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CHINA VERSUS THE WASHINGTON CONSENSUS:
THE ANOMALY FOR WORLD BANK ADVOCACY RESEARCH

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**China versus the Washington Consensus:
The Anomaly for World Bank Advocacy Research**

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ABSTRACT

The Chinese experience of economic transformation has presented a serious challenge to the Washington Consensus. Since the mid-1990s, institutions upholding the Washington Consensus have mostly excluded the Chinese experience – because of its conspicuous anomaly – in their attempts to interpret worldwide transition and development in line with their policy doctrines. Yet, China did in fact rigorously implement the policy doctrines in the years 1993-1997, but only to result in severe social and economic problems. Since 1998, in the face of the problems and because of increasingly social resistance to the mainstream policies, China has progressively turned to focus on “constructing a harmonious society”. This turn represents a quest for a model of social and economic development that deviates fundamentally from the Washington Consensus.

This paper was first presented at SOAS on May 2008 at the seminars series entitled “The World Bank after Deaton: the Future of Development Research”.

1. China and World Bank Advocacy Research

China is the country that has perhaps received the biggest amount of research efforts of the mainstream policy establishments of the world – that is, the establishments represented by the Washington institutions of the World Bank and the International Monetary Fund (IMF). But, as far as “advocacy research” is concerned, it appears that the heyday of incorporating China into the research has gone long ago. This is especially notable in the so-called “economics of transition”. China used to figure prominently in the relevant works of the World Bank and the IMF. Since the late-1990s, however, China has become a non-existence in the institution’s systematic reports on transition. This reflects a fundamental shift of the institutions’ treatment of China in their advocacy research. The approach which they adopted before the shift is characterised by selective interpretations of the Chinese experience in order to fit it into their policy doctrines – the “selection” approach. The approach after the shift, in contrast, is characterised by excluding China altogether when the institutions attempt to defend their policy doctrines in the face of the actual experiences of transition. This latter one can be called the “exclusion” approach.

What is the advocacy research? The Washington institutions’ policy doctrines with regard to systemic transition have been a manifestation of the broader canon for development known as the Washington Consensus. That is why Joseph Stiglitz (1999) called the relevant policy doctrines the “Washington Consensus doctrines of transition”. The IMF (2000), meanwhile, uses the term “market fundamentalism in transition” to characterise the doctrines. The reality might be more complex, though. The Washington institutions’ policy doctrines might not always strictly adhere to the Washington Consensus, especially in the time when Stiglitz himself tried hard to influence World Bank research by injecting ideas of pervasive market failures (what he called the Post-Washington Consensus) into the work. Nevertheless, as far as the treatment of China is concerned, it remains true that the exclusion approach has prevailed. Since the late 1990s, the enormous amount of research work on China conducted by the Washington institutions are almost entirely composed of piecemeal analyses on particular issues, with little reference to the overall experience of economic transformation.

China features in the Deaton evaluation process and, despite overall support for World

Bank research, considerable criticism is reserved for the way that the Chinese experience has been treated. For example, Daron Acemoglu, in his evaluation of the World Bank report on privatisation in China, appears to share its exclusively microeconomics-based, one-sided affirmation of privatisation, but still remarks that “Again, there is too much of a tendency to jump to policy conclusions”. Justin Lin, in his evaluation of a range of World Bank research outputs on China’s rural-agricultural reforms, was quite dissatisfied with the piecemeal analyses and makes the following remark: “I suggest that the World Bank have a more thorough evaluation of the social impacts of land allocations in China”. In his overview of the Deaton Report, Joseph Stiglitz highlights that it is undesirable, indeed unacceptable, that the World Bank has excluded China from its advocacy research on transition – but he says little about the general importance of the Chinese experience.¹

This paper shows that China did in fact rigorously implement the Washington Consensus doctrines in the mid-1990s, but only to result in severe social and economic problems. Since the late-1990s, in the face of the problems and because of increasingly social resistance to the mainstream policies, China has progressively turned to focus on “constructing a harmonious society”. This turn represents a quest for a model of social and economic development that deviates fundamentally from the Washington Consensus. The Chinese experience is thus of general importance for transition and late development – it should not be excluded from the advocacy research.

