

EC2374

Economy of Modern China

Semester I, 2010/2011

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China in the limelight

Major “economic” issues:

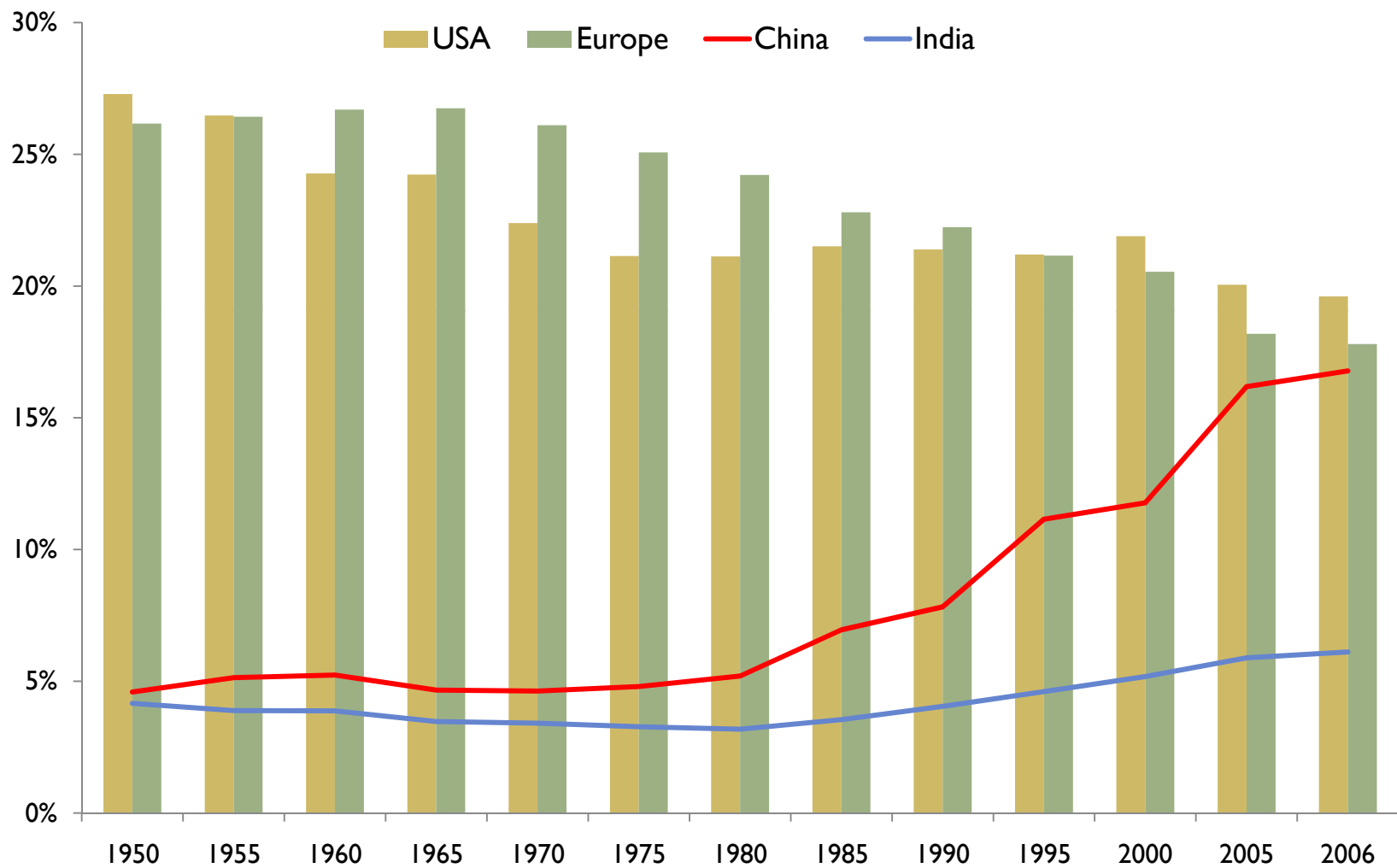
- RMB revaluation;
- Energy, environment, and climate change;
- Trade imbalance;
- Foreign investors;
- Overseas investment;
- Income inequality;
- Resources and sustainability;
- Etc.

Topic 1 Rapid development & global implications

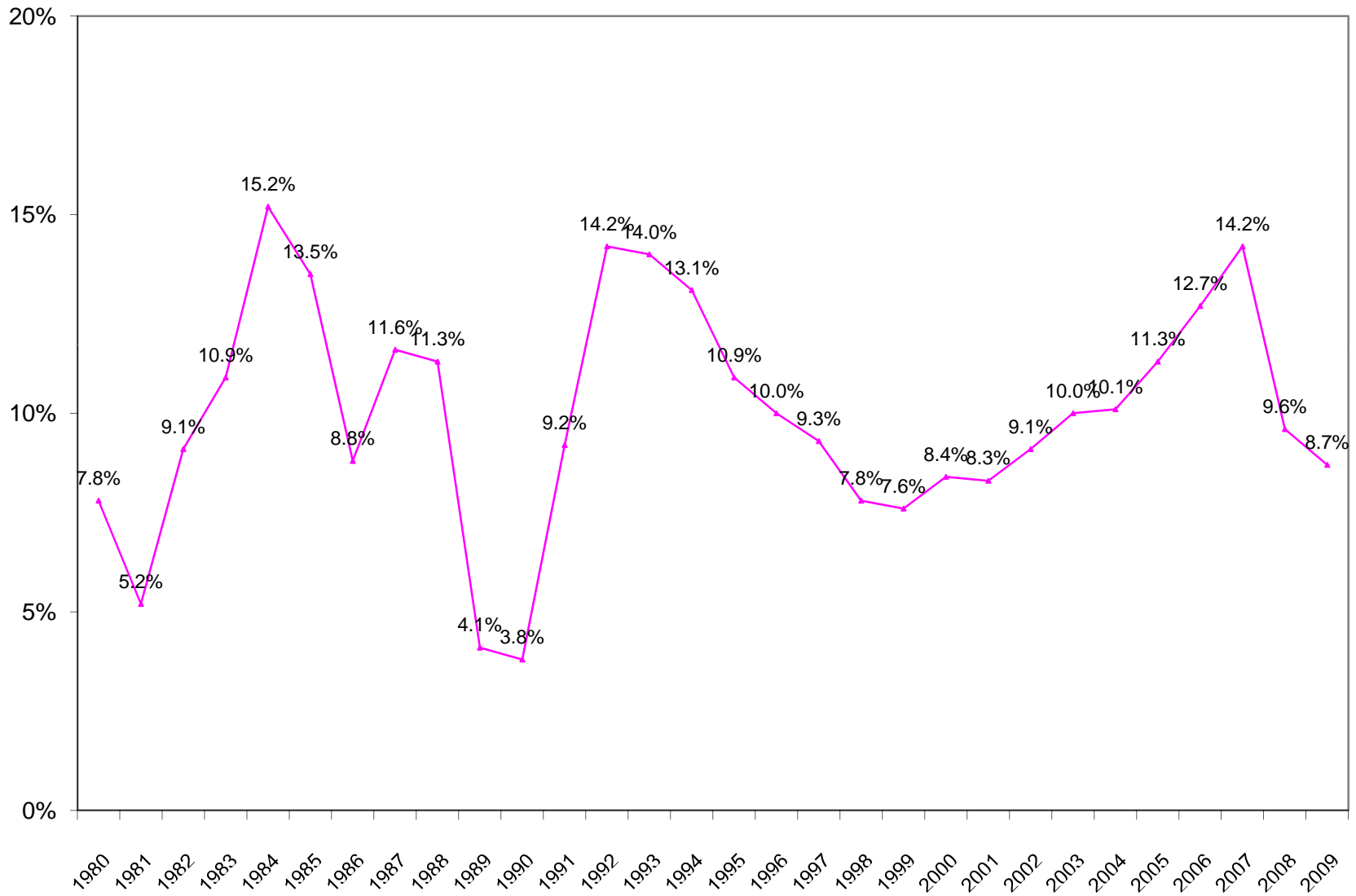
Rapid growth/development:

- Growth
 - Long term performance
 - medium term performance
 - Short term performance
 - Current

Share in World GDP 1950-2006



Annual GDP Growth, 1990-2009

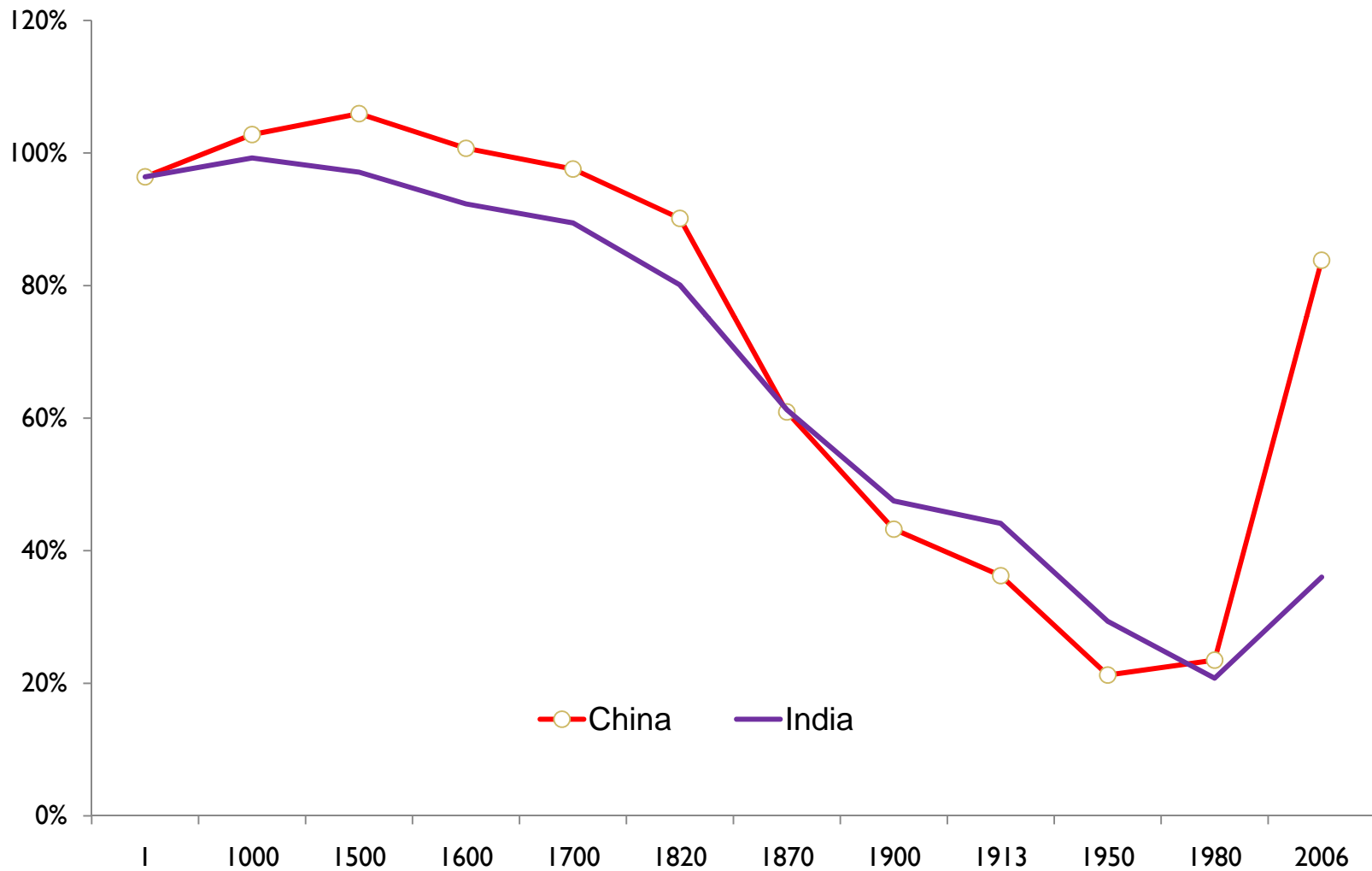


Topic 1 Rapid development & global implications

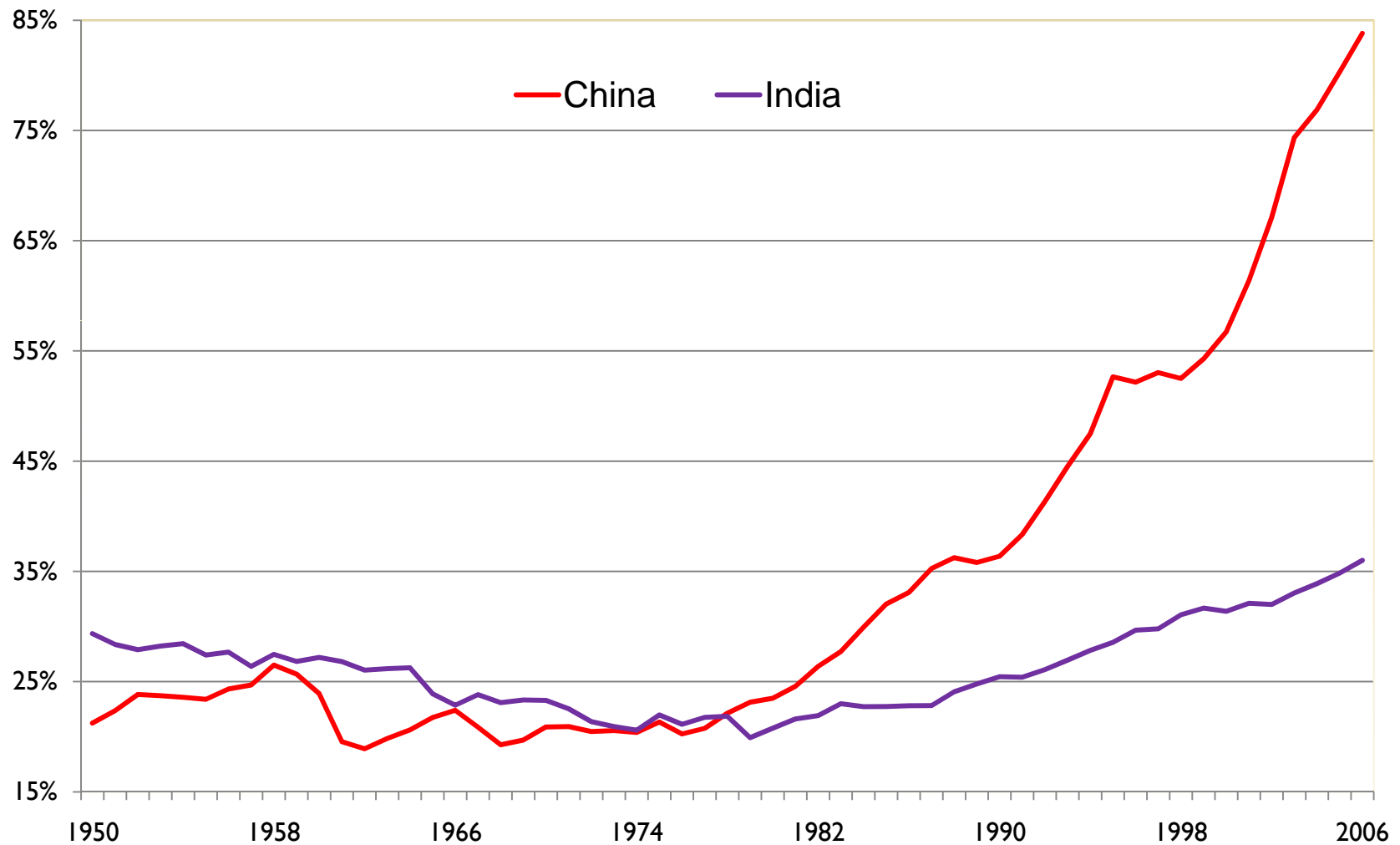
Rapid growth/development:

- Development
 - Industrialization
 - Urbanization
 - Rising standard of living

Per capita GDP as % of World Average 1 - 2006



Per capita GDP as % of world average 1950-2006



GDP & GNI per capita, 2001-2006

		2001	2002	2003	2004	2005	2006
GDP							
World	US\$ bil	31614	32866	36960	41552	44795	48245
China	US\$ bil	1325	1454	1641	1932	2244	2668
China's share	%	4.2%	4.4%	4.4%	4.6%	5.0%	5.5%
GNI per capita							
