

## **An analytical Reading for the Experience of Economic Reform in China**

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### **Abstract:**

The Chinese economic reform is currently considered an economic miracle amongst nations; hence, this experience is exemplary experience to be followed by the states that are transitioning from political and economic stages to completely different ones. China changed from an underdeveloped and primitive society to a developed, civilized, and prosperous society that competes with the most advanced industrial states. During the period of this transition, China adopted thoughts and strategies that conform to the beliefs of its society that has a rich heritage dating back to thousands of years; therefore, China has achieved an economic development that outweighs what is happening in various industrially advanced states. As a result, China economy is rated second highest economy next to the US economic balance; in addition, it is expected that the Chinese gross domestic product will outbalance that of the US in the third decade of this century, although its population represents 18% of that total population of the world.

### **An introduction:**

China is the only country in the world that has witnessed an experience as an economic miracle that lasted for more than thirty years in moving from one economic stage to another with amazing success, and the modern renaissance began in the Chinese economy first with agriculture, then it adopted the (Great Leap Forward) project in order to develop the agricultural and industrial sectors, then this was accompanied by the preparation of central plans and the cultural and scientific construction. Long live the economic reform.

Gradually it was characterized by slowness by finding starting points and as described by (Deng Xiaoping) as the process of (touching the stones to cross the river), and during the three decades of time the reform brought about huge changes through which China moved from central planning and closed to the market economy, and this research addresses the reading of the aspects of economic reform in the structure of the Chinese economy, which witnessed economic growth. Reflected on the growth of the average per capita GDP, and to see the experience of economic reform of China, It is worth noting that the research does not address significantly

This is due to the problem of the research, because the original analysis is based on an analytical reading of the experience in economic reform, which is successful by all standards.

### **The research importance :**

The topic of analyzing China's experience in economic reform is receiving increasing attention for different countries in the world, especially countries that are in the transitional phase in the transformation of their economic and political system.

### **The research Hypothesis :**

China succeeded in accomplishing its economic transformation by using its natural resources and achieved an increase in its gross domestic product and an increase in the per capita income of its citizens.

### **The research Methodology :**

The research uses the stabilizing method in the analysis by presenting China's economic potential and coming up with results related to the successful Chinese experience in economic reform.

### **The research dividing :**

The research was divided into two sections to reach the goal of the research, which was referred to in the introduction, after addressing the stages and obstacles of economic reform in China, as follows:

#### **The first topic: Justifications for economic reform**

After the departure of (Mao Zedong) in 1976, China entered into conflicts between the leaders of the Communist Party to search for a model to reform and develop the Chinese economy. The decision to gradually shift from a centrally planned economy to a market economy and integrate into the global economy was an important decision. The first steps of reform were to change the economic goal that aims To him, choosing self-development, building socialism with Chinese characteristics, and abandoning borrowed development systems, as the development goal changed from focusing on one sector to focusing on sustainable development.

There are several main factors behind the success of the Chinese experiment, including the following:

#### **First - the effectiveness of the role of the state:**

The role of the state was pivotal in the process of economic development, as China was distinguished by the presence of a government capable of designing strategic plans, making decisions and implementing them. As the role of the state was not limited to harmonizing the various economic interests, both domestic and foreign, and was not limited to achieving high growth rates of GDP, but also to bringing about radical changes in the structure of the Chinese economy and in its relations with the global economy. China has applied the market socialism model that gives priority to the plan In the field of resource allocation and giving wide freedom to work with the market mechanism, especially in the field of production and circulation of consumer and intermediate goods and services, and the state has also focused on activating the market mechanism in guiding forms that seek to coordinate the positions of the private sector and support it to play its full role in implementing development plans <sup>(1)</sup>.

The success of the Chinese experience is also attributed to the great role played by the state in several closely related fields, such as education, health, population reduction, and others. Although China seeks to privatize the corporate sector, it still maintains ownership of projects.

- (1) Dr. Ibrahim Al-Esawy, Towards a realistic view of planning and the market economy, Arab Economic Research Journal, Cairo, No. 11, 1996, p. 81
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The important and basic, which constitutes the main driving force of the industrial sector, which represents a third of the local production, and it provides the basic raw materials which controls capital-intensive sectors such as electric power, steel and chemicals projects <sup>(2)</sup>, and this shows the effectiveness of the state's role in achieving economic development in China.

