



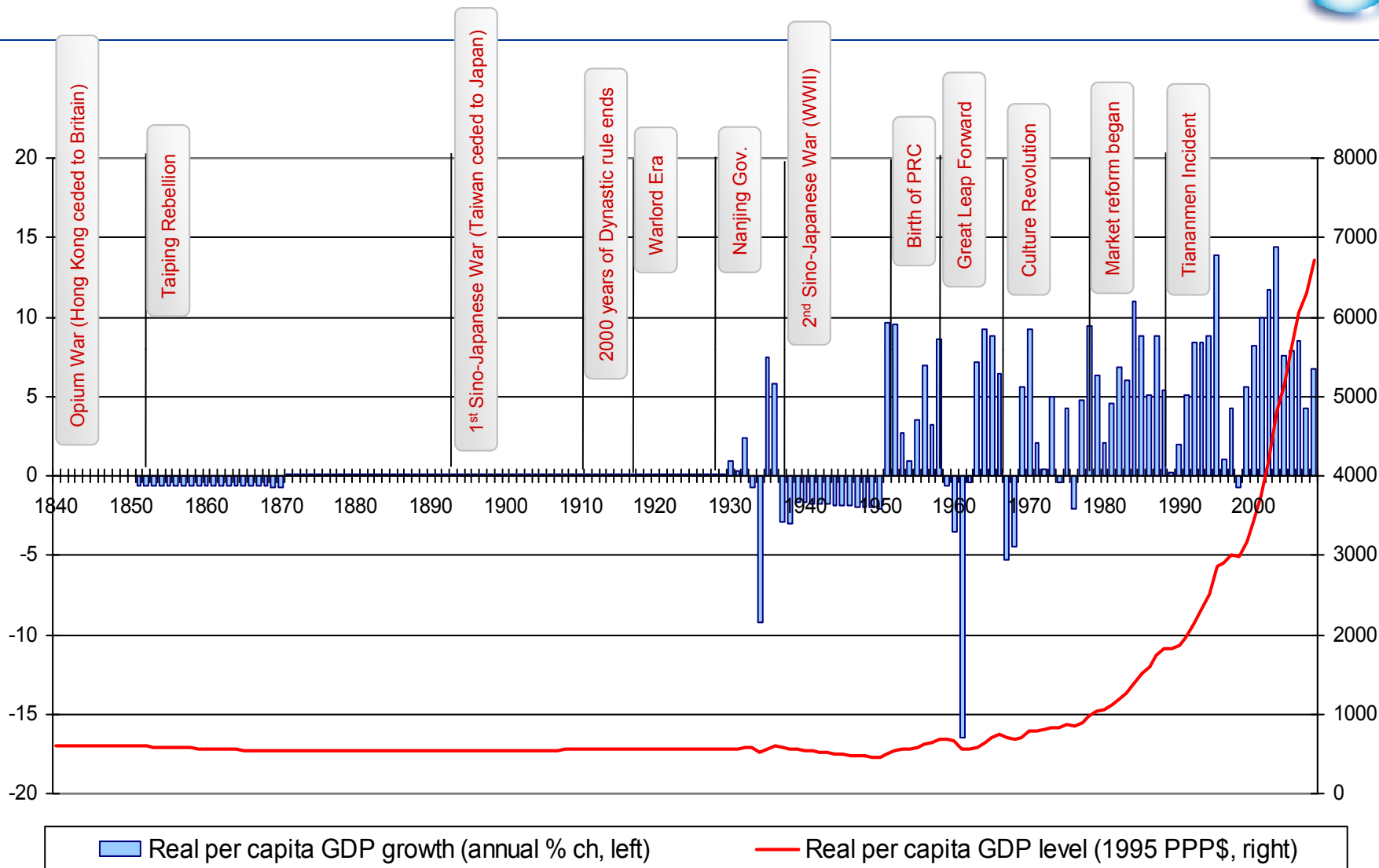
# China's March to Market Economy

A Big Picture, Long Term View

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November 15, 2011  
Toronto

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# China's Economic Development Since The Opium War

