

# Economic Development and Poverty in China

Clark Butler  
ECE510 Spring 07  
Bruce Lusignan

## **Introduction:**

China is a country with a rich, long, and proud past. With five thousand years of history and tradition come customs, lifestyles, and mindsets that are not easily changed. As it turns out, change is exactly what is needed for an economy to remain competitive in today's world, and China is no exception.

Over the course of the last 100 years, technology has revolutionized the world's political and economic landscape. The markets are no longer the local villages, but rather the entire globe. The competition is no longer just the store across the street or in the next town, but now consists of hundreds of thousands of vendors world wide who are competing with each other for business. Change can be seen in the category of marketable skills, and livable incomes. The demand for technologically trained workers has increased, while the demand for farmers and agriculturally based work has decreased due to more advanced farming techniques which can produce more with less labor. If China is to succeed in today's dynamic and challenging world market, it must learn to change and adapt in several different ways.

First of all, change will continue to be needed in the very mindset of the Chinese populace. The traditional mindset is that being the best is not good, nor is being the worst, but being average is very good. This mindset stems out of years of harsh emperors and dictators who would eliminate anyone who stood out as being smart, or popular enough to challenge their authority. This is not the mindset that is necessary in order to be successful in today's global economy.

Another frame of mind that needs updating is that taken by China's ruling party. While China has seen economic reform over the last 30 years, the government will need to continue to shed the current socialist format in order to adapt to a world where capitalism is king and the free market is the

kingdom.

The intention of this article is to examine the impact that the economic change and development in China is having on the Chinese peoples lives, and livelihoods. The question is, how does a country like China successfully undergo radical change, and progress economically, while preventing those left out of the service and technologically based industries from falling behind? In order to address these questions, this paper will first examine China's past before moving on to the present, and what is currently being done, and what more can be done for the future economic equality of the Chinese people.

### **An Abbreviated History of China:**

Before we can fully discuss, understand, or appreciate the current situation in China, it is necessary that we possess a certain level of understanding concerning the nations history. For many years, China led the world in the development of science and technology. While Europe was ignorantly wallowing in the dark ages, China was steadily progressing in their understanding of science, under the Zhou dynasty and for a time, China led the world in technological development. The following excerpt from the Travel China Guide gives a description of their accomplishments during this time.

The Western Zhou made a further achievement in social economy. Slaves were popularly exploited in pursuit of the production of greater surpluses, thereby creating wealth for their owners. Handcrafts progressed in this period and the bronze industry was especially important. Besides the bronze workshops controlled by the central government, the small kingdoms also had foundries of their own. Bronze products greatly increased in quality, quantity and variety so that their use covered nearly all aspects of life. The Western Zhou Chariot Burial Pit unearthed near Xian exemplifies the high technical standard of bronze production of this period. The development of the bronze industry also promoted the prosperity of other industries. In

agriculture, iron tools and the coupling-plough were brought into use for the first time, this greatly enhanced productivity. Bazaars appeared in some larger towns, where silk, weapons, cattle as well as slaves were traded. In addition, script became more widely used. People not only engraved inscriptions on oracle bones, but also engraved epigraphs on thousands of bronze utensils, recording the social life of that time.

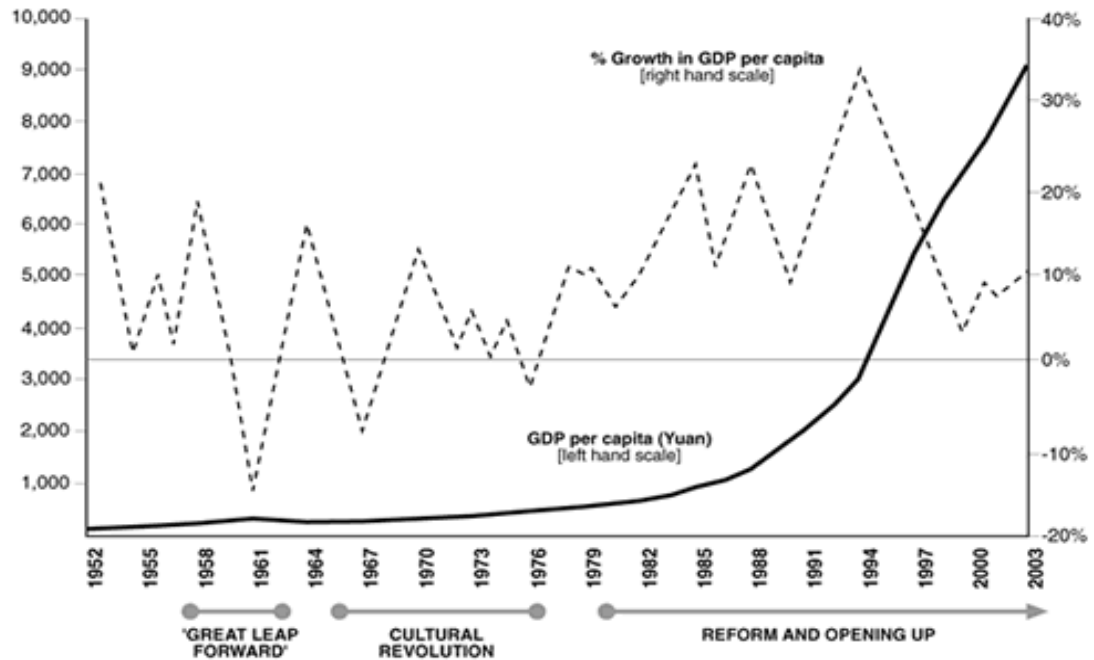
So how did this great nation go from leading the world in technology and economic progress to playing catch-up with the western powers? Perhaps the best place to look is at the Qing dynasty, (1611-1911) which was the last great dynasty to rule in China. In many ways the mindset and policies chosen by the Qing paved the way for China's struggles today. Initially, the dynasty did quite well as it developed programs to diminish class conflicts by giving tax reductions for those involved in agricultural development. In addition to resolving class conflicts, this provided an economic boost in the rural regions of China. At the same time, China was contributing to the world in the areas of literature, as scholars developed writings on history, philosophy, and more. While this was good for the time, the world was about to change, and the leadership of China had yet to accept the fact that it would have to change with it. As the rest of the world embraced the industrial revolution, China held on to feudal ideals, and the continued development of agriculture. The Emperors destroyed writings that they did not agree with, and once again began to kill intellectuals and scholars who they perceived as a threat to the throne. Due to this overly conservative and closed minded approach to governing, China lost its economic and cultural lead and began to fall behind the western powers. In the end, the very policy that made the dynasty great ended its reign. The decision to continue having an agriculturally based economy coupled with rampant corruption led to a weakened economy and political unrest. Finally, in 1911 the Qing dynasty fell and the Republic of China was born. From 1911-1949 China was ruled by various political parties, as it continued to struggle with discontent, corruption, rebellions, and war.