World	US\$	5216	5168	5563	6338	7016	7439
China	US\$	1000	1100	1270	1500	1740	2010
China/World	%	19%	21%	23%	24%	25%	27%

Human Development Indicators, 1980-2005

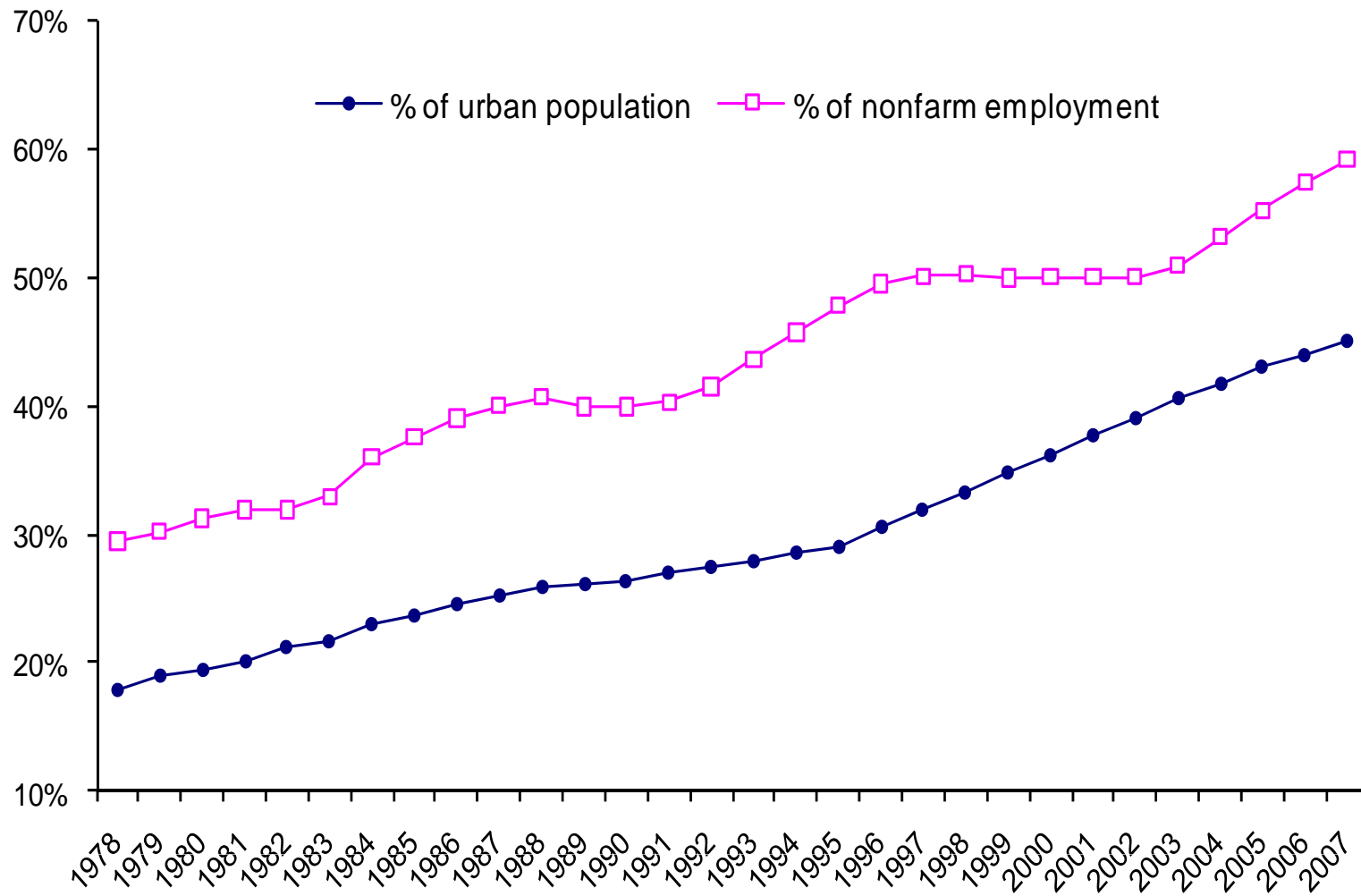
Rank	Country	1980	1990	2000	2005
1	Iceland	0.890	0.918	0.947	0.968
8	Japan	0.886	0.916	0.941	0.953
10	France	0.872	0.907	0.938	0.952
12	US	0.890	0.919	0.942	0.951
16	UK	0.860	0.890	0.931	0.946
21	HKSAR	0.803	0.865	0.919	0.937
22	Germany	0.863	0.890	0.928	0.935
25	Singapore	0.762	0.827	--	0.922
26	Korea	0.747	0.825	0.892	0.921
63	Malaysia	0.662	0.725	0.790	0.811
81	China	0.559	0.634	0.732	0.777
	China/Max	62%	68%	76%	80%
90	Philippines	0.688	0.721	0.758	0.771
107	Indonesia	0.533	0.626	0.692	0.728
177	Sierra Leone	--	--	--	0.336