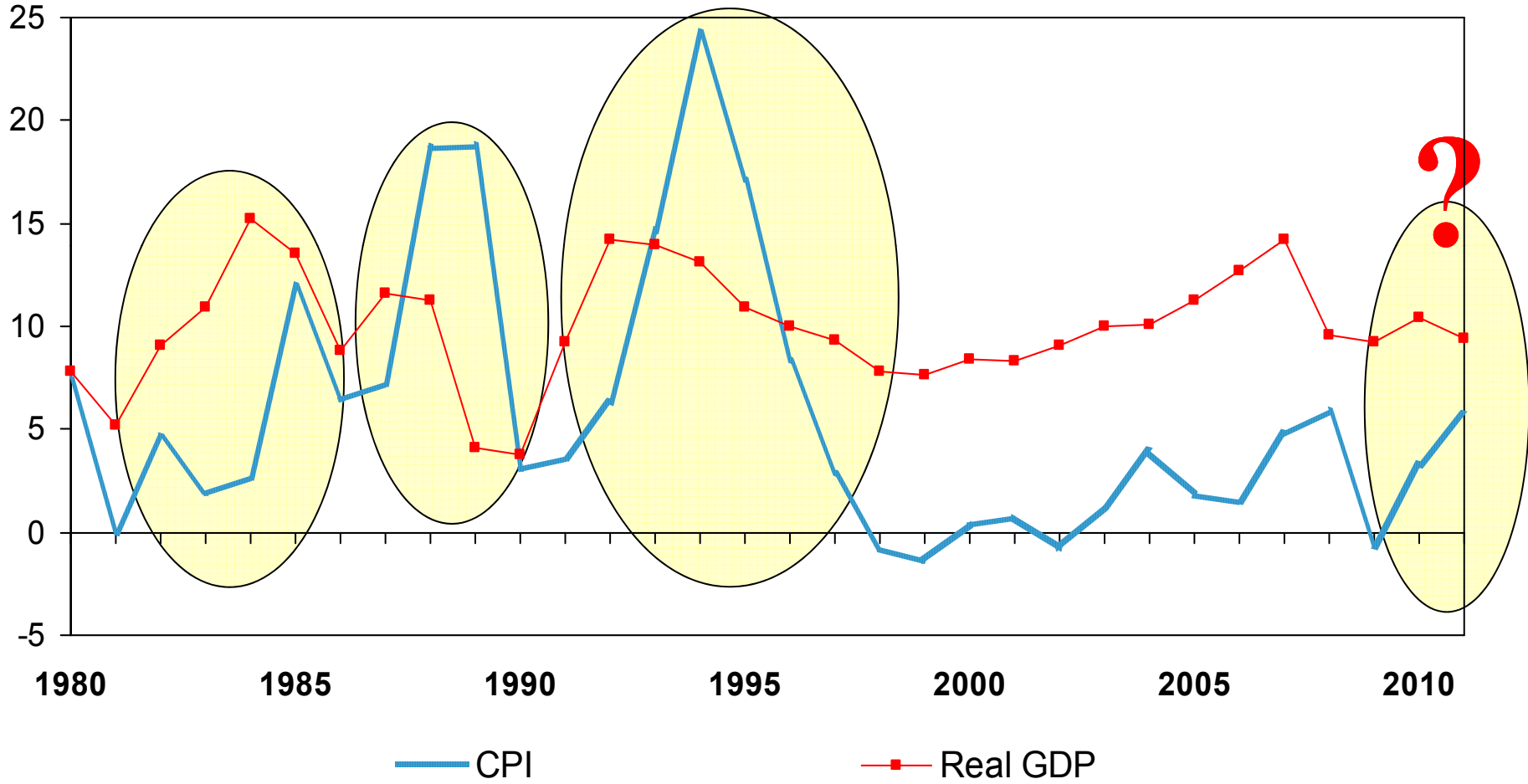


Source: Maddison (2010)

# China's Post-1978 Reform Not without Pain: Boom-Bust Cycles a Norm during 1st Half of Reform



(Percent change)



Source: China National Bureau of Statistics (NBS)

