

The World Factbook Economy Overview:

<http://www.odci.gov/cia/publications/factbook/docs/notesanddefs.html#2116>

China's Economy Overview:

<http://www.odci.gov/cia/publications/factbook/geos/ch.html#Econ>

In late 1978 the Chinese leadership began moving the economy from a sluggish, inefficient, Soviet-style centrally planned economy to a more market-oriented system. Whereas the system operates within a political framework of strict Communist control, the economic influence of non-state organizations and individual citizens has been steadily increasing. The authorities switched to a system of household and village responsibility in agriculture in place of the old collectivization increased the authority of local officials and plant managers in industry, permitted a wide variety of small-scale enterprises in services and light manufacturing, and opened the economy to increased foreign trade and investment. The result has been a quadrupling of GDP since 1978. Measured on a purchasing power parity (PPP) basis, China in 2004 stood as the second-largest economy in the world after the US, although in per capita terms the country is still poor. Agriculture and industry have posted major gains especially in coastal areas near Hong Kong and opposite Taiwan and in Shanghai, where foreign investment has helped spur output of both domestic and export goods. The leadership, however, often has experienced - as a result of its hybrid system - the worst results of socialism (bureaucracy and lassitude) and of capitalism (growing income disparities and rising unemployment). China thus has periodically backtracked, retightening central controls at intervals. The government has struggled to (a) sustain adequate jobs growth for tens of millions of workers laid off from state-owned enterprises, migrants, and new entrants to the work force; (b) reduce corruption and other economic crimes; and (c) keep afloat the large state-owned enterprises, many of which had been shielded from competition by subsidies and had been losing the ability to pay full wages and pensions. From 100 to 150 million surplus rural workers are adrift between the villages and the cities, many subsisting through part-time, low-paying jobs. Popular resistance, changes in central policy and loss of authority by rural cadres have weakened China's population control program, which is essential to maintaining long-term growth in living standards. At the same time, one demographic consequence of the "one child" policy is that China is now one of the most rapidly aging countries in the world. Another long-term threat to growth is the deterioration in the environment - notably air pollution, soil erosion, and the steady fall of the water table especially in the north. China continues to lose arable land because of erosion and economic development. As part of its effort to gradually slow the rapid economic growth seen in 2004, Beijing says it will reduce somewhat its spending on infrastructure in 2005, while continuing to focus on poverty relief and through rural tax reform. Accession to the World Trade Organization helps strengthen its ability to maintain strong growth rates but at the same time puts additional pressure on the hybrid system of strong political controls and growing market influences. China has benefited from a huge expansion in computer Internet use, with 94 million users at the end of 2004. Foreign investment remains a strong element in China's remarkable economic growth. Shortages of electric power and raw materials may affect industrial output in 2005. More power generating capacity is scheduled to come on line in 2006. In its rivalry with India as an economic power, China has a lead in the absorption of technology, the rising prominence in world trade, and the alleviation of poverty; India has one important advantage in its relative mastery of the English language, but the number of competent Chinese English-speakers is growing rapidly.