

CHINA'S ECONOMIC RISE: POST WTO

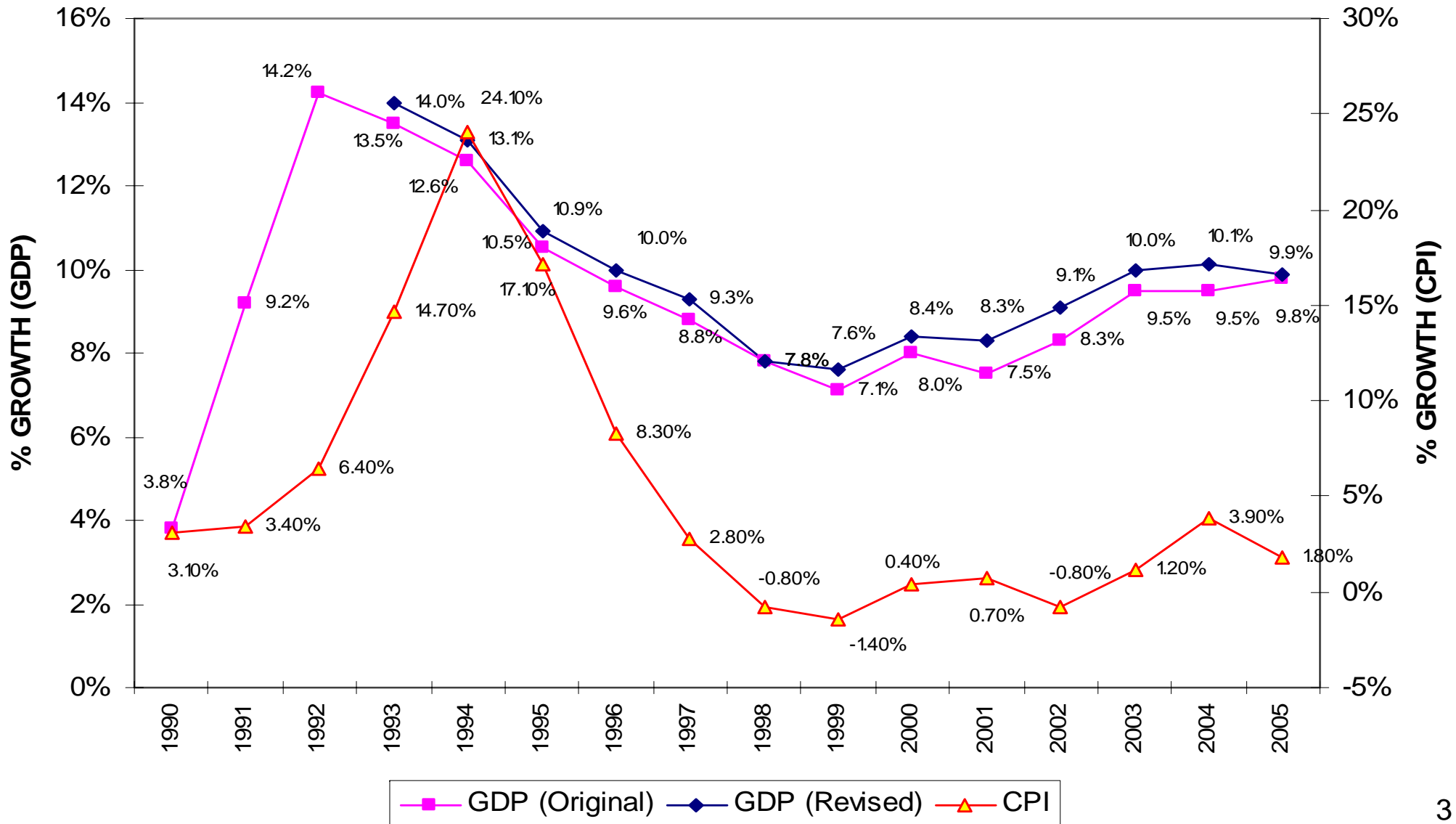
Professor John WONG
Research Director
East Asian Institute, Singapore

3rd Trans Asia 2006 China Exhibition and Conference, Dalian, China
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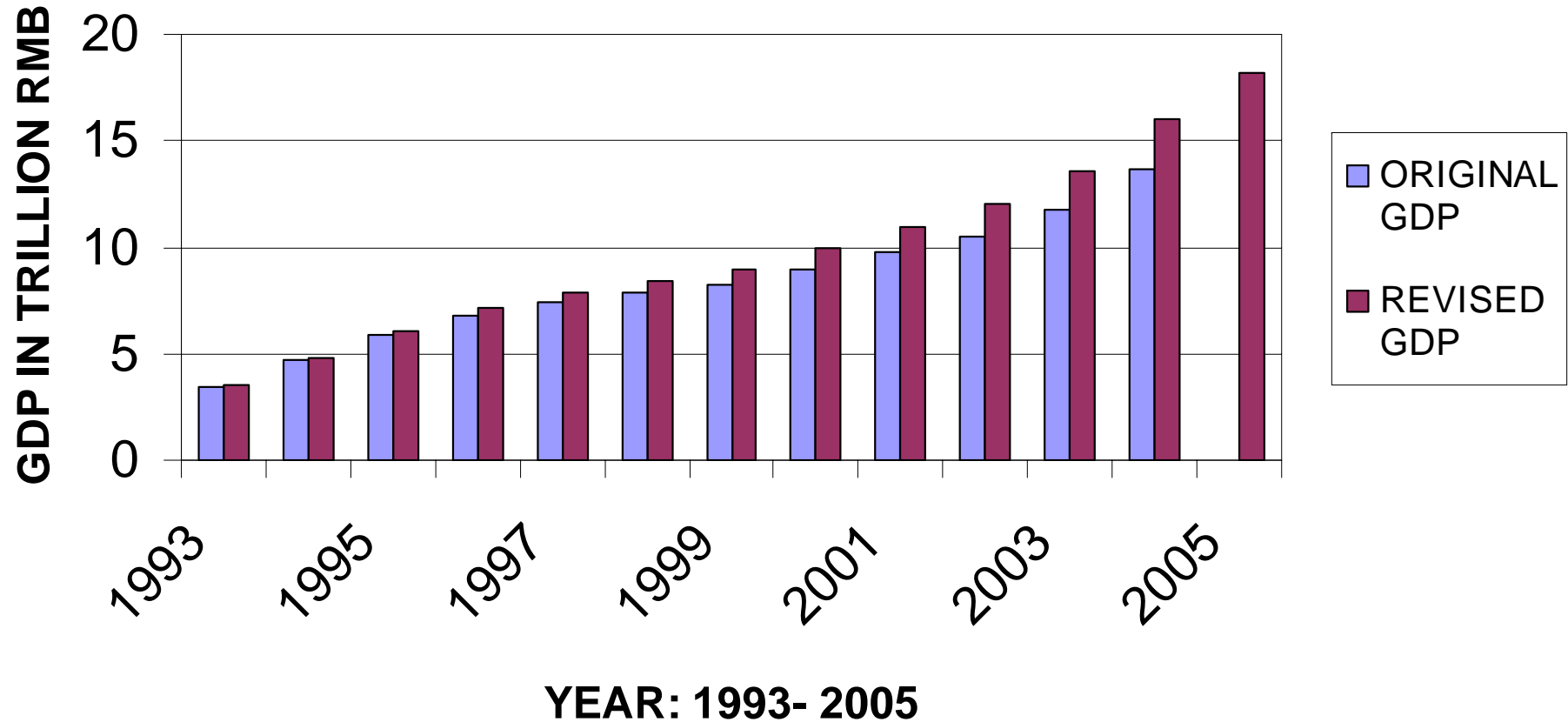
China's Dynamic Economic Growth

- Average growth of 9.6% for 1979-2005
- 9.9% growth for 2005
- 10.2% growth for 1st quarter, 2006
- Chinese economy in 2005 (total GDP):
 - 37 times larger than in 1978
 - 7 times larger than in 1991
- China's per-capita GDP (Rmb) in 2005:
 - 28 times higher than in 1978