2. The Transition Orthodoxy in the Face of the Chinese Anomaly

Is the Chinese experience of economic transformation really a paradox for the mainstream doctrines of economic development? In particular, does the experience fundamentally undermine the validity of the mainstream doctrines on systemic change? Attempts to interpret the Chinese experience in a way that is consistent with the so-called transition orthodoxy – that is, the “Washington Consensus doctrines of transition” – have coalesced around the following two propositions (IMF 2000; OECD 2005; World Bank 2002):²

First, *concerning institutions* – that China’s reformed economic institutions have been

a mix of market-conforming and market-supplanting elements, that its developmental achievements have been ascribable to the conforming elements while the accumulated problems have been ascribable to the supplanting elements, and that the problems have tended to outweigh the achievements as Chinese economic transformation proceeds from the allegedly easy phase to the difficult phase; and

Second, *concerning development* – that differences in country-specific factors, most importantly the different levels of industrialization, have largely explained the contrast between China’s sustained rapid growth and the depression in countries of the former Soviet bloc, and that this contrast is largely unrelated to differences in the strategies of systemic transformation.

The main thrust of Proposition One is the principles of individualistic property rights. Ultimately, the so-called market-supplanting elements refer to widely observable institutional arrangements that violate the principles: discrete government intervention in economic affairs (the state-business relationship), soft budget constraints (the finance-industry relationship), and rigid employment and compensation systems (the worker-enterprise relationship). The negation of these arrangements is necessary for justifying the orthodox policy prescriptions of mass privatisation, and of subjecting ownership to market trading via liberalisation of the regimes of domestic and international finance. It is asserted time and again that, should the market-supplanting elements continue to exist, the future prospects for the Chinese economy are at best uncertain and more likely crisis-prone. The only way to avoid this looming crisis is to “complete the transition to the market”, as speedy as possible.

Proposition One does not fare well with the reality. Early on, Martin Weitzman (1993, p.549) observed: “According to almost any version of standard mainstream property rights theory, what has been described as the ‘East European model’ basically represents the correct approach to transformation, while what we are calling the ‘Chinese model’ should represent a far-out recipe for economic disaster... The central paradox is the enormous success of the Chinese model in practice, contrasted with the sputtering, tentative, comparatively unsuccessful experience with the East European model.” Almost ten years later, in reviewing

the persistent contrast between “East Asian transition economies” (i.e., China and Vietnam) and transition economies in Europe and the Commonwealth of Independent States (i.e., countries of the former Soviet bloc), Stanley Fischer (2001) made a similar comment: “Most indicators suggest that progress of structural reform in East Asia has been relatively modest, yet output performance has been far superior to even the best reformers in Europe and the CIS.” The Chinese experience appears to indicate that adherence to the principles of individualistic property rights is neither necessary nor sufficient for generating sustained rapid economic growth, indeed for avoiding economic disaster.

Proposition Two is thus needed for the transition orthodoxy. The World Bank (1996, p.5), in its first systematic report on the economics of transition, framed such a question for itself to answer: “Do differences in transition policies and outcomes reflect different reform strategies, or do they reflect primarily country-specific factors such as history, the level of development, or, just as important, the impact of political changes taking place at the same time?”. Proposition Two is the answer. Its implied message is that the transformation experiences of China and countries of the former Soviet bloc are not really comparable, but, insofar as there is a limited scope of comparability, the comparison tends to support rather than undermine the transition orthodoxy. Because of the incomparability, the World Bank (2002) simply excluded China in its second systematic report on the economics of transition. The IMF (2000) and the OECD (2005), meanwhile, still bothered to insist on the assertion concerning the implication of the limited scope of comparability. They endorsed what Sachs and Woo (1994) had argued early on: that, unlike countries of the former Soviet bloc, China was just fortunate to be with a low level of industrialisation in the beginning of its reform – it has thus been able to generate economic growth via labour transfer from the rural-agricultural sector to industry, whilst postponing the needed, unavoidably painful reforms.

What underpins both of the two orthodox propositions is the belief that economic development as dictated by the principles of the market – and the actual working of the world market – is somehow easy, natural or normal. This is the notion of the “natural path of development”. But the notion is in no sense uncontroversial. Stiglitz, at the time when he was chief economist of the World Bank, spent great efforts to try to direct the mainstream establishment away from this belief. Regarding the economics of transition, Stiglitz (1999)

argued that China has faced a task of economic transformation that is far more difficult than that faced by countries of the former Soviet bloc. This is because China's task encompasses both systemic reform and economic development, rather than systemic reform alone. This judgment suggests that economic development is by no means a natural or easy process.

Stiglitz's judgment appears to fare far better with the reality than the transition orthodoxy. In the first place, China's growth performance stands in contrast to not only countries of the former Soviet bloc but also most parts of the developing world. And the actual record of world development in the three decades since the late 1970s, i.e., the era of globalisation, has been rather dismal. Meanwhile, the initial condition of China's economic transformation is not simply one of under-industrialisation. In 1980, industrial value-added accounted for an astonishingly high proportion of 44% of China's GDP. This is lower than the Soviet Union (54%), on a par with Brazil (44%), but higher than South Korea (40%) and India (24%) in the same year (data from World Bank, *World Development Indicators* database). The fact that, despite starting with one of the highest industry-to-GDP ratios in the world, China has been able to maintain very rapid industrial growth throughout the reform era, and with it to absorb labour transferred from the rural-agricultural sector, clearly should not be taken for granted. It was far from a natural, normal or easy process given rise by the working of the market.

