The Chinese economy has been growing rapidly for years. Has it reached the level of the developed countries? What indicators can we use to measure the economic performance of a country? And what are the factors which affect the economic performance of a country?

Is China still an agricultural society? Which industry does most Chinese people engage in? Which industry should China further develop in order to enhance its economic development?
I major in Economics and Finance and I intend to look for a job in the mainland after graduation. It is because in 2010, the GDP of China surpassed Japan and became the second largest economy in the world. Various sectors like industry and commerce, finance and infrastructure are booming in the mainland, which definitely has a greater potential for development and it provides more job opportunities compared to Hong Kong. In addition, I think that working in the mainland can help broaden my horizon and enhance my competitiveness.

In fact, I have read some news reports about working in the mainland before. According to the latest statistical report released by the Census and Statistics Department of the HKSAR, there are about 200,000 Hong Kong people working in the mainland and most of them work in the import trading and manufacturing industry.

More than 85% of Hong Kong people who work in the mainland are now working in the Guangdong Province, and all of them are “Managers and Administrators” or “Professionals and Associate Professionals”. May, you understand the economic situation of our country so well. I have to get myself well-prepared and learn more about the economic situation of China in order to enhance my adaptability in the coming future.
1. What are the major industries which support the current economic development of China?
2. Is the distribution of industries in the mainland the same as that of Hong Kong?
3. Currently, the GDP of China ranks second in the world. But does a higher GDP mean better economic performance? Are there other indicators to measure the economic performance of a country?

**Gross Domestics Product (GDP)**

GDP is defined as the total value of all final goods and services produced by a country (or region) in a given period of time, reflecting the general scale of the economy of a country (or region).

### Worldwide GDP (2011)

<table>
<thead>
<tr>
<th>Country / Region</th>
<th>Rank</th>
<th>GDP (Billions of US$)</th>
</tr>
</thead>
<tbody>
<tr>
<td>US</td>
<td>1</td>
<td>15,094</td>
</tr>
<tr>
<td>China</td>
<td>2</td>
<td>7,318.5</td>
</tr>
<tr>
<td>Japan</td>
<td>3</td>
<td>5,867.2</td>
</tr>
<tr>
<td>Germany</td>
<td>4</td>
<td>3,570.6</td>
</tr>
<tr>
<td>South Korea</td>
<td>15</td>
<td>1,116.2</td>
</tr>
<tr>
<td>Hong Kong, China</td>
<td>37</td>
<td>243.7</td>
</tr>
<tr>
<td>Singapore</td>
<td>39</td>
<td>239.7</td>
</tr>
</tbody>
</table>

Source: World Bank

As shown in the table above, the GDP of China is one of the highest in the world. In 2011, the GDP of China was second to the US and higher than some developed countries like Japan, Germany and the UK. However, it does not mean that the living standard of the Chinese is better than those countries and this will be further discussed.
Workbook 1: Economic performance of China

Economic performance of China in 1980

Gross Domestics Product (GDP) is the total value of all final goods and services produced by a country (or region) in a given period of time. In 1980, the GDP of China was only US$189.4 billions, ranking twelfth in the world.

For per capita GDP, it is the average value calculated by dividing the GDP by the total population of a country (or region). In 1980, the per capita GDP of China was US$193, which ranked 142 among 146 countries listed by the World Bank. At that time, China was a country with very low per capita GDP and its level of economic development was rather low.

The economy of China grows steadily

In 2000, the GDP of China was US$1,198.5 billions, while its per capita GDP was US$949, ranking the 6th and 135th in the world respectively.

Per capita GDP of China ranked 84th in 2011

According to the World Bank, the GDP of China was US$7,318.5 billions in 2011, ranking the second in the world.

From 2000 to 2011, the GDP of China jumped from the sixth to the second in the world. It had surpassed many developed industrial countries and its growth was surprisingly fast. However, despite the GDP kept rising, its per capita GDP was only US$5,445, which ranked 84th in the world.

Source 1 to Source 3: China Statistical Yearbook 2011
1. With reference to the information above, fill in the blanks with the information showing the economic performance of China during 1980 to 2011.