From 1927-1950 a civil war was fought in China between the Nationalist led by Chang Kai-Shek and the Communists, led by Mao Zedong. Due to Chang Kai-Shek's reluctance to fight the Japanese when they invaded, he found it difficult to gain the loyalty of the masses which eventually resulted in victory for Mao and the Communists who were able to drive the Nationalists out of the country to the island of Formosa where the Nationalist refugees established the nation of Taiwan.

And so it was under these conditions that Mao Zedong, the idealistic peasant turned general, became the Chairman of China. Mao brought a fundamentalist socialist mindset with him which was reflected in the socioeconomic plans he implemented. Two of these plans for developing China were called “the great leap forward” in 1957 which was followed by “the cultural revolution” in 1966. As a result of “the great leap forward” in 1957, China turned it's economic focus on developing steel, and doubling the countries agricultural output. However, China was ill equipped to perform to the required levels demanded by the plan. The peasants were not properly trained to make steel, which resulted in impure and unusable steel. Concerning the farmers, they had trouble getting access to even simple tools because many of their farming implements were being melted down for use in the steel mills. Additionally, due to the narrow focus for development, the other sectors of China's economy were seriously undercut. All of these issues were compounded by unfavorable weather patterns which resulted in a famine throughout the land. The end result of Mao's plan ended up being more of a great leap backward for the Chinese. As could be expected, the Chinese people did not respond in a favorable manner to this situation.

By the mid 1960's, Mao began to fear that he would loose his power to his political enemies and as a result, in 1966 the “cultural revolution” was born. The “cultural revolution” served to silence Mao's critics by killing them, or putting them in prison. Over half a million Chinese people died as a result of this heavy handed attempt to purge capitalistic values from the country. Due to Mao's failure to learn from the economic mistakes of the Qing leadership, he repeated the mistake. Just as happened

before, the population boomed in response to the agricultural focus as families produced more children to help them out on the farms, and China's economic and technological development continued to lose ground on the rest of the world at a steady pace. Figure 1 illustrates this point nicely. As can be seen, China's GDP per capita remains low with little or no growth throughout the “Great Leap Forward” and “Cultural Revolution”. Around 1978 when China began implementing economic reform and opening



**Figure 1: China's GDP per capita**

up to the rest of the world it received an economic boost which also be seen in figure 1. As can be seen, the GDP per capita takes a sharp rise from less than 500 Yuan per capita to just over 9000 Yuan. With the Chinese government doing an effective job of minimizing the inflation of the Yuan throughout the years, this turns out to be a significant improvement in the average income for the Chinese people.

**Current Economic Situation:**

The current economic situation for China is a complex one with many variables and contributing factors that have a serious impact on where it is, and where it will be in 20 years from now. In order to

simplify the topic, this section is divided into three main sub-sections discussing China's export situation, import situation, and the current employment situation.

### **1) Exports:**

Since China began to open up to the rest of the world in 1978, it has become one of the world's chief exporting nations. To get a better idea of the export situation in China, listed here are some facts and figures about China's main export commodities from January to February 2001, released by the *General Administration of Customs*:

Machinery and electrical equipment: 16.116 billion U.S. dollars, up 27.4 percent from the same period last year.

Garments and accessories: 4.678 billion U.S. dollars, down 1.3 percent.

High-tech products: 6.399 billion U.S. dollars, up 62 percent.

Textile raw materials and products: 2.247 billion U.S. dollars, up 10.1 percent.

Footwear: 1.548 billion U.S. dollars, up 1 percent.

Toys: 599.879 million U.S. dollars, down 9 percent.

Plastic products: 713.538 million U.S. dollars, up 0.9 percent.

Furniture: 624.911 million U.S. dollars, up 13.1 percent.

Rolled steel: 279.616 million U.S. dollars, up 16.2 percent.

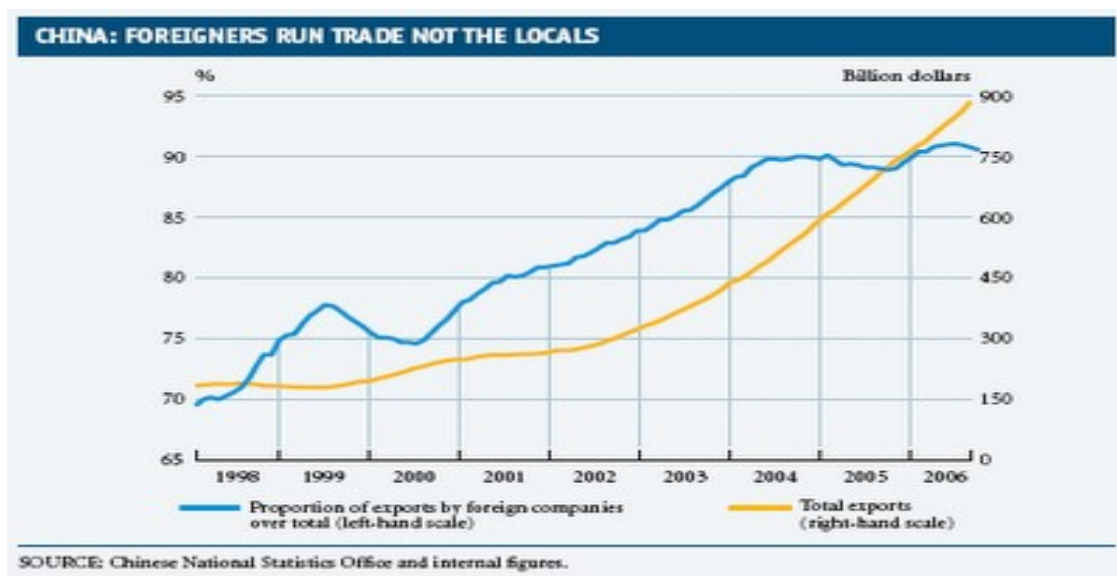
Aquatic products: 302.506 million U.S. dollars, up 11.4 percent.