GDP and Industrial Growth, 1990-2009



Source: NBS, World Bank and MIIT

Urbanization of China, 1978-2007



Topic 1 Rapid development & global implications

Growing challenges:

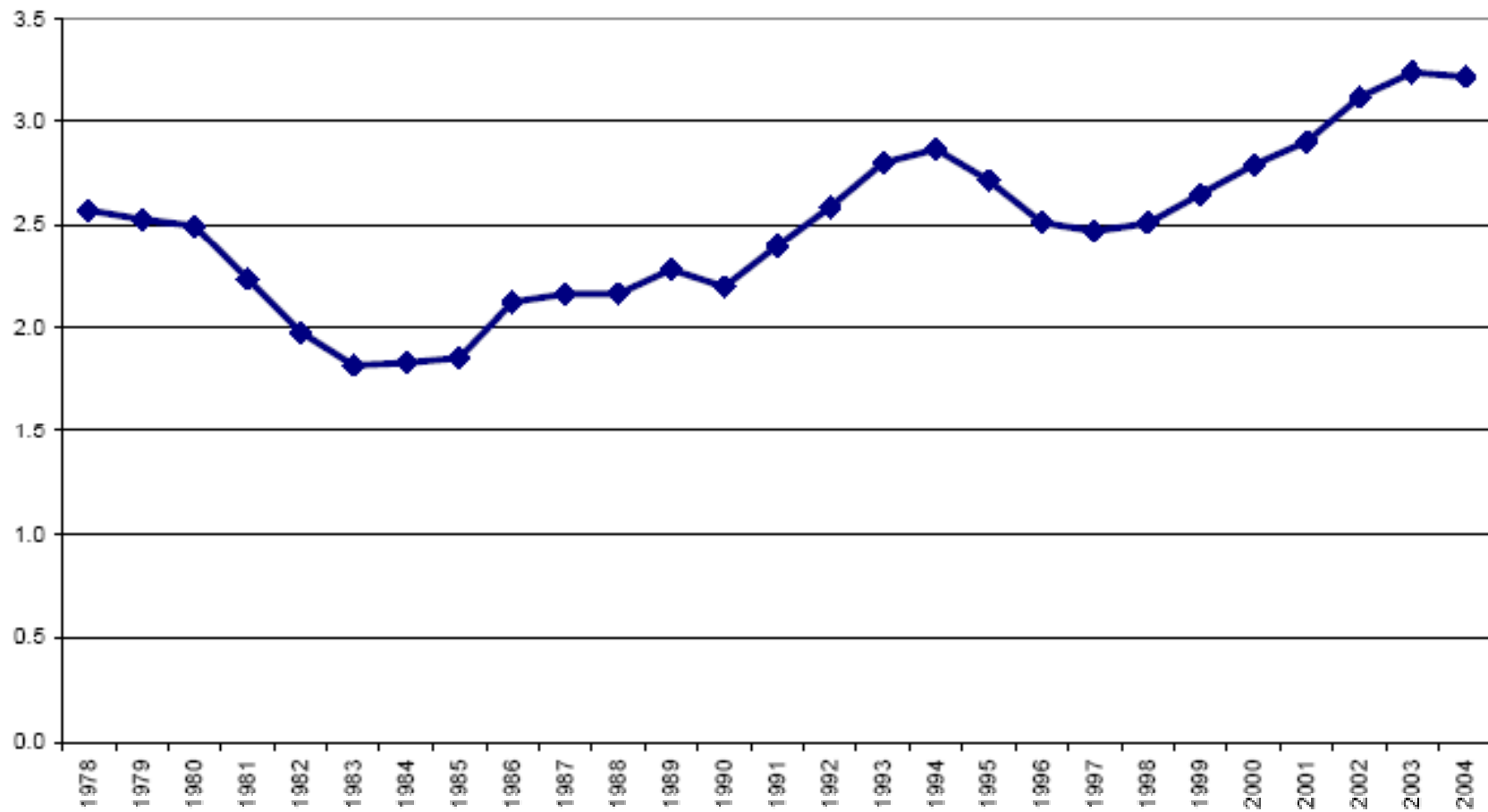
- Problems associated with rapid growth
 - Inequality
 - Environment degradation
 - Energy

Topic 1 Rapid development & global implications

Inequality

- Income inequality
 - GINI coefficient:
 - Rural-urban divide
 - Coastal vs. inland regions
- Inequality in opportunities
 - Jobs
 - Education and other public goods

