European Journal of Business Startups and Open Society

Vol. 5 No. 4 (Apr - 2025): EJBSOS

http://innovatus.es/index.php/ejbsos

Successful Reforms in the Chinese Economy

Ergashev Islomjon Ilkhomjon ugli

Namangan Engineering-Construction Institute, Senior Lecturer, Department of Economics

Abstract: The article discusses the elements and essence of the "economic miracle" of Chinese society. As a result, the reasons, factors and conditions were identified, according to which the country not only retained political and economic integrity, but also acquired the highest rates of economic development. Great results have been achieved in the country's economic growth. It was noted that the Chinese economy does not stop in its development.

Key words: China, economic miracle, reforms, open politics, Chinese economy.



China's economic miracle is a term used to describe the country's impressive and rapid economic growth that began in the late 1970s and continues to the present.

So how did the term come about? What is the miracle of China's economy?

Chinese people by 1978 Deng Xiaoping[1] Under his leadership, he realized the need for urgent economic reforms in the country. Because the planned economy that formed the basis of the Chinese economy began to stagnate. Since the late 70s, the Chinese economy has been based on market relations. These reforms created broad conditions for foreign investment and included the creation of special economic zones. It was necessary to find solutions to such priority issues as the introduction of market mechanisms, giving more freedom to the private sector, and improving the conditions for business.

One of the main objectives of the reforms was to overcome stagnation and modernize the economic system. Of course, since 1978, China has undergone extraordinary institutional changes, which have shown their effectiveness in promoting its economic growth and improving its international status. It has achieved systematic and gradual institutional changes. The reforms carried out have significantly changed China's economic system. However, the structure of its political system has remained largely unchanged. China is still a one-party state, largely relying on the Communist Party[2].

In 1977, Deng Xiaoping focused the government's attention on the fact that the most important indicator of the country's economic development is productivity, and the important factors are professionalism and results. The country's scientists, scholars, and scientific development have also been promoted as an integral part of China's future economic growth. In contrast to the policy

[1]Note: Deng Xiaoping is a Chinese state, political and party figure. The initiator of China's economic reforms. A person who played a significant role in transforming the country into a part of the world market. He was never the head of the country, but he was the de facto leader of China from the late 1970s to the early 1990s. Deng Xiaoping became the author of a new way of thinking, developing the principle of "socialism with Chinese characteristics".

[2]Skorikov V.V., Mansur D.N. Put the People's Republic of China to the economy. // Economic and social-humanitarian research. 2022. No. 1(33). S. 84–93.

of the Mao era, the government has now begun to set realistic goals. This is due to the government's desire to achieve faster economic indicators. In 1978, the Communist Party of China supported this policy and adopted it at the Third Plenary Session of the Eleventh Central Committee at the end of the year. This session became an important event in Chinese history.

Deng Xiaoping was offered the position of leader of the Communist Party, but he declined and was replaced by Chairman of the Military Commission. From that moment on, there were no political obstacles to Deng Xiaoping's new reforms. The middle of 1981 was marked by the Chinese government's decision to continue the modernization of the economy through systematic and gradual actions, based on its own policies, taking into account China's specific characteristics and the level of resources available in the country.

The goal of economic reforms was to combine the capitalist and communist models of economic development, develop a market system, and reduce the system of state control.[3] The government controlled the reform process. The reforms were implemented gradually: first, they were carried out as experiments in certain regions of China, and only after their successful implementation, innovations were introduced at the state level.

The new economic policy was aimed at "opening" China to the world community: the government planned to maximize cooperation with other countries in the economy, investment and trade. Soon, China became more attractive for private investment, internal labor mobility of the population increased, goods from other countries began to enter China, which increased the supply of consumer goods and services. The population had the opportunity to travel both within China and abroad. Significant changes also occurred in personnel policy: Deng Xiaoping emphasized the importance of promoting talented, capable and highly qualified personnel to leadership positions, which led to improved indicators in all areas of the country's life.

The first stage of economic reforms: 1979–1984. This period was marked by the modernization of the economy in the following areas:

- agro-industrial complex;
- military complex;
- industrial complex;
- development of science and technology.

The reforms began with changes in the agricultural sector. At the first stage, the Government set itself the task of stabilizing the development of agriculture and industry and increasing exports. Since agriculture is of great importance to China, the basis of the country's economy, reforms began precisely in this sector. At the initial stage, laws were adopted that created the basis for decentralizing decision-making and a fair distribution of resources.

