ABSTRACT
The consensus among economists is that China’s post-1978 market reform policies have produced one of the world’s greatest economic success stories. Some progressives believe that China is now capable of serving as an anchor for a new (non-U.S. dominated) global economy. A few claim that the reform experience demonstrates the workability (and desirability) of market socialism. This article is critical of these views. Its four main conclusions are as follows: first, the reforms have led to the restoration of capitalism, not a new form of market socialism. Second, the gains attributed to the reforms have been seriously overstated. Early successes were largely due to the economic foundation established during the pre-reform Mao era. Moreover, the reform process has begun to undermine this foundation, increasing the country’s dependence on foreign investment, technology, and markets. Third, the reforms have produced an increasingly exploitative growth process, one that generates considerable wealth for a minority at unacceptably high cost for the majority. Finally, the reforms also produced a growth process whose logic led it to become enmeshed in, and dependent upon, a broader process of transnational restructuring, one controlled by transnational capital. As a result, China is not only incapable of serving as an anchor for an alternative global economy, its accumulation dynamics actually contribute to the strengthening of existing structures of power and the global imbalances and tensions they generate.

Keywords: China, market socialism, transnational production, economic development

JEL classification: O53, P30, F23
The Chinese Reform Experience: A Critical Assessment

1. Introduction

The consensus among economists is that China’s post-1978 market reform policies have produced one of the world’s greatest economic success stories. In a representative statement, the Organization of Economic Cooperation and Development (OECD) notes that:

The pace of economic change in China has been extremely rapid since the start of economic reforms just over 25 years ago. Economic growth has averaged 9½ per cent over the past two decades and seems likely to continue at that pace for some time. Such an increase in output represents one of the most sustained and rapid economic transformations seen in the world economy in the past 50 years. (OECD 2005: 16)

Significantly, many progressive economists share this positive view of the Chinese reform experience. In fact, as the U.S. economy shows increasing signs of structural weakness, a growing number believe that we may be witnessing the collapse of the U.S. dominated international economic order and its replacement with a new, more progressive one anchored by China. As evidence, many point to the Chinese government’s stated commitment to socialism and the fact that the country’s industrial activity generates a demand for imported inputs (manufactured goods from East Asia and primary commodities from Latin America and Africa) that appears capable of supporting economic growth throughout much of the third world.

It would be nice if this view of China was accurate. Unfortunately, as I argue below, it is not. First, regardless of what Chinese leaders say, China is not pioneering a new form of market socialism—rather capitalism has been restored in China. As a result, Chinese internal dynamics are clearly hostile to the creation of any anti-capitalist alternative.

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Author’s note: Many of the arguments presented in this paper were developed jointly with Paul Burkett. I also want to thank him for his thoughtful comments on an earlier draft.
Second, the economic gains attributed to China’s post-1978 market reforms have been seriously overstated. China’s early post-reform successes were largely due to the economic foundation established during the pre-reform Mao era. Moreover, over time, the reform process has begun to undermine this foundation, increasing the country’s dependence on foreign investment, technology, and markets. Third, and more importantly, the economic reforms have created an increasingly exploitative growth process, one that is producing considerable wealth for a minority at unacceptably high cost for the great majority of Chinese working people.

Finally, China’s economic experience cannot be understood in isolation from the broader dynamics of global capitalism. The Chinese accumulation process has become structurally enmeshed in, and dependent upon, the operation of the transnational corporate controlled production networks that largely shape these dynamics. As a result, China is not only incapable of serving as an anchor for an alternative global economy, its accumulation dynamics actually contribute to the strengthening of existing structures of power and the global imbalances and tensions they generate.

2. Structural Transformation

The Chinese government introduced a series of reforms beginning in 1978 which gradually privileged market dynamics over planning, private ownership over public ownership, and foreign enterprises and markets over domestic ones.¹ It claims that these reforms have been responsible for the country’s rapid and sustained economic growth—and that this growth demonstrates the success of a new form of socialism, what it calls market socialism.

The reforms have indeed transformed the Chinese economy. For example, transactions are now predominantly shaped by market determined prices. As Table 1 shows, the share of retail transactions in

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¹ For a critical examination of the reform process, highlighting policies, contradictions, and consequences, see Hart-Landsberg and Burkett (2005a: Chapter 2).
which prices were set by the state fell from 97 percent in 1978 to 2.6 percent in 2003. Perhaps more
significantly, the share of producer goods transactions in which prices were fixed by the state fell from 100
percent in 1978 to 10 percent in 2003.²

Equally clear is the growing dominance of the private sector in industry (see Table 2). In 1978,
state owned enterprises accounted for 100 percent of all industrial value added in the Chinese economy.
By 1998 the state share had fallen to 54.8 percent. By 2003 it had fallen still further to 41.9 percent.
However, even these declining percentages overstate the contribution of the state sector.

Recognizing that many state enterprises are now jointly owned by private interests—either as part
of a joint venture or through stock ownership—the OECD has classified state firms as either directly or
indirectly controlled depending on whether the state share of paid-in capital is greater than 50 percent of the
total. As Table 2 illustrates, the contribution of directly controlled state enterprises to industrial value
added fell from 38.9 percent in 1998 to 22.9 percent in 2003 (thus accounting for less than a quarter of total
industrial value added). Over this same five year period, the private sector share rose from 27.9 percent to
52.3 percent.

If we focus just on the manufacturing sector (one component of the industrial sector which also
includes mining and utilities), the declining strategic importance of the state sector becomes even clearer.
The OECD has divided China’s manufacturing sector into two groups. The first includes 5 industries that
continue to be dominated by state enterprises: petroleum processing and coking, smelting and pressing of
ferrous metals, smelting and pressing of non-ferrous metals, tobacco processing, and transport equipment

The second and larger group (which accounts for over 75 percent of manufacturing value added) is
made up of 23 different manufacturing industries, including food processing, textiles, garments, chemicals,
medical and pharmaceuticals, plastics, ordinary machinery, special purpose machinery, electrical

² This dominance of market forces means that state owned enterprises are also subject to market discipline and imperatives.
equipment, and electronic and telecom equipment. These industries are now dominated by private, and increasingly foreign, enterprises (OECD 2005: 133-4). As the OECD explains:

In 1998 the private sector produced the higher share of value added in only 5 out of these 23 . . . manufacturing industries. By 2003, this was true for all 23 of these industries. Moreover, in half of them, private firms produced more than three-quarters of output. Overall in these 23 industries, the private sector employs two-thirds of the labor force, produces two-thirds of these industries’ value added and accounts for over 90 percent of their exports. (OECD 2005: 82)

The Electronic and Telecom Equipment industry offers an important illustration of recent developments. Its share of overall industrial value added rose from 6.4 percent in 1998 to 9.5 percent in 2003, making it the single largest contributor. But, as Table 3 illustrates, this rise is largely the result of foreign controlled activity. The foreign share of value added rose from 38 percent to 58 percent while the state share (direct and indirect) fell from 45 percent to 25 percent. Since this industry is one of China’s leading growth centers, this trend strongly suggests that the state’s share, and even the nationally controlled share of value added, is destined to continue to decline.

