

TRANSFORMATION OF THE SOCIO-ECONOMIC ENVIRONMENT OF CHINA AT THE END OF THE 20TH CENTURY

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At the present stage, China stands out as one of the most convincing examples of successful economic development. Since the 1990s, annual gross domestic product (GDP) growth rates have consistently exceeded 8% and maintained this momentum until the early 2010s. In 2020, under the influence of the COVID-19 pandemic, there was a temporary slowdown in growth to approximately 2%, but in the following years, GDP again showed growth of more than 5% (fig. 1), which is consistent with World Bank statistics (The World Bank, n.d.) [1]. The sustained economic upturn contributed to a historically unprecedented improvement in living standards, a reduction in poverty and an increase in social welfare. At the same time, half a century ago, the People's Republic of China remained a predominantly agrarian and economically closed country, where more than half of the population lived below the poverty line. Over the past 40 years, the country has undergone a profound structural transformation, transforming itself from a developing country into the world's second largest economy. The basis for this transition was the phenomenon of the "Chinese economic miracle" – a set of profound socio-economic reforms initiated by Deng Xiaoping [2].

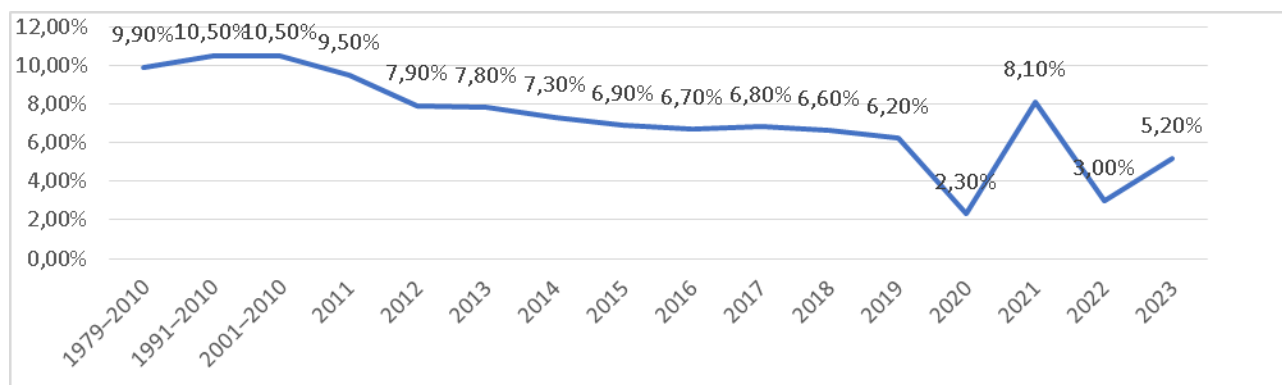


Figure 1 – Average annual GDP growth rates of the People's Republic of China in 1979-2023.
Source: compiled by the author based on data from The World Bank Group [1]

Socio-economic renewal began after the third plenum of the 11th Central Committee of the Communist Party of China (18–22 December 1978), which marked the beginning of a large-scale transformation programme. The first stage of reforms covered agriculture, where a policy of decollectivisation was implemented. Land was leased to farmers, subleasing and individual labour activities were allowed, and producers were given the right to keep part of their additional income. These changes created effective incentives to work, increased productivity and contributed to the country's gradual emergence from economic stagnation [3].

In industry, the key direction of reform was the decentralisation of management: the role of central authorities was weakened, enterprises were given more autonomy, and the private sector was

given opportunities to expand its activities. Enterprises were encouraged to increase profitability and modernise production, which laid the foundation for the formation of a competitive environment.

In the foreign economic sphere, an "open door policy" was introduced, under which the state opened the country to international trade and foreign direct investment. The creation of Special Economic Zones (SEZs) – with preferential tax regimes, broad administrative autonomy, and minimal state intervention – became one of the most successful tools for industrial breakthrough. The example of Shenzhen is illustrative: from a small fishing village of 30,000 people in 1979, it has grown into a metropolis of millions and a global centre of high technology, home to the headquarters of Huawei, among others [3].

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Through a combination of market reforms, foreign investment and modernisation of production facilities, China has achieved one of the world's highest levels of sustainable economic growth. Between 1979 and 2010, average annual GDP growth was around 10%, and more than 850 million people were lifted out of poverty (fig. 2), as confirmed by World Bank statistics [1]. The combination of reforms has transformed the PRC from a predominantly agrarian state into a global economic leader.

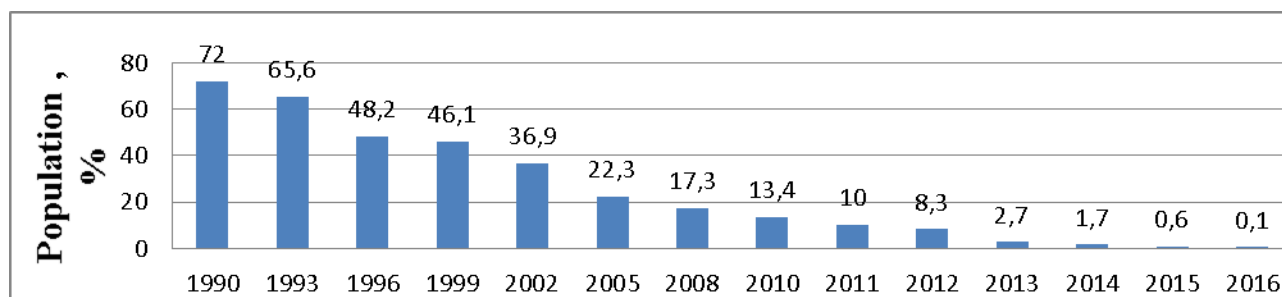


Figure 2 – Poverty level in the PRC (people living below the international poverty line of \$2.15 per day)

Source: compiled by the author based on data from The World Bank Group [1]

References:

1. The World Bank. (n.d.). *World Bank*. <https://www.worldbank.org/ext/en/home>
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