<table>
<thead>
<tr>
<th></th>
<th>1980</th>
<th>2000</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>GDP (billions of US$)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Per capita GDP (US$)</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

2. Describe the change of economic performance of China during the period from 1980 to 2011 with reference to the information above.

1. What are the differences between the quality of material life of citizens in China, Japan and the US?
2. Can GDP reflect the quality of people’s material life?
3. In 2011, the GDP of China (US$7,318.5 billions) ranked second in the world, and its per capita GDP (US$5,445) ranked 84th. In the same year, the GDP of Japan (US$5,867.2 billions) ranked third in the world, and its per capita GDP (US$45,903) ranked 18th. Why the per capita GDP of China is much lower than that of Japan?

Per capita GDP

Per capita GDP is an average value calculated by dividing the GDP by the total population of a country (or region), which helps us understand the average income level of the citizens in a country (or region). According to the statistics of the World Bank, the per capita GDP of China was US$5,445 in 2011.
### Worldwide per capita GDP (2011)

<table>
<thead>
<tr>
<th>Country/Region</th>
<th>Per capita GDP (US$)</th>
</tr>
</thead>
<tbody>
<tr>
<td>US</td>
<td>48,442</td>
</tr>
<tr>
<td>UK</td>
<td>38,818</td>
</tr>
<tr>
<td>Macau, China</td>
<td>65,550</td>
</tr>
<tr>
<td>Singapore</td>
<td>46,241</td>
</tr>
<tr>
<td>Japan</td>
<td>45,903</td>
</tr>
<tr>
<td>Hong Kong</td>
<td>34,457</td>
</tr>
<tr>
<td>The mainland of China</td>
<td>5,445</td>
</tr>
<tr>
<td>Ukraine</td>
<td>3,615</td>
</tr>
<tr>
<td>Vietnam</td>
<td>1,411</td>
</tr>
</tbody>
</table>

Source: World Bank

From the above table, we find that the per capita GDP of China is still at a low level, which means China is still a developing country. It shows that the per capita income level of Chinese citizens is lower and the goods and services available for the Chinese citizens are less compared with their counterparts in developed countries.

When we analyze the level of economic development of a country, we have to understand the GDP as well as the per capita GDP of the country in order to have a clearer picture of the country’s economy.
From 1980 to 2010, the ranking of the GDP of China climbed from the 142 to the second. Why did it grow so fast? It was closely related to the reform and opening up policy of China in 1978. Try to analyse some possible reasons for its fast growing with the use of the following information.

1. Try to summarize the factors contributing to China’s GDP growth with reference to the information below.

A. China has a population of 1.3 billion, which ranks first in the world. In 1993, our country issued the “Outline for Education Reform and Development” and formally introduced nine-year free education in order to enhance the education level as well as productivity of Chinese people.

B. In addition, many factories have been established in China since the economic reform. In order to enhance productivity, advanced technology and equipment are introduced to enhance efficiency.

C. China has lower production cost than other countries in the world. In terms of expenditure on factories, machinery or labour, China is regarded as at a low level in the world. Foreign enterprises move their production line to the mainland and export their products overseas in order to lower the cost.

D. Since 1978, China has been adopting the opening up policy, attracting tremendous foreign investment, which helps boost the economy.

E. Since the reform and opening up in China, people have the freedom to choose occupation, can own their private properties and their income is linked to their effort paid.

F. Since the reform and opening up in China, a large amount of foreign capital has been pouring into China to establish joint ventures. Most of the foreign corporations come from developed countries. For corporate management, they have introduced mature management skills from their countries, greatly enhancing production efficiency as well as quality of management.
2. Some international organizations forecast that the GDP of China will surpass the US and rank first in the world. Do you agree with this forecast? Try to express your opinion. <Hint: You may consider it from the aspects of production technology and resources (including natural resources, capital and labour), or from the aspect of social and economic issues facing China (like the rich-poor gap).>

1. What are the difficulties/obstacles that prevent the GDP of China from ranking first in the world? How can it overcome the obstacles?
2. Is ranking first so important to China? Does China have other development targets?
3. Apart from GDP, what are the other indicators that show (measure) the level of economic development of China?
Answer the questions with reference to the information below.

