



China's Economic Miracle in 30 Years

Qingjun Wu

Operation and Management College, Qufu Normal University, Rizhao 276826, China

Yuzhong Zhang

Operation and Management College, Qufu Normal University, Rizhao 276826, China

Abstract

It has been 30 years since the reform and opening policy in 1978 in China. During the past 30 years, China has created an economic miracle with its rapidly developing economy, sharply expanding foreign trade, constantly improving living standard and all-time strong overall national strength.

Keywords: China, Economic Miracle, Reform and opening policy

1. Introduction

China has conducted its reform and opening policy for 30 years since 1978, which can be divided into 6 periods according to the changes in government terms every 5 years. The first period lasted from 1978 to 1982; the second from 1983 to 1987; the third from 1988 to 1992; the fourth from 1993 to 1997, the fifth from 1998 to 2002 and the sixth from 2003 to 2007. The past 30 years has witnessed China's efforts to become the fourth largest economy, the third largest trading nation, the second largest exporting nation and to create the greatest foreign exchange reserves, to draw the most foreign investment among developing nations and to achieve the most rapid economic growth among large nations. All of these have proved China's dramatic achievements during this period.

2. Rapid Growth in China's Economy

With an average annual GDP growth of 10%, China has actually created a miracle among large nations. With the factor of price fluctuation taken away, China's total GDP has actually expanded by 12 times. In 2008, China is very likely to become the third largest economy in the world. Among all the six periods in the past 30 years, the last one (2003-2007) has got the greatest achievements, when China's economy remained steady growth of more than 10% for 5 years and its average annual growth reached as high as 10.6%. In addition, China has achieved an ideal economic condition of high growth rate, low inflation rate and steady development with its fluctuation rate in GDP growth of 0.48%, its annual CPI growth of 3% and its annual CPI fluctuation rate of 1.4%.

Table 1.

Period	1978-1982	1983-1987	1988-1992	1993-1997	1998-2002	2003-2007
Average annual GDP (trillion yuan)	0.5	0.9	2	6	10	18.7
Average annual GDP growth	8.9%	12.2%	7.4%	11.9%	8.2%	10.6%
Average annual CPI growth	2.8%	7.4%	7.2%	16%	-1.6%	3%

Note: Here, GDP growth fluctuation is represented by the standard deviation of GDP growth and CPI fluctuation rate is represented by the standard deviation of CPI. The involved data comes from China Statistics Yearbook (1978-2007), Statistical Communique of the People's Republic of China on the National Economic and Social Development (1978-2007)

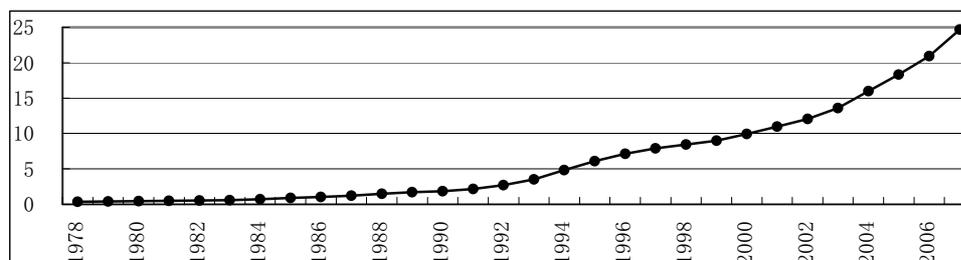


Figure 1. The figure of the changes in China's GDP from 1978 to 2007 (trillion yuan)