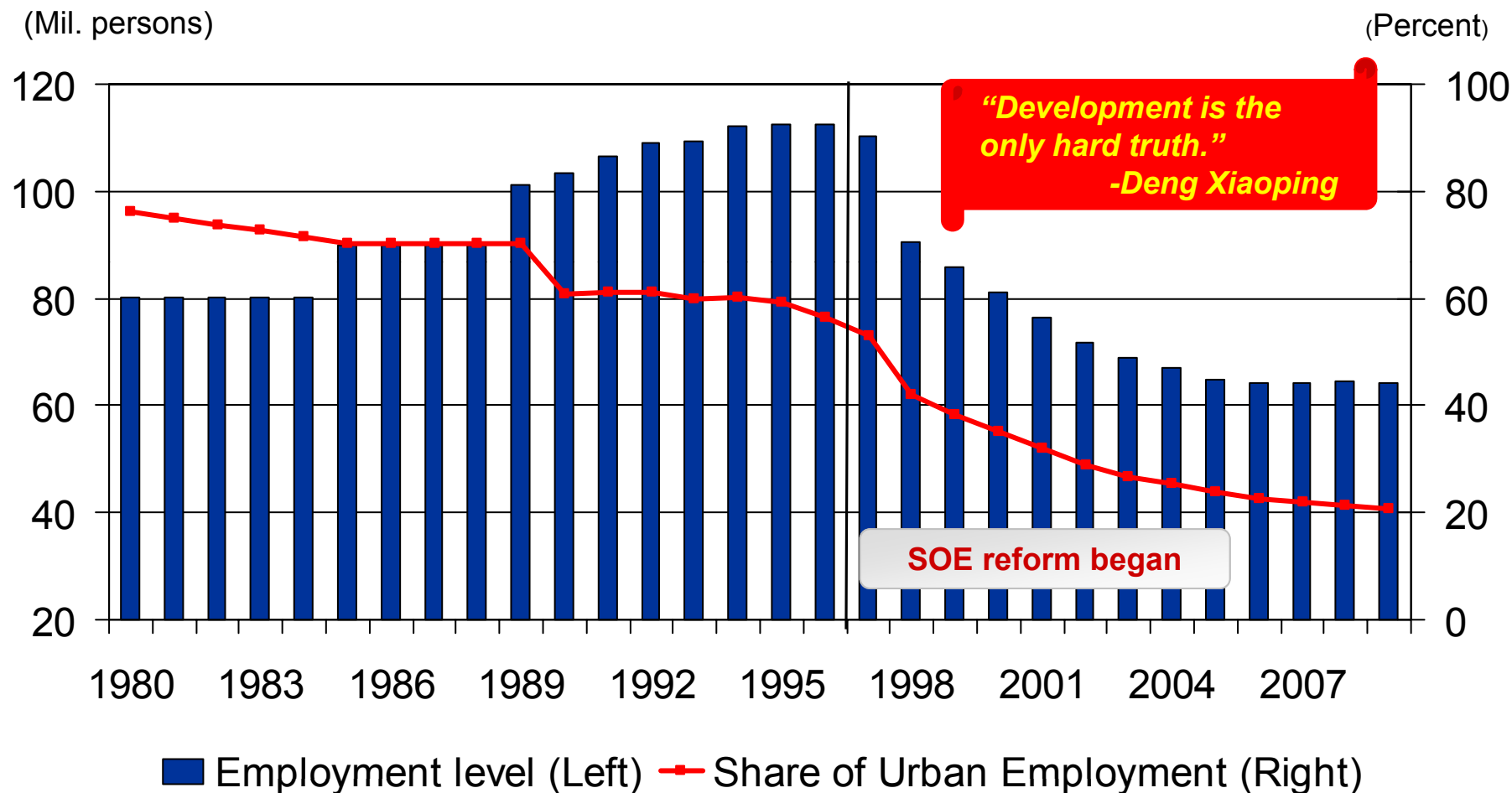
\* 2011 data through the first three quarters.

# China's Major Market Reforms Since 1978



Leadership Era

# The State-Owned Enterprise Reform Was Not Timid --Restructure Resulted in Massive Layoffs



Source: China National Bureau of Statistics (NBS)