**Source 1**: GDP for the year 2011

<table>
<thead>
<tr>
<th>Country/ Region</th>
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<th>Per capita GDP (US$)</th>
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<td>34,457</td>
</tr>
<tr>
<td>Japan</td>
<td>5,867.2</td>
<td>45,903</td>
</tr>
<tr>
<td>US</td>
<td>15,094.0</td>
<td>48,442</td>
</tr>
<tr>
<td>India</td>
<td>1,848.0</td>
<td>1,489</td>
</tr>
<tr>
<td>Brazil</td>
<td>2,476.7</td>
<td>12,594</td>
</tr>
<tr>
<td>Russia</td>
<td>1,857.8</td>
<td>13,089</td>
</tr>
<tr>
<td>Vietnam</td>
<td>124.0</td>
<td>1,411</td>
</tr>
</tbody>
</table>

Source: Website : World Bank

**Source 2**: Brief introduction of Brazil, Russia, India and China

**Brazil**
- Working population: 105 million
- Unemployment rate: 6%
- Gini Coefficient: 0.519
- Inflation rate: 6.6%

**Russia**
- Working population: 75 million
- Unemployment rate: 6.6%
- Gini Coefficient: 0.42
- Inflation rate: 8.4%

**India**
- Working population: 488 million
- Unemployment rate: 9.8%
- Gini Coefficient: 0.368
- Inflation rate: 8.9%

**China**
- Working population: 796 million
- Unemployment rate: 6.5%
- Gini Coefficient: 0.48
- Inflation rate: 5.5%

Source: CIA Factbook on 30 Oct 2012
The GDP of different countries and regions in 2011 are listed in Source 1. Nowadays, India, Brazil, Russia and China are known as the “BRIC” countries. Some international investors anticipate that they will soon become economically powerful countries. Try to forecast which country will become China’s biggest rival? Why?

China overtakes Japan as World’s second-biggest economy

According to the latest figures released by Japan, Japan was not the second largest economy in the world anymore as it had been replaced by China. According to the figures released by Japanese Government, after converting into US dollars, the GDP of Japan was US$404.4 billions less than that of China in 2010. Japan ranked lower than the US and China and became the third in the world. According to Kyodo News, the slow growth of the GDP of Japan was caused by factors like aging population and deflation. Moreover, as the global economy declined, which resulted in gloomy exports, the economy of Japan was stagnant while the manufacturing industry of China flourished. According to current growth rate, it is estimated that China will surpass the US and become the largest economy in the world in ten to twenty years.

Source: BBC Chinese : 14 February 2011
1. According to the information in 2010, in terms of GDP, what were the three largest economies in the world?

   First:

   Second:

   Third:

2. Summarizing the above reasons for the slowdown of the economic growth of Japan, do you think that China will face the same problems in the future?
Production can be classified into the following three types:

1. **Primary production (named “primary industry” in the mainland)**
   Primary production refers to direct extraction of natural resources or production activities utilizing natural resources. Agriculture, fishing, mining are examples of primary production. People who engage in primary production, for example, farmers and fishermen are known as primary producers.

2. **Secondary production (named “secondary industry” in the mainland)**
   Secondary production refers to production activities involving processing of raw materials and converting them into semi-finished products or finished products. Manufacturing and construction industries are both examples of secondary production, and workers like textile workers and construction workers are known as secondary producers.

3. **Tertiary production(named “tertiary industry” in the mainland)**
   Tertiary production refers to the provision of all kinds of services. For example, retails, tourism, education are all examples of tertiary production. Salespersons, tour guides and teachers are all known as tertiary producers.

Note: The classifications introduced above are commonly used in Hong Kong. The classifications adopted by the National Bureau of Statistics of the People’s Republic of China are slightly different from that in Hong Kong.
Distribution of industries in China

Industries in China can be classified into primary industry, secondary industry and tertiary industry. According to the Provision of Three Strata of Industry by National Bureau of Statistics of People’s Republic of China, primary industry includes agriculture, forestry, animal husbandry and fishery; secondary industry includes mining and quarrying, manufacturing, production and supply of electricity, gas and water, and construction. Tertiary production refers to all other industries not included in primary industry and secondary industry, which includes traffic and transportation, telecommunications, wholesale and retail trade, accommodation and catering trade, financial industry, real estates, education, social security and social welfare, cultural, sports and entertainment industry, etc.