State enterprises do remain important and the Chinese state still dominates critical sectors of the economy, but these areas of strength are now largely outside the core industrial sector. In 2006, the total assets of the approximately 160 largest “state owned monopolies and oligopolies amounted to a stunning 12.20 trillion yuan ($1.6 trillion) or about 57 percent of the country’s gross domestic product” (Lam 2007). However, half of the earnings of this group were generated by three large oil enterprises. In fact, “Up to 80 percent of the year-on-year increase in profits realized in 2006 by all Chinese enterprises were attributable to . . . monopoly financial groups or monopoly firms in the areas of oil and petrochemicals, electricity, coal and metals” (Lam 2007).

The reform process has also greatly strengthened the role of foreign capital. For example, the share of foreign manufacturers in China’s total manufacturing sales grew from 2.3 percent in 1990 to 31.3 percent in 2000 (UNCTAD 2002a: 17). Perhaps more revealing, a 2006 report by the Development
Research Center of the Chinese State Council concluded that foreign capital holds a majority of assets in 21 out of 28 of the country’s leading industrial sectors (Cheng 2007b). A National Bureau of Economic Research study of the contribution made by transnational corporate activity to China’s growth found it substantial and increasing over time. Specifically, it concluded that approximately 30 percent of China’s growth over the period 1995-2004 was due to transnational corporate activity, with the foreign contribution rising to over 40 percent in 2003 and 2004 (Whalley and Xin 2006: 9).

One consequence of this development is that China’s economic growth has become increasingly dependent on foreign produced exports. Approximately 46 percent of foreign manufacturing production is exported, compared with only 16 percent for domestically-owned manufacturing firms (Whalley and Xin 2006: 5). Not surprisingly, then, foreign firms now dominate China’s export activity: their share of China’s total exports grew from 2 percent in 1985, to 30 percent in 1995, and 58 percent in 2005 (and stands at 88 percent for high tech exports (Whalley and Xin 2006: 6; Miller 2006). Moreover, a growing percentage of these foreign produced exports are now being produced by 100 percent foreign owned firms. For example, the share of China’s computer related exports produced by 100 percent foreign owned firms increased from 51 to 75 percent over the period 1993-2003 (see Table 4). As a result of these trends, the ratio of exports to GDP has steadily climbed from 16 percent in 1990 to over 40 percent in 2006 (Asian Development Bank 2007a: PRC Country Table).

In sum, while state planners and enterprises continue to play an important role in China’s economy, state power has been used to shape an accumulation process that is now dominated by privately-owned, profit-seeking firms, and led by foreign transnational corporations, whose production is largely aimed at markets in other (mostly advanced capitalist) countries. Regardless of how one might evaluate the performance of the Chinese economy, it is hard to imagine how this development can be viewed as laying
the foundation for an alternative to capitalism, at either national or international levels. Rather it points to
the conclusion that capitalism itself has been restored in China (an argument further developed below). 3

3. Eroding National Capacities

Most economists (the great majority of whom are believers in capitalism and therefore supportive of
all market enhancing policies) are well aware of the main trends highlighted above, in particular the critical
role played by transnational corporations in promoting China’s transformation into an export-oriented
economy. They generally dismiss concerns that these trends signify the growth of a destructive foreign
dependence on the grounds that by embracing market forces (and especially foreign investment) the reform
process has boosted China’s technological capacities, highlighted in part by the growing technological
sophistication of Chinese exports and leading Chinese firms. This claim, which is echoed by the current
Chinese government, has encouraged many progressive economists to advocate adoption of similar policies
in other countries (Hart-Landsberg and Burkett 2005a: Introduction and Chapter 1).

I disagree with this claim. One reason is that it incorrectly implies that marketization, privatization,
and deregulation were necessary to lift China out of technological backwardness. The Chinese
government’s assertion that Mao-era policies were an economic disaster is often cited as support for this
mistaken view. The truth is that while the Chinese economy suffered from economic problems at the close
of the Mao era (including over-centralization of decision-making and an overemphasis on heavy industry at
the expense of other sectors of the economy), state planning and production recorded many outstanding
achievements as well.

As Maurice Meisner points out, between 1952 and 1977, “the output of Chinese industry increased
at an average annual rate of 11.3 percent, as rapid a pace of industrialization as has ever been achieved by
any country during a comparable period in modern world history. . . . By the mid-1970s China was
manufacturing jet airplanes, heavy tractors, and modern ocean-going vessels in substantial quantities. The

3 For more on the question of capitalist restoration see Hart-Landsberg and Burkett (2005a and 2005b).
People’s Republic was also producing nuclear weapons and long-range ballistic missiles; it first launched a satellite in 1970, six years after its first successful atomic bomb test” (Meisner 1999: 415.) To put these gains into relative perspective: “Starting with an industrial base smaller than that of Belgium’s in the early 1950s . . . China emerged at the end of the Mao period as one of the six largest industrial producers in the world” (Meisner 1999: 417.)

Also noteworthy is the fact that these gains were achieved largely by China’s own efforts. Isolated from international trade and investment for most of the Mao era, China was forced to develop its own technological capabilities while remaining free of foreign debt—an incredible and uncredited legacy bequeathed to post-Mao regimes.

Looking at the computer sector, for example, Andrew Ross notes that:

In the 1950s, the new communist state established a science and technology R&D network, modeled after the Soviet system, and its electronics arm went on to produce several generations of computers, in many cases with little or no gap behind the capitalist powers. China’s first computer was developed in 1958, only one year after Japan’s and its first integrated circuit was produced in 1964, only five years behind the first U.S. patent. A microcomputer was developed by 1977 (even before IBM unveiled its PC), a microprocessor by 1980, and a supercomputer, along with an IBM-compatible PC, by 1983. (Ross 2006: 233)

A closer look at the Mao era policies underpinning these gains highlights both their strengths and limits. Research and development activities in China were hierarchically organized and funded accordingly. At the top was the Chinese Academy of Sciences which oversaw numerous research institutes and universities. At the next level were military and ministry controlled research labs. The third level was composed of research institutes under the control of regional industrial bureaus. The government used this structure to ensure that the country’s research efforts would be responsive to its own military and heavy industry priorities. And, as highlighted above, the effort paid off in the development of required critical technologies (Lu 2000: Chapter 1).
At the same time, this approach gave low priority to non-military related research. There were few if any links between the top research facilities and light manufacturing industries, for example. Moreover, given the country’s system of highly centralized planning, within which state enterprises concentrated on fulfilling centrally developed plans, there was little demand by non-military related enterprises for the development of new computer technologies and applications. Thus, central planning both generated enormous technological gains and also held back their wider diffusion because there were no mechanisms in place to encourage it.  