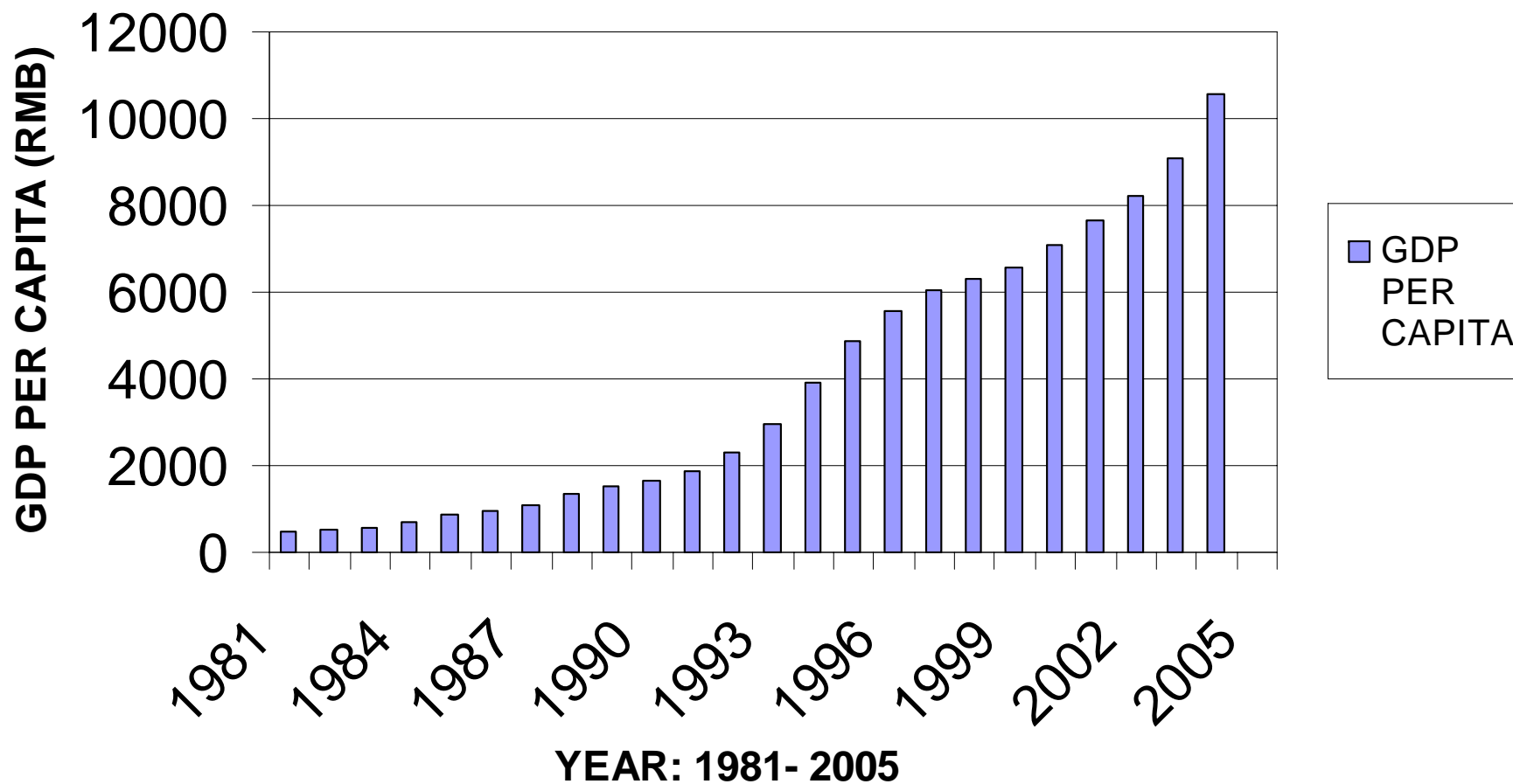
CHINA'S ECONOMIC GROWTH AND INFLATION, 1990-2005



CHINA'S GDP GROWTH RATE (TRILLION RMB)



CHINA'S GDP PER CAPITA (RMB)

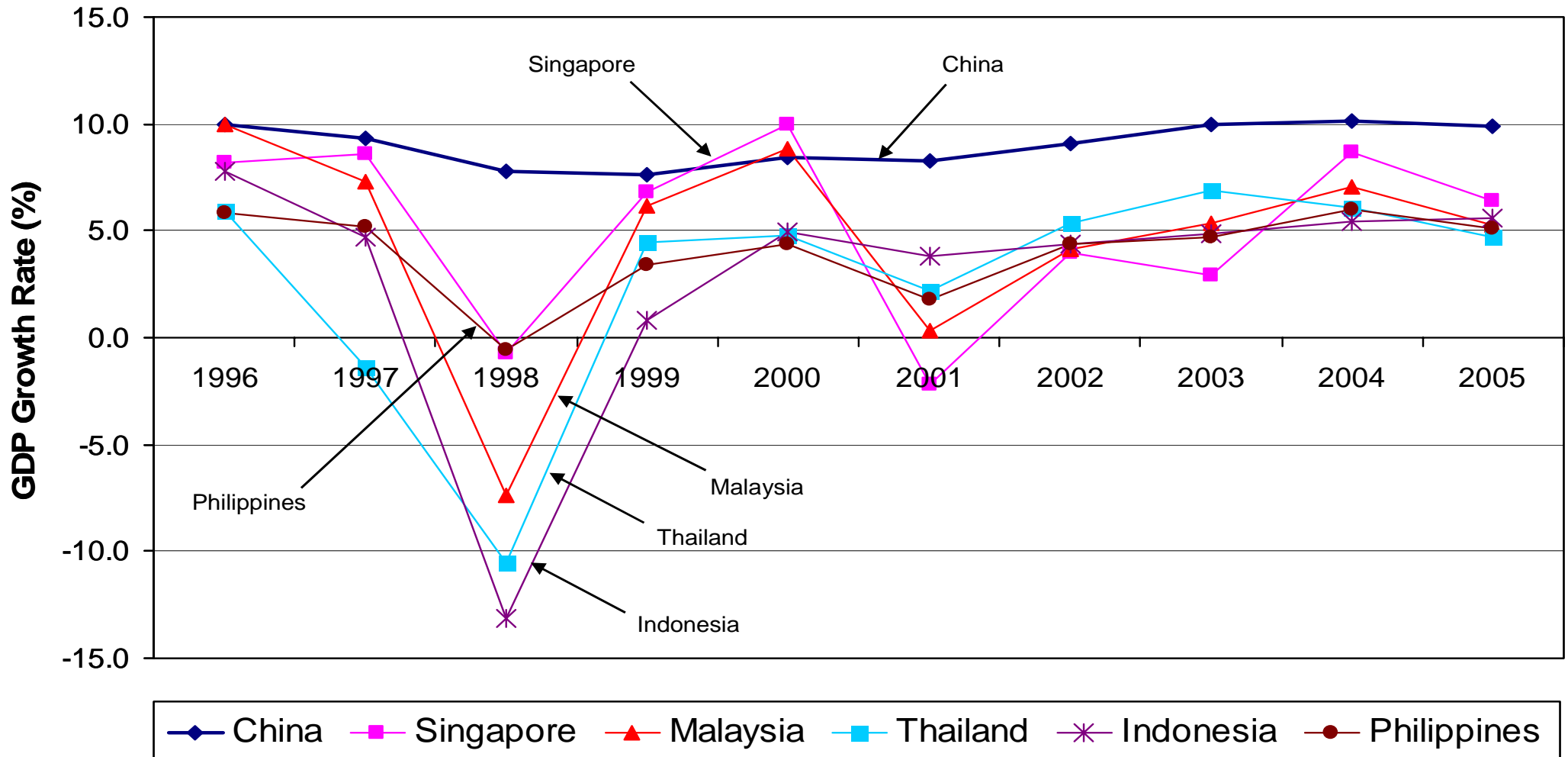


Source: China Statistical Yearbook 2005

Causes for Recent Spurt of High Growth

- China's high growth largely unaffected by external shocks
- Positive WTO (2001) effects:
 - WTO deepens China's global and regional economic integration
 - More FDI – average US\$57 billion a year
 - Higher exports – growing at 30% a year
- Central government's pro-growth policies
- Local governments' "growth biases"