Refined oil: 378.404 million U.S. dollars, up 48.6 percent.

Crude oil: 218.221 million U.S. dollars, up 123.1 percent.

The favorable export situation in China is largely due to the lower cost of labor. The question is, how long can China sustain such a favorable balance of trade? What makes China attractive to foreign investors is the cheap cost of labor. As is illustrated in figure 2, over 90% of China's exports are from foreign companies that are running their business from China. While this is

good for China in the present, it also raises the issue of what is going to happen as the Chinese Yuan gains strength and inevitably rises against the Euro and the dollar. As it currently stands, the manufacturing industries such as textiles, are already only seeing a 3% savings by outsourcing to China. So it follows that if the Chinese Yuan rises against the dominant world currencies, then the manufacturing industries in China lose their edge in the global market, and companies will begin to move their business to places such as Vietnam and the Philippines in an



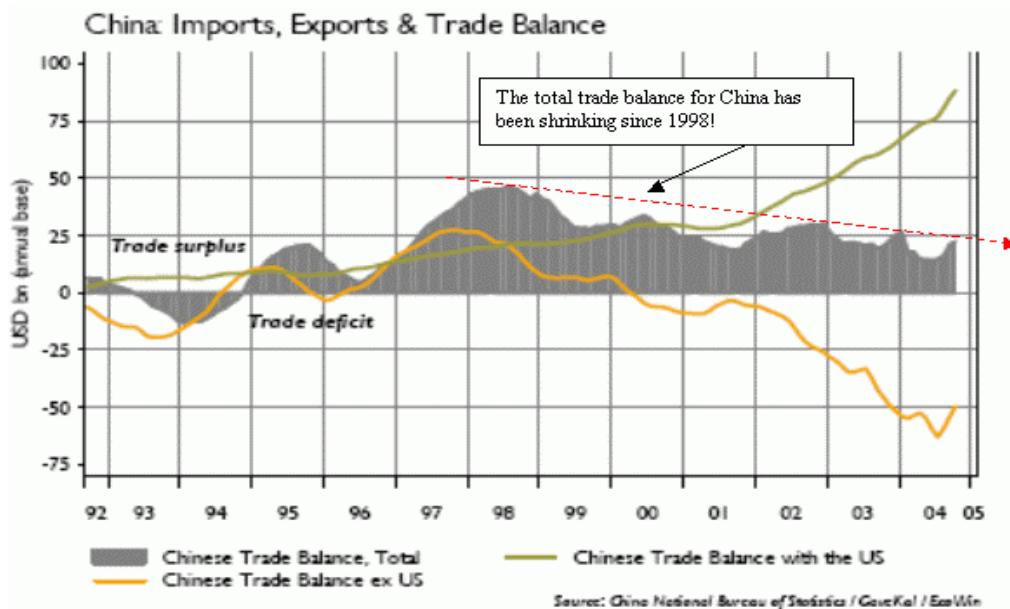
**Figure 2: China's Exports**

effort to maintain their profits. China has responded to this concern by purchasing US dollars in order to keep the Yuan from gaining strength against it. While this may work short term, the per capita GDP of China is still rising at a rate far greater than the inflation that the country is seeing. This means that eventually the Chinese people are not going to be willing to work for the low wages offered from the foreign companies which will result in a reduction of exports from China in the manufacturing sectors.

## 2) Imports

Over the last half a century, China has become known primarily for its mass exporting of

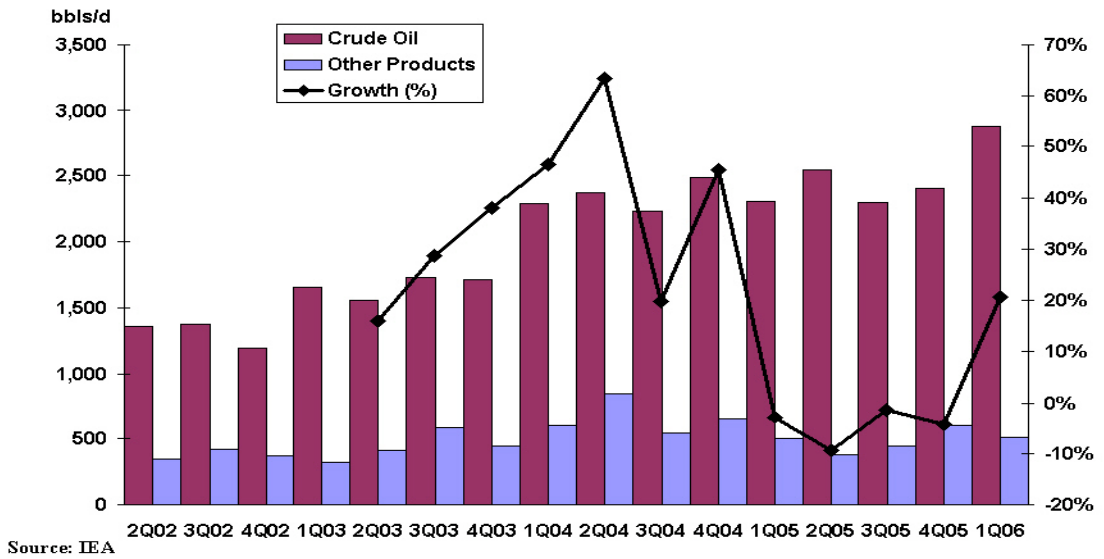
textiles, toys, and cheap electronics. However, China does not in and of itself possess the materials to build itself up without purchasing vast quantities of resources from foreign nations. While the last 10 years have seen China's exports to the USA continue to rise, their balance of trade has not increased as one may expect. This is illustrated in figure 3. As can be seen in the plot in fig. 3, China's trade balance with the world excluding the USA has steadily declined to the point that even with robust exports to the USA, the overall balance of trade has