3. The Asia-Europe Divide in Transition and Late Development

Stiglitz's judgement that economic development is by no means a natural process might in fact be an under-statement. Also at the time when Stiglitz was chief economist at the World Bank, a working paper that came out from its research department carries the following, provocative title: "the lost decades: developing countries' stagnation in spite of policy reform 1980-1998" (Easterly 2001). The "lost decades" refer to the era of globalisation. The "policy reform" refer to the general drive towards the notional model of the free market economy, i.e., the process of neo-liberalisation across the world. The attribution of the development lost to the market reform is antithetical to the Washington Consensus, and hence is really unusual in World Bank research. What is usual, though, is that the paper as well as the reality it refers to has barely been noted in the mainstream policy establishment.

The data in Table 1 clearly shows a disappointing picture of economic stagnation in the developing world over the 1980s and 1990s. The average annual real growth rate of per capita income for all low-income economies and middle-income economies put together is 1.3% in the 1980s and 1.8% in the 1990s. This pace of growth is at any rate sluggish, and it is also substantially slower than that of high-income economies. The promise of globalisation, that the working of the world market would promote the convergence of the income levels of developing countries towards the levels of advanced countries, did not materialise. Moreover, these growth-rate figures mask the fact that, because of serious uneven development across major regions, most parts of the developing world actually performed far worse than what is indicated by the figures. Excluding China (or the broader East Asian region) and India, the developing world is most likely to have registered zero or negative average annual growth in per capita income for the prolonged period of twenty years. It is no exaggeration that the 1980s and 1990s are called the “lost decades of development”.

[Table 1]

The Asia-Europe divide in transition, i.e., the contrast between the transition experience of China and that of countries of the former Soviet bloc, can be seen in this context of development lost under globalisation. In the first place, the divide represents the extreme of the unevenness in late development worldwide. And China and countries of the former Soviet bloc stand at the two opposite extremes. Compared with the rest of the non-Western world, the growth performance of countries of the former Soviet bloc in the 1990s was especially catastrophic. As can be seen from Table 1, the average annual real growth rate of per capita income is -1.7% for the bloc as a whole, and -4.7% for Russia alone. This miserable growth performance has also had serious negative impact on social development. Table 2 gives the relevant data of life expectancy at birth, which is perhaps the most important indicator of social development because it captures the impact of the condition and intensity of nutrition, health-care and work. Between 1990 and 2000, life expectancy in China increased by three years, while that in all low-income and middle-income economies increased by two years. In contrast, during this period, life expectancy in countries of the former Soviet bloc actually decreased by one year while that in Russia alone decreased by four years.

[Table 2]

Meanwhile, the Asia-Europe divide in transition also indicates a huge gap between the market-fundamentalist approach to systemic transformation and actual development. This can be seen from the data in Table 3. On the one hand, with their rapid “structural reforms”, by the late 1990s, most East and Central European transition economies had their institutions become indistinguishable from advanced capitalist economies. This stands in contrast to the case of China, which has been assigned an indicator that is virtually at the bottom of all the “reformers”. On the other hand, after fully ten years of transition, as of 1999, the vast majority of countries of the former Soviet bloc did not have their output recovered to the initial levels. In the case of Russia the output level in 1999 was only 0.55 of that in 1989. Again, in this regard, the contrast with China (which had its output level increased by 1.52 times during this period) is really spectacular.

[Table 3]

What about the post-2000 rebound in economic growth and social development across major regions of the developing world, including countries of the former Soviet bloc? For the years 2000-2007, the average annual real growth rate of per capita income for all low-income and middle-income economies reached 4.5%, which is more than double that for high-income economies. And countries of the former Soviet bloc had the rate increased to 5.8%. In the mean time, life expectancy in countries of the former Soviet bloc increased by two years, on a par with all low-income and middle-income economies. In Russia, it increased by three years. Do these signs suggest that, finally, the promise of globalisation has been coming true? Or, do they reflect no more than a recovery from the lost decades? It might be too early to make a firm judgement on these questions. Yet, the recession that has emanated from the advanced capitalist countries and engulfed the world economy as a whole since 2008 does tend to give rise to pessimism rather than optimism.

