ANALYSIS OF TRENDS IN CHINA’S FAST-GROWING ECONOMY AND ENERGY CONSERVATION AND EMISSION REDUCTION TARGETS

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Economic theoreticians and the central government in the past worried that improvements in environmental protection might reduce the economic growth rate. China’s experience since 2006, however, proves that economic growth actually accelerated as the central government intensified its measures for energy conservation, emissions reduction, and environmental protection. In 2006, China’s GDP growth rate was 11.1%, an increase of 48% over the target set under the Eleventh Five-Year Plan; in the first half of 2007, the GDP growth rate climbed to 11.7%, an increase of 56% over the planned target. In this article, the author combines the “abnormal” phenomena above to provide an analysis and forecast of China’s economic growth trends, as well as discusses whether the country’s energy conservation and emission reduction targets can be achieved within the Eleventh Five-Year Plan period.

I. Reasons for the Continued High-Speed Growth of the Chinese Economy at the Present Stage and its Rationality

China reformed its finance system in 1994 and now implements a taxation system that separates between central and local governments. Combined with the production-based value-added tax system, this has spurred local governments to develop economic initiatives. Sustained high levels of economic growth have accelerated the improvement in China’s economic power and the rate of accumulation of original capital. By 2003, China had essentially achieved a primitive level of capital accumulation, and was entering an “economic growth expressway.” The central government has since 2003 implemented strict macroeconomic regulation and control measures aimed at reducing the economic growth rate, and has raised environmental standards through increased policy requirements for energy conservation and emissions
reductions, but the economic growth rate remains unchanged. This indicates that the Chinese economy contains a sizeable momentum for high-speed growth.

A. *The Primitive Accumulation of Capital Is Expanding and Surplus Liquidity Is Pressuring Accelerated Investment Growth*

As China has registered only a weak accumulation of capital and surplus in terms of its labour force in the first thirty years since reform and opening up, the shortage of capital is a dominant factor restraining its economic development, while basic characteristics of the country’s economic activity, such as high return on capital versus a low return on the labour force and investment, have become the driving force for economic growth since the reform and opening up process began. These characteristics are reflected in the continuous rise in the rate of accumulation-rate of investment. Following the accumulation of capital over almost three decades, China has advanced from a typical agricultural economy into a phase characterised by rapid industrialisation and urbanisation. As of September 2007, China had accumulated foreign exchange reserves exceeding US $1.4 trillion and total personal savings exceeding RMB 18 trillion, indicating a sizable surplus in the accumulation of private capital. The confluence of surplus capital in pursuit of profit and the need to industrialise and urbanise have resulted in high-speed investment growth. Furthermore, due to heavy demand for heavy industry and chemical products, the fast-growth heavy and chemical industries have led to an internal recycling of capital accumulation, thus further increasing the absorption of investment in the national economy and generating a major impetus for rapid economic growth.

B. *The Labour Force Surplus in Rural Areas Has Generated an Income Distribution Incline to Capital Factors, Resulting in Rising Pressure on Economic Growth*

As China’s fast-growing economy has focused on urban expansion, a solution to the employment of the urban labour force has been easy to find. However, employment for the newly increased rural labour force will only be available once a supply gap in the urban labour force for urban expansion appears. Advances in agricultural technology have generated a considerable labour surplus in rural areas, and this, combined with the high rate of reproduction of the rural population,