

China

Reform and Opening-up & Economic Development

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Overview:

China's Economic Development & Reform and Opening-up

- The structure and size of China's economy
- The evolutions and achievements of China's economy
- China's experience in economic development
- The challenges ahead of China's economy

Structure and Size of China's Economy

Figures in 2005

Population and Employment

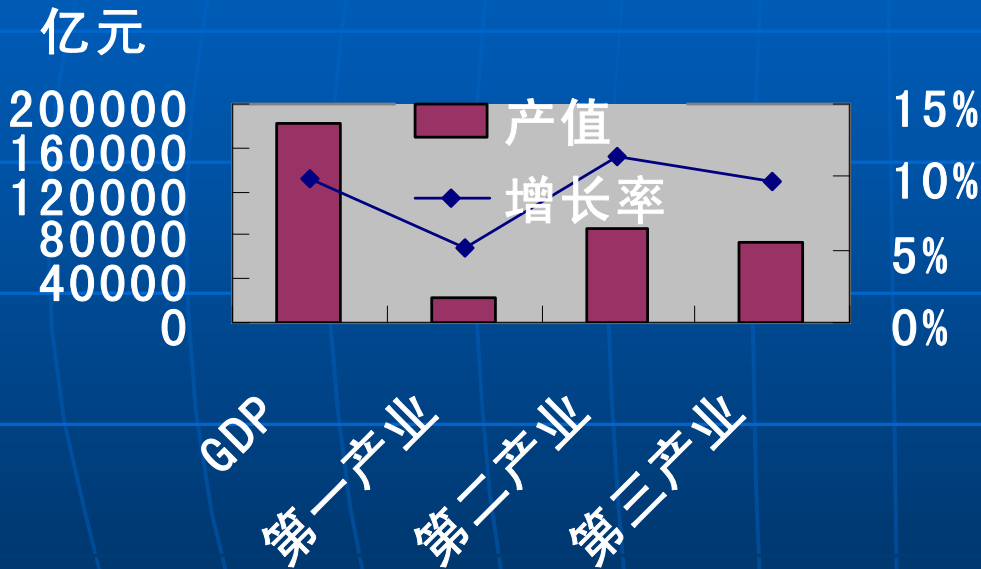
- Total population of 1.3 billion with 16 million newborn every year
- Total employment of 758 million
 - 273 million in urban areas
 - 9.7 million newly employed
 - the registered unemployment ratio is 4.2% in rural areas by the end of 2005

The Output of Major Industrial Products

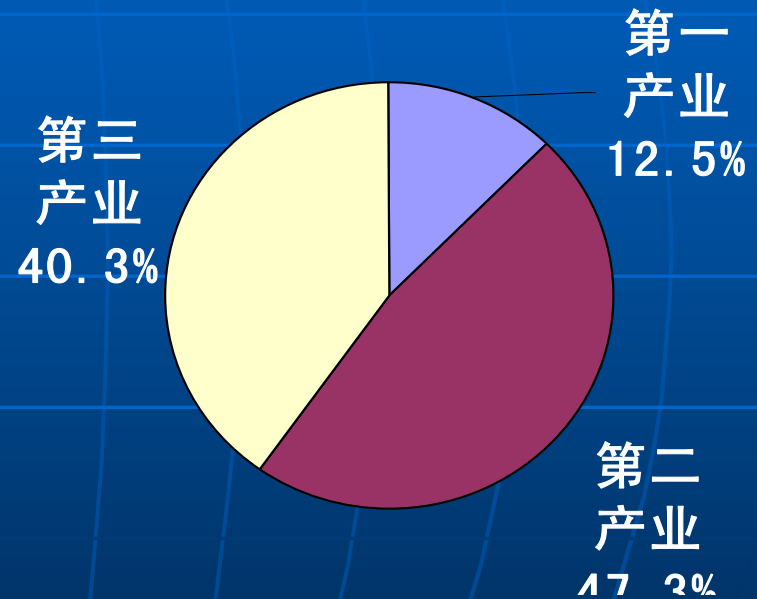
- **14.4 million tons of voile, 47 billion meters fabric, and 16.18 million tons chemical fiber**
- **82.83 million color TV sets, 29.86 million household refrigerates and 67.65 million air-conditioners**
- **2.19 billion tons of coal, 29.86 million tons of crude oil, 2474.7 billion kilowatts of electricity, 35.2 billion tons of crude steel, 39.6 billion tons of rolled steel, 8.51 million tons of aluminum oxide**
- **1.06 billion tons of cement, 7.56 million tons of ethene, 52.2 million tons of chemical fertilizer**
- **5.7 million vehicles, including 2.77 million cars, 162 thousand medium-large tractors**
- **26.6 billion integrated circuits, 77.21 million program control switchers, 30.3 billion mobile phones, 80.84 million micro-electronic computers**