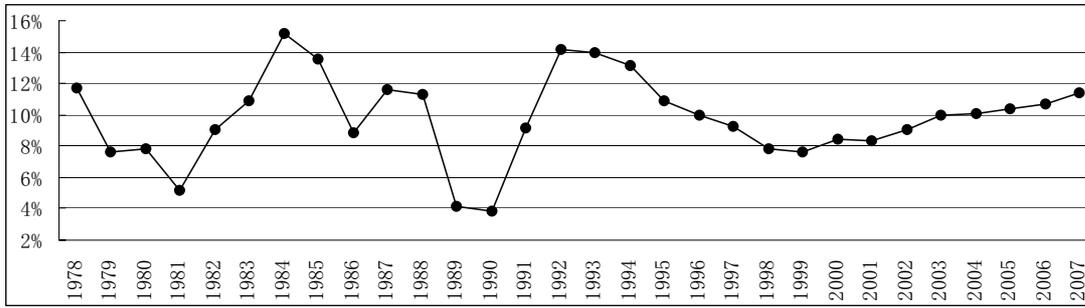


Figure 2. The figure of the changes in China's GDP growth from 1978 to 2007

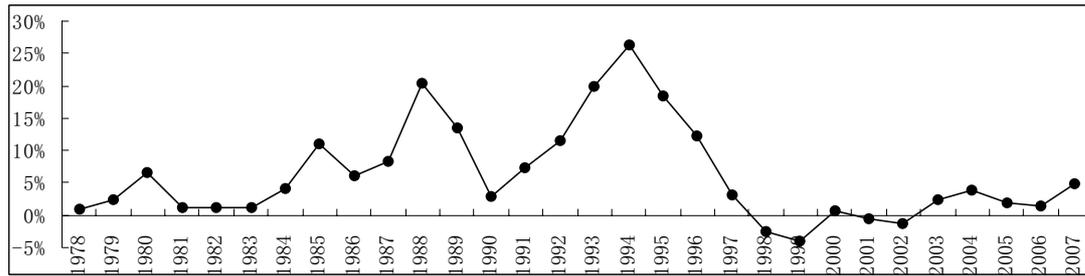


Figure 3. The figure of the changes in China's CPI from 1978 to 2007

3. Outstanding Achievements in Foreign Trade and Dramatic Expansion in Foreign Exchange Reserves

In the past 30 years, China has made every effort to promote its foreign trade, to create favorable atmosphere for direct foreign investment, to enhance its participation in global economy in all aspects and to promote the development of global economy.

Compared with its foreign exchange reserve balance of \$200,000,000 in 1978, China became the top one with its foreign exchange reserves of \$1,000,000,000,000 in 2006 and up to 2007 it has reached up to \$1,530,000,000,000, which is 7650 times of that in 1978. As for the total of imports and exports, it used to be only \$35,500,000,000, exceeded \$1,000,000,000,000 in 2005 and has gone beyond \$2,100,000,000,000 up to 2007, which is 61 times of that in 1978. In the aspect of trade deficit, it was \$2,000,000,000 in 1978 and not became surplus until 1990 with the value of \$8,700,000,000 and has come to \$262,200,000,000 in 2007, which is 30 times of that in 1990. Now China has the largest trade surplus among all nations.

Table 2.

Period	1978-1982	1983-1987	1988-1992	1993-1997	1998-2002	2003-2007
Average annual foreign exchange reserves (hundred million dollars)	17	40	174	783	1928	10633
Average annual total trade volume (hundred million dollars)	576	864	1262	2657	4579	14725
Average annual trade surplus (hundred million dollars)	-25	-73	31	125	300	1198

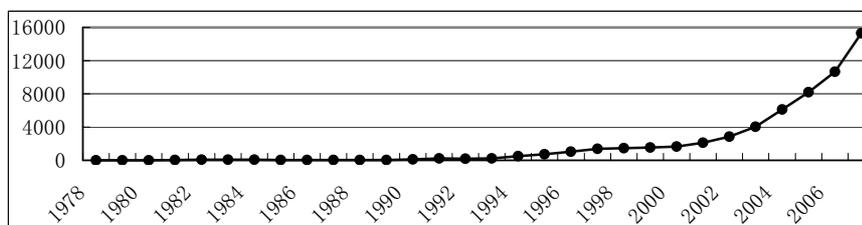


Figure 4. The figure of the changes in China's foreign exchange reserve balance (hundred million dollars)

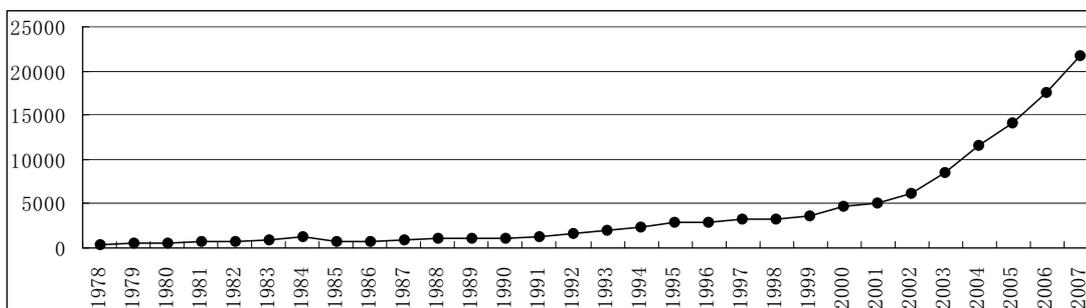


Figure 5. The figure of the changes in China's total imports and exports (hundred million dollars)