# Favorable Factors for China to Maintain High Growth over the Long Term



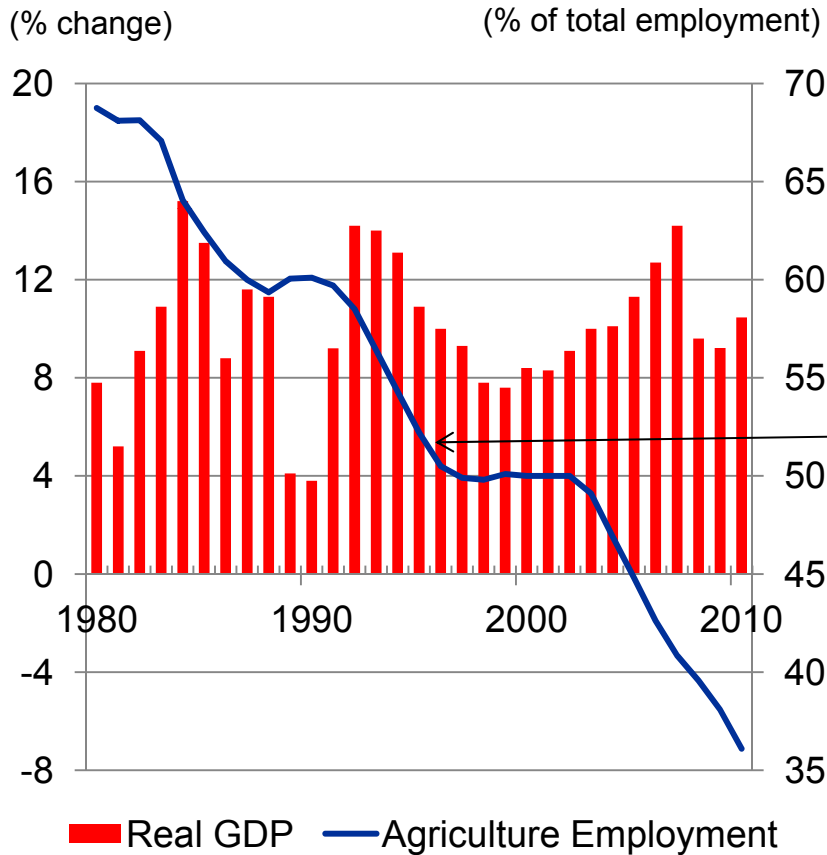
|   | 1980          | 2010  | USA 2010       |
|---|---------------|-------|----------------|
| <b>High agriculture labor force</b><br>(% of total employment)                  | 68.7          | 36.7  | 1.4<br>(2007)  |
| <b>Low urbanization</b><br>(% of total population)                              | 19.4          | 49.7  | 81.7<br>(2008) |
| <b>Room for catch up growth</b><br>(Per capita GDP, US\$/person)                | 307           | 4,422 | 46,734         |
| <b>Still competitive labor cost</b><br>(Manufacturing hourly wage, US\$/worker) | 0.22          | 2.30  | 25.9           |
| <b>Improved education</b><br>(% of population with some college education)      | 0.6<br>(1982) | 8.9   | 40.7           |
| <b>Large domestic market</b><br>(Domestic demand, billion US\$)                 | 304.5         | 5,693 | 15,044         |

Source: World Bank, China NBS, US Census Bureau, IHS Global Insight

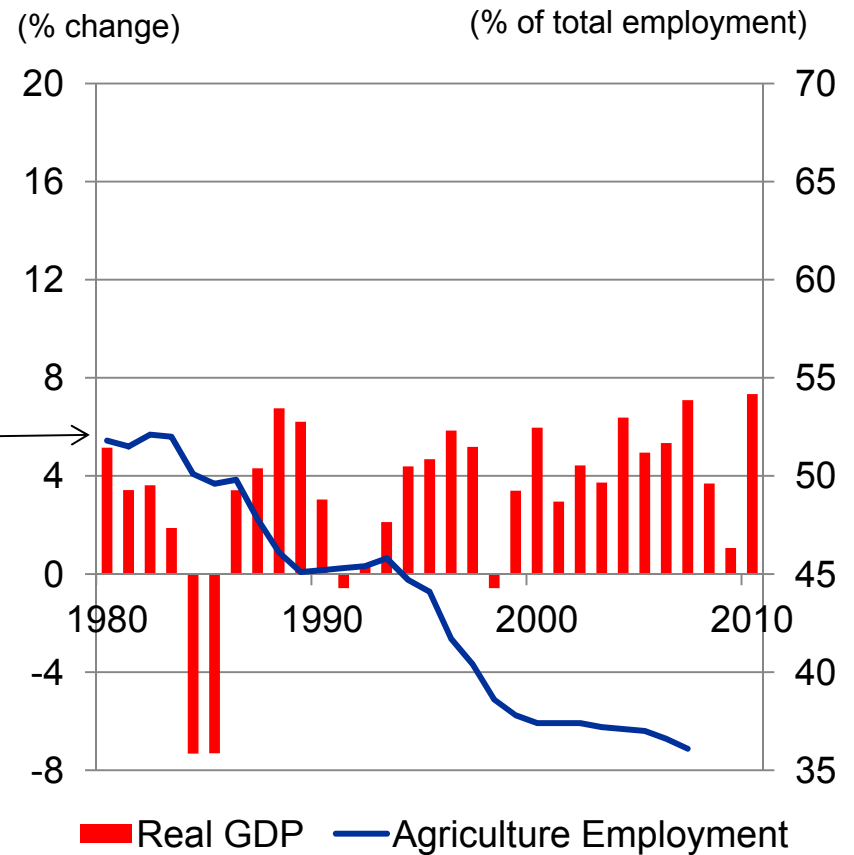
# Excess Labor in Agriculture Neither A Necessary Nor A Sufficient Condition for High Flying Growth



