

## Preface

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## PREFACE

During the third Session of Central Committee of the 11th National Party Congress in December 1978, China had changed drastically its strategy of economic development. The purpose of such change was to restructure China's economy by opening external trade and reforming the planned economic system which was used to be ineffective in the allocation of resources. The government aimed at reforming the economic system which could generate creative, autonomy, incentives and feedback from the consumers. The change in strategy in economic development represented an introduction of market economy and open door policy in China. The change of policy in China was obviously influenced by the fact that the Asian NIEs and ASEAN countries had succeeded in their export-oriented industrialization policy in recent years. However, the pattern of simultaneous development in both of introduction of market economy and open trade policy in China was very different from the pattern adopted by the other Asian countries. It was the first time in history for China to introduce market economy in a planned economy. China encountered a lot of problems like those encountered by the former Soviet Union and Eastern European countries.

There has been 12 years ever since China introduced the policy of economic reform. The reform has mainly followed the approach of directing resources from rural areas to cities, and from the bottom hierarchy to the top of organizations. Compared to the bold and progressive approach adopted by the former Soviet Union and Eastern European countries which has changed their political and ownership system completely, China takes a more pragmatic approach in reforming its economy. The different approach taken by China and former Soviet Union/Eastern European countries reflects in the differences of their economic performance. Since 1979, although the economic reform and open door policy in China has been progressing slowly interfered by some incidents which resulted in backward interferences during the past eleven years, its average real economic growth reached 9% per year. Therefore, it reflects that we cannot purely rely on applying the economic theories presented by the economists in capitalistic countries to study China's economic problems.

Among the economic reform programmes carried out by the various provinces in China, Guangdong Province has succeeded with the best performance. After the open door policy, the average real economic growth has reached 12.3% per year. This growth rate is the highest among all the 30

provinces and autonomous regions in China, about 3% higher than the average annual growth rate in the whole country. In 1978, the per capita GDP in Guangdong was lower than that of the country as a whole. However, the per capita GDP in Guangdong had exceeded that of the country as a whole in more than 50% at the present moment. This rapid growth in Guangdong can be attributed to the following two reasons:

1. Guangdong is the earliest province in carrying out market economy in China.
2. Based on the theory of comparative advantage, Guangdong actively promote the open-door development strategy.

Because Guangdong takes the advantage of being located just next to Hong Kong. Guangdong can receive capital and technology transfer provided by the Hong Kong Chinese for its own industrial development. The smooth development of Guangdong's economic reform is mainly owed to the fact that Guangdong people has been influenced by Hong Kong capitalistic culture and thus they ask for more autonomy from the government to carry out its reform programmes in Guangdong. The resources available for transfer from Hong Kong to Guangdong include capital investment, technology, and information. Guangdong is able to pursue its export-oriented industrialization programmes since it can obtain all the required resources from Hong Kong. When we compare the situation in the former Soviet Union and Eastern European countries, Guangdong not only possesses a system which gears towards a market economy, but also socio-cultural factors which are fundamental for its economic development. Through the Hong Kong influence in Guangdong economic development, it is natural that both places, Hong Kong and Guangdong, has been integrated.

Since Guangdong has been developing so rapidly, it plays a role in influencing the economic development of China as a whole. The rest of China started to follow the model of Guangdong in carrying out their economic reforms. This model of Guangdong development has become a model of development for other communist developing countries.

This book focuses on analysing and evaluating the mechanism of Guangdong's economic development after the open door policy. There are 6 chapters in this book. The first chapter examines the reform and open door policy in Guangdong. It focuses on evaluating the results of economic development after the 10-year reforms in Guangdong. In chapter 2, the economic development and structural change of Guangdong are analysed especially

with respect to its outward oriented development strategy. In chapter 3 and 4, social changes accompanied with Guangdong's economic development are analysed. The gap of economic performance between Guangdong and the rest of China becomes wider since Guangdong has undertaken its development strategy. Therefore, the relationships between Guangdong, the central government and the other provinces in China become difficult. In chapter 5, the economic relations between Guangdong and central government, and the other provinces are examined. Finally, I analyse the economic relations between Guangdong and Hong Kong from a Hong Kong perspective. The trend of integration between Guangdong and Hong Kong is also examined.

I would like to take this opportunity to express my gratitude to the Centre of Asian Studies, University of Hong Kong and the Studies Centre for Social Economic Development of the People's Government of Guangdong Province in supporting this study. We hope that this book will contribute to furthering future researches in Guangdong's economic reforms and development and its subsequent social changes.

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