Preface

This book was born out of a joint study of the Economics and Research Department of the Asian Development Bank (ADB) and the National School of Development at Peking University. The study, funded under an ADB technical assistance grant, examined the challenges the People’s Republic of China (PRC) faces in sustaining robust growth and policy options for making a successful transition to a high-income economy and so avoiding getting caught in a middle-income trap.

Today, the Chinese economy is at a crossroads. Its growth model, based on high investment, exports, low-cost advantage, and government interventions, has successfully transformed the country from a low-income to an upper middle-income economy. But this model has also generated contradictions that could undermine future growth. Making the transition to high income requires greater innovation, productivity and efficiency improvements, and greater reliance on market forces and competition. The concern over the sustainability of the existing growth model is shared not only by the authors of this book, but also by many other researchers and economists in the PRC and abroad and, as shown by recent policy developments, by the country’s policymakers and its senior leadership.

The book benefited greatly from two workshops held in Beijing in 2010 and 2011. A synthesis report, Growing Beyond the Low-Cost Advantage: How the People’s Republic of China Can Avoid the Middle-Income Trap, based on the background papers presented and discussed at the workshops, was published by ADB in October 2012.

The authors revised and updated the background papers in 2012 and 2013 to reflect recent economic and social developments, including the slowdown in growth and the reforms included in the Twelfth Five-Year Plan, 2011–2015. They also provided specific, practical, and realistic policy suggestions. This book gathers the revised papers together in one volume.

Part I presents an overview of economic and development challenges and the policy options the government could consider. Part II analyzes reform and rebalancing from national and global perspectives. As well as the PRC’s experience, it examines successful transitions in East Asia and the problem of middle-income slowdowns in Latin America and Southeast
Asia. Part III discusses macroeconomic and structural challenges focusing on fiscal and monetary policy, public finance, industrial and service sector upgrading, and urbanization. Part IV analyzes social, demographic, and environmental dimensions focusing on inequality, employment, education, social protection, and water resources.

We would like to thank the authors as well as the other experts and ADB staff who participated in the workshops and offered advice and insights along the way, including Athar Hussain, Maria Soccorro Bautista, Biswa Nath Bhattacharyay, Yang Du, Michael Han, Don Hanna, Dong He, Jianwu He, Liping He, Paul Heytens, Dayuan Hu, Nicholas Lardy, Jong-Wha Lee, Shantong Li, Xin Li, Tun Lin, Minquan Liu, Yolanda Fernandez Lommen, Mai Lu, Ming Lu, Donghyun Park, Dwight Perkins, Yan Shen, Hyun Son, Min Tang, Geng Xiao, Ping Yan, Linda Yueh, Fan Zhai, Bin Zhang, Lijing Zhang, Ling Zhu, and Ji Zou. We are grateful for the support from Fan Zhai and Wen Jianwu in modeling structural change and Damaris Yarcia for carrying out long-term growth projections. We thank two former ADB chief economists: Jong-Wha Lee, for initiating the study, and Changyong Rhee, for supporting its completion. The International Department of the Ministry of Finance of the PRC is also gratefully acknowledged for its support.

The manuscript has benefited greatly from editing by Alastair McIndoe and Eric Van Zant. Lani Garnace, Anneli Lagman-Martin, and Lilibeth Poot at ADB provided invaluable research and administrative support. The views and opinions expressed in this volume are those of the authors and do not necessarily reflect those of the ADB, its Board of Governors, or the governments they represent.

Juzhong Zhuang
Paul Vandenberg
Yiping Huang