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CHINA'S ECONOMIC REFORM: SUCCESS, PROBLEMS AND CHALLENGES

FAN HE

INSTITUTE OF WORLD ECONOMICS AND POLITICS
CHINESE ACADEMY OF SOCIAL SCIENCES
HEFANCASS@GMAIL.COM

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ABSTRACT:

We will provide a survey as well as a preliminary analysis on China's economic reform. Section II provides a brief overview of China's economic development from 1949 to present. Section III analyses the economic reform in the early 1980s. The planned economy was not sustainable because the government found that it is more and more difficult to keep high growth rate and fulfil the goal of full employment. The reform took a gradual approach and the rise of newly rising sector (or the non-state sector) made a major contribution to the China's growth. Section IV discusses the formation of the triangle of the state-owned-bank (SOB), the state-owned-enterprises (SOE), and the government. We believe the equilibrium and dynamics among these three key players can largely explain the path and pattern of economic reform during the 1980s and 1990s. Section V provides another angle to explain China's economic reform, i.e. the central-local relationship. The competition and tension between the central and local government has a tradition of thousands year in China and still plays an important role in the formation and evolution of China's economic system. Section VI looking into the future and summarizes the remaining tasks for China to accomplish in the near future in order to sustain high economic growth and social stability. We argued that China is facing an internal and external imbalance and a favourable policy package should help to maintain macroeconomic stability in the short term as well as pave the way for sustainable growth in the future. Section VII tries to identify the key elements for a successful reform in China in the 21st century. Who should be the strategic triggers for the reform, whether the current institutions are supportive to the reform or not and how to find a potential institution which can act as a facilitator and coordinator for the reform.