Gross Domestic Product

GDP、各产业增加值以及增长率



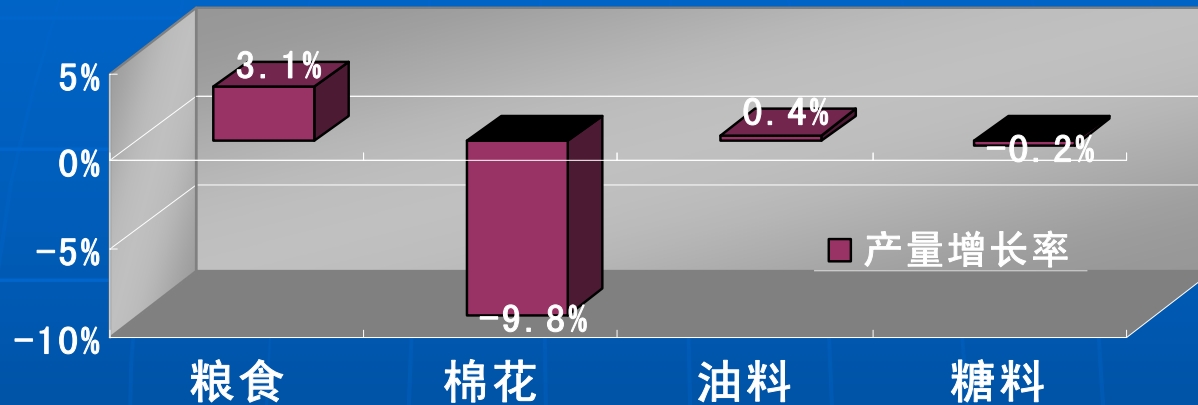
各产业占GDP的比重



Industrial added-value

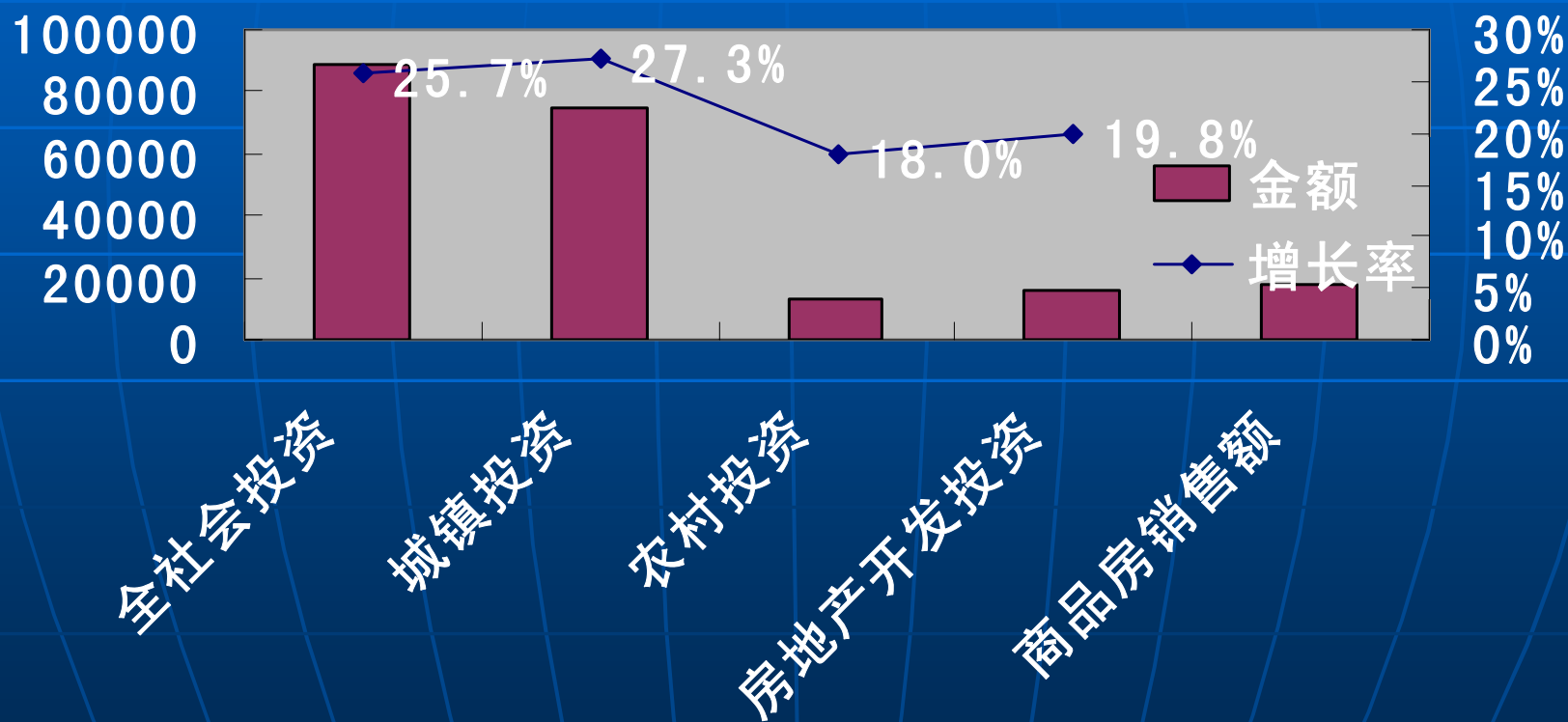
- Total year-around industrial added value reaches RMB 7,619 billion, up 11.4%
- Large-scale industrial added value adds up to RMB 6642.5 billion, up 16.4%
- The outputs of program control switcher, mobile-phone and micro-electronic computer have increased by 1.3% to 35.3%
- A rise of 12.9% of integrated circuit, 1.3% of program-control switcher, 6.4% of mobile phone, and 35.3% of micro-electronic computer