There is reason to believe that the government was preparing to adjust its planning priorities to address this problem. Nixon visited China in 1972, leading to a dramatic improvement in relations between the United States and the PRC. “Soon after, China launched the ‘Four-modernization Plan’ (i.e. modernization of industry, agriculture, science and technology, and defense) in 1974, indicating a shift of economic priorities from single-minded military and heavy industrial build-up to raising the living standards of ordinary citizens” (Lu 2000: 7). In other words, once the Chinese government no longer felt threatened by the United States, it launched a new initiative that was designed, among other things, to encourage research directed at improving the quality and diversity of consumer goods.

Of course, it is impossible to know whether this initiative would have succeeded. Mao died in 1976 and soon after the new leadership of the Communist Party launched its reform program dismantling the country’s existing political-economy. However, what is relevant for our discussion here is the fact that China had a strong national research and development infrastructure in place before the start of the reform period. Said differently, without the prior accomplishments of state planning and production, the market reforms are unlikely to have produced the gains that they did.

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4 For example, before 1979, only 27 percent of electronics production was for civilian use (Wong 2006: 66).
5 It is important to note that the Communist Party’s decision to adopt a market oriented reform program was not made in response to mass demands. In that sense it was a rejection of increasingly popular calls for the decentralization and democratization of China’s existing production and planning systems (Hart-Landsberg and Burkett 2005a: Chapter 2).
There is another and more important reason to be critical of the conventional wisdom which celebrates China’s market reforms. It is that after a relatively brief period (one to two decades) of economic dynamism stimulated largely by early decentralization initiatives, the reform process is slowly but steadily eroding the country’s technological and national development capacities. This is illustrated by the post-reform evolution of China’s high-tech industries, especially its computer industry.

Starting in the early 1980s, the Chinese government began reducing the direct funding of its various research institutes with the goal of forcing them to become self-financing. In response, and with government encouragement, these institutes created new, profit-driven enterprises. To enhance their chances of success, these new enterprises were granted managerial independence and, more importantly, free access to the personal and research findings of their parent institutions. Among the most successful of these new science and technology enterprises were four computer companies: Legend (now Lenovo), Founder, Great Wall Computer, and Stone. Lenovo, for example, was started by the Chinese Academy of Sciences (Wong 2006: 67).

These firms were able to rapidly expand and dominate a domestic computer market for two interrelated reasons. They were able to combine innovations related to Chinese language word processing developed by their parent institutions with foreign purchased hardware and technology to produce affordable computers capable of processing Chinese characters (Lu 2000: 4). And, they were able to obtain the needed hardware and technology from foreign firms on relatively favorable terms thanks to state policies that restricted the direct access of these firms to the Chinese market (Wong 2006: 68).

However, in the latter half of the 1990s, pressed by growing banking, inflation, labor, and trade problems, the Chinese government began abandoning its restrictions on foreign access to the domestic market in order to pursue WTO membership (Hart-Landsberg and Burkett 2005a: Chapter 2). The government hoped that membership would promote greater domestic competition which it viewed as key to
“a more rapid and more healthy development of China’s national economy” (Branstetter and Lardy 2006: 21).

China’s greater international openness has indeed generated more competition, but the results appear far from beneficial for Chinese development. Foreign companies which had previously focused on exports and/or were forced to operate within the structure of joint ventures are now directly targeting the Chinese market with increasingly negative consequences for Chinese high technology producers.

The cell phone industry provides one example: when Samsung entered the Chinese market in the early 1990s it was forced by government licensing requirements to do so as part of a joint venture with a state enterprise, the Kejian Company. Kenjian, like Lenovo, was created by the Chinese Academy of Sciences in 1986. Kenjian relied on Samsung’s core technology to produce its phones and also sold selected Samsung phones through its own sales network. For a time, Kejian was even the leading cell phone brand in China. However, with China’s accession to the WTO, Samsung was soon freed from its joint venture obligations. It opened its own wholly owned subsidiary and began directly marketing its own products, quickly winning market share largely at Kejian’s expense (Wong 2006: 82).

The situation has only become worse for Chinese firms:

Cell-phone makers TCL and Ningbo Bird have seen their share of the mainland market whittled down by global giants Nokia and Motorola. Profit margins at telecom equipment makers Huawei Technologies and ZTE have shriveled. BOE Technology Group, the country's biggest maker of liquid-crystal displays used as screens for PCs and TVs, has dumped noncore assets to prop up earnings and is lobbying for a government bailout. Chipmakers Semiconductor Manufacturing International Corp. and Grace Semiconductor Manufacturing Corp., which once hoped to challenge the Taiwanese as world leaders, are limping. "Our greatest challenge is how to turn the company profitable," says Anne Chen, SMIC's Hong Kong representative. (Einhorn 2007: 44)

Heightened internal competition is also taking its toll on the Chinese computer industry. Lenovo (which acquired IBM's PC unit in 2005) remains the largest PC seller in China but is facing a profit squeeze and losing ground to HP and Dell (both of whom are rapidly expanding their own distribution networks); Lenovo’s market share fell from 36 percent in 2006 to 29 percent in 2007 (Bloomberg News 2008).
China’s other computer makers (labeled “also-ran computer makers” by Business Week) are in real trouble, including Founder, which used to hold second place in the Chinese market (Einhorn 2008b).

While leading Chinese firms continue to battle for survival in the domestic market, they are largely missing in action as far as high-technology exports are concerned; as noted above, foreign firms account for approximately 88 percent of all Chinese high-technology exports. The computer industry is a case in point. China is now the world’s leading computer producer, assembling approximately 80 percent of the world’s notebook and desktop computers. A major reason is that Taiwanese companies operating as original design manufacturers (ODMs) “dominate worldwide computer manufacturing and have shifted virtually all production to the mainland in the past five years. Taiwanese notebook (laptop) computer makers now manufacture almost 100% in mainland China . . . . In 2001, this figure was just 4%” (Miller 2006).