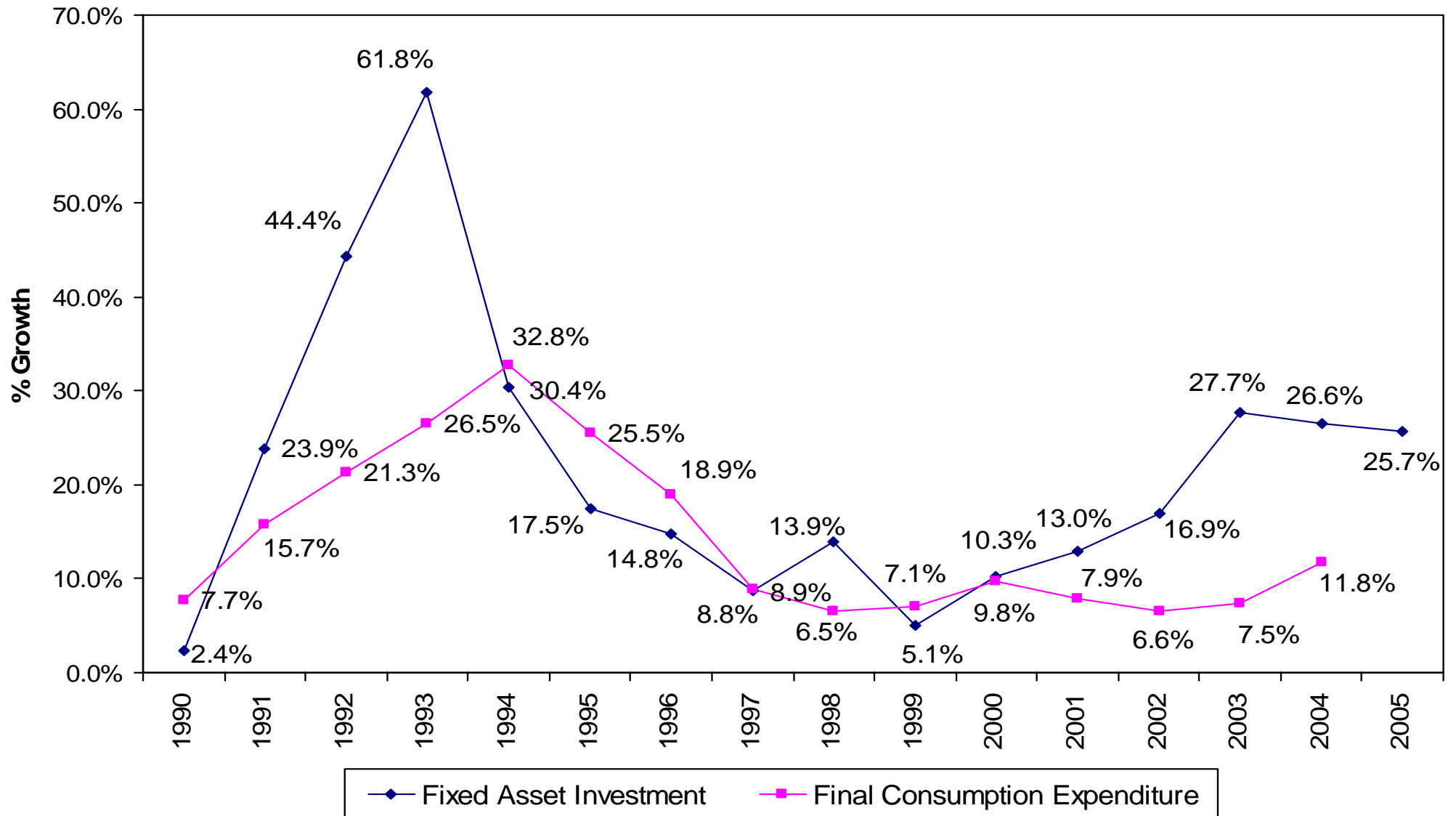
CHINA AND ASEAN + 5: CRISIS AND RECOVERY (1996-2005)



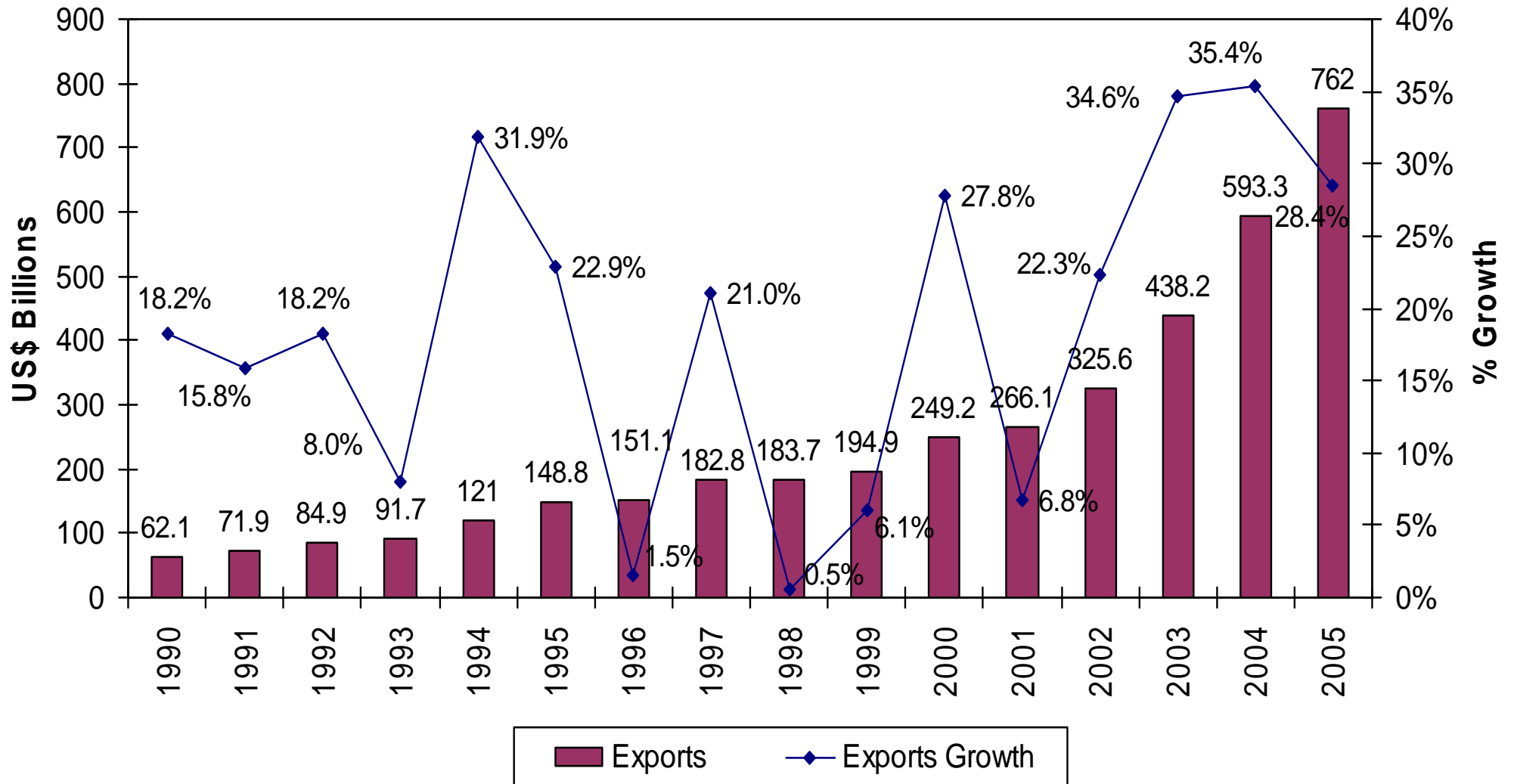
Technical Explanation of China's Growth

- On demand side, growth sustained by high savings and high investment:
 - Gross domestic investment at 45% of GDP;
 - Gross domestic saving at around 49% of GDP.
- For 2005, contribution to GDP Growth:
 - Fixed Asset Investments - 48.8%;
 - Consumption - 33.3%;
 - Trade - 17.9%.