## China



## Philippines

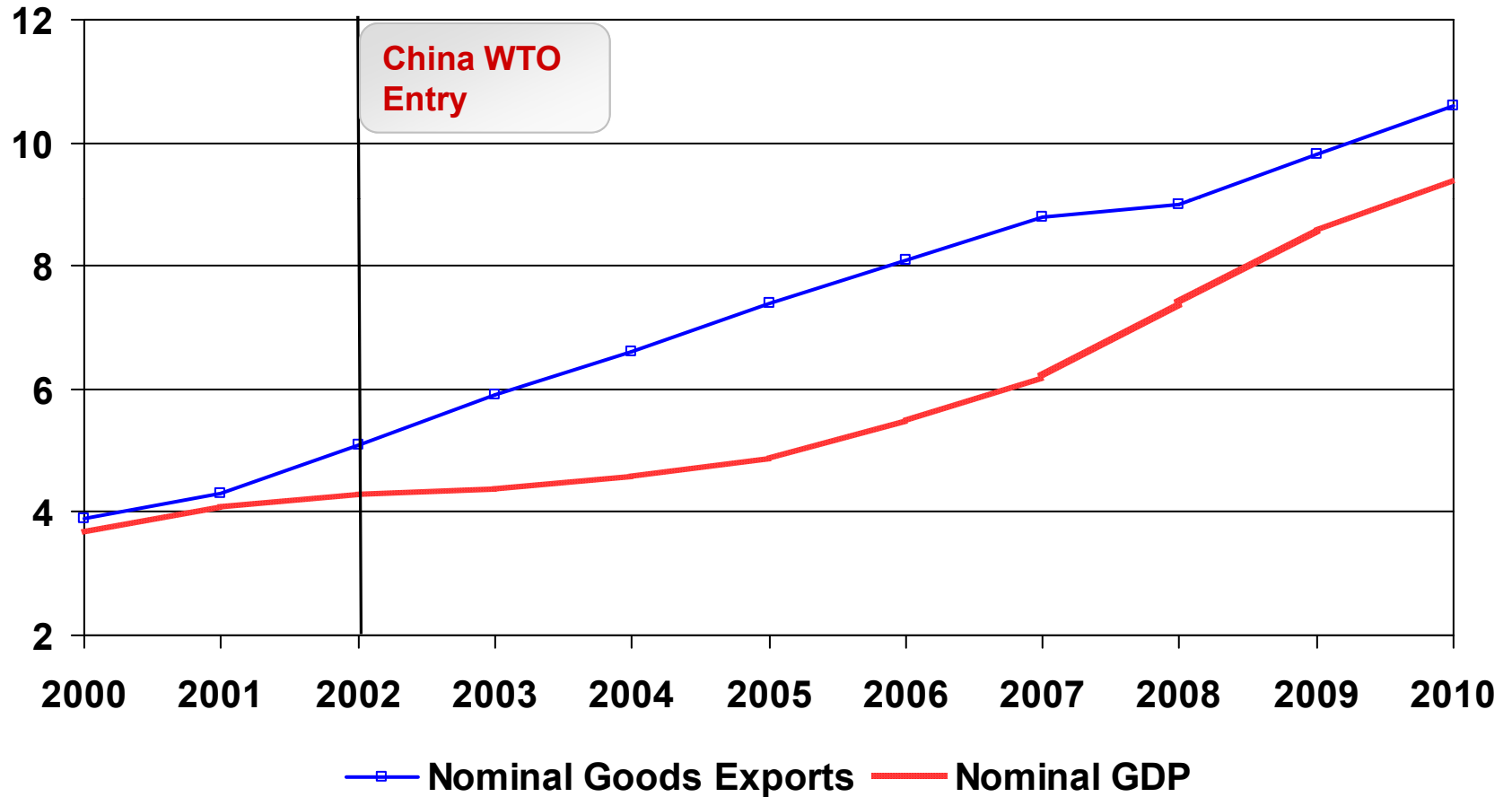


Source: World Bank, China NBS, IHS Global Insight

# The WTO Entry Boost to China's Exports Will Gradually Diminish



(Percent of world total)