Enterprises were to make investment and production decisions independently, not on the instructions of the party, and decisions were to be based on economic, not political, grounds. Because according to Deng Xiaoping's ideas, the economy should be aimed at stimulating the economic system and developing economic responsibility. Now the government has not switched to supporting uncompetitive and loss-making enterprises through preferential lending.

According to the content of the reforms, the collectivization of land plots was stopped and the land was transferred to the private ownership of farmers. At the same time, a contractual form of harvesting was established (peasants were required to sell a certain percentage of the harvest from their land to the state, and the rest was to be left for their own use). This policy made it possible to

[3] Wang Xiaoqit,汪Red plum"PopulationBonus"EffectShould be in the middleCountryEconomic growth//Economist(Wāngxiǎoqín, wānghóngméi. "Rénk u hónglì" xiàoyìng y zhōngguó jīngjì zēngzhǎng // jīngjì xué jiā). 2007. Vol. 1. No. 1. S. 104-110.

increase the level of development of the agricultural sector by 25% in 10 years.[4]. After these measures were tested in agriculture, they were later applied to all sectors of the economy.

The next direction of the reforms was to increase productivity by setting double prices for manufactured goods. Enterprises were allowed to set prices above planned quotas and sell goods at both planned and market prices. In 1980, a system of production responsibility was also adopted, which allowed a separate group of (non-state) enterprises to be managed independently. This decision was revolutionary, because previously the communist government had not allowed privately run enterprises to operate.

The reform era was marked by increased economic freedom. China saw a shift in corporate ownership, with more and more enterprises becoming private enterprises and moving away from state control. Foreign businesses were allowed to operate on its own territory, that is, within China. For the first time since the early 20th century, China attracted foreign investment, and special economic zones such as Shenzhen were established. These zones were free from bureaucracy and state interference, and later became major centers of economic growth.

A year later, an industrial zone was established in Shenzhen, which was a kind of experimental area, the experience of which was later spread throughout the country. State-owned companies became less important economic entities. At the same time, about 60 percent of the goods and services produced in the country are produced by the private sector. During the period of modernization of the economic system, China created a favorable environment for foreign investment, as a result of which foreign enterprises opened up, in addition, the level of openness of international trade increased significantly, and its structure also changed: China became a major exporter of technological goods, and their quality also improved compared to the past. China also significantly increased the level of its direct and foreign investment.

The second stage of reforms: 1984–1993. The government continued to reform the economy as a whole. In 1985, the state weakened control over prices, as well as privatization of loss-making state-owned enterprises, and the government transferred control over the economic growth and privatization of the public sector to regional leaders. The first joint-stock commercial bank and a similar insurance company were established in the special economic zone. As early as 1984, several cities in the PRC were open to foreign business. Supporters of conservative policies insisted on finding a balance between liberal market economy and protectionism.

In 1989, China experienced protests over corruption and inflation. As a result, some reformers were removed from their positions. They were seen as a threat to the implementation of further reforms. Despite continued economic growth, economic problems continued to arise in the public sector. This was due to the large losses incurred by the state budget, which harmed the economy. Gradually, the private sector began to be recognized by the Chinese government. As the private sector emerged as a complement to the public sector, and later as an important part of the country's economy.

China's reform and opening-up policies, which began in 1992, have become more widespread. The original goal of the leadership at the beginning of the reform was still to adopt policies that would promote China's rapid economic development. Now, serious attention has been paid to scientific and technical development and creation of highly qualified workforce. This means that the Chinese economy has been able to achieve the economic indicators of developed countries, because the economy in developed countries is directly dependent on technological progress and highly skilled professionals.

The third stage of reforms: 1993–2005. The country underwent a number of radical reforms in the 1990s. Initially, the conservative part of the government supported the reforms, but later they realized that the government needed to control big business. The conservatives used their power to

[4]Skorikov V.V., Numman M.D. Put the People's Republic of China to the economy. // Economic and social-humanitarian research. 2022. No. 1(33). S. 84–93.

regulate the market and reduce the negative consequences of capitalism for those who did not benefit from the free market.