**Figure 3: China's Trade Balance from 1992-2005**

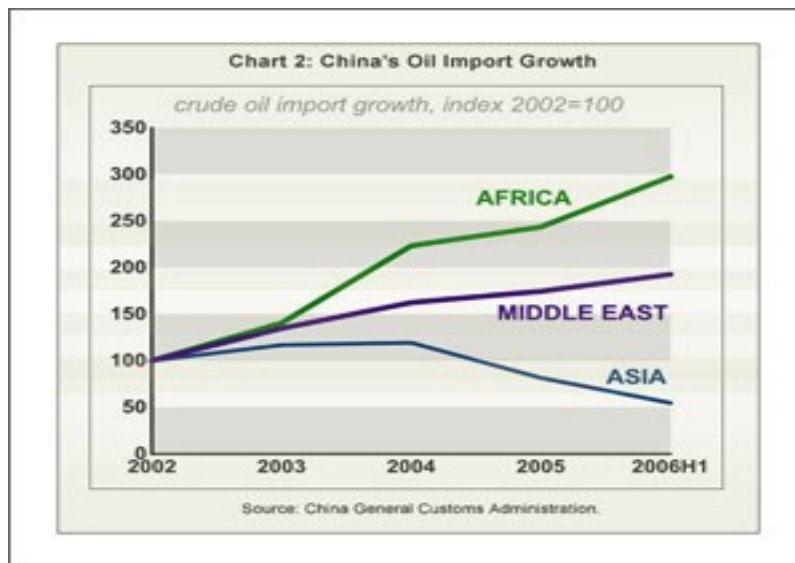
continued to drop. So the question then is one of where the money is going? What exactly is it that China needs to import so much of in order to continue their development? There are several answers, but the primary one is oil. It is estimated that by 2045, China will be dependent on oil for 45% of all of its energy needs. As can be seen in figure 4, crude oil is clearly the dominant imported source of energy. So where is the oil coming from? China purchases oil

### Chinese Imports of Crude Oil and related Products



**Figure 4: Chinese Crude Oil Imports.**

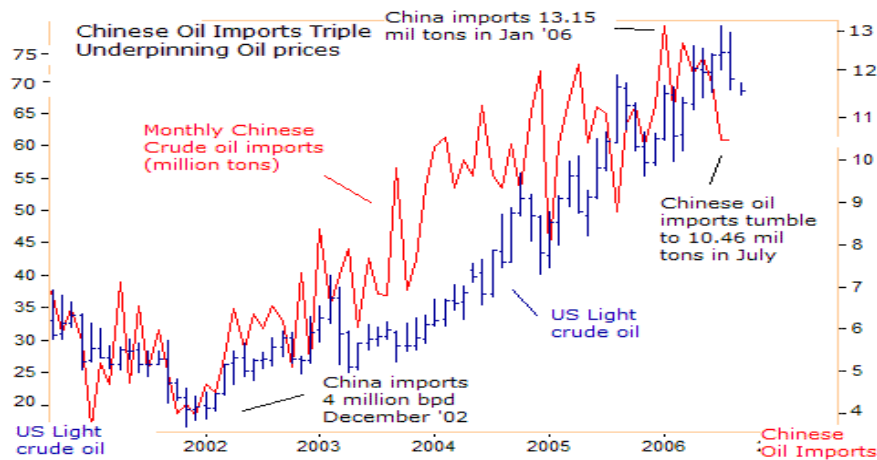
from South America, Asia, Africa, and the Middle East. The lions share of the oil importing is done through Africa. This trend is continuing as can be seen in the plot from the *China General Customs Administration* shown in figure 5. China has been far from idle with the remaining



**Figure 5: China's Oil Import Trend.**

Oil importers that it deals with. For example, following successful negotiations with Kazakhstan, China has implemented over 1000 kilometers of oil pipelines to import oil from the

Russian states, and expect to extend the pipeline network to over 3000 kilometers by 2011. The plan is to have it end in Dushanzi where China is constructing its largest oil refinery yet, due to be complete in 2008. China is in such need for oil, it financed the entire pipelines construction at a cost of about \$700 million. China has also gone to great lengths to secure oil imports from Africa. According to *321energy*, “since the creation of the China-Africa Forum in 2000, China has scrapped tariffs on 190 imported goods from 28 of the least developed African countries, and canceled \$1.2 billion in debt.” China has also taken on building up the infrastructures of developing African nations through committing billions of dollars for developing railways and of course for drilling for more oil. As is seen in figure 6, China's oil imports continue rising in response to the demands of a rapidly expanding economy which is demanding the infrastructure to develop at a similar pace. Between the ever increasing demand in China for roads and vehicles, coupled with a population of over 2 billion people, it is no wonder that China would go to such great lengths to secure their primary current and future energy source. So the long term forecast for the Chinese import scene is that while the balance of trade may not be trending in their favor, it is money well spent, and necessarily spent for the continued development of China's economy through the development of it's infrastructure.