Reflecting this reality, eight of China’s top 10 exporters are Taiwanese ODMs that supply “branded PC sellers such as Dell with unbranded computers and components” (Miller 2006).

China’s main contribution to this export activity is cheap land and labor. “There are no Chinese ODMs and there are no significant Chinese suppliers to the Taiwanese ODMs, or to their suppliers.” And it is unlikely that Chinese computer makers will be able to change this situation. As one industry analyst explained: "No, it's too late. All the major global brands rely on Taiwanese companies and suppliers, who control this part of the supply chain. The market is too mature for new players to enter. The only value added by China is the efficiency it brings to the assembly process, not its own technology" (Miller 2006).

Lenovo’s operations underscore this view. By purchasing IBM’s PC unit, Lenovo instantly became a major player in the global PC market. Yet, this purchase has done little to advance Chinese technological capacities. Lenovo continues to use the same (mainland-based) Taiwanese ODM’s previously employed by IBM and has even moved its headquarters to the United States where it employs U.S. engineers for product development. “If Lenovo is a global player and mainstay of China’s export economy today, it is
rather a reflection of the domestic computer industry's continuing weakness than of any burgeoning
strength” (Miller 2006).

Beyond the immediate (foreign) threat to China’s high technology producers highlighted above, lies
a deeper structural problem: China’s reform process has failed to strengthen China’s technological base.
As Branstetter and Lardy explain:

the rapidly changing commodity composition of China's exports does not appear to constitute
evidence that Chinese firms are leapfrogging ahead technologically, because these exports are not
primarily driven by the expanding “knowledge stock” or innovative capabilities of domestic firms.
Indeed there may be a growing technology gap between foreign firms operating in China and
domestic Chinese companies. In part this is because foreign firms in the electronics and
information technology space in China are almost entirely wholly foreign-owned companies rather
than joint ventures. Wholly foreign-owned firms have strong incentives to protect their technology
from competitors, both domestic and foreign, thus limiting the diffusion of technology to
indigenous firms. Furthermore, there is evidence suggesting that many indigenous Chinese firms
spend little on research and development to develop new technologies on their own. (Branstetter
and Lardy 2006: 40-41)

Perhaps the most important evidence of the failure of the reform process to safeguard China’s
technology future is that the drive for international competitiveness has led Chinese firms, especially the
leading ones, to delink from the national technology grid. George Gilboy highlights this development and
its consequences as follows:

In 2002, Chinese firms devoted less than one percent of their total science and technology budgets
(which include technology imports, renovation of existing equipment, and R&D) to purchasing
domestic technology. China’s best firms are among the least connected to domestic suppliers: for
every $100 that state-owned electronics and telecom firms spend on technology imports, they spend
only $1.20 on similar domestic goods. Thus Chinese technology suppliers do not enjoy a strong
“demand pull” from the best domestic firms to stimulate their own innovative capabilities; they are
relegated primarily to serving rural enterprises and less competitive state-owned enterprises.
(Gilboy 2004)

Some Chinese firms, like Lenovo, have already established themselves as major international
competitors. No doubt there will be others. But such accomplishments are not an adequate indictor of a
successful development policy. A more important indicator is the degree to which a country’s national
development capacities are strengthened. And, on this measure, China’s reform policies (despite claims to
the contrary) appear to be a failure. The early gains of the reform period—which were largely made possible by accomplishments in the pre-reform period—have not been sustained. As a result, the Chinese economy is slowly but steadily becoming dependent on foreign technology, production, and markets—a trajectory that bodes ill for Chinese working people.

4. Destructive Social Consequences

The most important reason to be critical of China’s market reform policies is that they have created a growth process underpinned by increasingly brutal working and living conditions for the great majority of Chinese. Most surprising perhaps is the fact that the country’s rapid growth has failed to generate adequate employment. The ILO has divided urban employment into five main categories: employment in traditional formal enterprises such as state and collective enterprises; employment in emerging formal enterprises such as cooperative enterprises, joint ownership enterprises, limited liability corporations, shareholding corporations and foreign-funded enterprises; employment in small-scale private registered enterprises; employment in individual registered businesses, and irregular employment.\(^6\) Table 5 shows the employment trends in these categories over the period 1990-2002.

Perhaps most striking is not the decline in employment in the traditional formal sector, which is a logical consequence of the reform process, but the lack of significant job creation in the “emerging” formal sector. Even with the employment contribution of small and individual private enterprises, the Chinese economy managed an overall increase in “regular” employment of only 1.7 million workers over the entire thirteen year period.\(^7\) This was far from sufficient to match the growth in labor supply. Thus, growing numbers of Chinese workers have been forced to accept employment as irregular workers; with an increase of 80 million over the period 1990-2002, they now comprise the largest single urban employment category.

\(^6\) Irregular employment includes casual-wage or self-employment—typically in construction, cleaning and maintenance of premises, retail trade, street vending, repair services, or domestic services.

\(^7\) Regular manufacturing employment actually fell over this period, from 53.9 million in 1990 to 37.3 million in 2002 (Ghose 2005: 29).
This growing informalization of employment parallels developments in Africa and Latin America, areas where (in contrast to China) capitalist accumulation is said to be stagnant (Hart-Landsberg and Burkett 2007).

The massive increase in irregular employment is even more shocking given that workers have actually been leaving the urban labor market; the labor force participation rate of urban residents fell from 72.9 percent in 1996 to 66.5 percent in 2002 (Ghose 2005: 8). In addition, outright unemployment remains a serious problem. Official government figures understate the extent of the problem in part because of the narrow definition used. Using more commonly accepted international definitions, the ILO estimates that the 2002 unemployment rate for long term urban residents was in the 11–13 percent range (Ghose 2005: 13).

The reform process has taken an especially heavy toll on state workers. According to the Social Relief Division of the Ministry of Civil Affairs, state-owned enterprises laid off 30 million workers over the period 1998 to 2004. As of June 2005, over 21.8 million of these workers were struggling to survive on the government’s “minimum living allowance.” Laid-off state workers normally receive a “basic living allowance” for three years from their former state enterprise. If they are unable to find employment during that period, they are able to draw unemployment insurance payments for two additional years. Only after exhausting those payments do they become eligible to receive the minimum living allowance, the basic welfare grant given to all poor urban residents. According to Ministry figures, in June 2005, this allowance was approximately $19 a month; by comparison, the average monthly income of an urban worker was approximately $165 dollars (China Labor Bulletin 2005).

