

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.

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Juzhong Zhuang
Paul Vandenberg
Yiping Huang