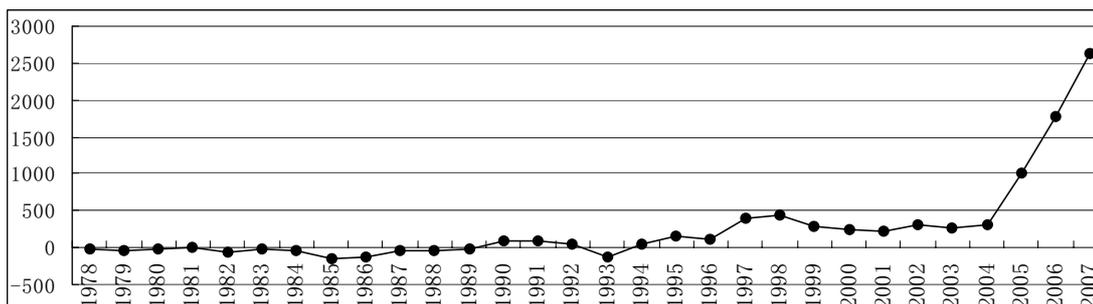


Figure 6. The figure of the changes in China's trade surplus (hundred million dollars)

4. Great Achievements in Industry and Agriculture

Currently, China has got into the top ranks over the world in the production of some important agricultural products. To be more specific, in addition to the greatest production of grain, meat, cotton, peanut, rapeseed, tea-leaf, fruits and so on in the whole world, China is the largest aquatic product

breeding nation with its 35% proportion in the world's total output in which its breeding total accounts for two thirds of the world's total. China is also the largest nation in pork production and consumption, with its annual production accounting for half of the world's total. Besides, over the past 30 years, China's grain output has increased by 1.6 times, cotton output by 3.5 times, that of pork, beef and mutton by 7.8 times and milk output by 41 times.

China's production of some major industrial products, such as steel, coal, cement, chemical fertilizer, cotton, and sugar, has leaped to the first place in the world, and its total generating capacity has ranked second among the world. Its crude steel output is the top one in the world with it even more than the total of the second to the eighth largest nations, accounting for 36.4% of the world's total. Besides, over the past 30 years, its crude oil output has increased by 1.8 times, crude coal output by 4 times, its generating capacity by 12.6 times, steel and iron output by 15.4 times, cement output by 21 times, that of automobiles by 60 times, that of household refrigerators by 1570 times, that of color TVs by 22,000 times, that of household washing machines by 60,000 times and that of air-conditioners by 400,000 times.

Table 3.

Period	1978-1982	1983-1987	1988-1992	1993-1997	1998-2002	2003-2007
Average annual grain output (hundred million tons)	3.3	4	4.4	4.7	4.8	4.9
Average annual output of pork, beef and mutton (ten thousand tons)	1096	1721	2540	3826	4891	6370
Average annual milk output (ten thousand tons)	120	255	426	567	907	2711
Average annual generating capacity (trillion kilowatt hours)	0.3	0.4	0.6	1	1.4	2.5
Average annual crude coal output (hundred million tons)	6.3	8.4	10.6	13.0	11.6	21.4

Average annual steel and iron output (hundred million tons)	0.35	0.48	0.68	0.98	1.41	3.5
Average annual cement output (hundred million tons)	0.8	1.5	2.4	4.5	6.1	11
Average annual automobile output (ten thousand)	16	37	70	144	222	631
Average annual car output (ten thousand)	0.5	1	6.6	34	70	318
Average annual refrigerator output (ten thousand)	5	169	569	861	1300	3233
Average annual air-conditioner output (ten thousand)	1.2	9	62	637	1958	6568
Average annual color TV output (ten thousand)	10	342	1110	2086	4189	7813

5. The Vigorous Development in Logistics, Telecommunication and Tourism

Nowadays, China has become the second largest nation in total mileage of electrified railways with its total of 24,000 kilometers as well as in total mileage of express ways and air transport volume. With the development in the above fields in the past 30 years, China's cargo transport volume has expanded by 9 times, passenger transport volume has expanded by 8.8 times. As for the growth in transport turnover, it has been 10 times in cargo service and 12.4 times in passenger service. Compared with the 500-kilometer express way mileage in 1990, 2007 has witnessed a 107-time expansion with its 53,600-kilometer express ways. Besides, with its nearly 400,000,000 clients in mobile communication, China was accepted as a large mobile communication nation all over the world in 2005. As for the Internet, it had over 100,000,000 users in 2005, and up to 2007, the number has exceeded twice of that. From only 0.38 telephone per hundred persons in 1978 to 68.6 per hundred persons, the popularity rate of telephone has increased by 180 times. Then comes tourism. From 1978 to 2007, the number of inbound tourists has increased from 1,810,000 to 132,000,000, with the latter 73 times of the former. In addition, the past 30 years has witnessed a rapid increase of 159 times in international tourism revenue from \$260,000,000 in 1978 to \$41,900,000,000 in 2007.

Table 4.