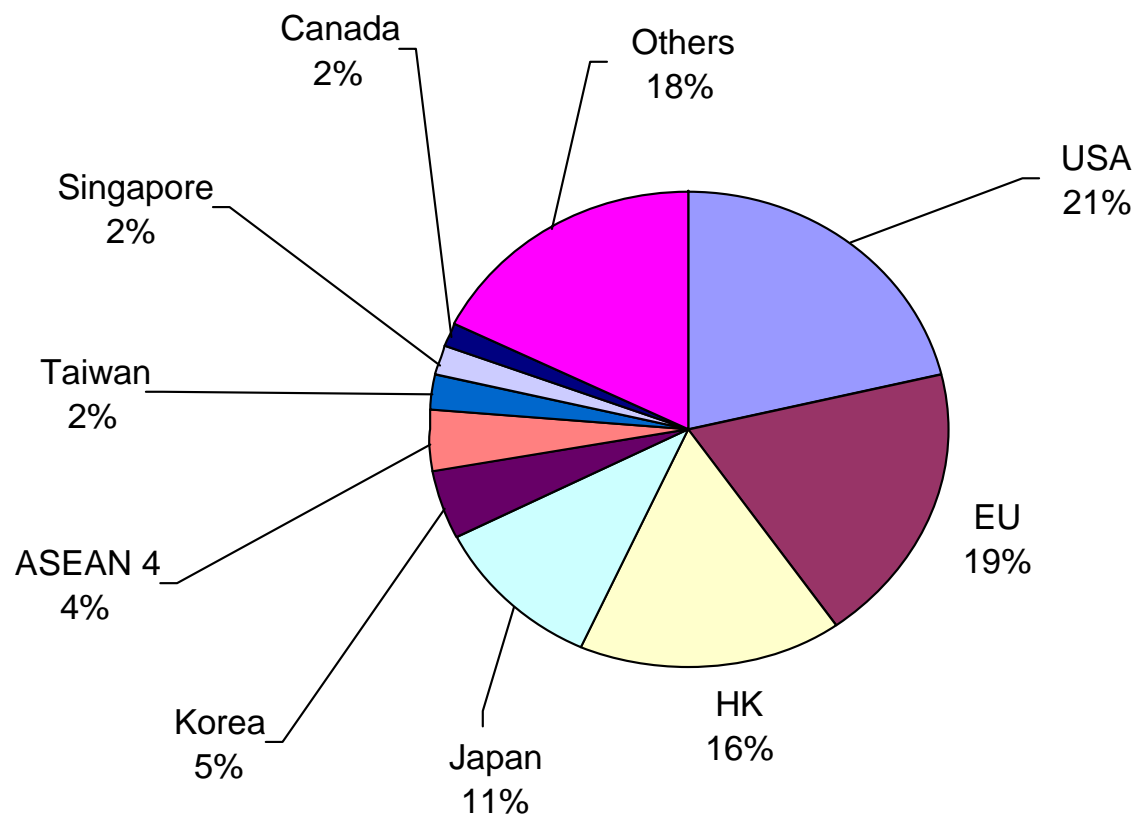
DOMESTIC DEMAND: FIXED ASSET INVESTMENT AND FINAL CONSUMPTION, 1990-2005



CHINA'S EXPORTS, 1990-2005

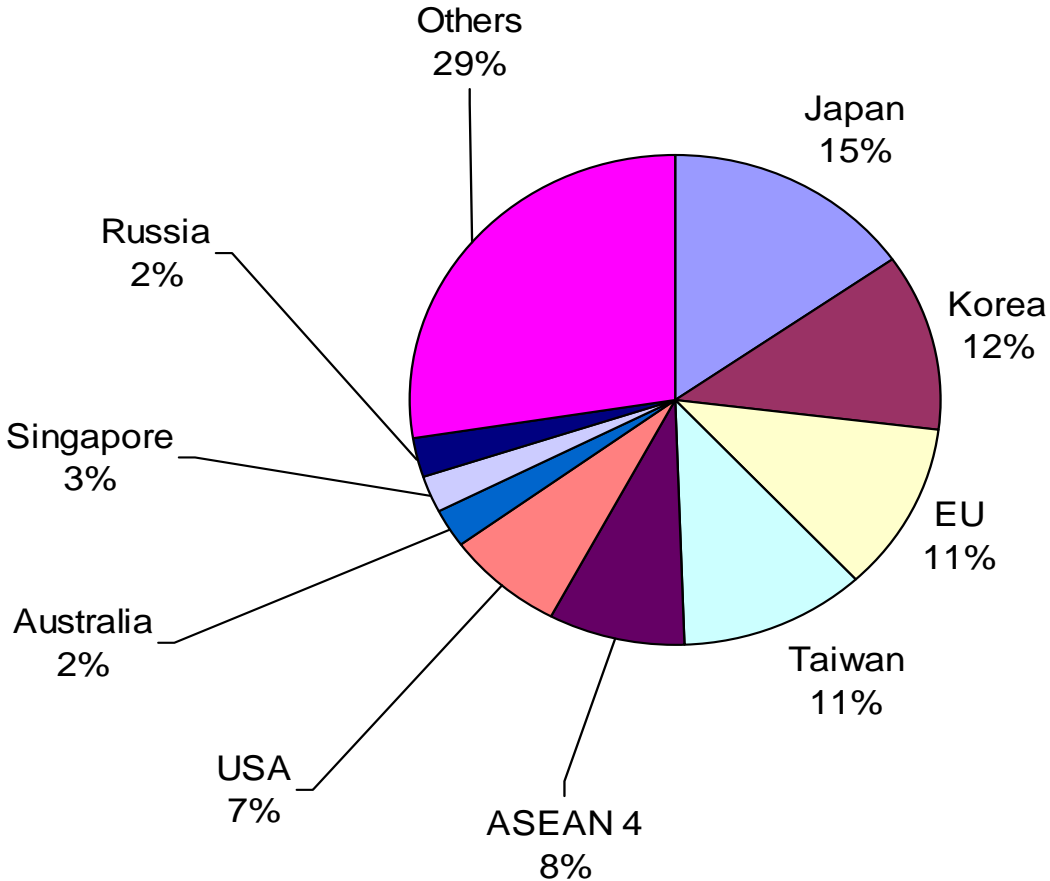


CHINA'S TOP 10 EXPORT DESTINATIONS, 2005



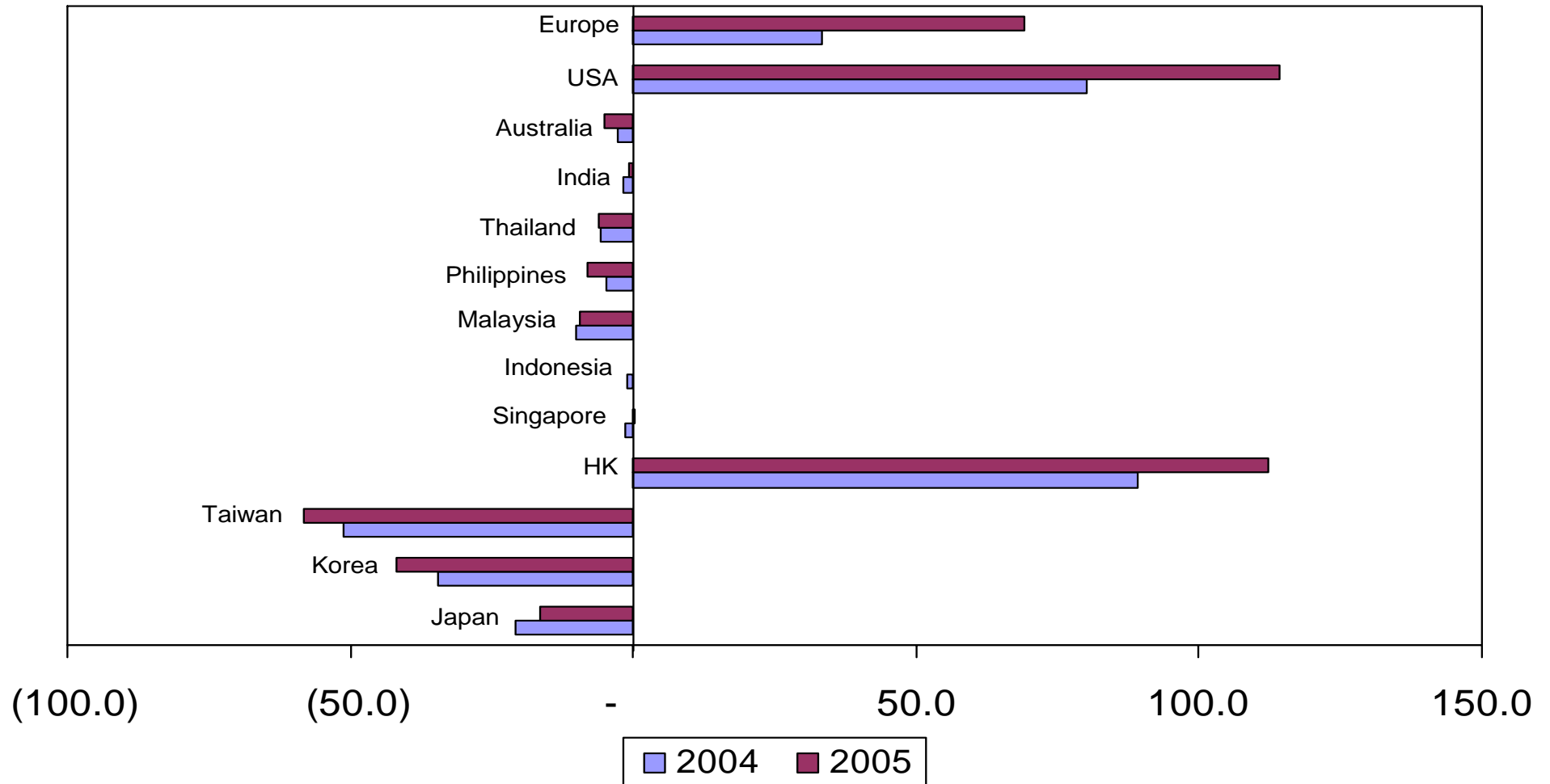
Total Exports = US\$ 762 billion

CHINA'S TOP 10 IMPORT DESTINATIONS, 2005



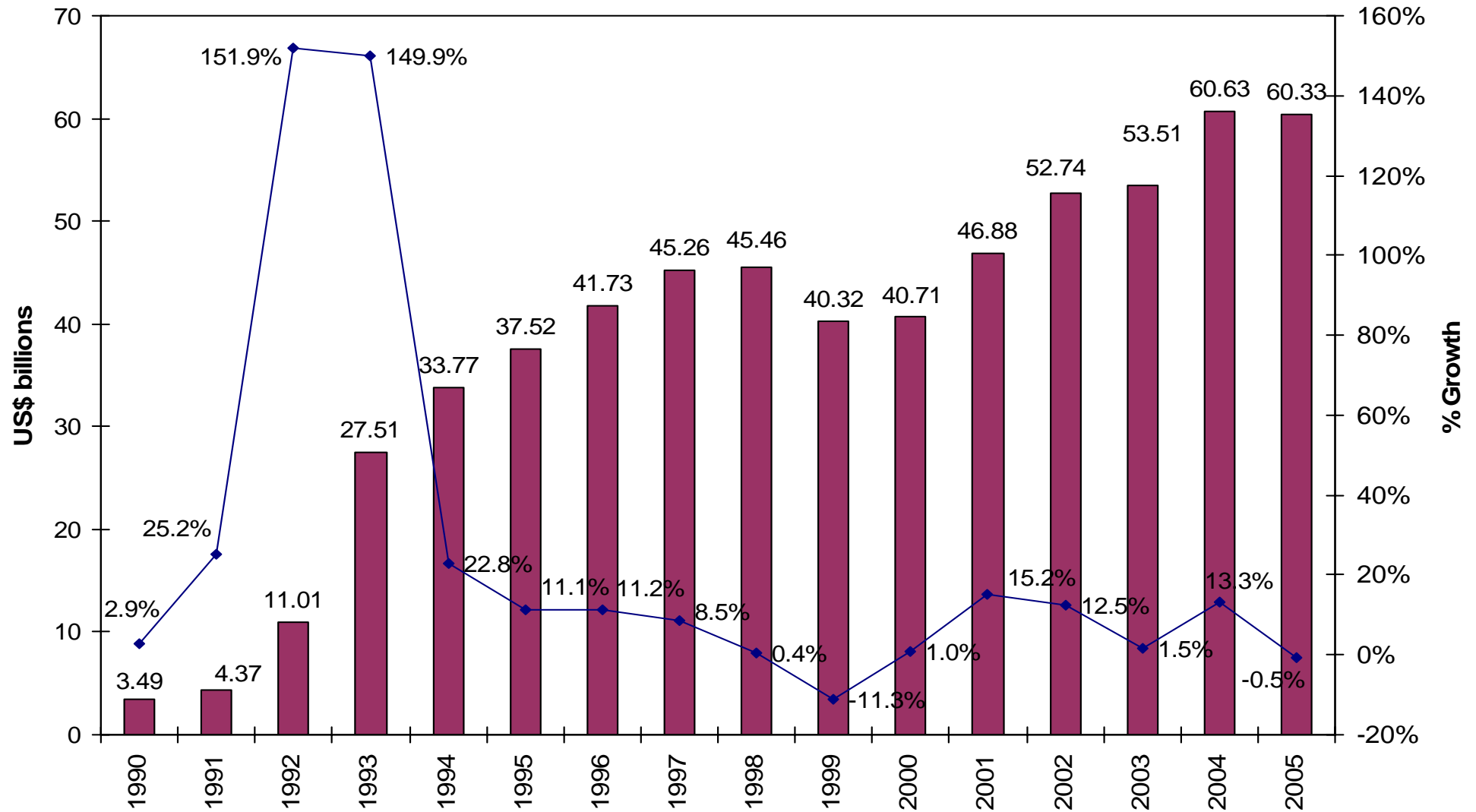
Total Imports = US\$ 660 billion