Fig. 5-3: Ratio of Urban to Rural Household Income

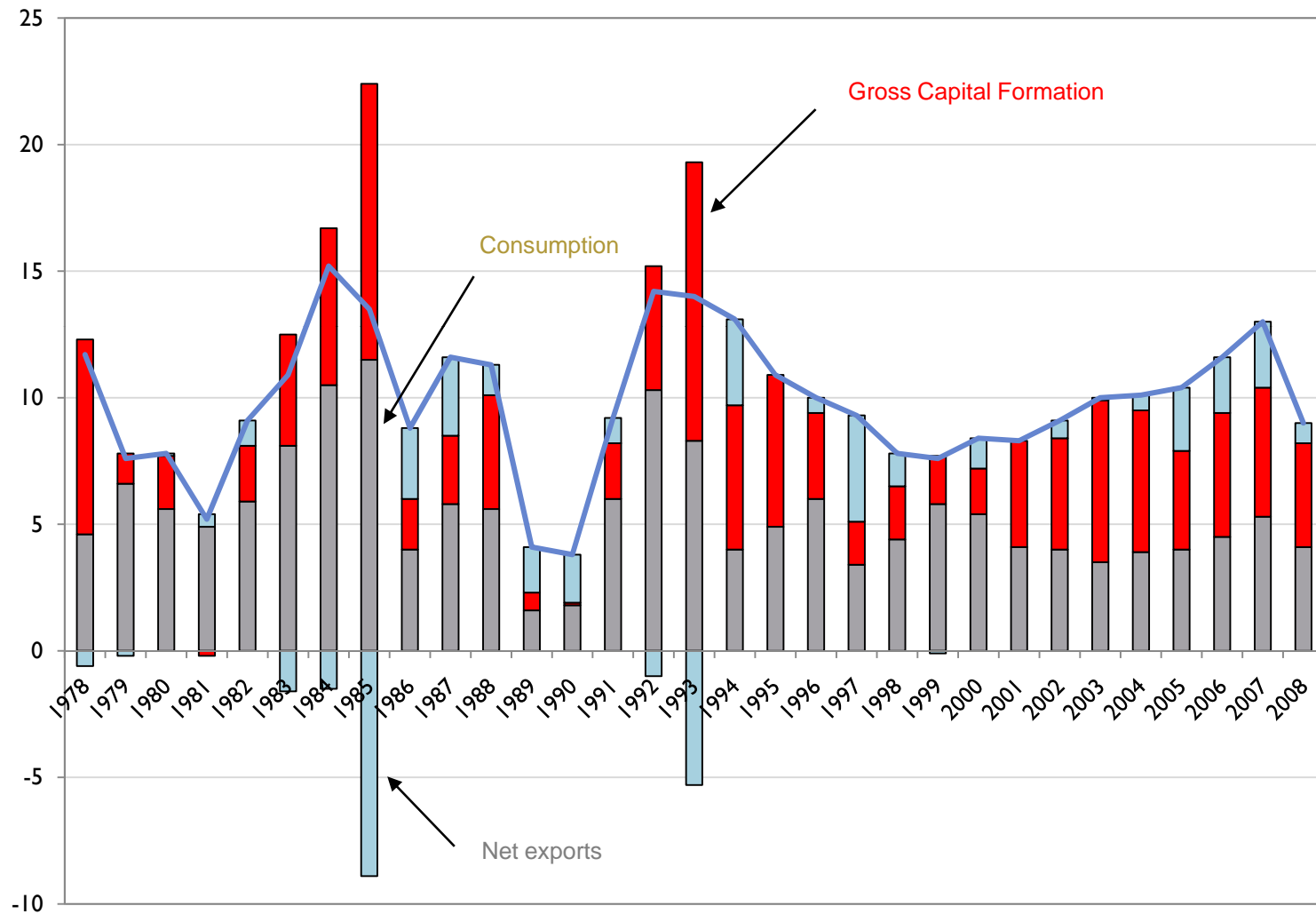


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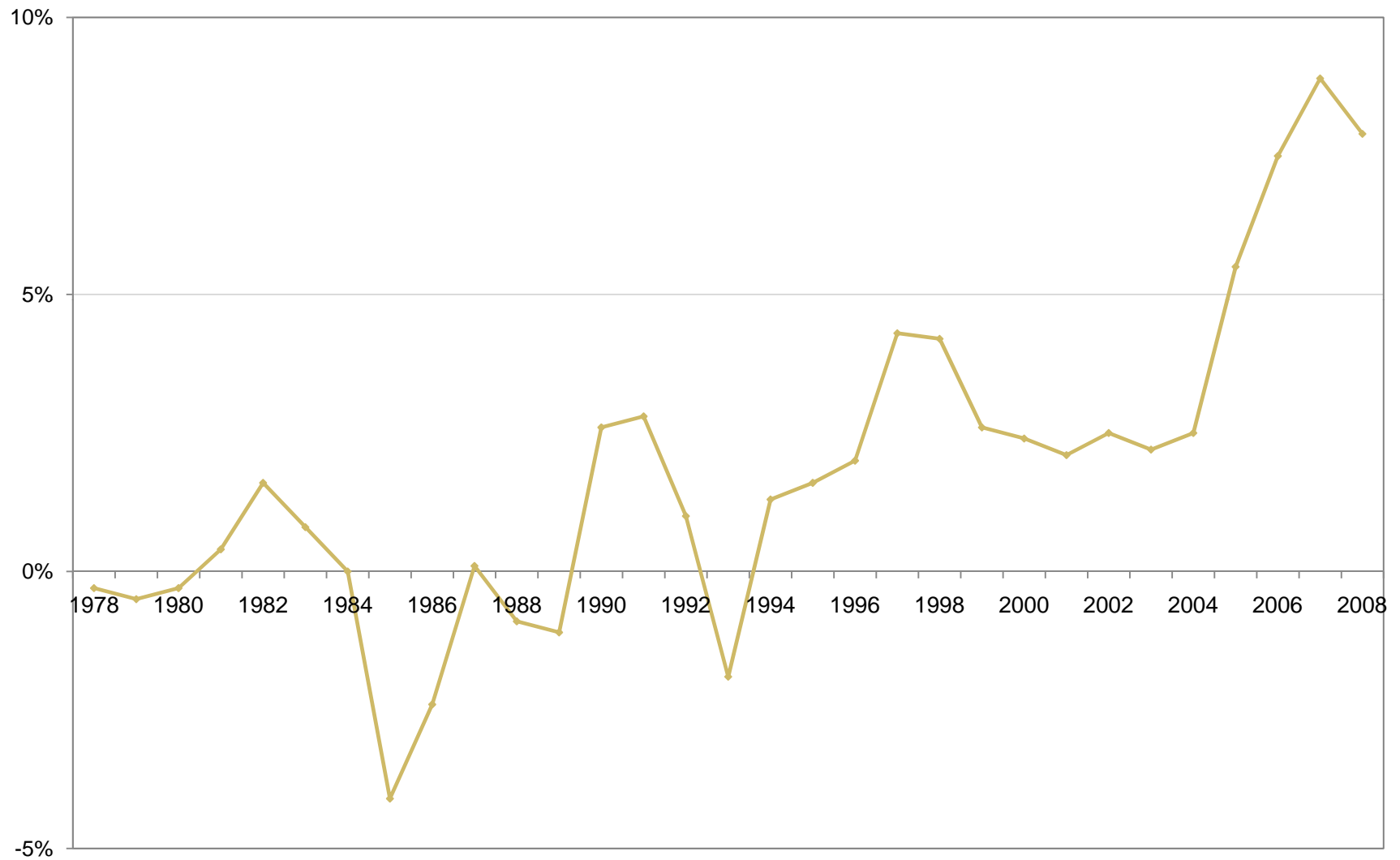
Growing challenges:

- New sources of growth
 - From investment-driven to consumption-driven
 - Technological advancement
 - External imbalances

Sources of China's Growth 1978-2008

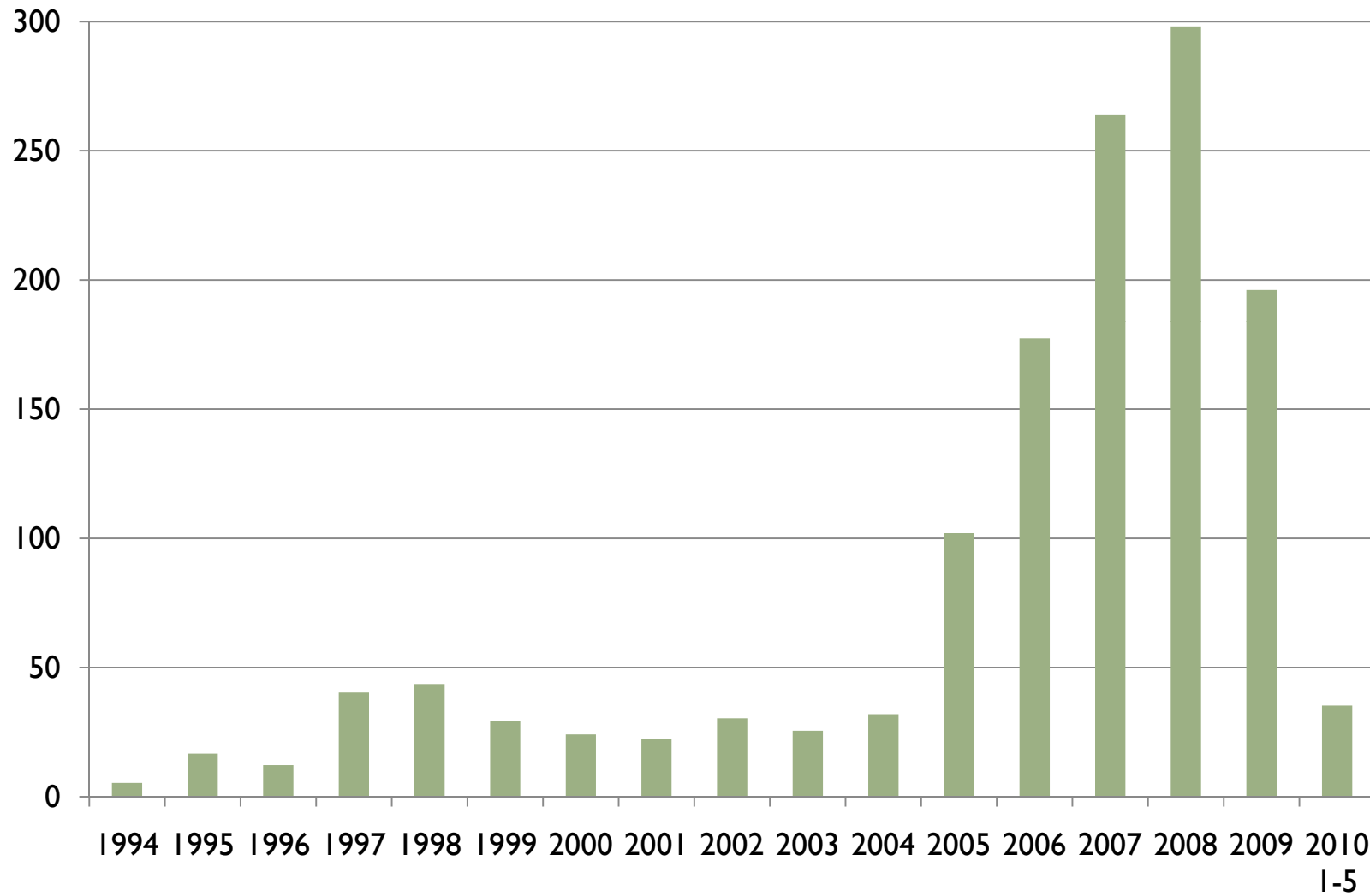


Net export to GDP ratio, 1978-2008



Trade balance, 1994-May 2010

(bil US\$)