Some industries remained in the state economy sector, with the state continuing to be responsible. However, another round of privatization took place in 1997-1998, resulting in the liquidation of all state-owned enterprises. Monopoly companies were an exception. By 2004, the number of state-owned companies had been reduced by almost 50 percent, tariffs and trade barriers had been reduced, the banking system had been completely reformed, and China had joined the World Trade Organization (WTO). In 2005, China surpassed Japan to become the largest economy in Asia.[5].



The fourth stage of reforms: 2005–2012. Hu Jintao, a representative of the conservative circles of the government, came to power. He began to reverse the reforms, starting with Deng Xiaoping's egalitarian policies. The state directed resources to regulate the health sector, increasing subsidies for it, but stopped the privatization process. In the construction sector, the government pursued a loose credit and monetary policy, which led to the emergence of an economic bubble, which in turn led to a threefold increase in real estate prices. The main "donors" of state investments were state-controlled companies, which became competitive in the global economic market. In 2009, China became the second largest economy in the world.

The fifth stage of reforms: 2012 - 2020. During this period, Xi Jinping[6] The CCP administration under the leadership of Xi Jinping implemented a series of economic reforms. Some of the reforms were aimed at strengthening control over enterprises, and the number of companies under state control increased, as can be seen in Figure 1. In order for the Communist Party to regulate their activities, many companies had to change their corporate regulations. This also applied to the Hong Kong Stock Exchange. However, the state also stopped supporting unprofitable state-owned companies. The open economic policy continued.

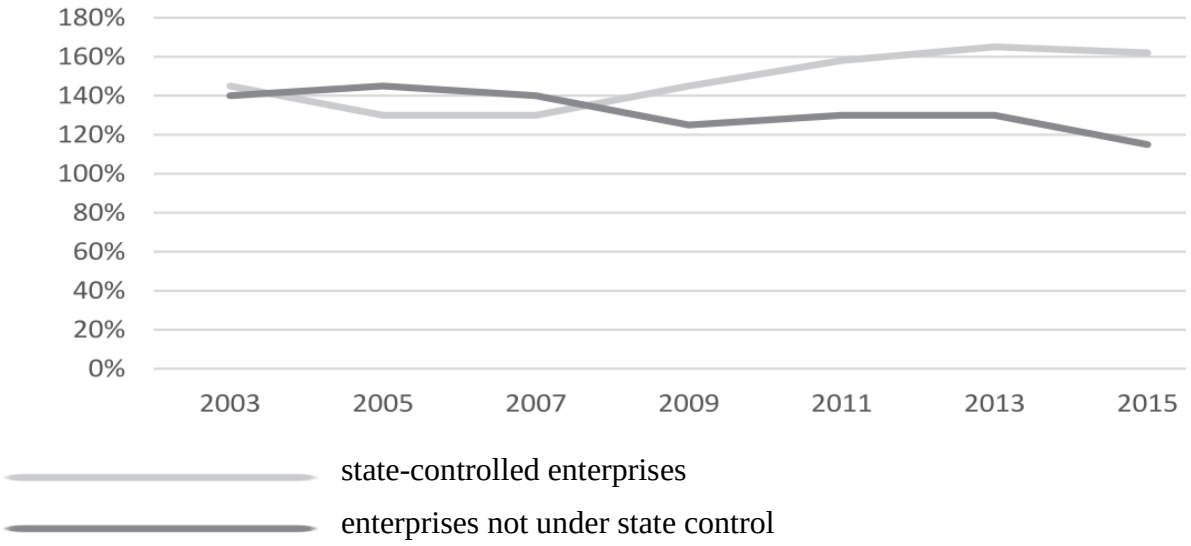


Figure 1. A comparative analysis of the dynamics of state-controlled and non-state-controlled enterprises in China[7]

[5] Yang Gongqi.Government businessFor enterprise:ChinaEconomic miracle One solutionRelease//East China Economic Management(Yánggōngqí. Zhèngf xíngwéi qǐyè huà: Zhōngguó jīngjì qíjī de yī zh ng jiěshì // huádōng jīngjì guǎnlǐ). 2008. Vol. 22. No. 8. S. 20-24.

[6]Xi Jinping is a Chinese politician, party and statesman, general secretary of the Communist Party of China. Since 2012, Xi Jinping has been the current leader of the Chinese state.

[7]Source: Wind info China www.wind.com.cn

In 1978, China's total foreign trade was 9.8 percent of GDP. But after 1978, this ratio increased continuously. It reached 60 percent in 2003 and continues to grow today. In 1988, according to World Bank estimates, China's gross exports accounted for about 14 percent of GDP, and in 2008, this figure was about 40 percent[8]. This means that China is mainly exposed to macroeconomic risks.

