

# *The Replicability of China's Economic Development in Smaller Economies*

Awu Hu<sup>1,a,\*</sup>

<sup>1</sup>Keystone Academy, Beijing, 101318, China,  
a. awujasonhu@outlook.com

\*corresponding author

**Abstract:** From one of the world's most impoverished countries to currently the world's most active international trade participant, China and its economic growth in the past few decades is a constantly discussed and debated topic amongst the world's most prestigious politicians and scholars. Aware of China's economic accomplishment, officials from developed and developing countries ponder if China's triumph can be replicated in developing countries that aim to repeat China's success. Although some developing countries, mostly ones that are limited in economic size, have great ambitions to follow the path China once took that led the latter to prosperity, many experts warn that China's economic growth was deeply reliant on the size of its economy and questions if such experience can be replicated outside of economies massive in size, for instance, Singapore. Therefore, this essay aims to determine if Singapore can be as developed as it is if China's past developmental plans were utilized in this relatively small economy.

**Keywords:** China, Singapore, political economy, economic size, three industries model, population, gross domestic product

## 1. Introduction

In the late 20<sup>th</sup> century, the rest of the world witnessed the rapid development of the Chinese economy, an "once poor and behind" nation whose multiple industries soon reached and even exceeded concurrent international standards. Through various economic reformations, China has grown into one of the world's biggest economies today, which many countries are deeply reliant upon. As of 2021, China is unsurprisingly pioneer in exports globally, with approximately 3026 billion USD worth of products introduced into the international market (depending on the source of information, this number may slightly differ). This is nearly double that of the United States, which exported approximately 1754 billion USD worth of products in the same year [1]. The figure reflects China's dominance and active participation in global trading activities since its transformation from a closed economy to a modernized socialist market economy. While China exerted economic influence on other parts of the world, the lives of those who live within this country also significantly improved due to this economic achievement. According to the World Bank, over the past 40 years, nearly 800 million impoverished individuals have been lifted out of poverty in China [2]. Although many are skeptical of the sustainability of China's economic growth in the post-COVID-19 era, politicians, newspaper media and economic scholars still unanimously

agree that the development of the Chinese economy between the late 20<sup>th</sup> to early 21<sup>st</sup> century was a “miracle”.

Many developing countries with relatively more minor economies, that is, with a lower national population, smaller geographic size, smaller total national GDP, and less participation in global trading activities, are hoping to boost their respective economies and may take China's economic growth in the past as a potential reference. Considering how China was once extremely poor and behind but miraculously took advantage of its own comparative advantage – its vast population – and grew into a global superpower, smaller developing countries certainly feel optimistic in repeating China's achievements if proper alternative strategies are implemented accordingly. Nevertheless, some scholars and journalists are concerned that developing countries far smaller in size than China may not have the prerequisites to replicate China's success since China's growth is achieved based on its vast geographic area and a massive population. Therefore, although many scholars perceive China's past experiences as a possible role model for developing countries to follow in the future when developing their economy, opposing voices questioning the replicability of China's past glory are ubiquitous in the fields of political economy today. This essay aims to evaluate the replicability of China's economic development in the past 40-50 years by examining the feasibility of China's developmental strategies in pre-developed Singapore, which may provide some valuable insight as regards to if Singapore can still achieve the level, it reached nowadays, but with the Chinese economic reformations and developments implemented.

## 2. China's Path Towards Prosperity

Prior to determining the replicability of China's success in economic development, it is important to first understand how exactly China developed its economy from the late 20<sup>th</sup> to early 21<sup>st</sup> century. The Chinese economic development started with its economic reformation policy – the "Open Door Policy," proposed by Deng Xiaoping on December 18<sup>th</sup>, 1978. On this day, Deng announced that from now today, China will officially not only "permit" but also "promote" international trading activities to boost the national economy [3]. The initiation of this policy proved to be the turning point of China's economic stagnation at the time, as more and more business projects conducive to economic development were deployed in China henceforth. In 1979, China established several Special Economic Zones, which were permitted to organize trade without the authorization of the central government in Beijing. This allowed the SEZs – Shenzhen, Shantou, Xiamen and Zhuhai – to attract foreign investment with lenient taxation policies and a relatively unregulated trading environment [4]. Then in the 80s to 90s, with Coastal Developmental Areas established, laws regarding employment, private-owned enterprises and patents passed and more business plans launched, China's economy continued to grow at a stable rate. In 2001, under the assistance of former United States President Bill Clinton, China joined the World Trade Organization and became officially regarded as a vital member in the global market whose value of annual export quadrupled between 2000 (pre-entrance to WTO) to 2007 (post-entrance to WTO) [5]. China's dominance in international trade, which technically began from its administration to the WTO but was also heavily based on its previous reformational efforts, paved the way for the economic boom it experienced in the last few decades.