Grain output

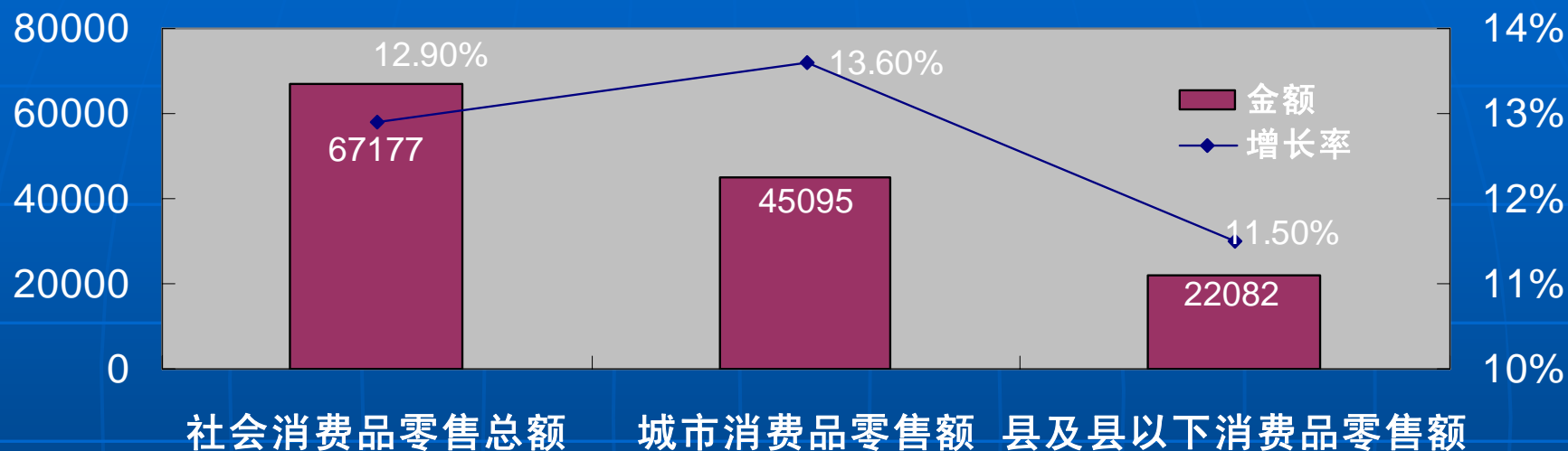


- Total grain output accounts for 484.01 million tons year-around, 14.54 million tons or 3.1% increase; including 5.7 million tons cotton; 30.78 million tons oil plant; and 95.51 million tons sugar
- A steady increase in output and variety of vegetable & fruit with good-quality