A large part of China's exports are based on the processing of imported components. The flow of foreign direct investment has greatly contributed to the development of China's opening-up. China has become a major global recipient of foreign direct investment during the reform period.[9].

The absolute volume of foreign direct investment in China continued to grow in the 1980s. The influx of foreign direct investment into China brought many advantages to the country:

- he brought with him new systems of business management;
- helped transfer modern technology to China;
- It provided China with foreign exchange and expanded its access to foreign markets.

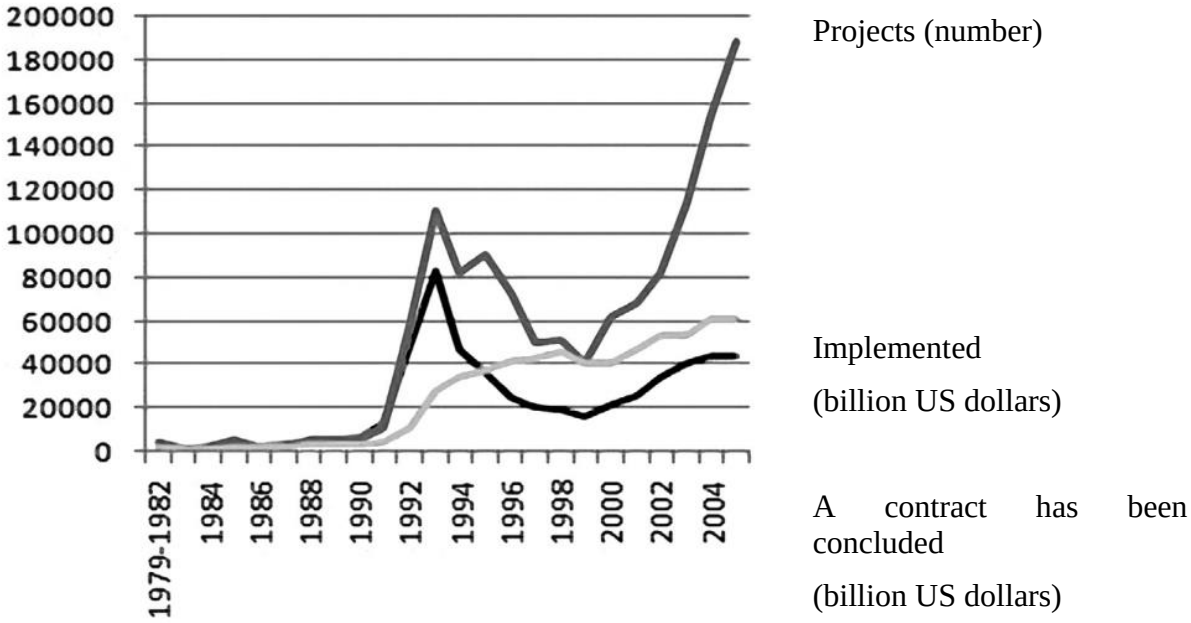


***Figure 1.*Dynamics of investment projects in China from 1979 to 2004[10].**

By the end of 1985, the country received almost 4.5 billion US dollars from abroad. During this period, revenues from the service sector (hotels, restaurants, shops) dominated. The transition to an open economy was also gradual, and, as noted earlier, began with the creation of special trade zones. In the first stage of reforms, the government focused on creating a favorable environment for attracting foreign investment and creating joint projects. Gradually, more and more foreign investment came to China and more and more investment projects were implemented, as can be seen in Figure 2.

[8] THE WORLD BANK ANNUAL REPORT 2008 [Electronic resource]. URL:https://openknowledge.worldbank.org/bitstream/handle/10986/7524/462560WBAR00EN1ry0Sept020080English.pdf?sequence=1&isAllowed=y (data processing: 17.12.2021).

9 chénzōngshèng, lídéfú. nèishēngnóngyèjìshùjìnbùdeèr yuánjīngjìzēngzhǎngmóxíng — duì "dōngyàqíjì" hézhōngguójīngjì Reinterpretation // Economic Research.(Chénzōngshèng, lídéfú. Nèi shēng nóngyè jìshù jìnbù de èr yuán jīngjì zēngzhǎng móxíng — duì "dōngyà qíjī" hé zhōngguó jīngjì de zài jiěshì // jīngjì yánjiū) 2004. No. 11. S. 16-27.