#### ***The second stage of China's economic reform :***

In the last quarter of the twentieth century, China reached the fact that the world of the future is governed by the economy, so China set out on its path to overcome the restrictive form of socialism and move to a new model that combines capitalism and socialism in an experiment involving local privacy. China began in late 1978 to implement

an economic policy New in accordance with the Chinese triumvirate (reform, opening, modernization) and its new ideological position focuses on giving priority to economic development and economic construction in accordance with the slogan (socialist spiritual civilization) in order to catch up with the advanced countries (<sup>3</sup>), as the Chinese experience and the wide transformations entrusted to it The scope is in the economic, social and political field on the basis of the philosophy of reform, which was laid down by (Deng Xiaoping), and Ding's reform philosophy is summarized as (it does not matter if the cat is white or black, the important thing is that it hunts its prey well) (<sup>4</sup>), meaning that China (the cat) It is not important to take the socialist or capitalist path, but the important thing is to catch Western technology and foreign capital in order to build modern China (<sup>5</sup>). As the reforms carried out by China in 1978 contributed to developing the pace of economic growth (<sup>6</sup>), as the new political leadership in China came to the conclusion that improving living standards for the population will lead to strengthening incentives for work and increasing growth, meaning that the relative decline in investment can be compensated by improvements in Economic performance, which in turn will lead to increased economic growth. Giving importance to the worker .

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2) Harry J. Broman, *The Chinese State as an Important Factor in Companies, Finance and Development*, Washington, September 1999, p 46.

3 ) information office of the state council of the peoples republic of china, *chinas economic reform a great success, march toward 2000*, 1999, p.12

4) Huda Abdel Reda Ali: *The Role of Business Incubators and Small Enterprises in Facing the Cost of Transition to a Market Economy*, Master Thesis, Al-Mustansiriya University, College of Administration and Economics, 2009, p. 137.

5) Hana Abdul Ghaffar Al-Samarrai: *Foreign Direct Investment and International Trade, China as a Model, House of Wisdom*, Baghdad, 2002, p. 311.

6 ) Mahmoud Ali Hussein Al-Mousawi and Muhammad Hussein Nasser Al-Badri: *The economic reform policies in China and the possibility of adapting them in the environment of the Iraqi economy*, *Journal of Economic and Administrative Sciences*, Wasit University, Volume 1, No. 4, 2011, p. 180

ideology in this field. In other words, the new leadership tried to follow a balanced approach that would reconcile the public interest with the individual interest. Therefore, the stages of the reform and opening-up process in China can be summarized as follows:

### **The first stage: Reform policies during the period (1978-1984)**

In 1978, the reformers began an ambitious program to transform the economy, based on the principle of (experimental practice) as a gradual approach in the transition towards a market economy. The goal of the program was to double agricultural and industrial production by the year 2000, and initially China paid great attention to institutional reforms in the agricultural sector (rural areas) through the restoration of individual incentives, and to strengthen the decentralization trend in economic management, especially in the agricultural sector, China adopted in 1979 the application of what is known as (production contract responsibility system). This new system of agricultural cooperatives aims to replace the previous cooperative system (communities) in the village which remained for a long time as a symbol of Chinese socialism in order to overcome the negative aspects of the previous regime and accelerate the process of modernizing the agricultural sector and increasing productivity by reviving the family farm as the basic unit of agricultural production (<sup>7</sup>).

The former political responsibilities of the communes were transferred to local city governments, while the economic policies were transferred to other institutions that operate with complete independence and are responsible for their own profits and losses. The new cooperative system seeks to encourage such individual and cooperative institutions.

The new cooperative system does not represent a retreat from the pursuit of the collective system. The farmer does not choose himself his main crop, and does not sell the bulk of his production in the free market, but he works under a contract for the cooperative, which in turn is responsible for implementing the plans entrusted to it by the local government.

These cooperatives distribute agricultural land among the farmers with a contract that was in its initial stages for a period ranging from one to three years. But soon it was decided to increase the term of the contract to five years to be consistent with the five-year plans. The contract is for the production of a limited amount of grain or other crops, and the farmer has the freedom to dispose of the surplus of the specified quantities.