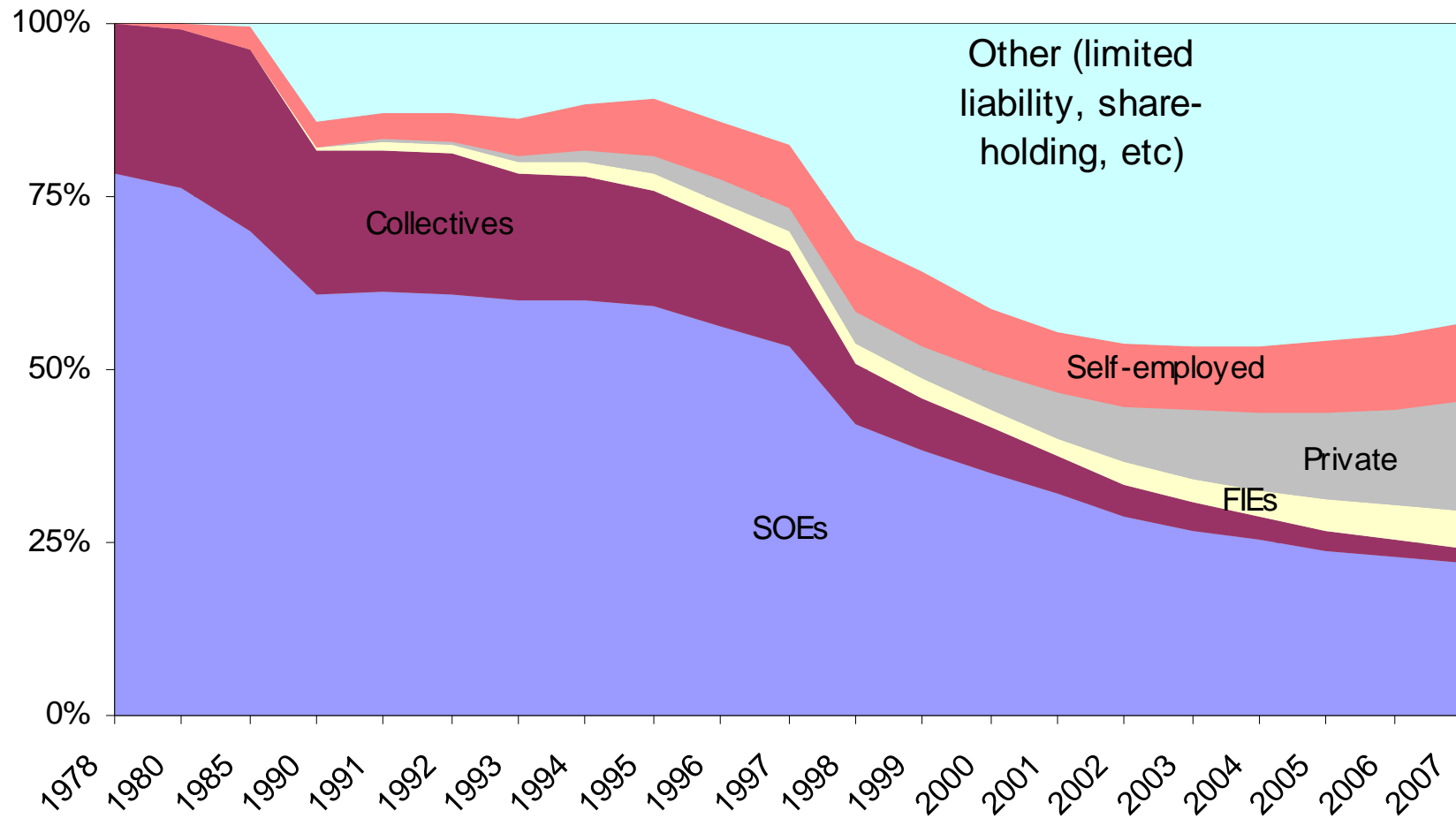


Transition

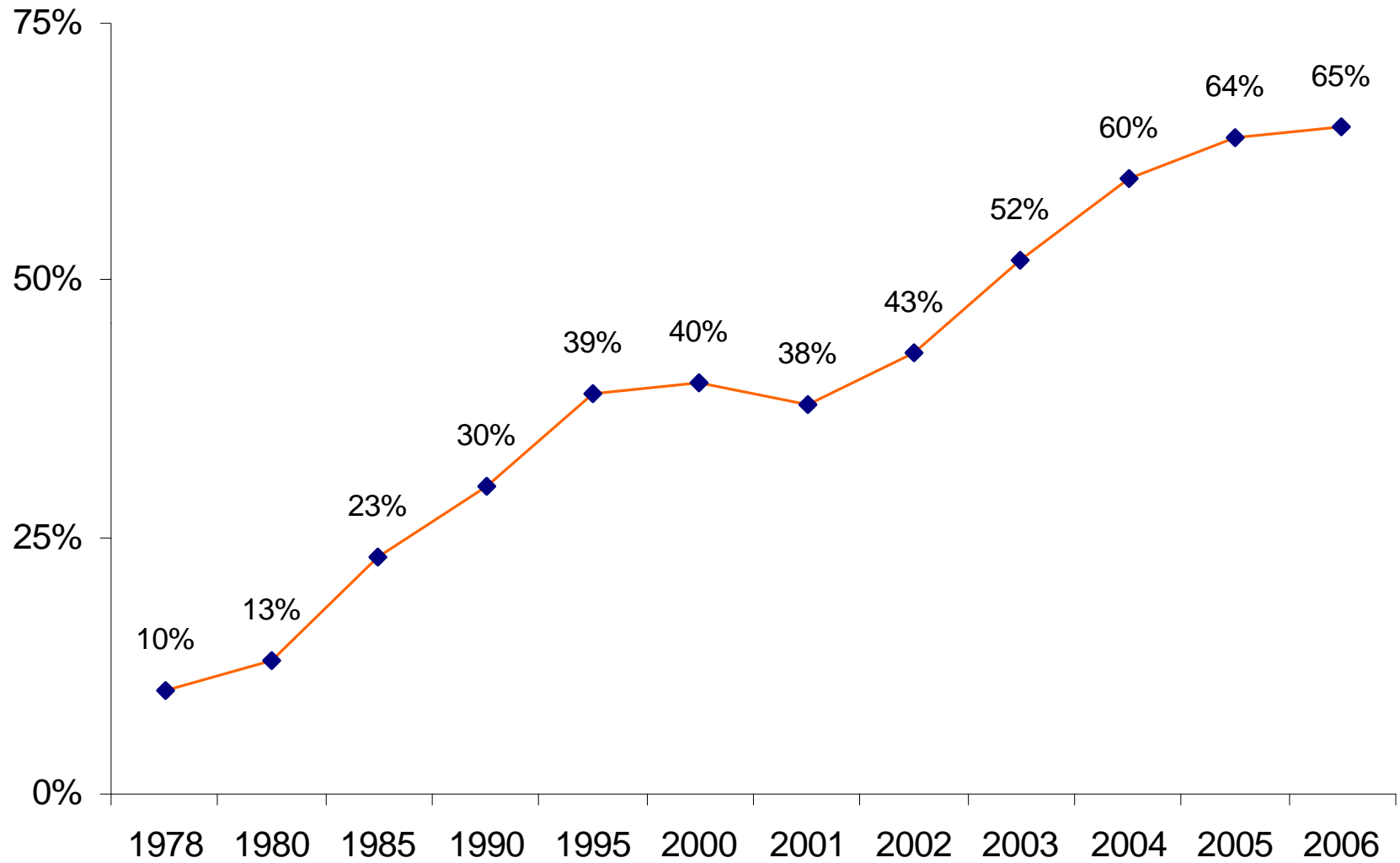
Rapid & profound transformation

- from central-planning to market economy
 - production, consumption, employment
- from state-dominated to a diversified economy
 - private, foreign investment
- from autarky to deep integration
 - trade expansion
 - increasing trade to GDP ratio

% of urban employment, 1978-2007



China's Trade to GDP Ratio, 1978-2006



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Global implication I: lessons for others?