Of course, there has been job growth in the private sector, especially at firms producing for export. However, most of these are low paid jobs with poor working conditions. “Even after doubling between 2002–2005, the average manufacturing wage in China was only 60 U.S. cents an hour, compared with
$2.46 an hour in Mexico” (McClenahen 2006). A recent report on labor practices in China by Verite Inc., a U.S. company that advises transnational corporations on responsible business practices, found that "systemic problems in payment practices in Chinese export factories consistently rob workers of at least 15 percent of their pay" (Simons 2007). Workplace safety is an even greater problem. According to official Chinese government sources, about 200 million workers labor under “hazardous” conditions. “Every year there are more than 700,000 serious work-related injuries nation-wide, claiming 130,000 lives” (China Labor Bulletin 2008).

Employment conditions at Foxconn, a Taiwanese-owned firm, typify the new work environment. Foxconn is a major electronics and computer parts manufacturing subcontractor for firms such as Apple and Dell, and employs over 200,000 workers in China, a majority in Shenzhen (a major manufacturing center in south China). Foxconn assembly line workers in Shenzhen earn approximately $32 for a 60 hour work week. An examination by Apple-hired investigators of a Foxconn plant that builds iPods found that its managers routinely used corporal punishment to discipline workers. It also revealed that workers labored more than six consecutive days 25 percent of the time despite the fact that Chinese law requires at least one day off each week (Simons 2007).8

One critical factor keeping Chinese manufacturing internationally competitive is that approximately 70 percent of all manufacturing work and 80 percent of all construction is done by migrants (China Labor Bulletin 2008). According to official estimates, some 200 million rural workers have moved to urban areas in search of employment over the last 25 years. That number is expected to climb by another 100 million over the next several years (Wu 2007a). Although the great majority of these migrant workers have moved legally, they suffer enormous discrimination. For example, because they remain classified as rural residents under the Chinese registration system, not only must they pay steep fees to register as temporary urban residents, they also have no rights to the public services available to urban born residents (including

8 For a more detailed description of living and working conditions at Foxconn and in Shenzen more generally see Weil (2008).
free or subsidized education, health care, housing and most employment based social security benefits such as pensions). The same is true for their children, even if they are born in an urban area. As a consequence migrant workers are easily exploitable. They typically work 11 hours a day, 26 days a month. Most receive no special overtime pay and commonly earn one-quarter to one-half of what urban residents (*China Labor Bulletin* 2008; Ngok 2008).

In 2005, the Ministry of Public Security (which oversees the registration system) gave local governments the power to reform the registration system, including if they wished ending the distinction between urban and rural residents. But, local governments have refused to do so. The reason: it would be bad for business. The change would require an increase in spending on social services which would have to be funded by higher or new taxes. Providing a social safety net would also likely enhance migrant worker security, encouraging demands for higher pay and improved working conditions (Wu 2007a).

The effectiveness of Chinese labor policies (which have been designed to boost export competitiveness) are well illustrated by recent trends in private consumption and wages. Private consumption as a percent of GDP has fallen from approximately 47 percent in 1992 to 36 percent in 2006. This is the lowest percent for any large economy. By comparison, private consumption as a share of GDP tops 50 percent in Britain, Australia, Italy, Germany, India, Japan, France, and South Korea; it is over 70 percent in the U.S. Chinese wages as a share of GDP have also plummeted, from approximately 53 percent of GDP in 1992 to less than 40 percent in 2006 (*The Economist* 2007).

The fall in Chinese private consumption is not the result of an increase in savings by Chinese workers. In fact, household savings rates have been declining. Savings as a percent of personal disposable income has fallen from over 30 percent in the mid-1990s to 25 percent in 2006. China’s total domestic

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9 This discrimination also distorts Chinese government statistics. For example, municipal governments often compete for investment by promoting the economic achievements of their respective localities. To gain a competitive advantage, some governments do not include migrant workers (even those employed) in their population totals when calculating their local per capita gross domestic product (Wu 2007a).
savings rate has indeed gone up but this is because of growing firm and government savings. As *The Economist* explains, “the decline in the ratio of consumption to GDP . . . is largely explained by a sharp drop in the share of national income going to households (in the form of wages, government transfers and investment income), while the shares of profits and government revenues have risen.” In fact, according to *The Economist*, “Many countries have seen a fall in the share of labor income in recent years, but nowhere has the drop been as huge as in China” (*The Economist* 2007). And, the lower the share of income going to workers, the more economic forces reinforce the export orientation of the Chinese economy, thereby encouraging further policies to suppress worker standards of living.

Of course, China’s growth and industrial transformation has also generated great wealth. This is reflected in an explosion of inequality and the formation (or solidification) of new class categories and social relations. In a study of inequality covering 22 East Asian developing countries, the Asian Development Bank concluded, using the Gini coefficient as its measure, that China had become the region’s second most unequal country, trailing only Nepal (Asian Development Bank 2007a: 3). This is not surprising considering that over a roughly 10-year period (from the early 1990s to the early 2000s), China recorded the region’s second highest increase in inequality, again trailing only Nepal (Asian Development Bank 2007a: 6). Using other measures of inequality, such as the earnings of the top 20 percent relative to the bottom 20 percent of the population, China recorded the greatest growth in inequality (Asian Development Bank 2007a: 7).

Such general figures do not adequately convey the real concentration of wealth that has accompanied and motivated China’s market reform program. According to the Boston Consulting Group,

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10 The Asian Development Bank study is based on official statistics. Many analysts believe that these statistics strongly underestimate the degree of inequality. Studies by independent Chinese research institutes have found significantly higher rates of inequality (Wu 2007b).

11 In commenting on the Chinese experience, the Asian Development Bank noted that the rise in inequality was driven both by rising “differentials in incomes across rural and urban households” and also by “uneven growth in incomes among urban households” (Asian Development Bank 2007a: 10-11).
China had 250,000 US dollar millionaire households (excluding the value of primary residence) in 2005, the sixth greatest national total in the world. Although they made up only 0.4 percent of China’s total households, they accounted for 70 percent of the country’s wealth (Wu 2007c). The number of US dollar billionaires is also growing rapidly, from 1 in 1999 to 106 in 2007; China now has more billionaires than any country in the world except the U.S. (Kwong 2007).

This new elite is hard at work exploiting its new wealth, embracing “every aspect of luxury pursuits, whether it's hunting, gambling, jets or yachting” (Shen 2006). Not surprisingly, then “LVMH Moët Hennessy Louis Vuitton, the world's largest luxury goods maker, plans to open two to three stores a year in China, where sales are rising 50 percent annually. Financièr Richemont, the world's second-biggest, expects to quadruple sales in China within five years by selling more Cartier jewelry and Piaget watches” (Shen 2006).