Economic development also would not have been possible if China permitted foreign investments and the existence of private-owned corporations but did not efficiently utilize its comparative advantages and national resources. Hence, the products and services China offered to the world were also crucial to its success. By categorizing China's exports by the concept of the three-sector model, it is found that goods offered by China are mainly concentrated in the primary industry consisting of agriculture and the secondary industry consisting of manufacturing. The

diagram below illustrates the proportion of primary, secondary and tertiary industries in the Chinese economy respectively between 1978 (the "Open Door") to 2008.

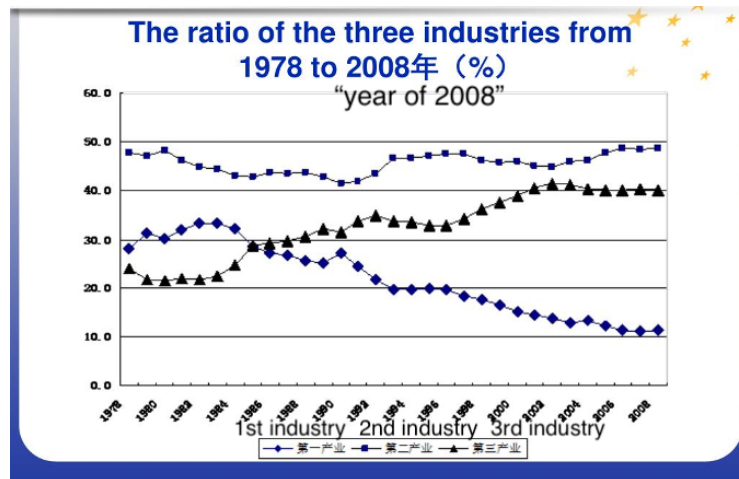


Figure 1: The ratio of the three industries in China from 1978 to 2008 (%), adapted from Alcina Mula [6].

As can be seen from the diagram, where the primary, secondary and tertiary industries are symbolled by blue squares, black triangles and blue rhombuses respectively, the secondary industry obtained a stable share of the economy in China over a duration of 30 years, fluctuating around 40-50% in terms of ratio. As a result, the ratio of primary industry in China gradually declines where as the share of tertiary industry stably increases, approaching the level that the secondary industry maintains. Simultaneous to this structural reformation was an increment in China's all-industry productivity. According to the graph below, as China's three-industry reforms during the Open Door Policy, the productivity of laborers in the three industries rose exponentially between 1978 and 2005, especially in the secondary industry. It suggests that while in 1978, each additional laborer in the secondary industry would generate another 5000 CNY profit, after nearly three decades of economic reformation, each added laborer in the secondary industry would generate an additional 50000 CNY of revenue.