Whatever the nature and profundity of the post-2000 rebound, and of the on-going world recession, there is the mega importance of China. The “China-USA economic symbiosis” has often been raised up as an important driving force behind the economic rebound as well as the subsequent recession. This symbiosis takes the form of China exporting cheap manufactures to the United States, in exchange for the latter’s government debts. In this way, the symbiosis absorbs industrial inputs from the broader East Asian region and commodities from the rest of

the world. In the mean time, thanks to the very fast productivity growth in Chinese industry, the symbiosis also helps to lower the cost of production for the world economy as a whole. All these have helped to underlie the post-2000 rebound. Yet, this symbiosis also has its intrinsic contradiction in the form of the so-called “global imbalances”, i.e., the ballooning current-account surplus of China (together with Germany and Japan) and deficits of the United States. The inability of the United States to raise its productive capacity to match its consumption appetite then forms the main underlying cause of the financial crisis, and hence the world recession.

The ‘China-USA economic symbiosis’ is not necessarily desirable for Chinese and world development, while its breakdown could even pave the way for the formation of an alternative, more desirable world economic order. For, the symbiosis and the 2000-2007 rebound should be evaluated in conjunction with two concurrent world economic trends: the accumulation of foreign exchange reserves of unprecedented scales in developing countries, and the serious deterioration of the terms of trade against manufacturing-oriented developing countries. China has borne the brunt of both of the two trends.

The accumulation of official reserves is in response to the threat of financialisation in the world economy, an important lesson which developing countries learn from the 1997-1998 East Asian financial crisis. As shown in Figure 1, expressed as a ratio to the monthly average of import values, the official holding of foreign exchange reserves by developing countries has always far exceeded that of developed countries. The gap between the two country groups has very substantially widened in recent years. Between 2000 and 2007, the average ratio of reserves to imports for all developing countries increased from 9.5 months to 14.8 months, whereas that for all developed countries basically stayed at the level of two months. And that for China increased from 8.8 months to 18.9 months. Given the very low yield of the reserves, the accumulation implies a massive transfer of *seigniorage* from the developing world to the advanced countries that issue reserve currencies.

[Figure 1]

The trend of deteriorating terms of trade against manufacturing-oriented developing countries is indicated by Figure 2. Between 1998 and 2007, the measure for China fell by almost 30% while that for the East Asian newly industrialising economies (Hong Kong,

Singapore, South Korea and Taiwan) fell by almost 20%. These stand in contrast to the almost unchanged and persistently favourable position of advanced countries, and the almost 30% gain of all developing countries combined. Conceptually, in the literature, there is a prominent thesis which argues that the deterioration of the terms of trade against developing countries reflects a situation of systemic demand deficiency in the world economy. This being the case, what is going on today can be interpreted as reflecting a situation of worldwide excess supply of manufactures. Thus, whilst the evolution of the terms of trade in the world market after the late 1990s benefits a handful of commodity-exporting developing countries, it is likely to have been unfavourable for late industrialisation on the world scale.

[Figure 2]

From the perspective of Chinese economic development, the two world economic trends depicted above surely imply heavy cost. But, are they necessarily all-detrimental in nature? That depends on the question as to whether or not, and in what measure, China has also benefited from its increasing integration into the world market – and in the particular form of the indicated symbiosis. It is observable that China has registered very fast productivity growth in recent years: its average annual growth rate of per worker real GDP in 2000-2007 is a hefty 9.3%. Elsewhere, in Lo (2007) and Lo and Zhang (2009), we have argued that this fast productivity growth has been mainly based on China's internal dynamics, namely, a rapid process of capital deepening and industrial upgrading. Insofar as the external dynamics helps, it takes the form of technology import, not the symbiosis. The importance of the symbiosis is rather in terms of its contribution to the expansion of China's export-oriented labour-intensive industry, which, albeit with slow productivity growth, does create jobs and ease the problem of unemployment.

In view of the conditions characterised above, and the fact that the symbiosis has become unviable anyway since 2008, it seems both desirable and feasible that China should switch to a new path of economic development. The main ingredients of the new path should include the continuation of the process of capital deepening and industrial upgrading, the transfer of the productivity gain thereof to promote the development of the services sector which create jobs, and a more productive external dynamics. From the perspective of world development, the contribution of the new Chinese external dynamics could at least take two forms. First,

freed up from the China-USA symbiosis, China's high level of foreign exchange reserves (almost two trillion dollars by end of 2008) could provide a valuable source of finance for the rest of the developing world, not only for natural resources extraction but more importantly for industrial development. Second, the shrinkage of the labour-intensive part of Chinese industry could release the space for other developing countries to embark on the part of industrialisation. In one way or another, most of these ingredients have been incorporated into the Chinese state leadership's economic policies since 2008, particularly in the renowned four-trillion-yuan fiscal package which actually concerns long-term development more than short-term demand stimulation. Whether or not they would indeed constitute a new, desirable and feasible, development path, however, remains to be seen.