Yachts are perhaps the fastest growing luxury item. China has become a regular host of major yacht shows, the largest of which draw thousands of visitors and hundreds of exhibitors. And, local governments are doing all they can to accommodate this new interest:

The American Mercury Club, located on East China's Taihu Lake is one of the largest in China. The club has 144 berths, about 400 registered members and about 30 private yachts. With a membership fee of more than 130,000 yuan (US$15,700), it is not likely that many ordinary people will apply for membership in the club. . . .

The local government is taking steps to encourage the new activity. Shanghai will build five marinas by 2010, at the mouth of the Yangtze River, on Dianshan Lake and along the coastline. The marinas near the downtown will have berths for about 10,000 yachts by 2010. . . .

Nanjing, another important city in the Yangtze River Delta, plans to build yachting facilities along its riverfront, including a five-storey complex to be used for yacht exhibitions, conferences and other recreational events.

Southeast China's Xiamen City will build an international yachting centre able to berth 900 yachts. The project will include entertainment facilities and a five-star hotel. (Li 2005)
There are clear signs that the Communist Party is becoming concerned that the immizeration of the working class in the face of such open flaunting of wealth is adding fuel to a growing popular anger over deteriorating employment, housing, environmental, income, and health conditions. However, the debate within the Party over how to respond to this situation “does not appear likely to derail China's market-led growth strategy]. President Hu Jintao, in what Chinese political experts and party members said was a clear reference to the debate, told legislative delegates [in March 2006] that China must ‘unshakably persist with economic reform’” (Kahn 2006).12

The sentiment of many Communist Party leaders was captured in a magazine article written by Zhou Ruijing (a retired senior newspaper editor). “‘A widening gap between rich and poor is not the fault of market reforms,’ he wrote. ‘It's the natural result of them, which is neither good nor bad, but quite predictable.’ He said most of the complaints leading to social unrest, like the high cost of education and medical care, land seizures, pollution and poor public safety, tended to be problems of inefficiency and government corruption, not shortcomings of the market” (Kahn 2006).

An obvious reason that many in the leadership of the Communist Party have steadfastly pushed and defended the reform program despite its devastating effects on working people is that they have been some of its biggest beneficiaries. Their ability to shape the reform process and dominate decision-making at key state enterprises and institutions has enabled them to use state assets for personal gain, place family and friends in lucrative positions of authority in both the state and private sector, and ensure that the rapidly growing capitalist class remains dependent on the Party’s good will (Hart-Landsberg and Burkett 2005a:

12 At the same time, the Communist Party has begun a number of reform efforts which are designed to ameliorate the worst excesses generated by China’s growth strategy without radically changing its orientation. One example is the 2008 Labor Contract Law. It requires, among other things, that employers provide their workers with a written contract and pay a premium for overtime and weekend work. However, because of loopholes and inadequate enforcement, the law has had limited impact on employment conditions (International Trade Union Confederation 2008).
Chapter 2). This has led to a fusion of party-state-capitalist elites around a shared commitment to continue the advance of a capitalist political economy with “Chinese characteristics.”\(^\text{13}\)

The results of this development are easy to see: most of the top positions in major state monopolies (dominating industries such as oil and gas, electricity, airlines, and telecom) have gone to the children of party leaders. “This has prompted even the state media to decry the rise of ‘special privileges’ and the emergence of a ‘new class of monopoly state capitalists’ at a time when friction among disparate socioeconomic groupings is threatening to tear apart the social fabric” (Lam 2007). “Of the key positions in the five industrial sectors—finance, foreign trade, land development, large-scale engineering and securities—85% to 90% are held by children of high-level cadres” (Hotz 2007).

The outcome is also reflected in China’s wealth statistics. For example, one-third of the 800 richest people in China (according to a 2007 listing) are members of the Communist Party (including 38 who are delegates to the National People's Congress). While the majority of those on the list are described as “first-generation, self-made entrepreneurs,” most have connections to party and state leaders “through longstanding family ties” (Kwong 2007).

China’s elite has been willing to share the fruits of the country’s production with international capital—although struggles over distributional issues are growing sharper as international capital strengthens its position within China—because international capital’s participation has been critical to the establishment and continued growth of China’s new political-economy. However, China’s elite appears determined to ensure that they will be the primary national claimant. Thus, at the same time that the “Chinese Communist Party has opened up an unprecedented number of sectors for foreign-equity participation . . . the authorities have . . . tightened control over other aspects of the economy. This has resulted in the truncation, if not atrophy, of thousands of [small and medium sized] private firms. These are

\(^{13}\) In fact, the Communist Party officially welcomed capitalists to become members at its Sixteenth National Conference in 2002, declaring them to be "Builders of Socialism with Chinese Characteristics."
in danger of being edged out by powerful monopolies and oligopolies that are controlled either by the party-and-state apparatus or by senior cadres and their offspring” (Lam 2007).

In sum, it appears that those driving China’s economic strategy have been remarkably successful in using the reforms to shape an accumulation process responsive to their interests. And, consistent with the underlying capitalist nature of this process, their gains have come at ever greater cost to the majority of Chinese working people. As a result, Chinese leaders must now contend with an explosion of strikes and demonstrations; according to Chinese government figures, the number of large scale “public order disturbances” has grown from 58,000 in 2003, to 74,000 in 2004, 87,000 in 2005, and an estimated 94,000 in 2006 (Einhorn 2008a). It remains to be seen whether such actions will threaten future foreign investment and export production, the two most important pillars of China’s growth strategy. Perhaps most noteworthy is the fact that working people have begun openly defending the accomplishments of the Mao period as part of broader discussions and debates over how to renew a genuine effort to build socialism in China (Gao 2008). Regardless of what happens, it is difficult to see on what basis progressives would want to celebrate and promote China’s reform experience.

5. Transnational Accumulation Dynamics

Given China’s size and the enormity of the country’s recent policy changes, most analysts have been content to explain China’s economic experience largely in terms of national factors, especially state decisions. While understandable, especially given the popularity of the hunt for development models, this framing leads to a misleading understanding of Chinese accumulation dynamics. Among other things, it

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14 For example: “From the late 1990s to 2005, the number of individual enterprises [those restricted to a maximum of eight employees] was shrinking at the rate of more than 1.3 million a year. The reasons include the failure to obtain low-interest loans and the ever rising energy and raw material costs” (Lam 2007).