Period	1978-1982	1983-1987	1988-1992	1993-1997	1998-2002	2003-2007
Average annual cargo transport volume (hundred million tons)	48	77	100	122	136	188
Average annual passenger transport volume (hundred million persons)	34	61	81	117	148	189
Average annual cargo transport turnover volume (ten thousand ton-kilometers)	1.2	1.8	2.7	3.5	4.4	7.8
Average annual passenger transport turnover volume (ten thousand person-kilometers)	0.22	0.43	0.62	0.89	1.13	1.77

Average annual express way mileage (ten thousand kilometers)			0.06	0.3	1.6	4
Average annual telephone popularity rate (per a hundred persons)	0.4	0.6	1.2	5	21	56
Average annual inbound tourists (ten thousand persons)	548	1798	3102	4806	8133	11559
Average annual international tourism revenue (hundred million dollars)	6	13	26	86	162	297

6. Improvement in Science, Technology and Education Scale

During the past 30 years, China has achieved dramatic development in science and technology, in which the operation of the moon mission “Chang E Scheme” has stimulated the worldwide exploration into the moon. Besides, it has obtained breakthroughs in many significant fields including wireless communication, Maglev transportation, missile and space technology. Up to 2007, China has leaped into the second place of the world in the scale of high-tech industries with its high-tech product exports accounting for 28.6% of the total exports in 2007 compared with 4.7% in 1992. In 2007, the proportion of R&D fund in GDP has increased from 0.7% in 1992 to 1.5%. Besides, the acceptance amount of applications for patent for invention is 29 times of that in 1985. Currently, China has become a manufacture base of electronic and information products, which produces one thirds of the world’s electronic products.

As for education, compared with 400,000 students enrolled in regular higher education in 1978, 2007 has achieved a 14-time increase with 5,670,000 enrolled students. In 1978, only 165,000 students graduated from regular institutions of higher education, while the number has reached 4,950,000 in 2007, which is 30 times of the former. In 1978, there were only 9 college students in every ten thousand people, while the number has reached up to 142 students, 16 times of the former. The gross enrollment rate of higher education has increased from 3.4% in 1990 to 23% in 2007, which as 6.8 times of the former. In the aspect of postgraduate education, the enrollment has increased from 11,000 in 1978 to 424,000 in 2007 (39 times). Compared with the number of 9 in 1978, as many as 310,000 students graduated from their postgraduate courses (34,000 times). Besides, there were only 0.1 postgraduate student in every ten thousand people, while the number has reached up to 9, 90 times of the former.

Table 5.

Period	1978-1982	1983-1987	1988-1992	1993-1997	1998-2002	2003-2007
Average annual number of regular higher education graduates (ten thousand)	20	37	59	74	100	321
Average annual number of postgraduates (ten thousand)	0.3	1.4	3.4	3.5	6.2	20.4
Average annual gross enrollment rate of higher education				7.1%	12.2%	20.4%

Average annual number of college students in every ten thousand people	11	15	18	24	46	117
Average annual number of postgraduate students in every ten thousand people	0.2	0.8	0.9	1.2	2.6	7.2
Average annual number of accepted applications for patent for invention (ten thousand)			1.1	2.5	5.4	17.3
Average annual proportion of high-tech product exports in the total				6.9%	15.4%	27.9%
Average annual proportion of R&D fund in GDP				0.6%	1%	1.4%

7. Improved Living Standard and Consumption Will

Table 6.

Period	1978-1982	1983-1987	1988-1992	1993-1997	1998-2002	2003-2007
Average annual per capita dispensable income for urban residents (yuan per person)	452	772	1558	4071	6424	10786
Average annual per capita net income (yuan per person)	196	390	665	1574	2294	3308
Average annual per capita savings (yuan per person)	42	171	639	2476	5328	10651
Average annual Engel coefficients for urban residents	57.3%	55.3%	53.4%	49.2%	40.4%	36.7%
Average annual Engel coefficients for suburban residents	62.8%	57.7%	56.6%	57.4%	49.8%	44.9%

Compared with some relevant data in 1978, the per capita disposable income for Chinese urban residents has increased by 40 times, the per capita net income for suburban residents has increased by 31 times and the per capita savings balance has increased by 589 times. In the aspect of the Engel coefficients, for urban residents, they have dropped from 57.5% in 1978 to 36.3% in 2007, and for suburban residents they have dropped from 67.7% to 43.1%.

8. Conclusion

Despite some problems in current China, such as excessive resource consumption, deteriorating ecological environment, unbalanced development among different regions and sharpening polarization between the rich and the poor, it is safe to draw the conclusion that China is at its best now. With its outstanding achievements in the 30 years since reform and opening, China has created a miracle of maintaining constantly rapid economic growth in a great nation.

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