<sup>7)</sup> kang ,F, economic reform in china s country side ).a paper presented to a seminar held at the university of California, davis, October 11, 1984.p23

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In the contract, the contract includes fees imposed by cooperatives for the purpose of using them in the construction of infrastructure (irrigation, drainage, soil improvement, etc.) and the development of social services, and the farmer bears the responsibility of paying taxes.

This new type of socialist cooperative system has led to an increase in productivity as a result of adopting modern scientific methods, meaning that the policy of relying on the farmer himself and providing him with appropriate incentives has proven its feasibility in increasing production and bringing about important transformations in the Chinese countryside represented in moving away from traditional production to produce one crop to The production of various crops, and instead of production for the purpose of family consumption, production shifted to the market and exported abroad, and all of this was reflected in the rise in farmers' incomes, the improvement of the standard of living, and the emergence of complexes and small cities (<sup>9</sup>), and these successes achieved by the new system encouraged the expansion of work to include The entire agricultural sector in late 1982. Expanded its work throughout China in late 1983, while continuing to focus on the slogan (Agriculture First), which began in 1976 as a basis for economic development, by allocating an increasing proportion of investments to agricultural development. This has made the economy competitive as a whole (<sup>10</sup>), so in three years China was able to change the pattern of collective farming and complete the reform of the agricultural sector.

As for the reform in the industrial sector, it was more difficult in terms of dividing the state-owned companies into small production units, as well as in terms of raising the economic efficiency of the industrial facility, as it does not depend on the incentive system within the institution, but also on prices and the conditions of supply and demand, which were subject to the government. Taking the necessary measures to improve the existing system and re-introducing the principle of profit as a criterion for managing establishments, incentives and rewards for employees' productivity This is to reorient the industrial sector to serve agriculture and light industry instead of continuing to focus on heavy industry. However, the central authorities continued to oblige industrial projects to achieve the productive goals of the economic plans. After achieving these goals, the projects can.

<sup>9)</sup> Muhammad Attia Muhammad Rihan: The Chinese Economic Experience and Its Future Challenges, Master Thesis, Faculty of Economics and Administrative Sciences, Al-Azhar University, Gaza, 2012, pg. 64.

<sup>10)</sup> Francois Lemoyne: The Chinese Economy, Arabization of Sabah Kaadan, General Book Organization, Damascus, 2011, p. 12.

It produces what it wants and sells it in the free market, and projects can, for products not subject to the quota system, buy what they need from the raw materials from any source.

The Economic reforms have provided greater flexibility and freedom to take initiatives. In 1980, government projects were allowed to keep 10% of their profits to be used for the purpose of spending it on bonuses, improving working conditions, modernizing and expanding production capacities, and granting projects broader powers to decide what they produce and market part of their production and obtain what It needs from other materials involved in the production process, and giving it some freedom in determining prices and issues related to personnel affairs. China's conviction has increased in the importance of the role of market prices, which reflects the relative scarcity of resources, without which it is impossible for projects that seek to achieve profits to operate with high efficiency. Therefore, the Central Committee of the Communist Party of China decided in 1984 to adopt some economic reforms with the aim of improving the performance of the economic management of its economic system, and these reforms were represented in the policy of abandoning the system of centrally determining prices for many commodities in order to allow the mechanism of supply and demand in the market to take its natural role. In this process, however, the expansion of this policy has run into some obstacles, foremost of which is the chronic shortage of some commodities, as it became clear to the central authorities that not subjecting the prices of these commodities to direct governmental control will lead to the phenomenon of price hikes, and thus impede the process of allocating resources to major projects. For this reason, the Chinese authorities postponed the measures to expand the policy of setting prices according to the market mechanism until production increases and the phenomenon of commodity shortages is reduced <sup>(11)</sup>

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11) Dr. Abd al-Wahhab al-Amin, the previously mentioned source, 1986, p. 238.