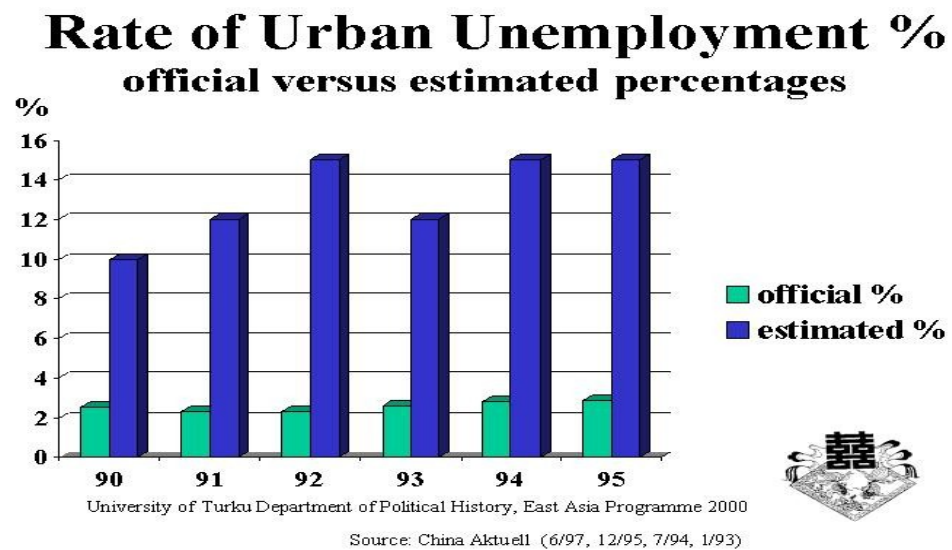


**Figure 6: Chinese Oil Imports.**

### 3) Employment

Over the course of the last 30 years China's economy has seen some dramatic changes, and as could be expected, these changes have been reflected in the employment rate and structure. As China has continued to open up to the rest of the world, it has drawn a steady flow of foreign investment which have provided a welcome boost to the job market for the Chinese people. There have been several major effects that these foreign based jobs have had on the Chinese labor market. Because the nature of the work provided by foreign investors has primarily been in production, China has seen a shift in the employment structure as more job seekers look to the cities for employment. According to *The Peoples Daily*, in 1990 over 73 percent of the Chinese population worked in rural areas while in 2003 that number had dropped to 65 percent while urban employment increased from 26 percent to 35 percent of the employed population. Even with the creation of over 7,000,000 new jobs each year, China has still seen a sharp rise in urban unemployment. The major problems with the Chinese workforce are that there are so many of them, and they are seriously undereducated, which makes it difficult for them to gain employment. Over 61 percent of the Chinese have only a middle school education while only 3.5% have a college degree. Because of this, many foreign companies who would like to employ the Chinese more, are forced to use non-Chinese employees for positions that are of an advanced technical or managerial nature. Because of this situation, a demand for advanced education has been created in China that was not there before the influx of foreign companies. This is a significant change for the Chinese who only 50 years ago under Mao were concerned primarily with farming, steel production, and silencing the educated voices in their society. While China has made good progress in the creation of jobs, because of the abnormally huge population of the country the over seven million new jobs that China creates each year have served only to keep the unemployment rate from increasing, but has not dented the actual

unemployment overall. The Chinese government council is very aware of the employment situation and have several plans in place to keep unemployment at at minimum. They estimate that a registered urban unemployment rate of 4.7% is achievable under the current circumstances. The catch to that number is that it is the registered, not the actual urban unemployment rate. While China combats urban population swells, the people continue to flock to the city in search of employment. This situation creates a significant disparity between the official numbers and reality. For example, when Shanghai had an official population of 14 million, the actual estimated population was sitting at 21 million people. The additional 7 million people are those who are not supposed to be there, but have come in looking for work anyway. Taking this into account quickly dissembles the official urban unemployment rate of 4.7%. If one takes into consideration all people in the cities, it yields a number in the 11-13% range. This point is effectively illustrated below in figure 7 where the disparity between the official numbers and the actual situation is clearly seen. It is China's hope that they will be able to create an additional 2 million jobs which would bump up the job growth to 9 million per



**Figure 7: Urban Unemployment in China**

annum. In a white paper drawn up by the Chinese government, they concluded that the primary means of addressing the need for additional employment was to keep drawing foreign business and investors in to China, so essentially, their plan is to keep doing what they have been doing for the last 30 years. This approach has continued to provide millions of new opportunities for the Chinese people each year and has effectively kept the unemployment rate from rising. While this plan may not eliminate poverty and unemployment, when you consider a population of over 2 billion, its achievements have been very solid.

### **Current Socioeconomic Trends Relating to the Poor:**

While China's recent economic success has seriously boosted the GDP per capita, not everyone has reaped the rewards of the free market in equal measure. There are several contributing factors that come into play when considering the current socioeconomic landscape of China. First of all, the eastern and coastal cities such as Shanghai and Beijing are in a much more favorable location for trade due to a well developed infrastructure of deep sea ports, roads, railways, and airports. This has made these cities very accessible to the rest of the world. In sharp contrast to these bustling centers of commerce is western China. Developing the infrastructure of the poorer western regions has been challenging due to the remote nature of many of the rural villages coupled with extremely rugged terrain that makes progress in building roads and rail lines a slow, difficult, and expensive process. Another issue with developing the western region is that the level of education of the people living there is very poor which hampers their ability to better themselves even if they wanted to. The Chinese government recognizes the situation and has successfully implemented plans to reduce poverty and help the western Chinese to eventually become capable of developing themselves without government assistance. However, even with plans to develop the poorer regions, China has continued to see the income gap grow between the rural and urban populations due to the fact that the western regions are growing at a slower pace. The situation seems to be that everyone is profiting from the current economy, its just that

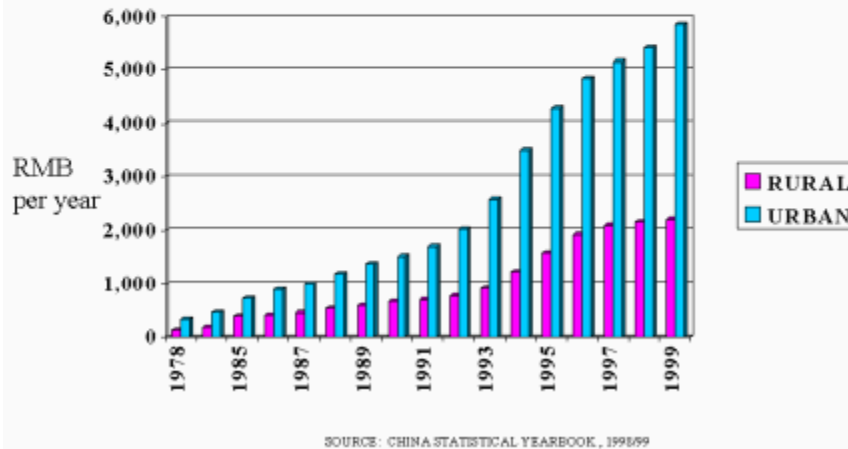
the profits are far from being evenly distributed. The key is for China to continue developing infrastructure across the country to help strengthen and tie it together socially and economically.

