang* is to be met by 2020 according to current strategy.



# Short term efforts

- Reduction in the agricultural workforce from 50% to 30% over the first two decades of the 21<sup>st</sup> Century focuses attention on both industrialization and urbanization policies.
- **Urbanization over the coming two decades could bring as many as 300 to 400 million more people into cities. Most will be attracted away from agriculture and into industrial and service occupations.**



## Short term efforts (2)

- Corporate Social Responsibility (CSR)
- Sun Paper Case



## Short term efforts (3)

- Equity is a key consideration.
- New strategy for "*getting rich together*".



## Short term efforts (4)

- Environment
- Clean production



## Short term efforts (5)

- Education and high-tech.
- All economies are knowledge-based. What is different, today, however, is that rapidly growing economies depend more on the creation, distribution, and use of knowledge.
- China must encourage its organizations and people to acquire, create, disseminate, and use knowledge more effectively for greater economic and social development



## Part three

# Protectionist backlash?

- Impact of China growth.
- Just an example, the price of materials : oil, minerals...



# Protectionist backlash (2)

- Nothing surprise
- Japan backlash of 1970-80
- China's 1990-2020?





# AD use against China is increasing

The liberalization in international trade has progressed at rapid speed. Many trade forms of barriers to trade, most importantly tariffs and quotas have been reduced.

While, another type of trade barriers, antidumping, is being used more and more frequently as a measure of protection.



## Top six antidumping targets 1995-2001

12	China	USA	South Korea	Japan	USSR Former	Chinese Taipei	other	total
1995	20	12	14	5	9	4	92	156
1996	43	21	11	6	11	9	123	224
1997	33	15	15	12	17	16	135	243
1998	28	15	24	13	21	10	136	247
1999	41	14	34	22	29	22	187	349
2000	43	13	22	9	18	16	157	278
2001	53	13	19	12	13	19	211	340



# China exports affected by AD

## Sector description

Rank	Sector	cases
1	Manufacture of basic industrial chemicals	80
2	Iron and steel	46
3	Manufacture of other chemical products	23
4	Footwear	19
5	Manufacturing industries not elsewhere classified	19
6	Fabricated metal products	18
7	Manufacture of chemical products not elsewhere classified	17
8	Manufacture of textile	15
9	Manufacture of cutlery, hand tools	15
10	Canning and preserving of fruits and vegetable	14



## Recent case

- The United States announced that dumping duties will be levied on Chinese color television sets beginning in June, 2004.
- Five Rivers Electronic Innovations, and two US trade unions representing television assembly workers filed the anti-dumping petition last year.



# Competitiveness

- World economic report publish a index where countries are compared over different fields their performance. We will introduce the index of Ecuador and China.
- China drop in the rankings was marked by a deterioration in the perceived quality of public institutions. A surge in confidence about China's prospects proves not to have been sustainable. Chinese companies were judged to be making positive progress.



## Competitiveness (2)

- The implications of rapid growth in China have been a hot topic for a while, but have become a much hotter topic in the past year. As the rest of the world economy turned sluggish, the Chinese surged ahead, increasing their exports at a very rapid pace. From Tokyo to Milan, from Mexico City to Chicago, everyone is wondering whether China can continue to grow so fast and how their own jobs and businesses will be affected if it does.
- For your information we compare this index with Ecuador.
- CD, has the summary of report for your analysis



## BUSINESS COMPETITIVENESS INDEX RANKINGS

Country	Business Competitiveness ranking 2003	Business Competitiveness ranking 2002
Finland	1	2
United States	2	1
Taiwan	16	16
China	46	38
India	37	37
Colombia	51	56
Ecuador	84	77



Country	GROWTH COMPETITIVENESS INDEX RANKINGS		Macroeconomic Environment Index	
	GCI 2003 Rank	GCI 2002 Rank	2003	2002
Finland	1	1	2	14
United States	2	2	14	2
Taiwan	5	5	18	6
China	44	42	25	8
India	56	53	52	18
Colombia	63	59	66	51
Ecuador	86	72	90	69





Country	Public Institutions Index		Technology Index	
	2003	2002	2003	2002
Finland	2	1	2	3
United States	17	16	1	1
Taiwan	21	27	3	2
China	52	38	65	63
India	55	59	64	57
Colombia	60	54	60	58
Ecuador	80	75	76	70



THANK YOU



# CON EL AUSPICIO DE:



# UN EVENTO DE:

