

EXPERIENCE, LESSONS AND PROBLEMS OF CHINESE ECONOMIC REFORM

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The inconsistent economic policies pursued in 1922-1994 led Belarus to inflation, impoverishment of the population, growing corruption and general discontent with reforms. Since the mid-1990s, Belarus has paid attention to the study of gradual models of the evolutionary transformation of the economy, including the Chinese experience of reforming the command economy. Now it is tended to compare and analyze Eastern European and Chinese approaches to economic reform.

The main argument of this comparative analysis is that at the beginning of the reforms (for the PRC in 1978, and for the countries of the former Soviet Union in 1989), the economies of both countries were administrative-commanding and based on Marxist economic theory [1, p.10].

The purpose of this article is to answer the question of what the "Chinese model of economic development" is and how this model is applicable in Belarus. (or a comparison of Chinese and Belarusian economic reforms and how Belarus can learn from this)

The two countries first chose different reform strategies. Belarus until 1994, on the recommendation of the IMF and the World Bank, chose "shock therapy". China chose a "gradualist" approach to reform. Comparison of the experience of the two countries is largely reduced to the comparison of 'shock therapy' to 'gradualism'. "Shock therapy", as a rule, includes four elements: price liberalization, liberalization of foreign trade and exchange rate, privatization and privatization of state enterprises, and conducting non-inflationary macroeconomic policies. Supporters of 'shock therapy' argue that for a successful transition to a market economy, it is necessary to organize fully functioning markets and equalize the price structure to the world level. Followers of this model understand that the transformation of a command economy into a capitalist one is not painless. For example, the privatization and modernization of state-owned enterprises will inevitably lead to an increase in unemployment until the private sector begins to absorb excess labor. Since the transition period is inevitably accompanied by an increase in unemployment and a drop in production volumes, the shorter the transition period is, the sooner the economy will stabilize. Such well-known supporters of 'shock therapy' as Jeffrey Sachs argued that 'if you are going to cut the tail of a cat, then it is better to do it in one fell swoop than to cut it in pieces.' On the other hand, it was believed that, since the pain would be short-lived, the political opposition to the reforms would soon go out, and not having time would lead to the cancellation of the reforms. Supporters of 'gradualism' argue that the four above-mentioned characteristics of 'shock therapy' are not essential for the transformation process. [2, p. 74]. They believe that the process should take place gradually, sector by sector, stretching for many years. The "gradualist" approach can be characterized by four principles. First, as the system of parallel prices in China showed, price reform may be incomplete and gradual. Secondly, supporters of the "gradualist" approach do not consider the privatization of state-owned enterprises to be a necessary prerequisite for increasing the efficiency of production at state-owned enterprises. Third, the transition to a market economy can be carried out without a strict macroeconomic policy. Fourth, the sudden appearance of foreign competitors in the domestic market can lead to the collapse of the national industry. Analyzing the experience of reforms in the PRC and the former USSR, some economists came to the conclusion that economic "gradualism" without political reforms was more successful than "shock therapy" with democratization. Indeed, the approaches of the two countries were fundamentally different in that China chose "economic reforms without political reforms," and the USSR chose "political reforms with economic reforms." The Communist Party in China initiated the economic reforms, while in the USSR the CPSU was seen as the main obstacle to economic reform.

Thus, the reform of the political system of the USSR became the main prerequisite for economic reform. Economists disagree about how much China's experience applies to other countries in transition. Some argue that other countries may adopt certain details of the Chinese model of economic development, and another part of economists refers to the uniqueness of the Chinese model, which arose as a result of unique circumstances in China, which cannot be replicated in other countries with transitional economies.

Let us single out the common features and differences of the two countries and their economies. China and Belarus share a common socialist past, and many coinciding initial elements in the socio-economic structure before the start of the reforms. On the other hand, there are three main differences between the two

economies. First, before the start of the reforms, there was a significant gap in economic development of China and Belarus (and the USSR as a whole). Until 1978, China could be characterized as an agrarian-industrial country (agricultural products accounted for 35% of GDP) [4, p 25]. Secondly, Belarus spent a longer period in the socialist phase than China, and, therefore, market and business relations in Belarus were more distorted than in the PRC. The third difference is the population of the two countries. At this time, the population of China is estimated at 1.4 billion people, while the population of Belarus is less than 10 million people. These differences help explain why it was easier to start and carry out economic reforms in China. It is worth mentioning the differences in the goals pursued by economic reforms in the two countries. The main objectives of economic reforms in Belarus (until 1994) were: the creation of a mixed economy with the leading role of the private sector, the establishment of a liberal market economy and the openness of the economy. The objectives of the Chinese reform program were to create a multi-disciplined system with the public sector playing a leading role and government regulation, introducing the principle of distribution according to work, and increasing the openness of the economy. These reform strategies went down in history under the general name of 'socialist market economy' and 'socialism with Chinese characteristics.' In other words, the purpose of economic reforms in Belarus at the first stage was the destruction of the old system, while the purpose of the PRC was to reform this system. Of course, the difference in goals influenced the choice of different reform strategies in the PRC and the Republic of Belarus at the first [6, p.124].

What interest is the experience of the PRC for Belarus? First, the Chinese example of economic reforms showed that partial reforms could lead to positive changes in the economy and the fact that successful reforms do not require prior elimination of all obstacles.

Among Western economists, there is a tendency to believe that if a reformed economic system does not look exactly like a model of a market economy from a textbook, it means that the reforms carried out were unsuccessful. The success of the Chinese model has shown that there are alternative models. Secondly, the results of the reforms in the PRC questioned the economic conviction that private property is an inevitable prerequisite for economic efficiency, since collective village and village enterprises owned by local governments were one of the main factors for the success of Chinese reforms. China's experience is interesting for Belarus and other countries with transitional economies, primarily pragmatism manifested in this country in developing and constantly adjusting the policy of economic reforms in order to raise the living standards of the PRC population [5, p.10].

Reform of the economic system of China has already led to success, attracting the attention of the whole world; these successes can be summarized as follows: first, a pluralistic ownership structure is formed, in which various economic elements develop simultaneously. Secondly, market mechanisms began to play a major role in the most important industries; a system of market competition was created. Thirdly, from direct regulation and control in the field of macroeconomic management there was a transition to an indirect one, thanks to the reform of the financial, tax and monetary system, as well as the investment system. Fourth, there have been important changes in the system of employment and income distribution. Fifthly, the structure of comprehensive and multi-level external openness is mainly formed. The reform of the Chinese economy has progressed significantly. Therefore, it is worth summarizing all the successful experience and to benefit from the lessons learned. At the same time, now the reform still faces many problems.

The main experience of the reform of the Chinese economy. An analysis of more than twenty years of reform of the Chinese economy gives the following main experience.

1. The main feature of the economic reform is the preservation of the socialist political system.
2. The main point of the Chinese economic reform is the implementation of a breakthrough.
3. Chinese economic reform means updating the system towards the market.
4. Chinese economic reform means active creation of a market system by the government through administrative measures.
5. In the process of economic reform, China wisely used the experience of other countries, and based on the general political situation in the country, actively conducted research on creating a system of a socialist economy with Chinese characteristics.

Conclusion.

For strategic restructuring, it is important to determine the direction of the reform, actively create favourable conditions and conditions for its implementation, and move forward in a timely manner in accordance with the plan and not losing the right moment.

1. To determine the functions of the state economy, the main one being the implementation of the general state policy, to establish clear sectoral restrictions on new government investments.

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2. In conditions of certainty of the basic functions of the state economy, it is systematized to promote the reform of state enterprises and the restructuring of capital.

3. Take appropriate measures to resolve questions left behind by history.

4. When reorganizing and changing the system of property rights of state-owned enterprises, the government should adhere to the principles of openness, fairness and transparency, pay special attention to studying relevant policies, standardizing procedures and overseeing the entire process.

5. To carry out a merger and mutual complement of the state economy and the national economy, encouraging the participation of the national economy in the strategic restructuring of the state economy.

Thus, a comparative assessment of two models of economic development (the Chinese model of a "socialist market economy" and the Belarusian model of a "socially oriented market economy") points to an obvious conclusion. Despite the fact that the goals of the two models – the transition to a mixed economy with a significant role of the public sector, as well as the preservation and improvement of the living standards of the population – are the same, the means to achieve these goals and the results of economic reforms are different. In China, reforms have led to the strengthening of market relations, and in Belarus – to increased state intervention in the economy. The Chinese development model, which has proven so successful in China, can hardly be applied in Belarus. The reason is simple – the factors and institutions that explain the success of the Chinese economic model are unique to China and cannot be replicated elsewhere. The lessons that other economies can learn from Chinese experience relate to solving specific problems in reforming various sectors.

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