### Contribution of the three strata of industry to GDP and employment of China in 2009

<table>
<thead>
<tr>
<th></th>
<th>Primary industry</th>
<th>Secondary industry</th>
<th>Tertiary industry</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross output value (billion) (RMB)</td>
<td>3,523 (10.3%)</td>
<td>15,764 (46.3%)</td>
<td>14,764 (43.4%)</td>
</tr>
<tr>
<td>Number of employed persons (million)</td>
<td>297 (38.1%)</td>
<td>217 (27.8%)</td>
<td>266 (34.1%)</td>
</tr>
</tbody>
</table>

Source: China Statistical Yearbook 2010

According to the above data, although secondary industry and tertiary industry are relatively more important in terms of their contribution of GDP in China, there is a large proportion of employed persons in primary industry. Therefore, primary industry cannot be neglected in China.
Works heat 3: Distribution of industries in China

Miss, the GDP of our country ranked second last year. That’s great!

Yes, do you know which industry contributes most to the GDP of our country?

Industry? I know there are three strata of industry, namely primary industry, secondary industry and tertiary industry. But I do not know how to classify them.

Then you have to check this out:

According to the “Provision of Three Strata of Industry”, primary industry refers to agriculture, forestry, animal husbandry and fishery. Secondary industry refers to mining and quarrying, manufacturing, production and supply of electricity, gas and water, and construction. Tertiary production refers to all other industries not included in primary industry and secondary industry, including traffic and transportation, inventory and postal service, etc.
1. According to the definitions above, name the industries that the following persons engage in.
   (Primary industry, secondary industry, tertiary industry)

a. Worker at Foxconn producing iphone
b. Registration receptionist at Shangri-La Hotel
c. Rice farmer in Guizhou
d. Owner of a newspaper stall in Shenzhen
e. Manager of a listed company in Beijing
f. Porter in a mainland supermarket
g. Tailor in a garment factory
h. Fishman working in Fujian

**Contribution of the three strata of industry to the GDP of China during 1978-2009**

<table>
<thead>
<tr>
<th></th>
<th>1978</th>
<th>2000</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Primary industry</td>
<td>28.2%</td>
<td>15.1%</td>
<td>10.3%</td>
</tr>
<tr>
<td>Secondary industry</td>
<td>47.9%</td>
<td>45.9%</td>
<td>46.3%</td>
</tr>
<tr>
<td>Tertiary industry</td>
<td>23.9%</td>
<td>39.0%</td>
<td>43.4%</td>
</tr>
</tbody>
</table>

Source: China Statistical Yearbook 2010
In 2011, it was proposed in the Twelfth Five-year Plan for National Economic and Social Development of China that it has to enhance the competitiveness of industries in order to enhance the quality of manufacturing industry. Meanwhile, it has to develop emerging industries and to speed up the development of service industry.

Analysts pointed out that the Twelfth Five-year Plan implied that China will soon introduce innovative policies to promote structural adjustment of industries. Therefore, it is forecasted that there will be enormous opportunities for the emerging industries and tertiary industries.
2. Based on the information provided in source 2, 3 and 4, try to explain whether China is still an agricultural society.

3. With the data in source 3, calculate and compare the proportion of the sum of the employed persons of secondary industry and tertiary industry in all strata of industry in 1978 and 2009.

4. Based on the above information, try to describe the change in figures of primary industry in order to weigh the relative importance of agricultural, industrial and service industry to the economy of China.
5. Forecast which industry China should give priority to in the coming ten years. Why?

7. Can China only develop secondary and tertiary industries to achieve economic growth?
Concept map of An Overview of the Chinese Economy

An overview of the Chinese economy

Level of economic development in China

Distribution of industries in China

Definitions and data

GDP/GDP per capita

Primary industry/secondary industry/tertiary industry

Definitions

Data

Contribution of different industries

Proportion of employed persons in different industries