4. Gradual Marketisation, Neo-Liberalisation and the Quest for Alternatives

Turn back to the tension between the Washington Consensus and the Chinese reality. What the mainstream establishments consider as market-supplanting elements of the Chinese economy concern, ultimately, the nature and role of the public sector. The observation is widely agreed upon: that the institutions of Chinese state-owned enterprises (SOEs) have significantly deviated from principles of the market economy, particularly individualistic property rights. In the relevant literature, China's enterprise reform has generally been portrayed as a process of the state attempting to induce entrepreneurial activities by the management. But, this process has occurred in a broader context where various stakeholders of enterprises – local governments, workers, local communities, the banks and other business partners – have been involved to form a web of checks and balances governing the operation and development of enterprises. This systemic feature is visible not only in SOEs (Lo 1999) but also in enterprises of other types of public ownership, including the renowned collectively-owned township and village enterprises, or TVEs (Smyth 1998).

And enterprises of such a dubious nature have dominated the Chinese economy, at least for a major part of the reform era. In 1992, for instance, SOEs and collectively-owned enterprises combined to account for 86% of the output of Chinese industry as a whole. By the turn of the century, the share still remained at 64%, with the rest being accounted for by the

catch-all category of enterprises of “other ownership types” which include private firms and various types of joint-ownership firms. Even for shareholding firms that are not formally state-controlled, a significant proportion (mainly those listed in the stock market) are actually with state agents as the ultimate owner-controller.

All these notwithstanding, it is not true that China has always avoided the Washington Consensus doctrines throughout the reform era. In the middle of the 1990s, there was in fact a high tide of neo-liberalisation in China. This mainly took the form of the 1993-95 financial liberalisation and the 1995-97 enterprise down-sizing drive. There were also policy measures adopted during these years for working towards the targets of liberalising external finance and balancing the state budget by the turn of the century.

The 1995-97 downsizing drive in state-owned enterprises was especially of far-reaching implications. Initiated by the state leadership with an objective of transforming large and medium enterprises into modern corporations and small-scale enterprises into shareholding co-operatives, the drive was seized upon by local authorities of different levels to simply sell off state assets while unilaterally defecting on the state’s obligation for the job security of workers (and passing the liabilities of the sold enterprises onto state banks and ultimately to the central government). Consequently, unemployment surged, consumption expansion slowed down and investment growth stagnated. Together with the worsening external environment caused by the 1997-98 East Asian financial crisis, all these plunged China into a state of deflation at the macro level, and worsening financial performance of enterprises and banks at the micro level, in the closing years of the century.

Against this background, there emerged a fundamental policy reversal in 1998. The state leadership turned to adopt four major categories of anti-crisis policies between 1998 and 2002. First, it launched several Keynesian-type fiscal packages for expanding investment demand, which were financed by debt issuing of unprecedented scales. Second, it implemented a range of welfare-state policies aimed at reversing the trend of stagnant consumption expansion. Third, it adopted policy measures to re-vitalise the state sector, with the objective of improving the financial conditions of state-owned enterprises and the balance sheets of state banks. Fourth, it turned to adopt a cautious approach to reforming the regime of external transactions – in particular, the leadership has in effect shelved the target of liberalising the

capital account. As an anti-crisis strategy, these policies embody the idea of helping enterprises as well as the government itself to “grow out of indebtedness”. The robust growth of the economy in the crisis-prone years of 1998-2002, as well as the substantial decrease in the indebtedness (as ratios of GDP) of state finance, state banks, and state-owned enterprises, indicate that the adoption of these market-supplanting policies was justified.

Meanwhile, albeit intended to be short-term anti-crisis measures, these policies turned out to be consistent with the long-term social and economic development strategy of the state leadership in the new century. This strategy, known as “constructing a harmonious society”, emphasises the need to reverse the trend of increasing social polarisation under market reforms. And one central aspect of social polarisation to be dealt with is the trend of secular decline of labour compensation as a share of national output. Although the economic growth process has not been mainly based on cheap labour, it is true that labour compensation has experienced very sluggish growth in the main part of the reform era. As can be seen from Figure 3, up until the turn of the century, the growth of the real urban wage rate (the formal sector of the Chinese economy) had lagged far behind that of per capita real GDP. Conversely, the reverse of the comparison in recent years reflects deliberate state efforts to improve labour compensation. These include enhancing labour rights protection, working towards the target of establishing collective bargaining in all enterprises, enforcing the establishment of unions in all enterprises, and enforcing a new employment contract law – all breaking with the previous *laissez faire* approach towards labour employment.

