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CHINESE ECONOMIC MIRACLE

In 1979 – the third year after the massively destructive “culture revolution” which had lasted for 10 years, China started to enforce a new economic policy; it was a general change from ideological field to economics’, instead of a temporary policy to save the country from the edge of bankruptcy. Chinese started to step on a highway of development; economy became the most important issue in the people’s life.

Deng Xiao-ping, the leader of the government, who stopped the domestic chaos, had launched a series of new economic policies including the establishment of four Special Economic Zones to attract foreign direct investment, even in the past he had been “flattened” 3 times for this idea. As a Chinese I have to say that Deng was a great person, and it turned out that his way, which called a socialistic way with Chinese Characteristics, really works.

From 1979-1989 the foreign direct investment was accounted to about US \$ 20 billion, money with business men with capitalistic background came in like flood, the whole country started to open eyes to look around and found others, especially Americans, were so different with them. To the young generation at that time, that country was Heaven’s another name. Opening the door gave the whole society a lot of new information and thoughts, but many serious problems also arose: Chinese people did not have any experience in facing high inflation, which even comparing with Russia’s in the same changing period was nothing; further more, people had to be confronted with the corruption of government officials, which had never happened before; people’s patientness was running out, part of them wanted to turn back while others wanted to go ahead faster. In 1989, all contradictions erupted at the moment of a clean vice premier’s death, hundred thousands of students walked out from campus to the Tian-an-men Square, they believed in that political democracy would be the only medicine to solve all problems; students held the Tian-an-men Square which was considered as the government’s holy place about two months, and malcontent civilians supported them by massive parades, students even erected a fake Statue of Liberty on the square; radical young students claimed an immediate political reform and believed that American style would have fixed every problem; whole country fell in unrest again that was like in the period of Culture Revolution. At the end, government decided to use army to expel students from the Tian-an-men Square and suppress the movement. After that almost every western country started to condemn china and Chinese government had to face up a series of international sanction. In such situation, most people considered China would turn back and lock himself again; but Deng and his government decided to go ahead, because they knew that was a right way which was worth taking risk, After several years, foreign capital just could not ignore such a huge potential market which offered very cheap labor – sanction died away quietly.

The year 1993-94 was a landmark year in the development of the Chinese economy. China started relaxing the curbs on the sale in the domestic market of the goods manufactured by the enterprises with foreign participation. There was a surge in foreign direct investment flows into China from all sources. During the seven-year-period between 1993 and end-1999, the total value of actual investment flows amounted to US \$ 271.6 billion, an average of US \$ 39 billion per annum. China has become a hot gold mine to the whole world. We have to notice that about 70 per cent of capital came from Hong Kong, Taiwan and Macao and from the overseas Chinese businessmen.

Chinese economic growth shocked the world, because of its special characteristics; China is a communist-dominated country, from economist's point of views it should sooner or later break down like other socialistic countries, but why this miracle happened? At my opinion, first of all, it does matter which one ideology people believe in, socialism or capitalism, it just depends on whether people find their own way to develop, and China found it, it is officially called socialism with Chinese characteristic – socialistic regime with market economy, or as some people say, a mixture of socialism and capitalism; to continue socialistic structure can keep China away from chaos, and market economy can activate production ability; the second thing is the globalization, even though this word is quite new to us, but it has started long time ago, low-tech industry need to move to a place or country which can provide cheap but skilled labor and stable economic environment because capitalists have to cut down the cost to confront increasing competition; in the time of Japan, factories were moved to Japan from Europe and America, and then to Hong Kong and Korea, now it is the turn of China; Capitalist only chase profit, they don't care about politics; the third one is a wise government, Deng's government saw and caught the historic opportunity – life is quite hard, if you miss the approaching opportunity, you lose future; frankly speaking, what China did was nothing special from modern views, it's all about establishment of tax-free zone, to encourage export, to improve bureaucracy's efficiency, but the key is to do the right thing in the right time. Nowadays China is a "world factory" – innumerable factories which have foreign investment background spread in the coastal provinces, their products export to the every corner of the world, it's impossible to find no Chinese product in any country; China provides from shoes to computer parts, even most of them are not high-tech products, but export brings to China hundreds billions dollars per annum, China use this money and new technology to develop himself, so what we have seen just is a start; since presently domestic Chinese companies have started to open overseas market, this tendency has become more clear.

China's economic growth averaged 8.6% a year between the late 1970s and 2003. That's faster than the growth of Japan's miracle economy of the 1970s and 1980s, when growth averaged 5% a year. In this old country, view of the cities changed sharply, more and more factories, airports and highway system appeared; In 2003, China consumed 27% of world steel, 31% of coal and 40% of cement, if a Chinese left his city 3 years, he might not recognize his hometown easily. Nowadays the Asian giant is the world's sixth largest economy and fourth biggest exporter, and, it still has a growth rate of about 9% a year.

Presently China has embarked on a plan for the accelerated development of the economies of the central and western provinces to enable them to catch up with the much advanced coastal provinces, it shifted the focus of development of the low-tech industries to these provinces and assigned to the coastal provinces, which have already built up a reservoir of human, technical and financial resources since 1979, the task of developing the core of the medium and high-tech industries. China should take pains to maintain his pace at least more 20 years, it lets every Chinese know that China is still a huge developing country, that to make it rich and advanced needs a long time hard work.