### **The second stage: Reform policies during the period (1984-1992)**

Reform policies at this stage focused on the urban economy, especially state-owned enterprises during this period (Mao Zedeng) continued the policy of proceeding with industrial and agricultural reforms, and the transition process towards the sector took place in two important directions, the first related to reforming the ownership system of industrial companies and their management methods, and the second related to reforming the pricing system, which are two important and fundamental reforms in establishing economic transformation According to the gradual approach in transforming public companies into companies that operate according to the mechanisms and principles of the market, and through two approaches, the first is A holistic style that depends in general on following the method of joint stock companies, which led to the transfer of an important part of the ownership of public companies to the managers and employees of those companies, and this increases the spirit of initiative and increases productivity, according to the principle of achieving the highest profits, i.e. linking increased revenues of employees and managers to increased production. And improving its quality, and this is one of the principles and laws of the market. As for the

second approach, it was based on the principle of (the experimental method), which provides for the selection of specific projects and the application of all formulas of the gradual method in economic transformation on them. In the event of its success, all successes will be generalized to extend and include other numbers of projects until the transformation process is completed and covers all projects, thus reaching a more comprehensive approach, but in a gradual manner. Reforms have also been carried out in the state-owned enterprises (SOES) production enterprises. The introduction of the area system to more than 50% of the important governmental productive enterprises, and the reform of ownership was carried out in more than 90% of the medium and small productive enterprises, and the scope of the commercial economy expanded in that period <sup>(12)</sup>, and in 1988 put forward (Deng Xiaoping) His famous theory (science and technology represent the power of primary production), which led to the transformation of scientific research results into commodities and the technology market was expanded through the use of advanced foreign technology <sup>(13)</sup>.

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12 ) Muhammad Attia Muhammad Rihan: The source mentioned above, p. 65

13) ([www.china-cculture.org](http://www.china-cculture.org))

### **The third stage: The reform policies during the period (1992-2002)**

This stage included two aspects, the first related to the possibility of finding practical solutions for the losing companies after their transformation into joint stock companies and did not stop in their performance, so the solution came by closing them or declaring bankruptcy in them. As for small companies, they can be merged into larger companies than them, but this procedure had negative effects that led to The dismissal of a large number of workers after the abolition and liquidation of these companies, and then the aggravation of unemployment rates, so the solution came to work on rehabilitating workers by opening retraining centers in a manner consistent with the opening of new projects. As for the second and important aspect included in this stage, it is related to the inclusion of the private sector in the scene China's new economic, whether local or foreign, through the practical application of the market socialism equation in the special economic zones, through the enactment of all the necessary laws that guarantee the free operation of market mechanisms in those regions, and this has threatened the appropriate environment to attract foreign capital and investment in those regions.

Benefiting from the concessions offered to it on the one hand and from the cheap labor cost on the other hand, this helped the growth of foreign direct investment to reach (50) billion dollars in 1998, according to the statistics of the United Nations global report for the year 1998, after it was (five billion) dollars in 1990.

### ***The fourth stage : the Post-2003 Reform Policies***

After 2003 appeared (Deng Xiaoping) mobilize more radical reforms by giving a major role to the private sector and recognizing it for the first time on its revitalization, along with the administrative and organizational reform of rural to urban migration and the revitalization of foreign direct investment. All these transformations after China's complete success in converting to a market economy and the recognition of the various countries of the world, and the Chinese realized that their development path takes the direction of the concept of growth and not development, that is, most of the focus was on the speed of growth while neglecting the quality of growth. Therefore, there was a lack of rationality in the exploitation of energies and resources with the use of low and environmentally friendly technology,

in addition to the poor distribution of income among members of Chinese society, which increased the class differences between them, and this is what led China to adopt the modern development principle that is concerned with sustainable development because Environmental protection and optimum use of resources

They mean increasing the potential of market economies, which is one of the main objectives during that stage (<sup>14</sup>). At this stage, the reform witnessed an important development. A shift was made from individual reform to comprehensive reform, deepening reforms and opening the way for the private sector. This stage also witnessed the laying of the foundations for the socialist economic system in China for the coming years (<sup>15</sup>).