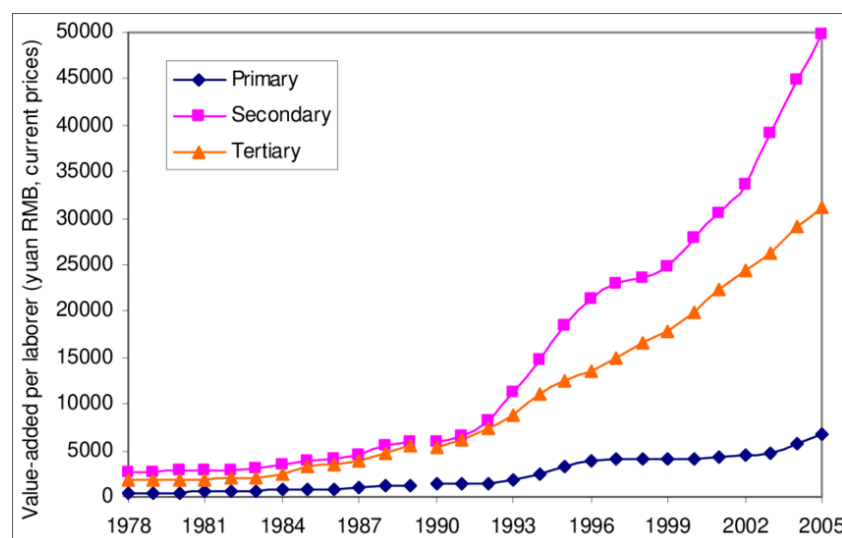


Figure 2: China's all-industry productivity growth, adapted from Carsten A. Holz [7].

It can be reasonably inferred from the two visuals and existing literatures that China's economic growth is contributed by a decrement in agricultural share in the economy (primary), an increment of services production in the economy (tertiary), and a significant productivity boost in the nation's prioritized industry, the manufactures (secondary). Overall, the Open Door Policy has facilitated numerous important transformations and improvements in the Chinese economy that directly contributed to the improved living standards of the Chinese people.

### **3. Possibility of Redeveloping Singapore with Chinese Methods**

The strategies that China implemented in the past have proved to be successful for itself but whether China's success can be replicated in small economies similar to that of Singapore's is a topic that scholars and politicians have not reached a consensus on. Therefore, this section explains using size-related and non-size-related factors why China's success in economics within the last few decades is unlikely to repeat in a smaller economy, especially in Singapore.

The first question that should be asked in an attempt to examine the replicability of China's success is if China's economic development was completely dependent on the size of its economy. In this case, the size of the Chinese economy is most significant in terms of land area and population, as China ranks fourth globally in terms of land area and first in terms of population. After extensive research, it is believed that the answer is confirmative. This conclusion is made based on the fact that an enormous number of laborers worked in the manufacturing industry and that a huge area of the landscape was used to build factories. As mentioned in the previous section of the essay, China's economic development is directly linked to the growth of its secondary industry. Unlike the tertiary industry, which Singapore is famous for, the secondary industry requires numerous workforce and infrastructure to operate efficiently. As of 2021, the number of people enrolling in secondary industry jobs nationwide is approximately 217 million [8]. Taking statistics from figure 2 into account, 50,000 CNY multiplied by 217 million employees results in an astronomical GDP which helped China dominate the global market, especially in the secondary industry. In addition, in order to maximize domestic production, China built uncountable factories and currently tops the chart with 2.8 million production plants constructed domestically [9]. These are some figures that prevent Singapore from replicating China's success using the same means, firstly, Singapore is too limited in land area to build factories and secondly, Singapore do not have nearly as much population to participate in manufacturing. Thus, it is believed that from a size-related perspective, Singapore and developing countries that share a similar land area and population with Singapore cannot replicate China's success using the same strategies China once implemented on itself.

Beyond the scope of economics, some other non-size nor non-economic related factors block Singapore and similar nations from repeating China's economic development in the same path. Firstly, China demonstrated its collectiveness during the Open Door Policy. However, such togetherness was impossible without the presence of the Chinese Communist Party. As discussed in the previous section, an authoritative central government was present in the country to make any major decisions without interference as long as the politicians in power deemed the decision to be beneficial to the country. In fact, the Open-Door revolution itself was an act by the government instead of a spontaneous act of businessmen after they perceived the national economy to be stagnating. On the positive side, the presence of such authority enabled the country to collectively achieve a unified objective and guaranteed the efficiency of the revolution because every Chinese person contributed their power completely in a way demanded by the government, which made the execution of the government's plans rather unhindered. A democratic small economy similar to that of Singapore's, however, may find repeating China's Open Door Policy quite difficult. To successfully reform an economy, the entire economy must act together to achieve collective

success. However, under a democracy, every individual, one that own a company in particular, has the right to reject a plan proposed by a political party and refuse to obey their future demands in an attempt to reform the national economy. The objections a democratic country faces in that dilemma will then in turn hamper the "Chinese style economic reformation". Thus, the authoritative government has greatly benefitted China in its revolution but can be infeasible if Singapore and similar developing countries utilize it.