Source: China Customs, IHS Global Insight



# Transition to A Market Economy Is by No Means Easy

## **Unfinished Reforms**

- Financial intermediation
- Labor market
- Energy market
- Legal system
- Political system

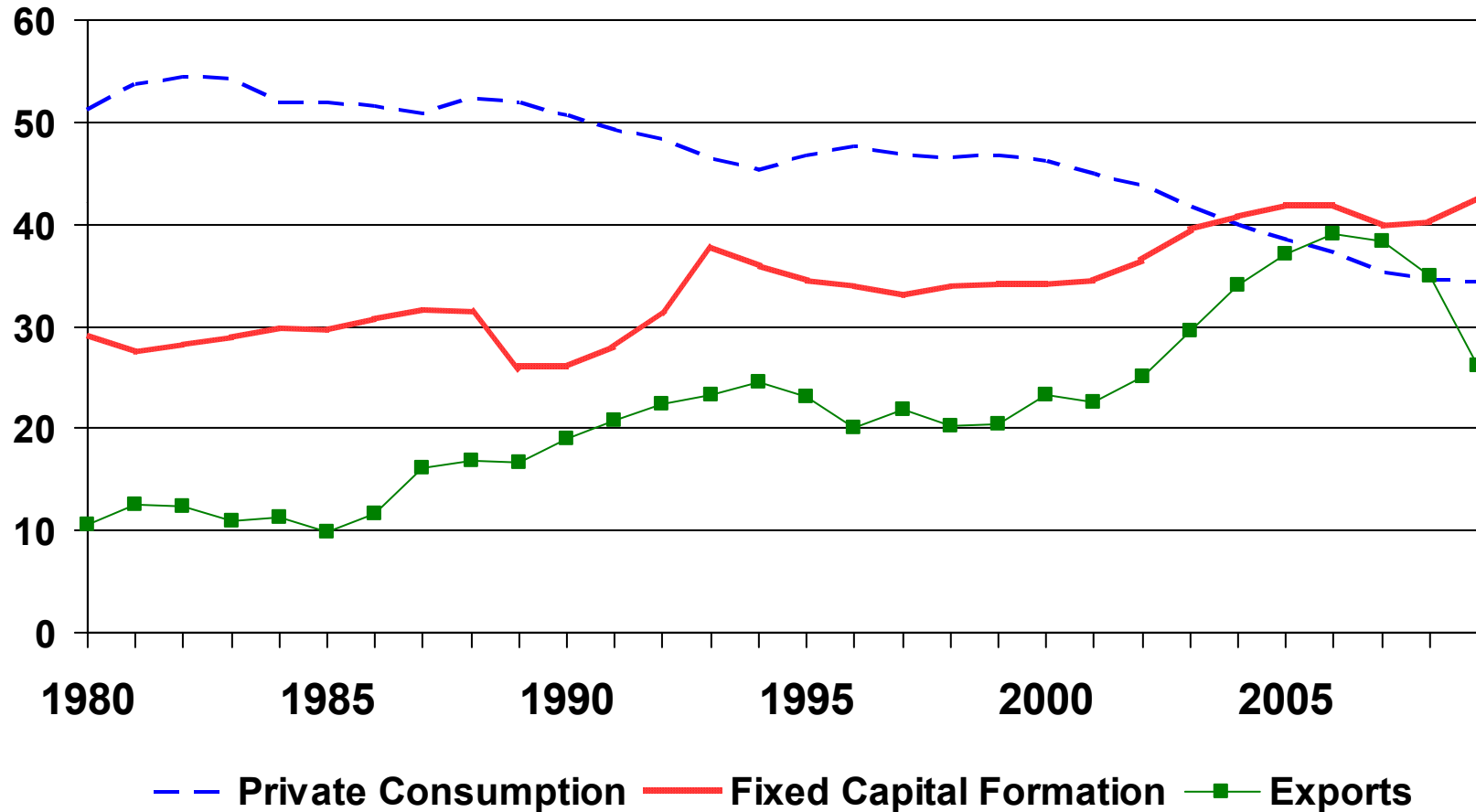
## **Reform Side Effects**

- Income inequality
- Unbalanced growth
- Labor dislocation
- Loss of social safety net
- Corruption