### **Third: The elements of economic reform, reasons and obstacles :**

China entered a new phase called the reform phase, where it realized the necessity of correcting the mistakes of Maoist policy. The reasons that led to economic reforms and modernization have been identified, and those reasons and justifications are as follows (<sup>16</sup>)

- 1 - The accumulation of structural imbalances in the industry as a result of giving priority and exaggerated precedence to the production of capital goods at the expense of the production of consumer goods, that is, production for the purpose of production, not for the purpose of consumption, contrary to the socialist law represented by the continuous satisfaction of the basic needs of citizens.
- 2- Low investment efficiency due to the high rate of investment in non-productive defense assets and the exposure of investment to continuous fluctuations due to political influences.
- 3- The inefficiency and corruption of the leadership cadres and the crisis of confidence between them and the masses.
- 4- The prevalence of unemployment of all kinds
- 5- A decrease in the agricultural surplus and a low percentage of marketable agricultural commodities, as the Chinese authorities estimate that any attempt to raise productivity and the ratio of marketable commodities to agricultural output under the existing communes and planning system will lead to a political explosion.

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<sup>14</sup>) Wafaa Al-Mahdawi and Ahmed Jassim Muhammad: The Chinese Economy and the Gradual Approach in Transition towards a Market Economy, Iraqi Journal of Economic Sciences, Tenth Year, No. 33, 2012, p. 186.

<sup>15</sup>) Dr. Confident, source already mentioned. p52

<sup>16</sup>) Dr. Nader Ferjani, Independent Development, Center for Arab Unity Studies, Beirut, 1987, pp. 303-304

- 6- Weak achievements in reducing the differences between regions and districts and between rural and city.
- 7- The resentment that prevailed in Chinese circles about China's backwardness in all sectors, as the Cultural Revolution was unpopular and the reason for the loss in the economic and cultural sector of the country.
- 8- The rapid growth and development that took place in the neighboring economies of Hong Kong, Taiwan, South Korea and Singapore, and the trend towards a market economy, which proved its success in the economic performance between Eastern and Western Europe. (<sup>17</sup>)

In order to achieve economic development, China wanted to seize the opportunity of the changes taking place in international relations at the time, such as the internationalization of the economy, as China had the opportunity through the following reasons (<sup>18</sup>)

A - The great change in international politics, the end of the era of the two great powers, and the entering of the world into a period of peace and concern for comprehensive development.

B - The transformation of the internal and external policies of the developed countries to the economic zones and the development of the economy so that it becomes one of the things that people put at the forefront of their goals.

C - The great progress in science and technology and the emergence of great scientific results.

The second topic: the success factors of the Chinese experience

There are several main factors behind the success of the Chinese experiment, including the following:

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<sup>17)</sup> Sawsan Hussein, People's China and the Winds of Change, International Politics Journal, No. 78, October 1984, p. 213.

<sup>1)</sup> Meisner, Maurice, China's Communist Revolution; A Half Century Perspective, Current History, September 1999, p. 24

## **First, the internal factors :**

### **1- Natural resources:**

China's natural resources vary in the diversity of regions and terrain, including forests and cultivated plains, as well as mountainous lands, desolate deserts and coasts. ( <sup>19)</sup> Thanks to its vast land area, China has abundant natural resources such as land, water, minerals and energy, and energy resources are distributed disproportionately in China, for example, about 70% of hydropower reserves are concentrated in the southwestern region, while the northern and northern regions Eastern and Eastern as a whole share less than 10% and more than 60% of coal reserves are concentrated in the northern region, with a small portion in the northeastern, eastern and central southern regions while the northeastern region contains nearly half of the country's oil and natural gas reserves. There is only 5% in the center and southwest of the country, and the northwest region is the only region rich in coal, hydropower, petroleum, and natural gas.

### **2- The abundance of energy sources:**

China has multiple energy sources, most notably coal, oil and natural gas. It is one of the largest countries in the world in producing coal, which is the main source of energy for it. China is the fifth oil producer in the world, while the proven oil reserves in China are about 133,467 million tons, or 17.8% of the world at the end of 2019 (), and the availability of energy sources in China has led to the possibility of using them as fuel and as a raw material in many industries, and in general, China is an importer of crude oil



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19) Shaima Muhammad Jawad, Ahmed Raad Ramadan, Natural Characteristics of China, Journal of the College of Basic Education, Volume 22, Issue 93, 2016. p. 294

20) United Nations Economic and Social Commission for Western Asia, Trade between China and the Arab World. 2000., p. 30.

