

Economic Development and its Problem in Asia

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Economic Development in Asia is remarkable. Especially the people's republic of China has made exciting progress. The first aspect is on introducing of foreign capital because of the lack of domestic capital. The second aspect is to enlarge disparity between urban areas and rural areas throughout 1990s. The third aspect is on the mobility of manpower. The fourth aspect is to guarantee the minimum standard of living to all the people, so to speak, the problem of social safety net.

Keyword : economic development, foreign capital, manpower, minimum standard of living

アジアの経済発展とその諸問題

一言憲之

アジアの経済発展は目覚ましい。特に中国においては脅威に値するほどである。こうした発展は4つの問題をはらんでいる。第一は外資の導入問題、第二は都市農村格差の問題、第三は労働力移動の問題、第四は最低生活水準の保障問題である。

キーワード：経済発展，外資，労働力，最低生活水準

Economic Development in Asia is remarkable. Especially the people's republic of China has made exciting progress (See chart 1) .

China had achieved average annual growth of 9.4% in the 1980s and in the next decade average annual growth of 10.0%.

The Government has settled on a five year plan. According to a recent five year plan, China intends to double GDP from 2001 till 2010 .

This plan shows that doubling GDP needs annual growth of over 7%. In order to achieve this goal, China has to resolve many problems.

At this symposium, I will present some aspects of

a lot of problems.

The first aspect is on introducing of foreign capital

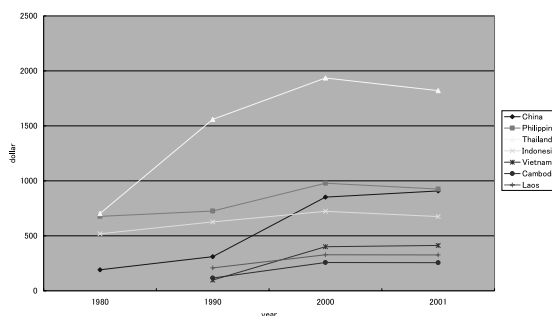


Chart 1 Economic Development in China and Asean : GDP per capita

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because of the lack of domestic capital. As a matter of course, there are several means to cover the lack of domestic capital, portfolio investment, foreign direct investment, free assistance and loans by ODA, assistance from Non Governmental Organization and so on. But, a boom seeking for foreign direct investment has occurred in developing countries (The case of China, See chart 2 and 3) .

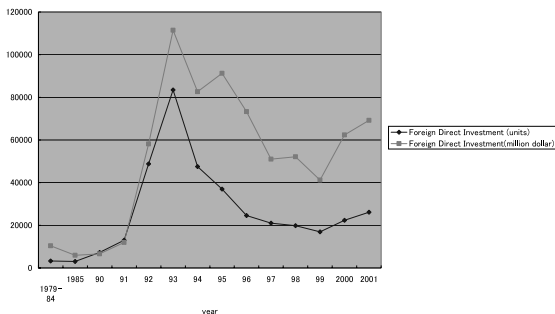


Chart 2 Foreign Direct Investment into China

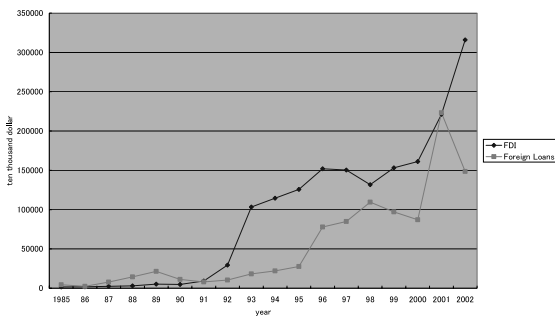


Chart 3 FDI and Foreign Loans into Zhejiang Province

So, these countries have constructed economic special districts with initial low cost and remission and introduced foreign companies.

In case of China, the Government formed a framework of giving foreign investors good treatment till about the middle of 1980s. The frame consisted of many factors; the newly built economic special districts, establishing the law of joint corporation, giving a privilege to the 14 coastal cities, flexible trade by local governments and so on.

This formation worked out the strategy for the economic development. The strategy had an aim to give top priority over the economic growth in the coastal areas.

At the same time, the Government invested a large sum of money to complete physical infrastructure; telecommunications, highways, roads, airports, ports, electricity and water.

The priority policy accelerated the growth rate in the coastal areas and created employment opportunities. As the result, compensation of employees in these areas has been increasing.

In comparison with the coastal areas, Inland area couldn't get plenty of foreign direct investment. So, disparity between the coastal areas and inland area has been enlarged throughout 1990s.

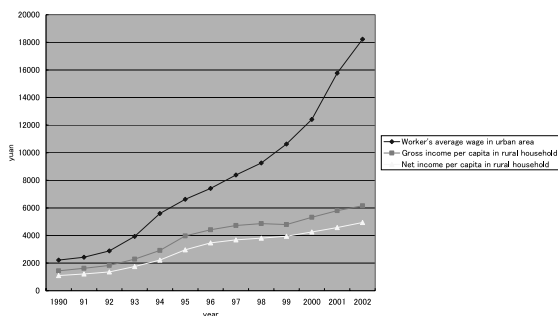
Enlargement of disparity was due to not only foreign direct investment but other socio-economic factors, traditional industry in the area, industrial organization, in other words, the problem of monopoly, oligopoly or severe competition inside a certain industry, complementary relations between industries, human resources etc.

The second aspect is to enlarge disparity between urban areas and rural areas throughout 1990s. Generally speaking, it's the problem of dual economy and dual social structure.

We have investigated the economic development in Zhejiang Province located next to Shanghai. In this area, there are 11 administrative areas. Some of them have coastal districts, good infrastructure, and high education level. Others are in the inland areas and are confronted by the poor infrastructure, comparatively slow development, lack of higher education. Therefore, even in the same province, the gap has been expanding (See chart 4) .

The third aspect is on the mobility of manpower. In China, basically the mobility of labor has been regulated except for the graduates, the professional etc..

Especially the worker's mobility from rural area to urban area has been regulated. So opportunities for



**Chart 4 Average wage and Gross income
(Zhejiang Province : urban and rural area)**

the rural people to get a stable job has been closed in comparison with the urban people. In addition, after reform of people's commune in 1983, a basic unit to take responsibility of agricultural business became an individual farmer's household, so that surplus labor force in the rural area came to the surface. But, as mentioned above, it was difficult for the rural people to get a stable job. So they didn't have another way to work away in the urban area or to start an unstable private business in the near small town without any guarantee.

The wealthier urban people become, the wider the gap between cities and agricultural areas become. But, purchasing power of agricultural population is essential for the sustainable growth. In order to resolve the socio-economic problems underlying the dilemma between the economic growth as a whole and the expansion of markets, the Government has intended to construct medium and small cities on the outskirts of big cities, and has been carrying out the plan though actually it's pace is slow.

The fourth aspect is to guarantee the minimum standard of living to all the people, so to speak, the problem of social safety net. It is very difficult to create social safety net system under the market economy, for the competition for survival is very fierce. To take advantage in market competition often conflicts with ensuring social safety net. Clearing hard problems like this, however, is fatal and unavoidable for developing countries.