### **1) Income Gap**

Since the socioeconomic reform in that took place in 1978 China's economy has been booming as it has taken its place in the world markets. The large population coupled with an exchange rate that favors Europe and the US has resulted in a large influx of foreign owned companies and investors who are looking for low cost labor solutions. While the net impact this has had on the Chinese economy has been overwhelmingly positive, it has not been the case for everyone. In a way, the problem is the same thing that drew the companies to China, namely the population. With so many unskilled laborers available it is an employers market and they are able to keep the pay low without worrying about a shortage of employees to do the work, because even with millions of people employed by foreign companies, there are millions still who can not get a job in the cities, or who do not want to go to the cities, and thus must gather their income from working the land in rural China. While working in agriculture is a much more favorable prospect economically than it was 30 years ago, it is still a far cry from what the urban Chinese citizen are able to earn. Rural economic growth has been a challenge due to lack of infrastructure and education and hence, has seen a slower growth rate in annual income as compared to the urban areas. As can be seen in figure eight, since the 1978 reform the rural

Poverty is concentrated in the countryside, where income has grown much more slowly than in China's cities. This urban-rural wealth gap is an important social issue.

## INCOME OF URBAN AND RURAL HOUSEHOLDS IN CHINA

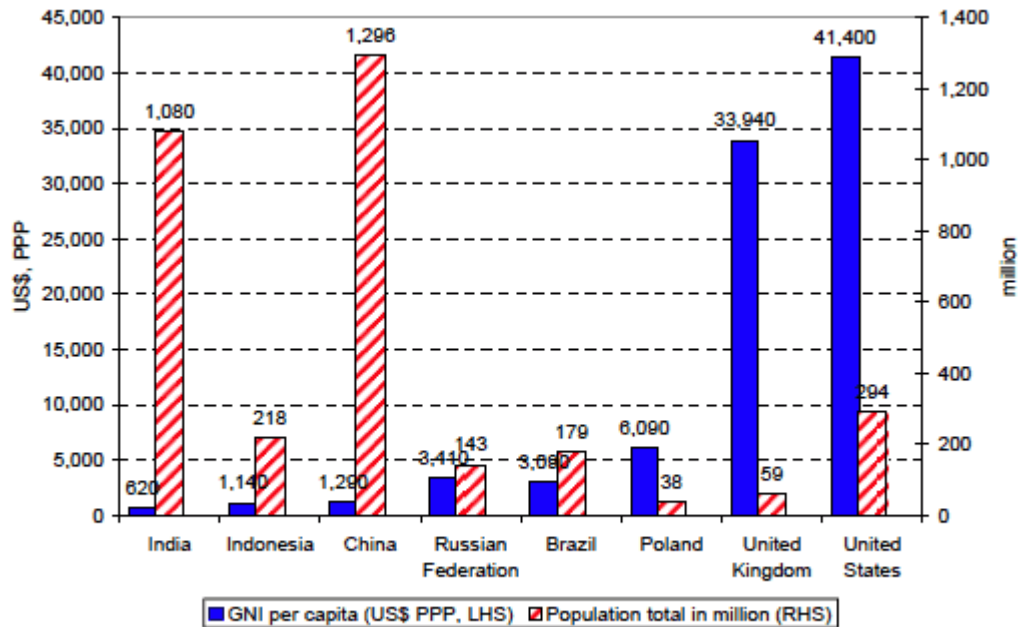


**Figure 8: The Growing Income Gap**

yearly income has grown from less than 200 RMB per year to over 2000 while the urban growth went from 400 RMB to almost 6000 by the year 2000. So while rural China grew by a factor of 10, urban China grew by a factor of 15, or at a rate 50% faster than rural China. There are several important issues that arise as a result of this trend toward a larger income gap between the cities in Eastern China and the poorer centers of agriculture in the Western provinces. As the prices for goods in the cities rise in response to the growing income of the urban population, these goods become out of reach for the rural workers who must live off of about half the income. This in turn makes it increasingly difficult for the rural workers to afford transportation, supplies, and most importantly, education. This is an unfavorable cycle in which the rural Chinese will continue to fall behind unless considerable efforts are expended to expand the infrastructure for the purpose of effectively integrating the farmlands into the modern economic structure of China.

## 2) Annual Per Capita Income in China

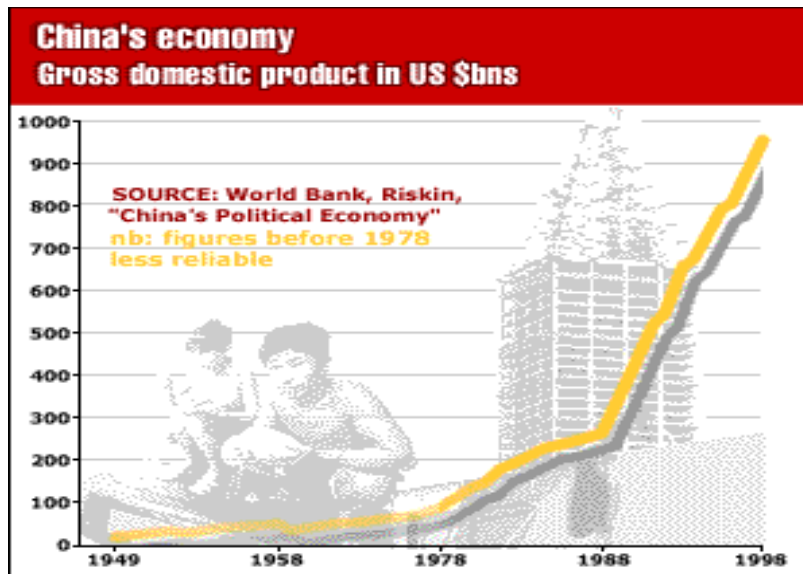
While China has come a long way, all it takes is one look at the per capita income to realize that it still has a long way left to go. Below in figure nine, is a chart comparing nations population and per capita GNI. As can be seen, China is currently sitting at about \$1,300. While this is nowhere near the \$41,000 per capita GNI in the United States, it is also nowhere near where



Source: World Development Indicators 2005 (World Bank)

**Figure 9: GNI Per Capita Comparison**

it used to be 50 years ago. When looking at the data, one must be able to extract more than what meets the eye. The important thing to remember here is that this marks a significant improvement in the China's GNI since the disastrous Mao era. It signals a strong recovery in process which is indicative of a system being in place that is working effectively. The important thing is to remember where China is going under the current policies. It is going to take some time yet, but the indicators are looking pretty good. Figure 10 does a good job of capturing the afore mentioned point. Looking at where the Chinese economy has come from, and where it has



**Figure 10: China's GDP**

gone since 1978 gives significant reason for optimism with respect to the future. The future will continue to be bright for the Chinese so long as they remain an active member of the world markets and focus on developing their most important resource; namely their people.

