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China's Economic Transformation, Innovation
and Development

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Fulin Chi

China Institute for Reform and Development

Haikou, Hainan, China

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Fulin Chi

Winning at the Turning Point

The Great Trend of China's Economic
Transformation



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PREFACE

THE YEAR 2020: A HISTORIC CHOICE OF ECONOMIC TRANSFORMATION AND UPGRADING

A great nation with 13 billion people is facing a changing situation it has never faced for a thousand years. Change, transformation, and innovation feature the main melody of the era. In this era of high integration of growth, transformation, and reform, “great transformation” is exactly what decides the destiny of China. In other words, not only will “toxic assets” left in the traditional system have to be eliminated completely but also the new way for further growth needs to be paved quickly while letting loose the new motive force of development.

The major transformation in China’s “13th Five-Year Plan” (FYP) is historically decisive. With the economic transformation as the focal point, both social transformation and government transformation are in the crucial period of transition in which innumerable thorny problems have to be tackled. Our general judgment is that the year 2020 is like a “gorge” we have to jump over. Specifically, by the end of 2020 we will have eliminated the pressure on short-term growth and changed the way for economic development while achieving a comparatively prosperous society in an all-round way and becoming one of the high-income countries in the world. If we plan well enough to make the best use of 2020, a mid-term period in the 13th FYP, we can lay a solid foundation for the medium-to-long-term peaceful and sustainable growth. If we

fail to grasp the historical opportunity of 2020, we will lose the initiative of “great transformation”, thus resulting in multiple systemic economic risks.

The significant breakthrough for achieving the economic transformation and upgrading in the 13th FYP period is how to cope with “four threes”. Firstly, three major trends: one for industrial transformation and upgrading from “made in China” to “intellectually made in China”; one for urbanized transformation and upgrading from scale to population; and one for consumption pattern upgrading from material to service. Secondly, three major challenges: one for achieving a major breakthrough in structural reform by enhancing the structural adjustment despite the economic downturn; one for “corner overtaking” by responding to the global new round of scientific and technological revolution and increasing the ability to innovate; and one for a real and down-to-earth reform. At present, the transformation depends more on the all-round breakthrough in reform. It couldn’t move forward at all without the change in systematic structure. And the growth would suffer big pressures. Thirdly, three major goals: one for industry, namely forming the service-dominated industrial structure by accelerating the process of service in manufacture; one for a major motive force, namely forming a consumption-oriented new pattern of economic growth, in which consumption guides investment and domestic consumption becomes a main force that spurs economic growth; and one for opening-up, namely forming a new open pattern dominated by service trade so as to redouble service trade in scale. Finally, three major relationships to be handled properly: one between the short term and the medium-to-long term in which the best job should be done for 2020 (the mid-term period) while resolving contradictions in the short term, basing ourselves on the mid-term and keeping our eyes on the long term; one between speed and structure which requires accelerating the structural adjustment while maintaining an increase by 7% or so; and one between policy and system in which the key is to gain a policy advantage in achieving institutional innovation under the economic pressure.

The past 40 years of reform and opening-up have left us numerable valuable assets. The most valuable one is that the more complex the situation may be and the more fundamental the change in environment, the more determined we will be in carrying out the reform and pushing through the transformation. All these require that the “great transformation” need overall arrangement and ambitious planning, need a significant

breakthrough in the reform of industrial structure, urban-rural structure, regional structure, ownership pattern, open structure and administrative power structure, and need prospective planning in green sustainable development and “internet plus” development trends.

By judging the transformational reform in the 13th FYP period, China (Hainan) Institute for Reform and Development (CIRD) and Zhejiang University Press have jointly designed and published this set of series entitled *The Great Nation in Great Transformation—Economic Transformation and Innovative Development in China*. The book series has paid attention to readability based on being strategic, prospective and academic. It is our expectation that the series will offer enlightenment to readers who are closely watching the transformational reform in China while playing an active role in promoting the transformational reform in the 13th FYP period.

The authors of the series are mostly well-known scholars in their own subject areas, who wrote their respective books in their spare-time. As the director of the editorial board of the series, I wish, first and foremost, to extend my sincere thanks to the consultants, editorial board members, authors, and the leadership and editors of the press.

Last but not least, this set of series covers a wide range of subject areas, each volume representing its author’s own research conclusions and academic opinions. The set does not require consistency in terms of viewpoints. Any criticism and correction from readers are truly welcome.

Haikou, China
September 2015

Fulin Chi

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