### **3- The Metals:**

In China there are all kinds of minerals known in the world, reserves of more than 156 minerals have been identified, and its total reserves occupies the third place in the world, and comes (reserves of coal, iron, copper, aluminum, antimony, molybdenum, manganese, And tin, lead, zinc and mercury), and other major minerals are in the forefront of the world, and iron ores reserves amount to 7.45 billion tons, and they are spread mainly in the regions of northeastern China, northern China and southwestern China <sup>(21)</sup>

### **4- The Plant and animal wealth:**

China is a country rich in natural resources, and lands that are one of the main components of the national economy, and even constitute the backbone of it, and is characterized by its diverse forms, and the area of agricultural land is 951 thousand km<sup>2</sup>, which constitutes 80% of the total area of the country, the plains of northeastern China, northern China, the Yangtze River course, the Pearl River Delta and Sichuan Basin, and its main products are wheat , Corn, soybeans, sorghum, flax, turnip, sugar cane, rice, tea, and other economic crops. China is currently the world's largest producer of crops and the world's agricultural economy. China owns an area of 51246 thousand square kilometers of forest (13% of the country's total area). , and spread over areas its borders are Korean pines, barks, yellow pines of the coniferous family, birch trees, oaks and other broad-leaved trees <sup>(22)</sup>

China is one of the richest countries in the world in the types of wild animals. There are more than 6,277 species of vertebrate animals on its land, which constitute more than 10% of its total in the world.

On the other hand, China's rivers, lakes and coastal waters are home to more than 3,800 species of fish and several hundreds of amphibians, as well as an almost identical number of reptiles.

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21) Hisham Abdulaziz Al-Ammar, China's international position, an analytical study in the factors of emergence 1991-2006, Master's thesis, published, King Saud University, College of Systems and Political Science, Department of Political Science, 2008. p. 43

22 ) Hamad Attia Muhammad Rihan, a previously mentioned source, pp. 26-27

### **5- The cheap labor force :**

During the second half of the twentieth century, China faced a huge explosion in the number of workers, their number rose to 350 million workers in 1953 and 720 million in 1980, and their number reached about 860 million in 2000, and their proportion to the total population rose from 59 percent in 1953 to 70% in 2000. The abundance of labor was a factor for growth, but the provision of jobs also constituted an important challenge for economic strategies, coinciding with this era of economic reform and the intense pressure in particular to secure jobs <sup>(23)</sup>, and these developments, in addition to From the increased movement of workers from the countryside to the city, to a massive expansion in the employment of rural migrant workers who reside in rural areas, but who usually move to the

city to find employment, this has expanded the scope of work available to the construction and manufacturing sectors in China to grow.

The expansion of urban employment has resulted in a disparity between regions and cities, with net employment growth mainly caused by the strong economic performance of the provinces in the south and southeast as well as Beijing. As a result, the share of urban employment was concentrated in the coastal and southeastern regions of 44.1 percent in 1995, to 50% in 2004, in contrast, employment growth in most of the central, western and northeastern provinces remained slow. China enjoys a number of factors that make it the focus of the world's attention. China's growing industrial power is not limited to cheap goods and low-tech industries, as China has become Today, it is able to graduate high-level scientists and engineers in the fields of physics, electronics, computer science, etc., and with low wages compared to other countries, which prompted foreign companies to accomplish the most complex and skilled work in China, and very large amounts of labor-intensive industries have moved to China, such as the manufacture of toys, textiles, plastics, consumer electronics, hand tools, and so on <sup>(24)</sup>

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23)Francois Lemoine, Ibid, p. 51

24)Muhammad Salih Jassam, The Developmental Experience of the Chinese Economy and Its Future Prospects, ( Anbar University Journal of Economic and Administrative Sciences, Special Issue, Second Scientific Conference, 2001. p. 307

## **6- The role of the Chinese expatriates**

China has a large number of the Chinese community abroad with enormous economic capabilities, as the Chinese, for example, control (60%) of the national income in Malaysia, while the Chinese component represents only (32%) of the total population of Malaysia, and the Chinese minority dominates, which does not exceed ( 3%) of the population of Indonesia, about (70%) of the national income in Indonesia <sup>(25)</sup> and on the same line of thinking, Chinese businessmen residing abroad are distinguished by great abilities in accumulating capital and economic and social cohesion, which led to the Chinese immigrants who number (50) Millions are rushing to meet the call to invest within the motherland (China), and therefore there was a full and effective participation of the Chinese community all over the world, especially those residing in Hong Kong, Macau and Taiwan Province of China. It allowed businessmen from these areas freely to enter open cities and economic zones They are free to do business while enjoying the same privileges offered to foreign investors <sup>(26)</sup>, and this explains the bulk of foreign direct investment coming from Hong Kong, Macau, Taiwan and Chinese investors abroad.