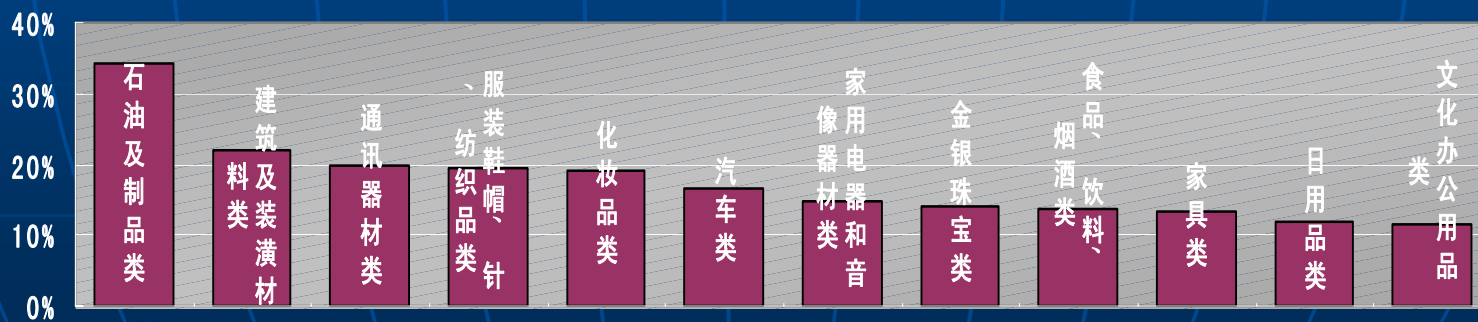
Total Fixed Assets Investment



Total retail sales of consumers goods



消费增长最快的十二类产品



Foreign trade and investment

- Total value of export and import accounts for US\$1422.1 billion, up 23.2% and a surplus of US\$ 101.9 billion
- Total number of Firms from FDI set-up is 44,001, up 0.8%. Total actual use of DFI accounts for US\$ 60.3 billion, decline by 0.5%
- Total external direct investment (excluding financial part) adds up to US\$6.9 billion, up 25.8%
- Total turnover of external contracting project amounts for US\$21.8 billion, up 24.6%
- Total turnover of external labor collaboration adds up to US\$4.8 billion, rise by 27.5%

Tax Income and Industrial Profit

- Total revenue accounts for RMB 3088.6 billion (excluding tariff and agricultural tax), an increase of RMB 514.8 billion or 20% up.
- Total profit of National large-scale industrial enterprises adds up to RMB 1436.2 billion, up 22.6%

Foreign Exchange Reserve and Exchange Rate

- By the end of 2005, national foreign exchange reserve had totaled US\$ 818.9 billion, an increase of US\$208.9 billion than that of 2004
- On July 21, 2005, China announced reform on the formation system of exchange rate of RMB. By the end of 2005, the RMB is traded at a rate of 8.0702 for the US dollar, 2.56 points higher than the same period of previous year

Evolution and Achievement of China's Economy

Expansion of Economy Size

- China's GDP has grown to RMB18.2 trillion in 2005 up from RMB 362.4 billion in 1978, with an average annual growth rate over 9% and top-ranked world-wide
- Economy Size fourth-ranked world-wide
- The output of major industrial and agricultural products ranked among the world's top.
- The biggest country of fixed-telephone/mobile phone user in the world
- In 1995 and 1997, both GDP and GNP quadrupled those of 1980

End-up of Shortage Economy

- Phenomenal changes in Marketability
- China was experiencing an economy of shortage in 1978
- In 2005, the supply of 428 commodities, or 71.3% of total, exceeds demand; the supply of 172 commodities, or 28.7% of total, equals to demand
- Since 1998, demand has never exceeded supply.

Considerable Improvement in Science and Technology (S&T)

- China's overall S&T development is among the modest world-wide
- Certain S&T innovation capacity is among international frontier.
- By the end of 2005, technicians and engineers add up to 27.2 million in state-owned enterprises/ institutions
- With 15.62 million students studying in colleges in 2005, the high education with the largest scale came into existence in the world .