15 The Chinese government has now halted publication of these protest figures, but most analysts believe that their number continues to rise. Significantly, unrest has also spread to the Chinese military: “For two weeks [beginning in early September 2007], Chinese authorities have tried to put down a series of coordinated riots by thousands of demobilized soldiers, outraged at the shoddy and expensive training offered them in preparation for return to civilian life. . . . These incidents in cities all over China must be of special concern to the Beijing government, which for years has managed to keep the lid on a growing tide of unrest that sees on average over 250 often-violent protests and demonstrations every day” (Manthorpe 2007).
encourages the misguided belief that China can serve as an anchor for a new (non-U.S. dominated) global economy.

The reality is that China’s transformation is not occurring in a vacuum or solely in response to Chinese initiatives. Rather, East Asian economies, including that of China, are being linked and collectively reshaped by broader transnational capitalist dynamics, in particular by the establishment and intensification of cross-border production networks organized by transnational corporations. As a result, China’s own accumulation dynamics are increasingly being tied to dominant patterns of investment and trade, thereby reinforcing rather than offering an alternative to them.

One consequence of this reshaping is that all East Asian economies have become more trade oriented, with exports playing an increasingly central role in driving growth. The region’s export/GDP ratio rose from 24 percent in 1980 to 55 percent in 2005; by comparison the world average in 2005 was only 28.5 percent (Asian Development Bank 2007b: 68).

More importantly, this reshaping has also produced significant changes in both the geographical direction as well as the composition of East Asian manufacturing export activity. Over the period 1992–2003, China (defined here as the mainland and Hong Kong) shifted its export orientation from East Asia, especially developing East Asia (defined as East Asia excluding Japan), to NAFTA and the European Union (EU). Specifically, the share of Chinese exports to developing East Asia fell from 53.8 percent to 30.4 percent while the share to NAFTA and the EU rose from 33.8 percent to 48.6 percent. Over the same period, the rest of East Asia shifted in the opposite direction. For example, Southeast Asian nations increased the share of their exports going to developing East Asia from 28.0 percent to 38.0 percent and reduced the share going to NAFTA and the EU from 46.9 percent to 34.9 percent (Hart-Landsberg and

16 Unless otherwise noted these economies are the People’s Republic of China; Hong Kong, China; Indonesia; Japan; Republic of Korea; Malaysia; Philippines; Singapore; Taiwan; Thailand; and Vietnam.
Burkett 2007: 24).\textsuperscript{17} China is now the region’s largest exporter to the U.S. and the EU in absolute and relative terms (Asian Development Bank 2008a: 17). And, as Table 6 shows, East Asian trade in manufactures is steadily narrowing to the export and import of parts and components rather than final goods. China is the only country (besides Indonesia) whose exports remain predominantly final goods (Hart-Landsberg and Burkett 2007: 25).

These developments reflect China’s new position as final production platform in a transnational corporation structured regional production system. As the Asian Development Bank explains, “The PRC has a special role to play. At the center of MNCs’ regional supply networks, it is important in boosting both intra- and interregional trade” (Asian Development Bank 2007b: 67). In other words, the region’s growing focus on trade in parts and components is largely a consequence of China’s development as an import dependent producer of increasingly high technology exports. China’s unique position is highlighted by the fact that it is the only country in the region that runs a regional trade deficit in parts and components. Thus, the mirror image of China’s surplus in trade with the United States and the European Union is its deficit in trade with East Asia (Hart-Landsberg and Burkett 2006: 12, 15-6).

The sharp increase in intraregional trade has encouraged many analysts to believe that China’s import dependent production will enable East Asian countries (and those in Latin America and Africa that also export to China) to ”uncouple” from the U.S. dominated international economic order. However, since this trade activity largely involves an intraregional trade of parts and components culminating in China-based production, with final sales directed outside the region (especially to the U.S. and the EU), quite the opposite is true; East Asia’s overall dependence on developed capitalist markets has actually grown. As the Asian Development Bank explains, “even though intra-Asian trade has been expanding more rapidly than Asia’s trade with the rest of the world, Asia has become ever more closely linked by globalization to the major global markets of the G3 [the U.S., EU, and Japan]. This stems from the nature of Asian trade, with

\textsuperscript{17}The Southeast Asian nations are Indonesia, Malaysia, Philippines, Singapore, Thailand, and Vietnam.
intra-Asian trade driven by vertically integrated Asian production chains and extra-Asian trade driven by G3 demand for the final goods produced in these networks” (Asian Development Bank 2008a: 13).

The rapid growth in the region’s dependence on the U.S. market, in particular, is illustrated by the following trends: the correlation between the growth in East Asian intraregional exports and U.S. non-oil imports increased from .01 during the 1980s, to .22 during the 1990s, and .63 during the first half of the 2000s. Similarly, the correlation between the growth in East Asian exports and U.S. non-oil imports rose from .21 during the 1980s, to .34 during the 1990s, and .77 during the first half of the 2000s (Asian Development Bank 2007b: 69-70).

This regional perspective illuminates that fact that China’s market reform strategy, despite its domestic origins, soon became enmeshed in a broader process of transnational restructuring, one that accelerated the reforms in ways guaranteed to ensure the dominance of capitalist imperatives in China. It also enables us to see more clearly the ways in which China’s economic dynamism is based on unstable pillars and destructive of working class interests both inside and outside of China.

The most obvious problem is that East Asian growth has become ever more dependent on satisfying market demands outside the region as opposed to national or even regional needs. In particular, as China’s economic activity (and thus the region’s production) became geared to exporting to the U.S., the result has been ever larger U.S. trade deficits. Since it is doubtful that the U.S. economy can continue to sustain such large and growing trade deficits, it is difficult to see how China (and by extension the other countries in the region) can avoid painful adjustments involving lower rates of growth and a further worsening of majority employment and living conditions.¹⁸

Chinese growth dynamics remain problematic even if international trade imbalances can be sustained. For example, China’s emersion in transnational cross-border production chains will further

¹⁸ The U.S. recession that began December 2007 highlights the problematic nature of China’s dependence on continued U.S. debt driven consumption. If the U.S. economy has entered a prolonged period of stagnation, the consequences for Chinese and East Asian growth will be severe (Asian Development Bank 2008b: 22-8; Roubini 2008).
complicate Chinese efforts at technological upgrading. As an UNCTAD study points out, “participating in international production chains” often leaves the host country “locked into its current structure of comparative advantage . . . thereby delaying the exploitation of potential comparative advantage in higher-tech stages of production” (UNCTAD 2002b: 75). Five years after China’s 2001 accession to the WTO, the Chinese economist Han Deqiang recalls that he had “argued the greatest damage [of membership] would be to China's capacity to control its industrial and technological development autonomously. I think it's safe to say these last five years have more than proven that true. In China, any industry that wants to develop its own technology or markets has encountered increasingly great barriers” (Philion 2007).