CHINA'S TRADE BALANCE WITH SELECTED COUNTRIES (IN USD BILLIONS)



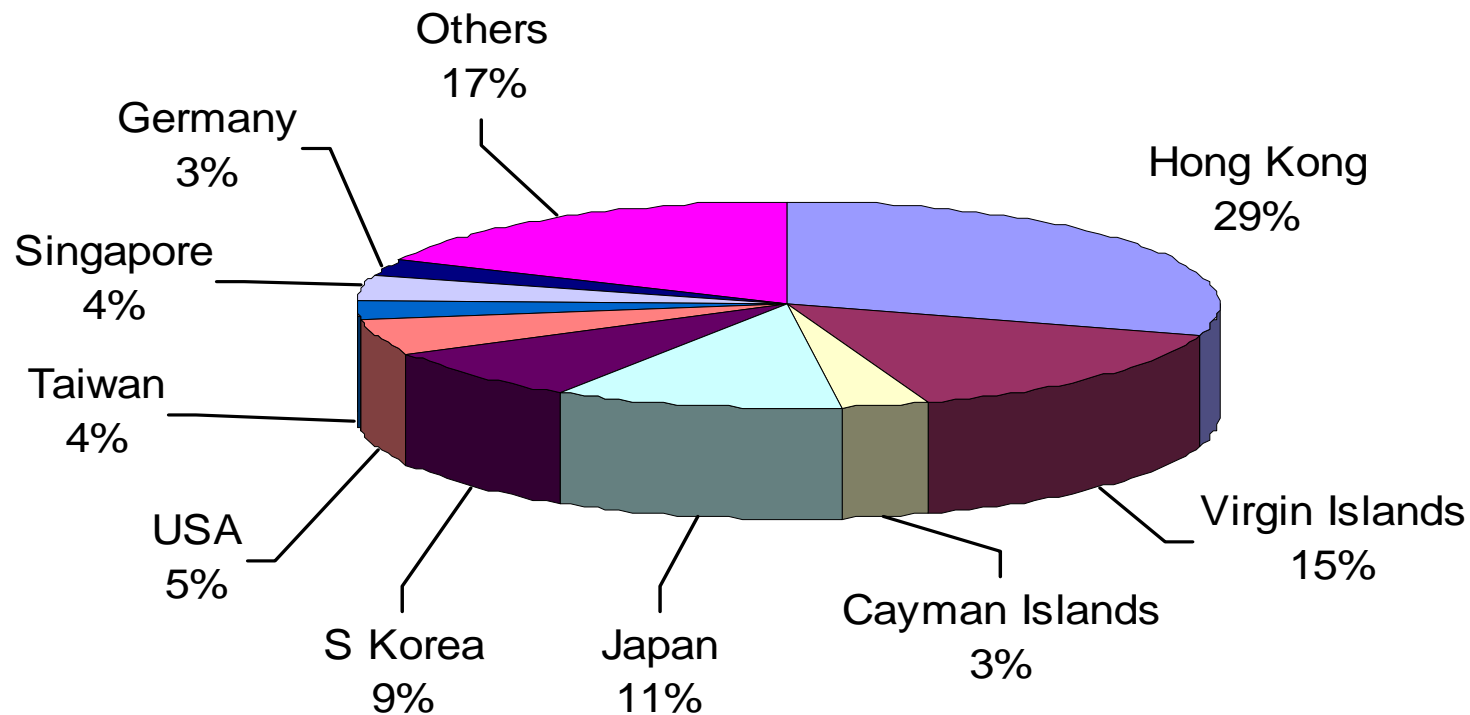
Trade Surplus in 2004 = US\$ 32 billion
Trade Surplus in 2005 = US\$ 101.9 billion

CHINA'S FDI, 1990-2005



FDI INTO CHINA IN 2005 (US\$ 60 BILLION)

Top 10 Foreign Investors, Foreign Capital Actually Utilized



For 2005, ASEAN-4 (Indonesia, Malaysia, Thailand and The Philippines) invested a total US\$ 733 million in China, accounting for 1.2% China's total FDI.