## **Second: The External factors:**

### **1- The rising sources of industrial power**

Through soft power and economic diplomacy, China has set itself a long-term goal of reaching the center of stronger competition, and this will only be achieved in building a strong economic base that will pave the way for an effective Chinese role internationally. China will be the center of gravity in the global economy in the future.

The Positions have ranged from the Belt and Road Initiative, some of whom see it as a proactive step to secure markets and not be subject to the American blockade that the United States or its European allies may impose on them, or it is for expansion and economic control as an entrance to political perseverance in the reality of the countries that will be included in the initiative and thus it can be considered a form of imperialism The new.

<sup>25</sup>)The World Bank , World Development Report 2000-2001 . Washington, Oxford University Press, 2000, p. 298 .

26)Tariq Abdullah, on the Asian crisis. The Arab Future, Issue 240, February 1999, p. 38

The global forecasts show China's position globally in light of the escalating economic growth rates achieved by China, and as shown in Table No. (1), which includes a group of countries selected by the researcher, and this selected group is about 58% of the GDP for the year 2018, which amounts to about 87.3 trillion dollars and about 53% of the world's population, according to estimates by the year 2020 ( <sup>27</sup>)

**Table (1)The Forecasts of the advanced positions of selected industrial and emerging countries (2020-2034) and the location of China among them**

Years / states	2020	2024	2029	2034
United State	1	1	1	2
China	2	2	2	1
Japan	3	3	3	4
India	5	5	4	3
Brazil	9	8	9	8
United Russia	11	12	12	12
Indonesia	16	15	13	11
South Korea	12	11	10	10
South Africa	38	39	43	47
United State	50	50	50	49

Source; A world economic league table with forecasts for 193 countries to 2034 World Economic League Table 2020,p.19 .

## 2- The Positive results of China's foreign direct investment

The new development policy in China is based on the use of foreign direct investment as a strategic principle to achieve economic development through an elaborate and well-studied system of principles, public policies and appropriate legislation that has prepared the appropriate ground for attracting funds for large-scale investment in China in terms of directing these investments to create a qualitative leap in the economy.

<sup>27</sup>) krista lina Georgieva,IMF managing Director, confronting the crisis; priorities for the Goblal Economy. At:

China attracted about 2.8 billion dollars at the beginning of its development experience, specifically in 1986, when the number of foreign projects reached about 1,498 projects, and after a few years, the figures for foreign direct investment increased until it reached in 1992 about (48784) projects, attracting about 58 billion dollars, and the number of projects reached Foreign workers working in China in 2005 to more than 450 thousand projects. As Table No. (2) indicates, foreign direct investment in China began to rise in a turbulent manner, and its contribution to the GDP became high until it reached its highest level in 2006, 4.509, after which it gradually declined to 1,080 in 2019.

**Table (2)China's FDI inflows and inflows in relation to GDP for the years (1990/2000 and 2003-2019)**

Statement / years	inflows	outflows	net flows	The ratio of inflows to gross local product
1990	11.156	0.830	10.326	0.960
2000	42.095	4.612	37.483	3.475
2003	57.901	8.450	49.445	3.487
2004	68.117	7.973	60.144	3.484
2005	104.109	13.730	90.379	4.554
2006	124.082	23.932	100.150	4.509
2007	156.249	17.177	139.094	4.401
2008	171.535	65.742	127.645	3.734
2009	131.057	43.890	87.166	2.569
2010	243.703	57.954	73.103	4.004
2011	280.072	48.421	231.651	3.709
2012	241.214	64.963	176.254	2.827
2013	290.928	72.971	217.954	3.040
2014	268.097	123.130	144.967	2.559
2015	242.489	174.424	68.065	2.192
2016	174.750	216.424	41.674-	1.556
2017	166.084	138.293	27.791	1.349
2018	235.365	143.027	92.338	1.694
2019	155.815	97.703	58.112	1.080