### **Social Prejudice:**

China is a country that is comprised of a myriad of cultures and people groups which can in some ways impact the economic fluidity of the nation, particularly if people feel like they are being used or despised by other people groups or the government. One type of prejudice seen is a regional prejudice, another is gender based, while the last one considered here is cultural prejudice.

### **Regional Prejudice:**

Regional prejudice in China exists primarily between the northern and southern regions. This prejudice is essentially based on stereotyping and generalizations. An article in the Shanghai Star captures the situation quite well.

That Shanghai people will bargain over a cent is widely assumed around the country. In addition, another denigrated feature of Shanghai people is the "womanly" character of

Shanghai men. Long Yingtai, a famous Taiwan writer, said she was surprised to see her friend's husband washing her underwear.

"I don't have a Shanghainese friend, I can't get along with them," said Zhao Chen, a Beijinger working in Shanghai, whose husband is Shanghainese.

While Beijingers happily laugh at jokes about Shanghainese, the whole country criticizes Beijingers for being arrogant political animals. No one is surprised to hear a Beijing taxi driver incessantly talking with a passenger about the political situation in the country or around the world, perhaps saying: "To share some inside news, the truth is not what the newspaper have said, but rather ..."

"I am so tired of their interminable commentary about politics," said Rio Xie, a Shanghai woman. "From ancient times to today, Beijingers have lived nearest to the state's political core, so they may think their status is much higher than that of people from other places, they thus think they have access to privileged information from the central power."

### **Prejudice and Women:**

Male dominance has long been a strong characteristic of the Chinese culture with women in a permanent subservient role, existing simply to produce children and serve the men. Because of this, many women have been denied educational development throughout the years because it was considered a waste because the woman was expected to end up raising children and doing housework anyway. As China's mindset has modernized, women in China have been able to begin shedding their status as property of men. Within China, these women have become a cultural icon of the hard work and sacrifice of the rural regions as they migrate to the cities in an attempt to send money home so that their families can have a better life.

### **Cultural Prejudice:**

China is a rather large nation, but it was not always that way. It became a vast nation through the

conquest of weaker people groups, and now is comprised of this diverse assortment of cultures that are attempting to coexist in peace. However, there are still prejudices that exist between these people groups. One example is the Henen people, who for whatever reason, get blamed for pretty much anything bad that happens in China, be it gang activity, fraud, or whatever social disturbance that happens to be going on at the time. Another situation of Cultural tension is between the minority Uigurs and the Han people who comprise the majority of the Chinese population. The following article from geocities describes the situation quite well.

One of the lesser known groups of people in China is the Uighurs of the Xinjiang Uyghur Autonomous Region of China. These people are also referred to as the Uigurs, Uygurs, Weiwuers, Sarts, Taranchis, or Kashgarliks. The land that they occupy in northern China is also known as Eastern Turkestan, Ughuristan, Uyghuria, Chinese Turkistan, Xinjiang, or Singkiang (Aitbayev, 1997). However, the majority of Uighurs refer to it as Eastern Turkestan.

Within China, the majority of the people belong to the Han ethnic group. The Uighurs is one of the minority groups (see Appendix A) within China which China is quickly trying to obliterate from existence by the infiltration of the Chinese majority group, the Han, into their society.

Many of the methods of obliteration are outlined in the following pages. China seeks to weaken the group in order to maintain the wealthy region of northern China known as Xinjiang and prevent losing the region by internal dissention within the minority groups of the region, the Muslim Uighurs being a primary one.

South of the Tianshan Range are the Taklamakan Desert and the Tarim Basin with is largely an unpopulated wasteland (Major, 1989). Xinjiang contains 140 mu of cultivatable land. It also has twelve hundred million mu of grassland.

Xinjiang boasts a countryside with vast resources. Xinjiang has much water resources with 320 rivers, 100 lakes, and over ten thousand glaciers. There are also 25 thousand million cubic

meters of underground water available to the region. There are several types of minerals available including "coal, petroleum, iron, manganese, chromium, lead, beryllium, lithium, white mica, asbestos, [and] rock crystal" (Resources, 1997, p. 1). Xinjiang has anywhere from 20 thousand to 40 thousand million tons of petroleum available (Resources, 1997).

The ethnic Chinese is an extremely ethnocentric culture. It is this reason that the Uighurs of Xinjiang have been treated as they have. In the tradition of other ethnocentric countries such as World War II's Germany, the ethnic Chinese in the area have gone to great measures to prove themselves as the superior race within China. Their fear of ethnocentrism within the minority groups has caused them to repress these minority groups. They fear that if the Uighurs and others like them were allowed to cultivate their own culture, they would seek a liberating type of nationalism that would separate the rich lands of Xinjiang from mainland China. Because of the actions of the ethnic Chinese toward the Uighurs, there is much prejudice against the ethnic Chinese. Those tensions in themselves are enough to produce undesired results as far as possible revolts go. The main goal within Xinjiang is assimilation of their culture into that of the Han Chinese culture. The ethnic Chinese have no sense of cultural relativism. They do not respect cultural differences. The goal is to create within China a homogenous mixture from the various cultures in order for Communist ideas to be upheld and to prevent uprisings from minority groups.

### **Current Strategies in China for Helping the Poor:**

Over the centuries China has overcome countless challenges and varied enemies. Many of these adversaries to China's growth, such as the Mongol horde have long been defeated. However, there is an enemy to China's stability and growth that is as strong today as it was five hundred years ago, namely poverty. Keeping the people under control has always been among the chief concerns to the Chinese rulers. Beside the fact that the poor contribute little to economic growth, one of the biggest problems is

that poor people have very little to lose which makes them more likely to embrace change in the form of a new ruler, or a revolution. This was showcased to perfection as Mao drove out the well trained Nationalist army with a mass of discontented peasants. So any way the situation is examined, helping the poor to develop and escape from their poverty is in the best interest of all parties involved. In China, the geography plays an important role in the economic landscape as the coastal cities retain the bulk of the wealth, while the western agriculturally focused regions still are struggling with poverty to a greater extent. The Chinese government is aware of the situation and currently has plans in place to address the issue. The strategy divided into three phases. The first step was to implement structural reform. The second step is to assist in development oriented relief. The final phase of the plan consists of reevaluating the situation and finding new priorities and areas of focus.