Global Impact of China's Growth (I)

- China as the world's 4th largest economy by nominal GDP
- China as the world's 2nd largest economy after USA in PPP terms
- China's production, consumption, trade (imports & exports) exerting significant global impact
- China now as one of the main drivers of world economic growth

China Tops the World or Among World's Top Producers, 2005

	Production in 2005	Changes from 2004
• Coal:	2.2 billion tons	up 9.9%
• Crude Steel:	397 million tons	up 24.1%
• Cement:	1.1 billion tons	up 10.0%
• Automobiles:	5.7 million units	up 12.1%
• TV Sets:	82.8 million sets	up 11.5%
• Air Conditioners:	67.7 million units	up 5.9%
• Refrigerators:	29.9 million units	down 0.7%
• Personal Computers:	80.8 million units	up 35.3%
• Mobile Phones:	303.5 million units	up 6.4%

Other Economic Milestones

By early 2006:

- China's foreign reserves at US\$ 850 billion—the World's largest
- Over 350 million cell phones in China—more than in USA
- Over 320 million fixed lines—more than in USA
- 111 million registered Internet users—second to USA

Global Impact of China's Growth (II)

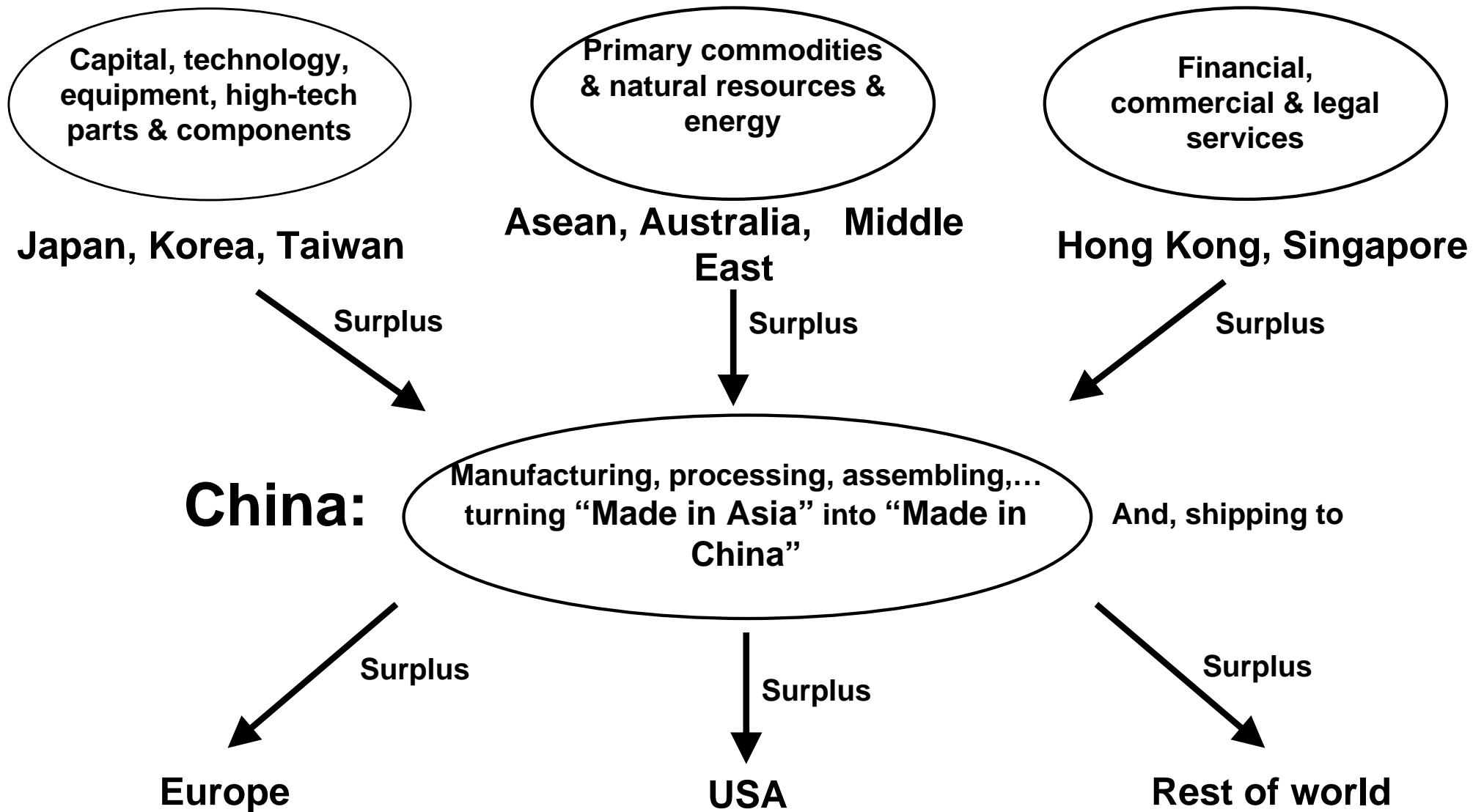
- Along with rise of international-supply-chain production networks, China has emerged as a major **integrating force** in world economy.

China converts “Made in Asia” into “Made in China” for world markets.

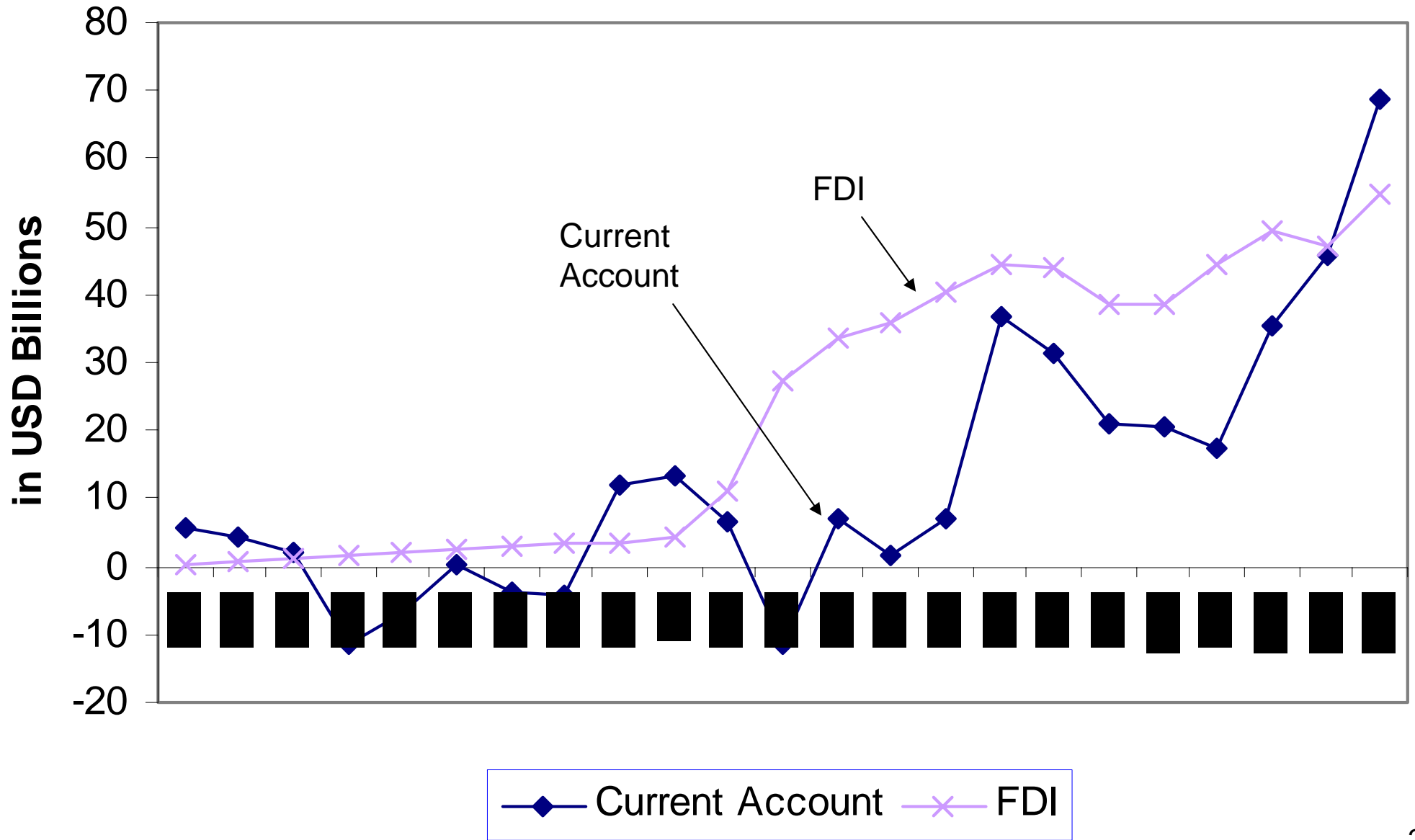
- China has consistently chalked up twin surpluses, i.e. surplus in both capital account and current account.