# China's Unbalanced Growth--Private Consumption's Steady Deterioration in The Economy

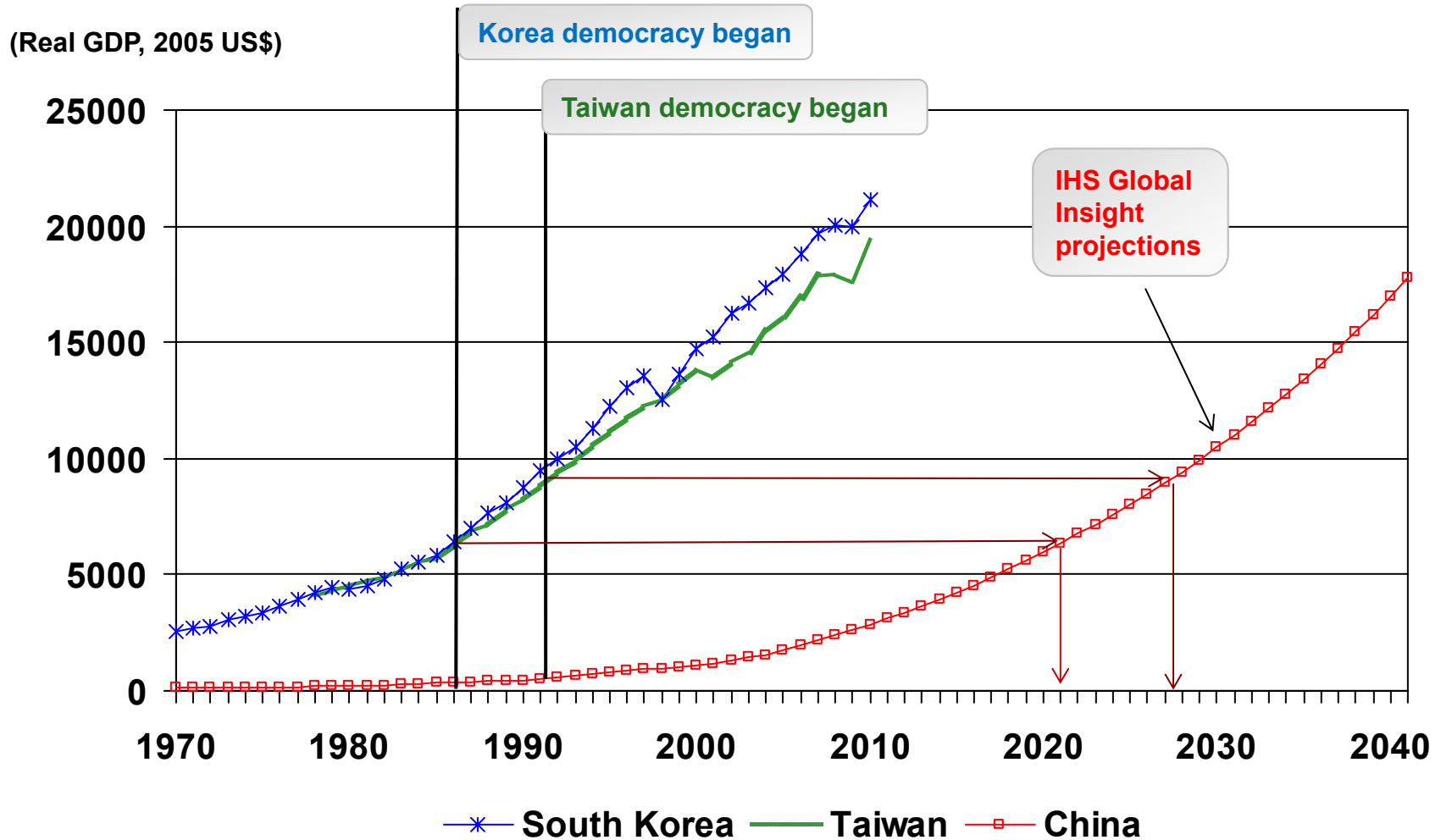


(Percent of GDP, nominal)



Source: World Bank

# South Korea and Taiwan Transformed into Democracies during Economic Reform



Source: IHS Global Insight



Thank you!

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