- CHINA MODEL/BEIJING CONSENSUS?
- Growth/development
 - Investment-led
 - Export-oriented
 - The role of government and SOEs
- Transition
 - Market liberalization
 - External openness

Topic 1 Rapid development & global implications

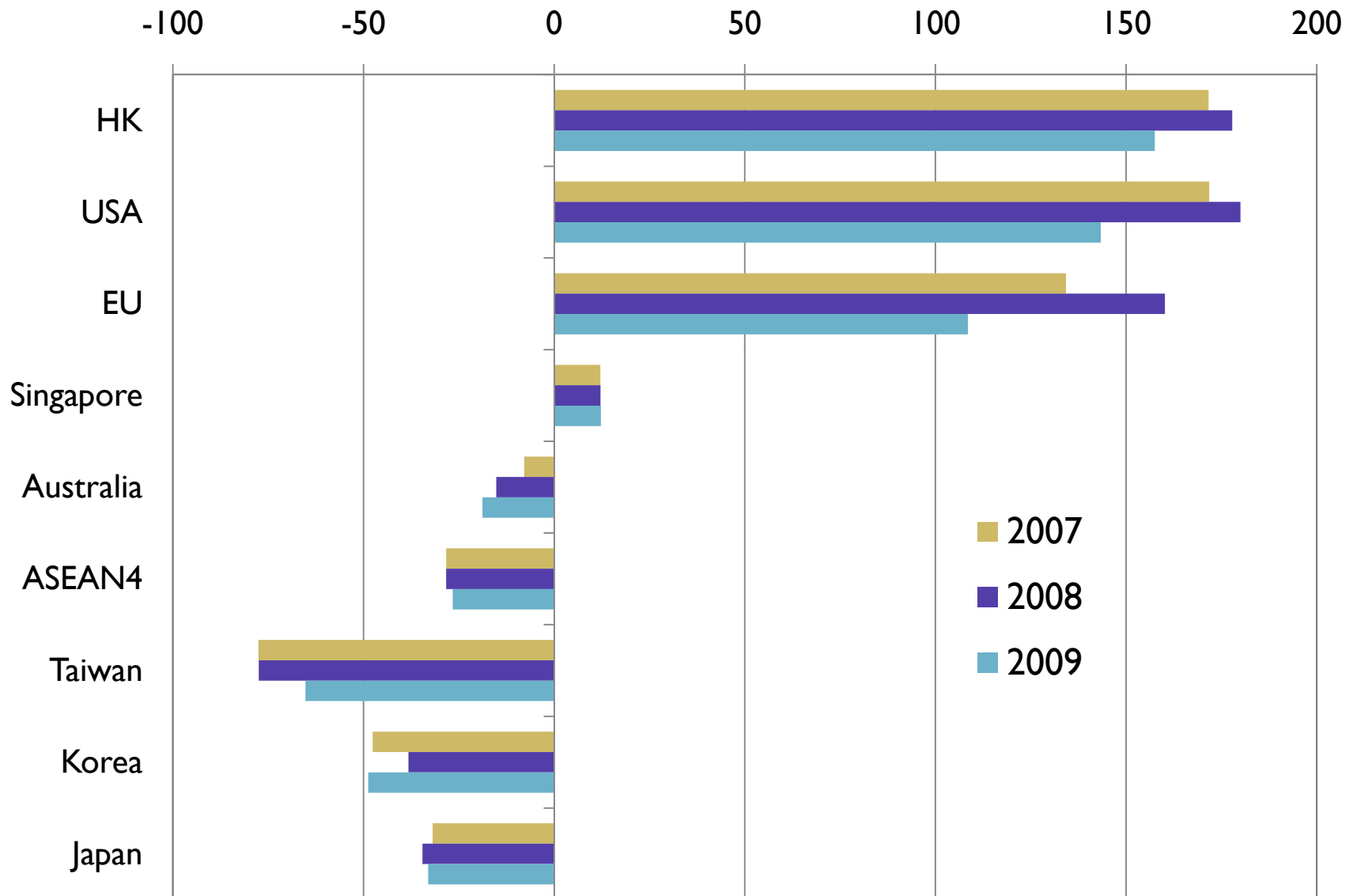
Global implications II: impact on others

- As a large growing country
 - Demand and supply
 - Resources
 - Economy of scale /scope
- As an economy increasingly integrated with the rest
 - Domestic and external imbalances
 - Regional production network/supply chain

Shares in World GDP, 1990-2006

	1990	2006
Developing Asia	3.1%	7.5%
China	1.6%	5.5%

China's trade balance with selected economies (US\$ Bil)



China's import & export for machinery, vehicles & equipment

% change: Q1 2008 to Q1 2009	<u>Import</u>	<u>Export</u>
Total	-27%	-22%
ASEAN 5 + Vietnam	-37%	-25%
US	-14%	-16%
EU	-10%	-26%
Japan	-30%	-25%
S Korea	-28%	-11%
Taiwan	-47%	-33%

Source: China's Customs Statistics various issues

Topic 1 Rapid development & global implications

Key question

- Why are we interested in the economy of China?
 - Its “remarkable” achievement
 - Its experience may serve as lessons to others
 - It will affect the rest of the world in a significant way

Topic 1 Rapid development & global implications

Future prospects:

- Sustainability: can China maintain its growth momentum?
 - Domestic challenges
 - External challenges
- Impact on the rest of the world:

Module introduction

Coverage and focus:

- Chinese experience
 - Historical as well as **contemporary**
- Impact and implications
 - **Regional** as well as global
- Challenges
 - Domestic and external

Module introduction

Organizations:

- **Lectures:**

- 12-13 lectures on Wednesdays
- Outline of each lectures posted on IVLE's workbin

- **Tutorials**

- 5 tutorials, starting in wk3/wk4
- Discussion groups within tutorials, 4-5 members each
- Questions and readings for discussion are assigned
- Summary of tutorials to be submitted onto IVLE
- Group projects are presented at the last tutorial

Module introduction

Organizations:

- Additional channels of communication
 - email: ecstyt@nus.edu.sg
 - phone: 6516-6017/6516-3718
 - consultation: by appointment
- Assignment
 - Group projects are presented at the last tutorial
 - One individual online-assignment

Module introduction

Assessment:

- Final exam: 40%
 - Close book
 - MCQs, short answer questions, essay questions
- CA: 60%
 - 1-hour, in-class mid-term exam: 20%
 - group project: 15% (written 8%, presentation 7%)
 - Individual assignment: 5%
 - tutorial attendance / participation: 20%

Module introduction

More on assignments:

- Group project
 - groups of 4-5 students
 - choose from given topics
 - presentations (15 min)
 - written paper due before the presentation
- Individual (on-line) assignment
 - Write a review of an assigned article on Chinese economy.

Module introduction

Readings:

- Required textbook

- Barry Naughton (2007) *The Chinese Economy: Transitions and Growth* (available at NUS Coop).

- Other readings:

- Angus Maddison (2007), *Chinese Economic Performance in the Long Run* (2nd edition), OECD Development Centre Studies (available via NUS library's e-resource) (<http://www.ggdc.net/Maddison/>)
- C. Fred Bergsten, et al. (2008), *China's rise: challenges and opportunities*
- Additional readings will be assigned