China has too much saving and too much capital, aggravating global macroeconomic imbalances.

CHINA AT THE CENTER OF GLOBAL PRODUCTION NETWORKS



CHINA'S TWIN-SURPLUS



Is China's High Growth Sustainable?

Why optimistic about China's future growth potential:

- Historically, China's growth pattern follows closely other East Asian economies (e.g. export orientation)
- China continues to have high savings and high investment
- On supply side, China continues to have high productivity growth:
 - i.e.. shift of labour from low-productivity agriculture to high-productivity manufacturing
- China to enjoy a favourable demographic structure for next 10 years.
 - i.e.. continuing abundant labour supply

East Asia a Dynamic Economic Growth Region

- Four components of East Asia:
 - Japan, 4 NIEs, China and ASEAN.
- Japan led the first wave of high growth, 1950-1970.
- NIEs led the second wave, 1960-1980.
- China led the Third Wave, 1980.
- The theory of Shifting comparative advantage—the Flying Geese pattern.

EAST ASIA ECONOMIC PERFORMANCE INDICATORS

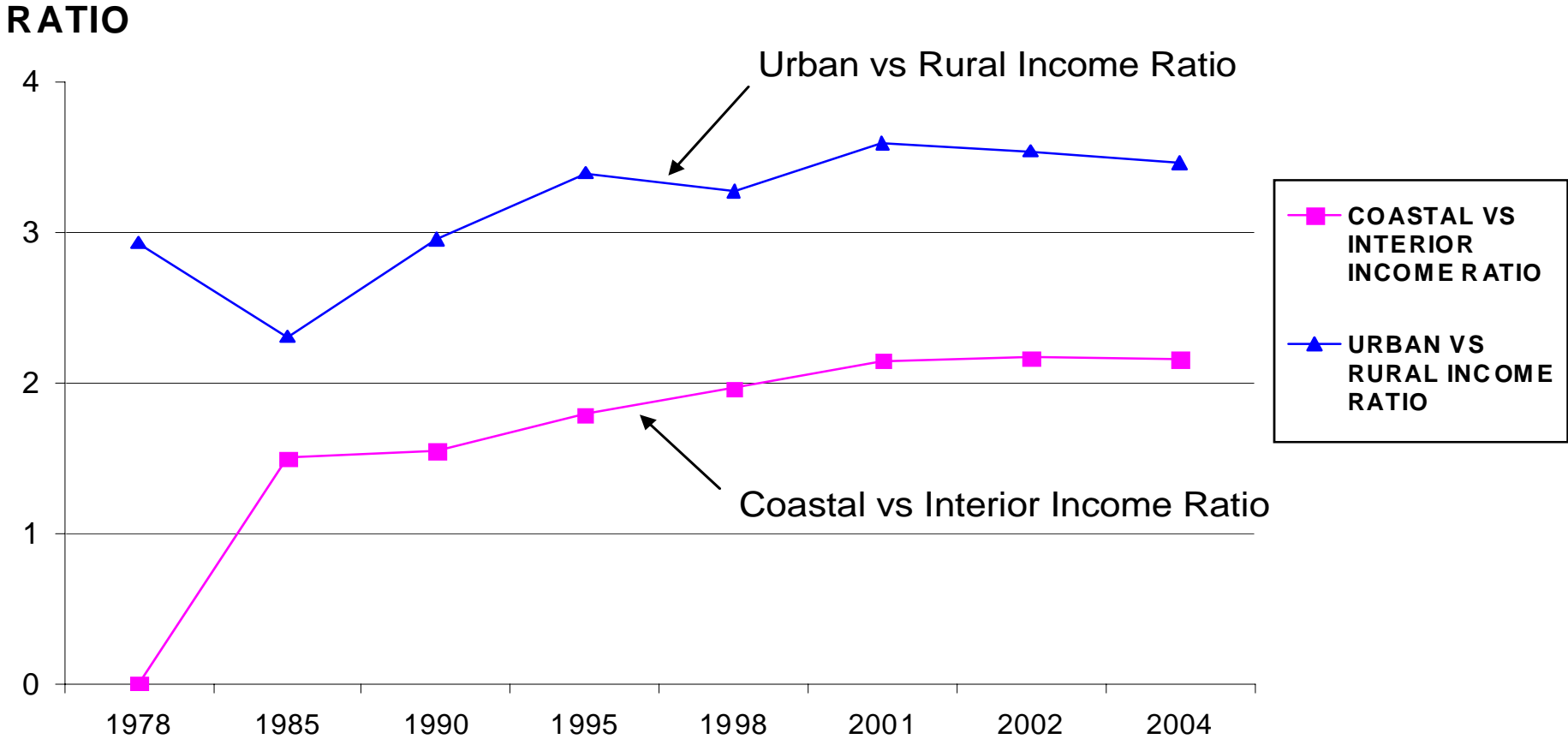
	Population (Mn)	GNP per capita (US\$)	PPP estimates of GNP per capita (US\$)	Growth of GDP (%)							
	2004	2004	2004	Total GDP (US\$ bn), 2004	1960-70	1970-80	1980-90	1990-2001	2000-2004	2004	2005
China	1,297	1,486	5,530	1,930	5.2	5.5	10.3	9.7	9.2	10	9.9
Saudi Arabia	23.2	10,430	14,010	251	NA	NA	NA	2.7	3.4	5.2	6.5
Japan	128	37,180	30,040	4,623	10.9	4.3	4.1	1.3	1.3	2.7	2.7
<u>NIEs</u>											
South Korea	48	13,980	20,400	680	8.6	10.1	8.9	5.7	4.7	4.6	4
Taiwan	23	14,033	n.a.	321	9.2	9.7	7.9	5.7	3.3	6.1	4.1
Hong Kong	7	26,810	31,510	163	10	9.3	6.9	3.8	3.2	8.6	7.3
Singapore	4	24,220	26,590	107	8.8	8.3	6.7	7.4	2.8	8.7	6.4
<u>ASEAN-4</u>											
Indonesia	218	1,140	3,460	258	3.9	7.2	6.1	3.8	4.6	5.1	5.6
Malaysia	25	4,650	9,630	118	6.5	7.9	5.3	6.5	4.3	7.1	5.3
Philippines	83	1,170	4,890	86	5.1	6	1	3.3	4.2	6	5.1
Thailand	62	2,540	8,020	163	8.4	7.1	7.6	3.8	5.3	6.2	4.5

Short-term Problems of Economic Growth

Main Policy and Structural Issues:

- Structural imbalances: over-heating and overproduction in some sectors
- Uneven growth, rising income inequalities
- Blatantly urban-biased development—rising rural discontent
- Unfinished economic reforms: financial sector reform (NPLs etc.), SOE reform, social security reform
- Need to generate more new jobs to cope with unemployment