[Figure 3]

These labour-enhancing policies appear to have a solid material underpinning, because they are consistent with the prevailing economic growth path which is characterised by capital-deepening. The same applies to the broader policies for income redistribution, social welfare provision, as well as the attempts to reconstruct a government-funded health-care system for the society as a whole including the rural population. All these measures have in fact become the main constituents of the state leadership’s policy package announced in late 2008 – both for promoting long-term social and economic development, and for coping with the prevailing financial crisis and looming recession in the world economy.

5. Concluding Remarks

The Chinese experience of economic transformation since the late 1970s offers important lessons for worldwide systemic transition and development. Throughout, its developmental achievements cannot be reduced to the mainstream policy doctrines – that is, the market fundamentalism of the Washington Consensus, or neo-liberalism. Since the turn of the century, China’s state and society have focused their efforts on “constructing a harmonious society”. These efforts represent a quest for a model of development that deviates fundamentally from neo-liberalism. In particular, state development policies and institutional reforms in recent years have tended to target at labour compensation-enhancing economic growth, rather than growth based on “cheap labour”. This paper argues that the new development model does represent a more feasible and desirable pursuit than neo-liberalism.

Notes

1.

Daron Acemoglu:

<http://siteresources.worldbank.org/DEC/Resources/84797-1109362238001/726454-1164121166494/3182920-1164133928090/Daron-Acemoglu.pdf>;

Justin Lin:

<http://siteresources.worldbank.org/DEC/Resources/84797-1109362238001/726454-1164121166494/3182920-1164133928090/Yi-Fu-Lin.pdf>;

Joseph Stiglitz:

<http://siteresources.worldbank.org/DEC/Resources/84797-1109362238001/726454-1164121166494/JES-bankResearchReviewanjesfin.pdf>

2. This section draws on the following publication: Dic Lo and Yu Zhang (2009)

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Table 1. Average annual real growth rate of per capita GDP (%)

	1980-1990	1990-2000	2000-2007
China	8.8	9.3	9.0
India	3.6	4.2	6.0
USSR/Russia	1.3	-4.7	7.0
Low-income economies	2.2	1.2	3.9
Middle-income economies	1.2	2.2	4.8
Low- and middle-income economies	1.3	1.8	4.5
Countries of former Soviet bloc	1.2	-1.7	5.8
High-income economies	2.7	2.2	1.7

Sources: World Bank, *World Development Indicators*, data base.

Note: Countries of former Soviet bloc = “Low- and middle-income economies in Europe and Central Asia” in World Bank statistical classification.

Table 2. Life expectancy at birth (years)

	1980	1990	2000	2007
China	66	68	71	73
India	56	60	62	65
USSR/Russia	67	69	65	68
Low-income economies	51	54	56	57
Middle-income economies	62	65	68	70
Low- and middle-income economies	60	63	65	67
Countries of former Soviet bloc	67	69	68	70
High-income economies	73	76	78	79

Sources: World Bank, *World Development Indicators*, data base.

Note: Countries of former Soviet bloc = “Low- and middle-income economies in Europe and Central Asia” in World Bank statistical classification.