Another factor that makes the replication of China's economic development unrealistic is that each era had its unique path to prosperity, and it is uncertain what is the key to economic growth in the future. In China's case, China greatly benefitted from the technological boom led by digital companies including Apple, Microsoft, Google, etc. While these corporations grew rapidly, China acted as their united production factory. Between 1995 and 2009, China's tech manufacturing and exports showed a constantly increasing trend, from exporting around 10 billion USD to nearly 400 billion USD in 2009[10]. As technology was a lucrative industry at the time and China was an active participant in the industry by manufacturing hundreds of billions worth of tech products to the world, the country earned significant revenue during the late stages of the revolution. The tech industry's speedy growth greatly assisted China in developing its economy, but it is inconclusive if another profitable industry will appear in the future, with one of the developing countries making full use of it. It is to be noted that such an industry can be challenging to find because this industry should not heavily depend on manufacturing. Otherwise smaller economies could still not engage in it. Therefore, to a medium extent, China's growth relied on the fact that its secondary industry development paralleled the growth of the tech industry and its need for a manufacturer. It is unpredictable if smaller economies can face a similar opportunity for economic growth as the one China took advantage of.

#### 4. Conclusion

To sum up this research, it is concluded that China's economic development in the last 4-5 decades was primarily dependent on the size of economy but also relied on certain non-size-related factors including utilizing an authoritative government and the presence of a lucrative opportunity. These factors can be seen as the prerequisites to replicate China's economic growth on the same path, which most smaller economies currently do not possess. Hence, to respond to the topic of investigation, it is suggested that smaller economies cannot repeat China's economic growth in the same way. It is unquestionably true that smaller countries do have the potential to reach the level of economic growth that China once obtained. However, it is still unlikely that such development can be achieved using the exact strategies China once implemented.

Moreover, under the influence of the COVID-19 pandemic, it is widely believed that China's economy was significantly damaged between 2020 to the present. This circumstance raises questions about the sustainability of China's economic strategies and political policies when an external shock appears. Therefore, the efficacy of China's economic development plans can be questionable to many politicians, journalists and scholars as to if it can act as a model for smaller developing economies to follow. Hence, whether China's success is indeed a "success" will be tested by the COVID-19 pandemic, and this topic will require scholars to investigate in the future.

#### References

- [1] Workman, D. (2022) *World's Top Export Countries*. <https://www.worldstopexports.com/worlds-top-export-countries/>.
- [2] World Bank. (2022) *Lifting 800 Million People Out of Poverty – New Report Looks at Lessons from China's Experience*. <https://www.worldbank.org/en/news/press-release/2022/04/01/lifting-800-million-people-out-of-poverty-new-report-looks-at-lessons-from-china-s-experience>.

- [3] Longley, R. (2019) *What Was the Open Door Policy in China? Definition and Impact.* <https://www.thoughtco.com/open-door-policy-definition-4767079>
- [4] Britannica Encyclopedia. (2019) *Special Economic Zone.* <https://www.britannica.com/topic/special-economic-zone>
- [5] Berger, B. (2011) *The Growth of Chinese Exports: An Examination of the Detailed Trade Data.* <https://www.federalreserve.gov/pubs/ifdp/2011/1033/ifdp1033.htm>
- [6] Mula, A. (2014) *Progress of China's Economic Reform and Opening Up.* <https://www.slideserve.com/alcina/progress-of-china-s-economic-reform-and-opening-up>.
- [7] Holz, C. (2008) *Sectoral Labor Productivity in China.* [https://www.researchgate.net/figure/Sectoral-Labor-Productivity-in-China\\_fig7\\_23691146](https://www.researchgate.net/figure/Sectoral-Labor-Productivity-in-China_fig7_23691146)
- [8] Ceic Data. (2022) *China Employment: Industry and Region.* <https://www.ceicdata.com/en/china/employment-industry-and-region>
- [9] Examine China. (2020) *Factories in China.* <https://www.examinechina.com/blog/factories-in-china/#:~:text=A%20wide%20selection%20of%20factories%20%28China%20has%20approximately,long%20tr ansit%20time%20in%20most%20cases.%20Language%20barrier>.
- [10] Xing, Y. (2014) *China's High-Tech Exports: The Myth and Reality.* <https://direct.mit.edu/asep/article-abstract/13/1/109/17776/China-s-High-Tech-Exports-The-Myth-and-Reality?redirectedFrom=PDF>