WIDENING INCOME GAPS IN CHINA 1978- 2004

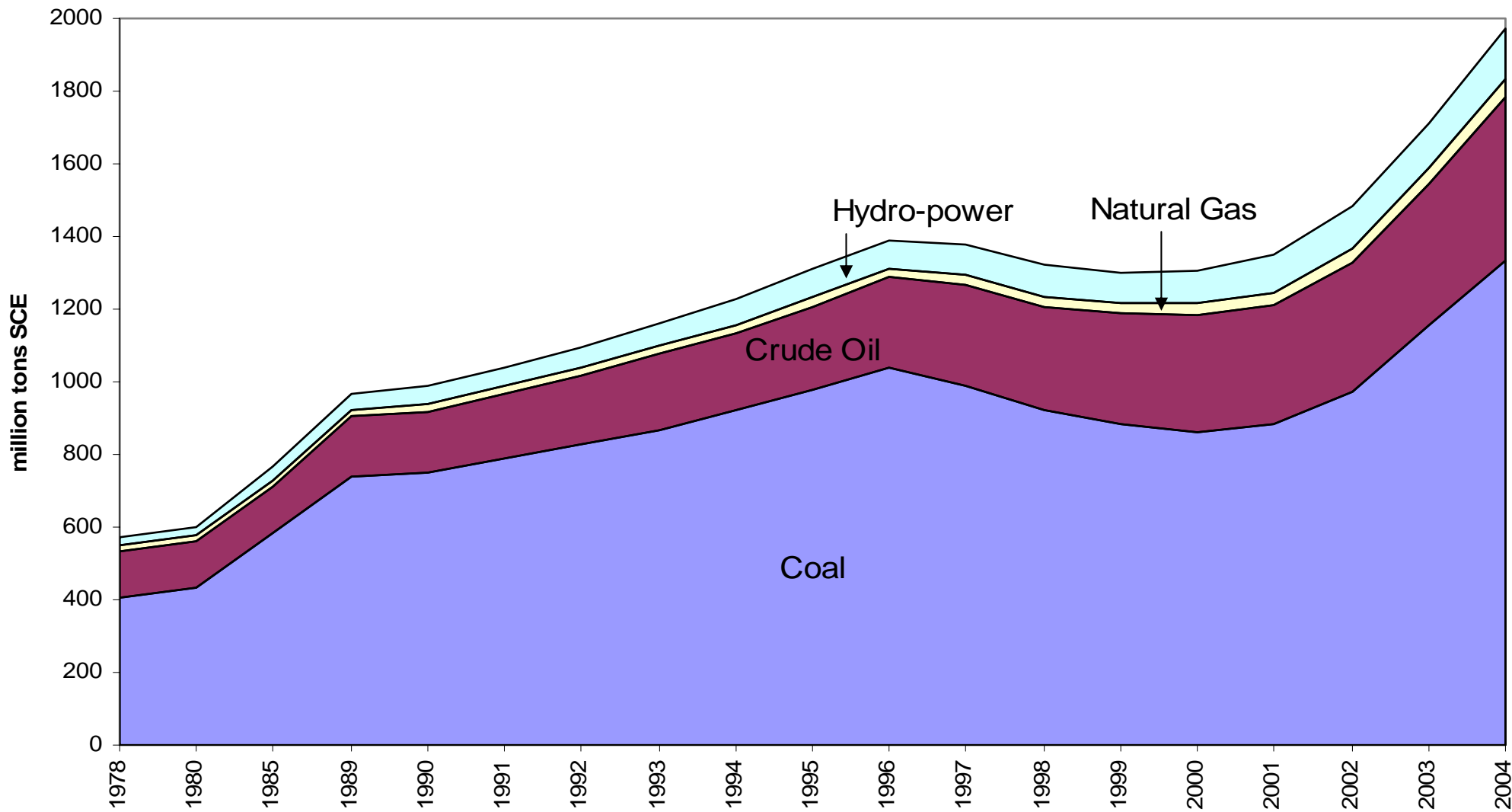


Long-term Problems of Economic Growth

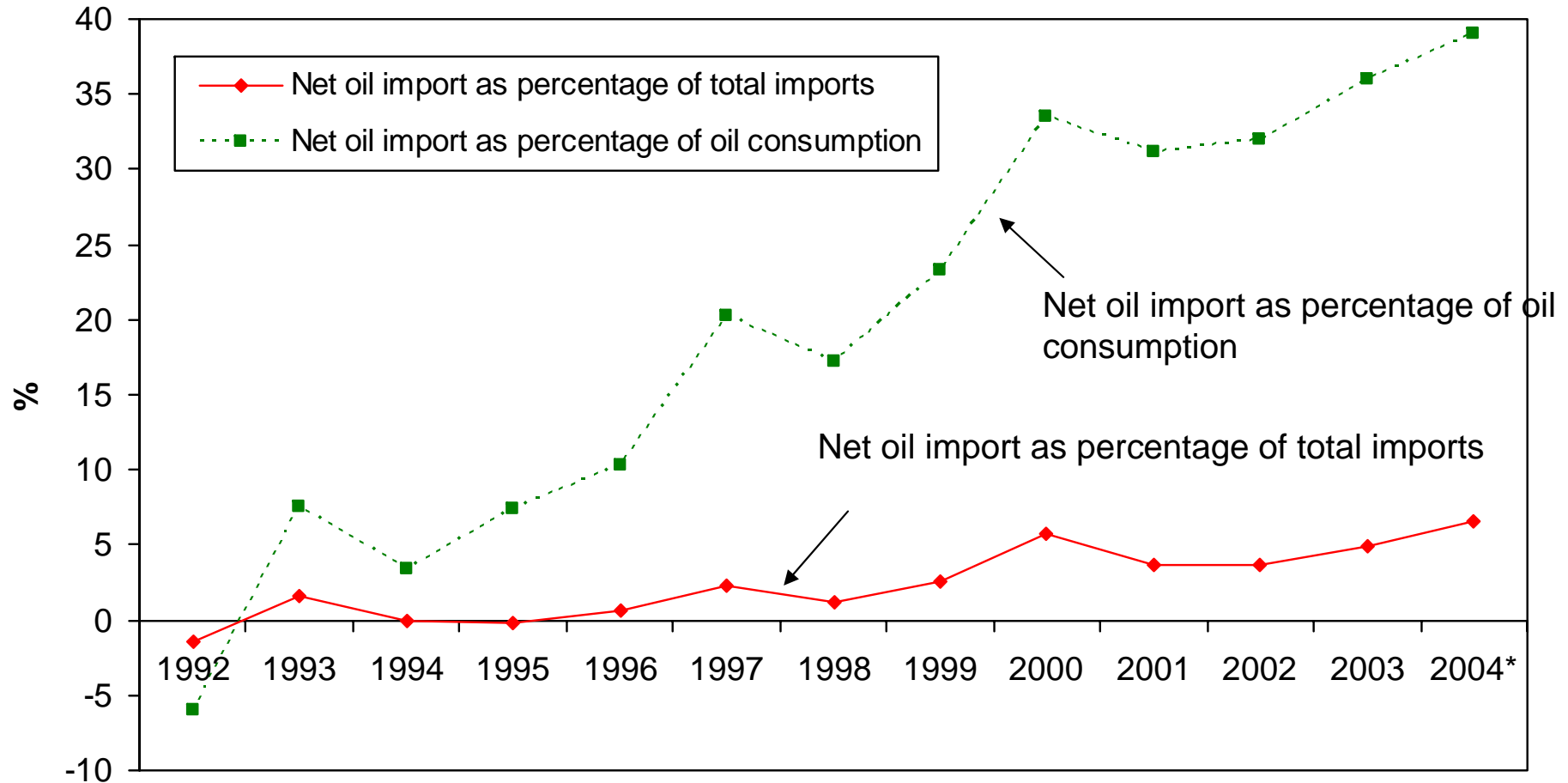
Physical Challenges to China's economic growth:

- Environmental degradation
- Water scarcity
- Energy Shortages
- Ageing population

COMPOSITION OF CHINA'S ENERGY CONSUMPTION (1978-2004)



CHINA'S OIL IMPORT DEPENDENCY, 1992-2004*



Time for China to Fix Its Growth Problems

The 11th Five-Year Plan, 2006-2010, calls for a revamp of past GDP-dominated development strategies. New strategies include:

- More “Balanced” and Sustainable Growth
- Greater emphasis on Rural Development
- More Attention to Environmental Problems
- Greater Efficiency in Energy Consumption