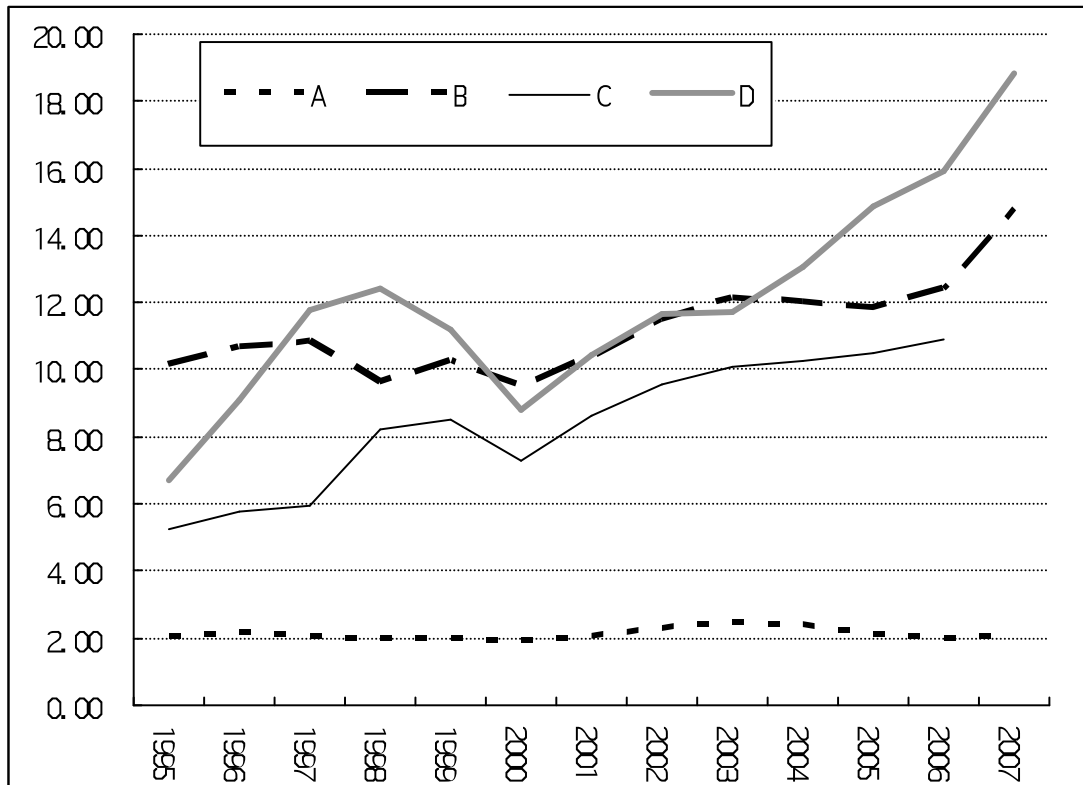
Table 3. Transition and output change

	Real output ratio, 1999/1989	EBRD aggregate transition indicator, 1999
EU accession countries	0.95	3.3
Baltic countries	0.68	3.2
Other southeast Europe countries	0.77	2.5
CIS	0.53	2.3
Russia	0.55	2.5
China	2.52	2.1

Sources: International Monetary Fund, *World Economic Outlook*, October 2000, ch.3.

Notes: The European Bank for Reconstruction and Development (EBRD) transition indicators “range from 1 to 4+, where 4+ indicates that the country’s structural characteristics are comparable to those prevailing on average in the advanced economies, and 1 represents conditions before reform in a centrally planned economy with dominant state ownership of means of production... the transition indicators are linearized by assigning a value of +0.3 to a ‘+’ sign and a value of -0.3 to a ‘-’ sign.” (IMF 2000, p.179)

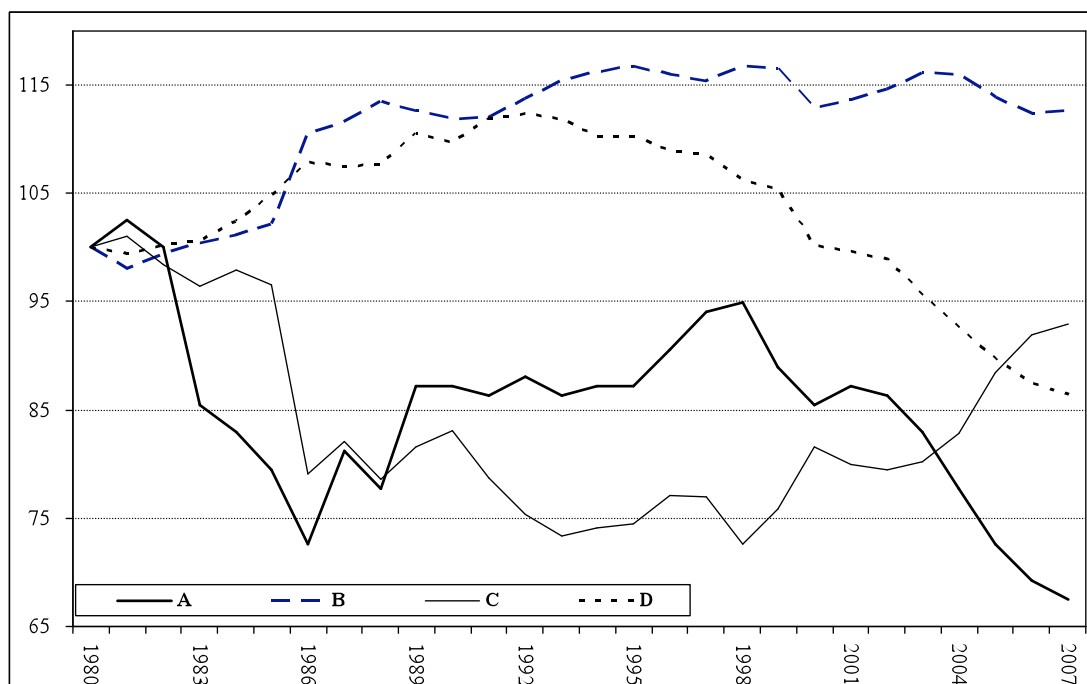
Figure 1. Foreign exchange reserves as ratios of average values of monthly imports



Notes: Data are end-of-year foreign exchange reserves of central bank divided by the monthly average import value of the past 12 months. A = developed countries ('industrial countries' for foreign exchange holding and 'advanced countries' for imports in the IMF categorization); B = developing countries; C = East Asian economies (Mainland China, Hong Kong, Taiwan, South Korea, Singapore, Malaysia, Thailand, Indonesia and the Philippines); D = China (Mainland China, not including Hong Kong, Macau and Taiwan).