Financial Strength Has Been considerably Enhanced

Financial revenue has been increased from RMB113.2 billion in 1978 to RMB 3088.6 billion in 2005, 27 times increase, or an average annual growth of 12.5% above

National foreign exchange reserve has increased from US\$167 million in 1978 to US\$818.9 billion, up to 4000 times than that of past. The foreign exchange reserve has increased to US\$875.1 billion, ranking the top in the world

Mechanism Reform Develops Further

- Socialist market-oriented economic system has been established, and market now is playing a fundamental role in resources allocation.
- The role of government in economic activities has been transformed continually, In most areas, administrative examination and approval are replaced by administrative license, and governmental intervention decrease
- System with joint development of multiple economies of ownership was generally established
- Administrative system of state-owned assets is continuously improved

Relative Advantages Forged

- Market with largest potential in the world
- sufficient high-quality, low-cost human resources
- political & social stability, fast economic growth
- strong industrial base with intensive competitive capacity
- well-established infrastructure
- improved legislation environment
- foreseeable political system
- open-mind setting

Concentrate on Harmonious Society Building

- Strive for a notion of development with human-centered, all-round, coordinative and sustainable approach, and promote holistic development of economy, society and human
 - ✓ Develop a coordinative regional economy
 - ✓ Rebalance the relationship between nature and human-being
 - ✓ Income/wealth distribution system to be improved step by step, including pension program, insurance covering labor and medical , social aid and low income threshold and social security etc.
 - ✓ Pay more attention to job creation, vulnerable group protection and stable social development

China's experience in economic development

An opening-up approach to Development

- ◆ China's 27 years of Reform, opening-up, and modernization
- ◆ China's experience is recognized and appreciated by the world
- ◆ US <International Herald Tribune Timeline > : <China change in own way>
- ◆ UK <guardian>: <China's experience in poverty reduction>
- ◆ Mexico <La Jornada>: <China: the Asian horizon>

An opening-up approach to development

- ◆ London Foreign Policy Center published the report <The Beijing Consensus>, which considered that:
 - ✓ The China's Mode is a developing approach to pursue fair and high-quality improvement which accords with China status, social demand
 - ✓ The China's mode of economy development not only suits for China, but also be suitable for other developing countries which seek economic development and improving the people's life.
 - ✓ "The Beijing Consensus" is successful, and the "Washington Consensus" is failing, which was popular in the West for 20 years.

opening-up and reform for development

- ◆ Opening-up is the fundamental policy and a must-do choice for China
- ◆ Domestic development is the objective of opening-up, while opening-up is mean to realize the domestic development
- ◆ Opening-up without domestic development makes no sense and even be dangerous.
- ◆ Domestic development can not be achieved without opening-up.

Reform and development for opening-up

- ◆ Through 27 years of persistent opening-up, China has removed structural obstacles of opening-up step by step
- ◆ After accession to WTO, China integrates domestic economic system with international market, rules and regulations, therefore deepens opening-up in all-dimension

Sizing Opportunities for development

- ◆ Sizing opportunities, widen the opening-up in right time by right measures, promoting the domestic development
 - ✓ 1980's: global labor-intensive industry transferred to developing countries
 - ✓ 1990's: international industries re-structure
 - ✓ First 3 years in 21th century: after WTO accession, re-define the role in global supply chain of manufacturing and hi-tech

Active involvement the global economy

- ◆ With the development of economical globalization, the continuation of fast growth of China's economy depends on both inner and external environment
- ◆ China is actively involving in global economy,
 - national interest top-principled
 - equal rights and obligations
 - keep a balance in regulations application and compliance

Enhance the vitality of national economy

- ◆ Competition is the source of vitality in market economy
- ◆ A domestic market of huge-size is favorable advantage to domestic development
- ◆ Opening-up not only means taking into China, but also means walking out of China

China's Economy

The challenges ahead

concerns

- ◆ Large population of the poor
- ◆ The natural resource per person is inadequate
- ◆ Disparities in development between the East and the West
- ◆ Lack of advanced human resource

Challenges

- ◆ Through 15-year negotiation, China became a member of WTO on Dec. 11th of 2001
- ◆ China is in the post-interim period after 3-year interim of WTO membership

Key industries in post-interim

- ◆ The average customs tariff has reduced to 10.1% in 2005, and all the non-tariff measures will be removed soon
- ◆ Major service sections will further open the market after interim period
- ◆ China's economy is under free trade pressure during the post-interim of WTO accession, such as auto industry, agricultural industry and service industry.

Preparations to do

- ◆ Actively involved in the new-round negotiation of WTO, as well as the new multi-lateral trading rules formulation, so as to safeguarding national benefit and rights
- ◆ Improving the competitiveness of agriculture.
- ◆ Accelerating the adjustment and restructure of manufacturing
- ◆ Deepen the opening up of service industry
- ◆ Transforming governmental function, and improving the administration according to the law

Thank You