Structural reform, which is the first phase of the poverty relief program was initialized in 1978 and began to take form in 1979. What the Chinese government realized was that the people lacked motivation due to the government mandated communal structure of the agricultural sector. Under this system, people were not rewarded or recognized for their personal efforts which resulted in a poor work effort and low productivity. The government altered the structure to reward the peasants for productivity by changing the structure over to a system of contracts where families were responsible for agricultural output. It turned out that was exactly what the Chinese people needed. According to the Chinese government, grain outputs increased by 14%, cotton by 74%, and meat by 88% while the number of impoverished citizens decreased from 250 to 125 million in the first seven years of the structural overhaul. In light of these statistics, it can be safely concluded that this first phase was a well thought out and understood move by the Chinese government to better their people.

The second phase of the poverty relief program deals more with the development of the infrastructure. This is a significant challenge, as much of rural China is comprised of very rugged terrain which is difficult to cultivate and access via road. One strategy the Chinese government has

implemented to simultaneously relieve poverty while developing the infrastructure is to create “work units” which are made up of unemployed rural Chinese. Using this labor, China has developed roads and farmland resulting in 90 percent of villages having access by road and 6.6 ha of new farm land. The Chinese government estimates these rural areas that saw development also saw an increase in their industrial value by 99 percent.

The third phase of the poverty relief program has been to create a mandatory 9 year educational system so that the poor can at least have the intellectual foundation to better themselves through the university system if they so desire. Another part of this phase is to re-evaluate the areas of critical need and re-focus the efforts there.

According to the Chinese governments public reports on this program, since it began the number of poor in rural China has dropped from 250 million to an estimated 30 million. However, the most exciting part of this program is the infrastructure development that is taking place as schools, roads and farms are constructed and renovated. The rural Chinese are beginning to be connected with the rest of China and the world through phone lines, postal service, education, and transportation. This is a very important situation for several reasons. One reason of course is that the current program is lifting millions out of poverty and giving them a better life. Another reason that it is so important is that it assists in keeping the Chinese socioeconomic pulse healthy. China, like many countries is comprised of many sub-cultures. For thousands of years, China was not a united country, but a collection of warring factions with different interests and cultures. This was due in part to the rugged landscape of China which served to isolate people and ideas, and likely due in part to simple greed and desire for power from the warlords who ruled their respective states. Because of China's internal differences, it was weak and an easy prey for invading forces. While there are still cultural differences existing in China today, many of the isolated cultures are mingling and intermarrying which has seen some of the hard lines of prejudice soften between the decedents of the emperors and the common people. Today,

the chief social concern in China has to do with the distribution of wealth. As the coastal cities continue to see significant profits, the Western region of rural farmland is just now beginning to escape poverty. The result of this situation is a growing income gap between the East and Western portions of China. China's government is concerned about the socioeconomic impact this could have on their people, as if they begin to resent the discrepancy they may lose faith in the central government's ability and desire to help them. This of course is a situation the Chinese government would rather avoid which is another reason why it is so important to them that the poor are receiving all the assistance they need to close the gap, or at least keep pace with the rest of the country.

**Conclusion:**

The roots of China's issues with poverty are not found so much in social prejudice, but rather in economic policy gone wrong. During the reign of Mao, a poor country went from bad to worse as the communal approach to labor and productivity drained their motivation to perform. Since the socioeconomic reforms in 1978, China's economy has been booming, but not for everyone, as the agricultural communities struggle to keep pace with the urban population's income. The discrepancy in urban and rural incomes is simply a matter of location and accessibility as the coastal cities are readily available for international trade and commerce in contrast to the remotely located cities in Western China. Through the socioeconomic programs China has designed and implemented to help the poor and develop their infrastructure and educational levels, these rural areas are now prepared to rise and claim their place in China's economy.

**References:**

<http://www.travelchinaguide.com/intro/history/zhou/western/>  
[http://www.mnsu.edu/emuseum/prehistory/china/ancient\\_china/zhou.html](http://www.mnsu.edu/emuseum/prehistory/china/ancient_china/zhou.html)  
[http://english.people.com.cn/english/200105/01/eng20010501\\_69032.html](http://english.people.com.cn/english/200105/01/eng20010501_69032.html)  
[http://www.econbrowser.com/archives/2006/03/china\\_tb.gif](http://www.econbrowser.com/archives/2006/03/china_tb.gif)  
[http://yaleglobal.yale.edu/display\\_image?id=8116](http://yaleglobal.yale.edu/display_image?id=8116)  
<http://www.321energy.com/editorials/engdahl/engdahl060506.html>  
[http://www.gsb.stanford.edu/news/headlines/tsinghua\\_students.shtml](http://www.gsb.stanford.edu/news/headlines/tsinghua_students.shtml)  
[http://english.people.com.cn/200404/26/eng20040426\\_141526.shtml](http://english.people.com.cn/200404/26/eng20040426_141526.shtml)  
[http://www.asianet.fi/asianet/english/databases/material\\_bank/8\\_statistics/Kalvot/Employment/rateofurbemp.jpg](http://www.asianet.fi/asianet/english/databases/material_bank/8_statistics/Kalvot/Employment/rateofurbemp.jpg)  
[http://news.bbc.co.uk/olmedia/520000/images/\\_520874\\_china\\_gdp\\_300.gif](http://news.bbc.co.uk/olmedia/520000/images/_520874_china_gdp_300.gif)  
[http://wealthdaily.com/wdtext/images/copper\\_chinese.gif](http://wealthdaily.com/wdtext/images/copper_chinese.gif)  
<http://www.asiawind.com/hakka/>  
<http://en.wikipedia.org/wiki/Xinjiang>  
<http://web.worldbank.org/WBSITE/EXTERNAL/COUNTRIES/EASTASIAPACIFICEXT/CHINAEXTN/0,,menuPK:318956~pagePK:141159~piPK:141110~theSitePK:318950,00.html>  
[http://www.essaycompetition.org/docs/2006/EC06\\_Ankai\\_Xu.pdf](http://www.essaycompetition.org/docs/2006/EC06_Ankai_Xu.pdf)  
<http://app1.chinadaily.com.cn/star/index.html>  
<http://www.geocities.com/CapitolHill/6807/UIGHUR.html>