Source; Annul outflow of foreign direct investment(FDI) from china between 2009 and 2019

These large leaps in the flow of foreign direct investment have great implications and are an important indicator that the investment environment in China is an attractive environment that generates high returns and is a safe and low-risk environment, and they are two refreshing characteristics of the investment climate wherever it is available, and China has created this investment climate after it has tightened its strategy External openness through a set of policies and procedures, which can be summarized as follows:

A- China has issued hundreds of laws and regulations regulating the process of foreign direct investment, in order to provide the greatest possible degree of reassurance and security for investors, and in return for China to obtain the largest gains from these investments. Especially with regard to income taxes, these joint ventures are exempted from all customs duties and industrial taxes on all imports from outside China. While high-tech projects are exempt from taxes, and these legislations have greatly facilitated China's access to advanced technologies and choose advanced

technologies that can be applied in China with greater success than their counterparts, which helps in obtaining the greatest gains from the least investments.

B - China has gradually given an opportunity to establish foreign direct investment according to the stages of maturity of the development experience. In the eighties, that is, at the beginning of the development experience, the trends were limited to opening the field to foreign direct investment through joint projects only, whose products were directed towards exporting abroad, and in the nineties of the century Last year, the fields expanded in front of foreign investment, as it was allowed to establish projects owned by the investing party and open the way for it to deal with the Chinese local market within a plan to develop a number of regions and encourage some sectors that did not keep pace with the movement of the upward development in the economy, and in the later stages coincided with China's accession to the WTO In 2001, China opened its wide doors to the influx of various foreign forms after it acquired the necessary expertise to deal with these investments and avoid the negative effects that may accompany them, benefiting from the experiences of some countries, especially the experiences of East Asian countries that were wracked by the financial crisis in 1997 resulting from their mismanagement of foreign investments in nineties of the last century.

C- China has followed a specific strategy in using foreign investment flows to achieve its development goals in a thoughtful and elaborate manner. While it was suffering from weak advanced technological circles, foreign investment projects contributed to transferring these advanced circles to China, and through joint projects, China was able to acquire the necessary skills to deal with advanced technology. On the one hand, China invested the population density and the low cost of work in it to attract foreign investment to take advantage of this advantage. On the other hand, it made it a means to address the high unemployment rates as a result of transferring the ownership of many projects from public ownership to the private sector. The Chinese government directed foreign investments in the eighties to labor-intensive industries such as projects for consumer electronics, toy factories, shoes, clothes, textiles, and others, which contributed to creating hundreds of thousands of job opportunities for the unemployed and improving incomes, which contributed to improving domestic demand. It is also noted from the previous table that the proportion of the contribution of only inward investments to the gross domestic product increased, as it reached its highest level in 2005 and continued to increase, but in a turbulent manner until 2013, after which it began to decline to reach 1,080 in 2019.

#### **instead of the epilogue**

1- China has lived through several stages of economic reform, was able to pass successfully from one experience to another after achieving all the goals of the stage, after realizing the necessity of correcting policy mistakes to its leader (Mao Zedong).

2- After the stage of adopting the post-2003 economic reform policies, China gave more radical reforms by giving a large role to the private sector and recognizing it for the first time in a cycle in stimulating administrative and regulatory reform of rural to urban migration and increasing foreign direct investment.

3- China abandoned the gradual approach to economic reform, which it adopted at the beginning of the fifties, represented by the (former) Soviet model in development, and the results of that application of those policies were lack of interest in the quality of production, and its lack of incentives that encourage production and encourage workers.

4- The state in China played a pivotal role in the process of economic development by designing various plans in strategies, and thus enabled it to take the necessary decisions to overcome the obstacles that prevented the failure of each stage of economic reform.

5- China has succeeded in attracting foreign direct investment in an increasing manner due to the provision of the appropriate investment environment. The net of these investments has been achieved in favor of China through the data for it.

6- China has achieved a significant increase in the size of its gross domestic product and through the economic growth rates achieved annually, and this was reflected in the increase in the income rate of the Chinese citizen.

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