Some scholars have argued that China is overcoming this limitation, pointing to a recent decline in imports from other East Asian countries as proof that China is successfully developing its own backward production linkages. However, the data does not support this argument. The trade improvement appears to be temporary, reflecting a one-time increase in foreign investment in the garment industry motivated by reduced foreign trade restrictions on Chinese garment exports. More generally, “the idea that the PRC has been able to replace imported supplies with domestic components is not supported by [existing] trends. The claim that the PRC now provides an important source of demand in final goods markets for other Asian countries also sits ill with the data” (Asian Development Bank 2008a: 23).

Even more problematic is the fact that as China’s growth has become dependent on the country’s participation in crosscutting and competing transnational production networks, the Chinese state has come under ever greater pressure to keep wages down and productivity up in order to sustain or improve the country’s position within these networks. And, because of its key position, Chinese conditions have become the benchmark by which transnational corporations evaluate the investment environment in other countries. As a result, workers throughout East Asia have become pitted against each other in a contest to

19 If this argument is true, it means that the ramifications from U.S. economic difficulties will be far greater for China since it would be host to a greater share of regional production. It also means that Chinese growth will generate fewer benefits for other Asian countries.
match the level of labor exploitation achieved in China. Among other things, this “competition” works to reinforce the bias of the system toward exports, thereby also intensifying the risk of regional overproduction. Thus, far from opening up new possibilities for working people, China’s reform strategy has actually strengthened a transnational accumulation process that is generating serious national and international imbalances and tensions that will eventually require correction at considerable social cost.

6. Conclusion

Tragically, China’s post-1978 market reform strategy continues to be celebrated rather uncritically by the great majority of economists, and generally for the same reasons: the country’s rapid and sustained growth, ability to attract foreign direct investment, and production of ever more sophisticated exports. For mainstream economists, the Chinese economic experience shows once again the virtues of market liberalization. For many progressives, it demonstrates the virtues of a controlled, state-directed market liberalization process. For some, the Chinese reform experience demonstrates the workability (and superiority) of market socialism.

Unfortunately, a deeper look at the Chinese reform experience challenges this celebration. As highlighted above, China’s economic transformation has been driven by a growth process that is now eroding majority living and working conditions as well as national development capacities. This growth process is also contributing to a strengthening of transnational accumulation dynamics that work to intensify competitive pressures on working people throughout East Asia and beyond.

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20 Investment rates have been falling in most East Asia countries, in part because national capital has been shifting production to China to take advantage of more profitable production conditions. Foreign direct investment has also declined for a similar reason. In response, governments have implemented new labor regimes designed to weaken labor protections. As a consequence wages and working conditions have worsened throughout the region (Asian Development Bank 2007c: 32-3; Hart-Landsberg and Burkett 2007: 31-36. For a case study of Korea see Hart-Landsberg and Burkett (2006: 28-33).

21 Latin American and African countries supply China with primary commodities rather than manufactured parts and components and thus have a different economic relationship with China than do East Asian countries. China’s large and growing need for these commodities has boosted Latin American and African growth and foreign exchange earnings. However, this gain comes at a cost. Trade agreements with China, sometimes supported by Chinese financial assistance, reinforce existing structural imbalances by strengthening the primary commodity sector at the expense of the industrial sector. At the same time, close to 95 percent of all Latin American high technology exports face competition from China-based exporters. These threatened high technology exports represent almost 12 percent of all Latin American exports (Gallagher and Porzecanski 2008: 14; Li 2007). Africa faces similar dangers (Cheng 2007a).
The celebration of the Chinese economic experience by those supportive of socialism is especially problematic. Among other things, it encourages the mistaken belief that socialism can be built through the use of markets and a closer integration with global capitalist accumulation dynamics. At a minimum, this leads to confusion about the nature of socialism and of capitalism as well. This is more than a theoretical concern as progressive economists in countries such as Cuba, Venezuela, South Africa, and Brazil debate the merits of adopting the Chinese strategy.

As highlighted above, Chinese state policies have decisively moved the country away from socialism; in fact, they have led to the restoration of capitalism. And, precisely because China’s own elites are committed to building capitalism (with Chinese characteristics), China (as currently organized) cannot be counted on to assist in, much less anchor, the creation of a new economic system or set of international trading or financial relationships. In fact, growing numbers of Chinese workers are beginning to challenge Chinese state policies, not just in response to the exploitation they experience but also because of their renewed interest in socialism itself. Given the enormous importance of China, as a growing economic power and development model, it has become absolutely essential to clarify the nature of the experience there, both to provide support for those seeking socialist renewal in China and to ensure that efforts in other countries are not compromised by false understandings of the dangers of markets and capitalist imperatives.
References


*China Economic Net*. 2006. Nearly 90 percent of China’s electronic exports are from foreign ventures. 16 April.


Table 1: Share of Transactions Conducted at Market Prices (percent of transaction volume)

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<td><strong>Producer goods</strong></td>
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Table 2: Breakdown of Industrial Value Added by Controlling Shareholder

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<th>1998</th>
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<td>State Controlled Enterprises</td>
<td>54.8%</td>
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<td>Total</td>
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Table 3: Breakdown of Industrial Value Added by Controlling Shareholder, Electronic and Telecom Equipment

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<td>Direct Control</td>
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Note: TF is employment in traditional formal enterprises (state and collective enterprises), EF is employment in emerging formal enterprises (cooperative enterprises, joint ownership enterprises, limited liability corporations, shareholding corporations and foreign-funded enterprises), EP is employment in small-scale private registered enterprises, ES is employment in individual registered businesses, and IRR is irregular employment.

Table 6: Share of Parts and Components in Total Manufacturing Trade, in percent

<table>
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<tr>
<th></th>
<th>PRC Export</th>
<th>PRC Import</th>
<th>Northeast Asia (excluding the PRC) Export</th>
<th>Northeast Asia (excluding the PRC) Import</th>
<th>Southeast Asia Export</th>
<th>Southeast Asia Import</th>
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</table>

Note: Northeast Asia includes Hong Kong, China; Republic of Korea; Mongolia; and Taiwan. Southeast Asia includes Burma, Cambodia, Indonesia, Lao People's Democratic Republic, Malaysia, Philippines, Singapore, Thailand, and Vietnam.

Source: Asian Development Bank (2008a: 23)