Sources: International Monetary Fund, COFER 2007, and *World Economic Outlook*, April 2007; Asian Development Bank, data bank.

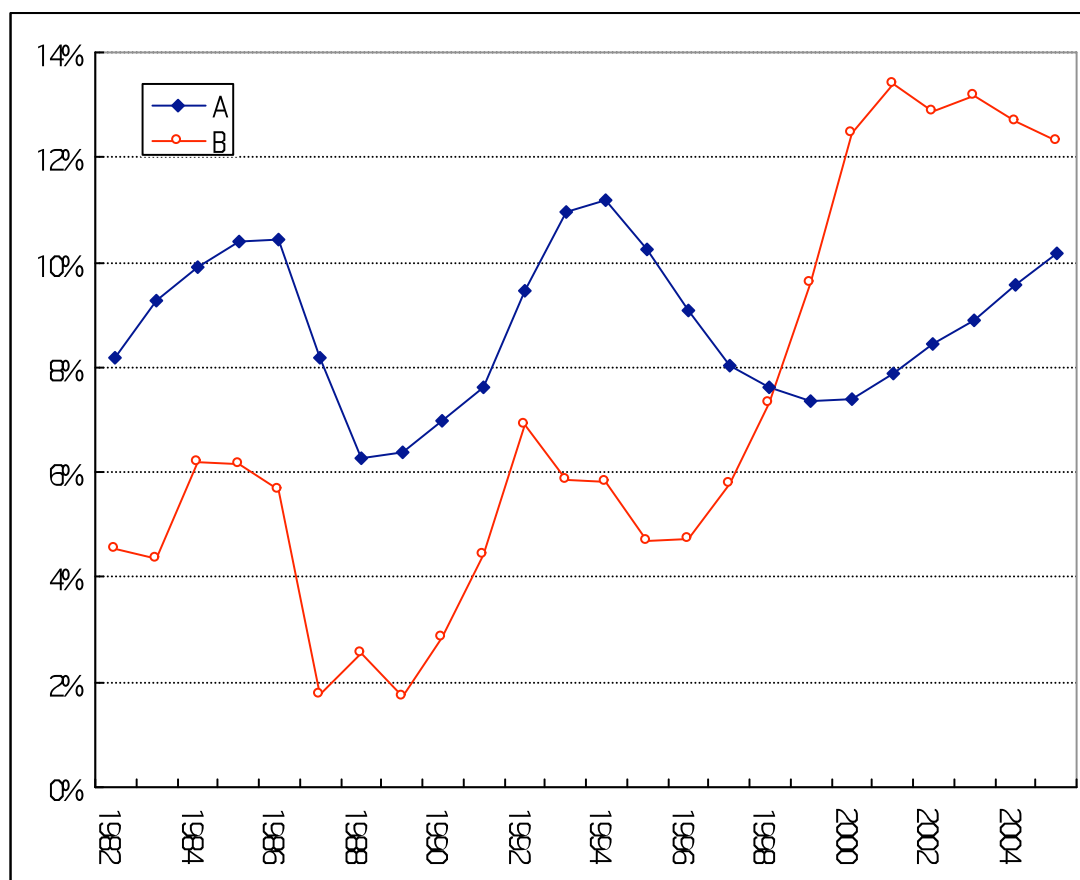
Figure 2. Net barter terms of international trade in goods (1980 = 100)



Notes: A = China; B = developed countries ('industrial countries' in the IMF categorisation); C = developing countries; D = East Asian newly industrializing economies (i.e., Hong Kong, Taiwan, South Korea and Singapore).

Sources: Chinese data from World Bank, *World Development Indicators*, data bank; others from International Monetary Fund, *World Economic Outlook*, data bank.

**Figure 3. Annual growth rate of per capita real GDP and real urban wage rate
(5-Year Moving Average, %)**



Notes: A = per capita real GDP; B = urban real wage rate.

Sources: National Bureau of Statistics, *China Statistical Yearbook*, various years.