[10] Data source: MOFCOM FDI Statistics.

Another important part of China's transition to an open economy has been its increased foreign direct investment. This strategy is aimed at expanding China's market presence, facilitating the transfer of new technologies from abroad, and ensuring access to imported raw materials. Secondly, it can also affect China's foreign policy. For example, China is a major oil importer, and its oil exports are also growing. The result of the country's 30 years of reforms and opening-up policies has been the largest economic growth. Most companies and enterprises in the agro-industrial complex have been privatized. However, the government continues to control some sectors of heavy industry. The private sector is expanding in finance, telecommunications, oil, and other key sectors of the economy. Pricing policies have also been liberalized.

Economic growth also affected the living standards of the Chinese population, which were improved by reforms. Poverty has almost disappeared in the country's large cities, and in rural areas, as can be seen in Table 2, it has decreased to a minimum. Economic reforms have sharply increased inequality in China, which is explained by the reduction of the state's influence in many sectors of the economy. Some Western scholars believe that in order to reduce inequality, the government should have begun to re-control and regulate the economy. In turn, Chinese scholars, on the contrary, have been inclined to a more liberal policy in the economic sphere and have advocated the privatization of monopolistic state-owned enterprises.

During the years of reform, the tax and banking systems were completely transformed. Some banks were transferred to a commercial basis, but a number of banks remained state-owned and participated in the implementation of the government's economic policy. The state abolished the official exchange rate and introduced a market-regulated exchange rate. All of the above factors indicated that the reforms were being successfully implemented and that they were having a positive impact on the Chinese economy.

In conclusion, our study of China's "economic miracle" shows that the phenomenon of the economic miracle did not appear in China by chance: before it, the country had a series of crisis periods that prompted the government to reconsider economic policy and change its methods of implementation. The economic direction changed and the transition to a market economy was preceded by years of collectivization. The government under Mao Zedong implemented the "Great Leap Forward" policy, which consisted in achieving unrealistic goals in a short period of time. As a result of this policy, famine and crisis occurred. This was followed by the "cultural revolution". In 1966-1976, large-scale repressions were carried out, universities were closed, and cultural objects and heritage were destroyed.The country lost many highly qualified specialists, which harmed the development of industry, agriculture and technology. All these events became the basis for changing economic policy and initiating new reforms. According to the results of this study, it can be concluded that the reforms helped to improve the economic situation in China, increase the well-being of the country's population, reduce the number of poor people and almost eliminate the absolute poor. China's openness has changed its position on the world stage and made the country attractive for foreign capital and investment, and China, in turn, is an important investor for other countries. All economic indicators have grown since the beginning of the reform and opening-up policy, which has brought China to the economic leading position among Asian countries, overtaking Japan and making it the second largest economy in the world.

In short, the reform and opening-up policy in China continues today. China is a powerful player on a global scale, and by some economic indicators, for example, China's share in world GDP is just over 18 percent, and it is a leader in coal, iron ore, and timber extraction. According to many experts, if the PRC government continues this policy, the country's economy will develop rapidly, and by 2028 China will become the world's largest economy.

List of used literature

1. 汪小勤, 汪红梅. “人口红利” 效应与中 国经济增长 // 经济学家 (Wāngxiǎoqín, wānghóngméi. “Rénk u hónglì” xiàoyìng y zhōngguó jīngjì zēngzhǎng // jīngjì xué jiā). 2007. Vol. 1. №. 1. С. 104—110.

2. 杨公齐. 政府行为企业化: 中国经济奇迹的 一种解释 // 华东经济管理 (Yánggōngqí. Zhèngf xíngwéi qǐyè huà: Zhōngguó jīngjì qíjī de yī zh ng jiěshì // huádōng jīngjì guǎnlǐ). 2008. Vol. 22. №. 8. С. 20—24.

3. Арипов, О. А. (2017). Современные тенденции развития малого бизнеса и предпринимательства в Узбекистане. British Journal for Social and Economic Research, 2(5), 33-40.

4. Арипов, О. А. (2018). ОСНОВНЫЕ КОМПОНЕНТЫ ФОРМИРОВАНИЯ ДЕЛОВОЙ СРЕДЫ И МАСШТАБНЫЕ РАЗВИТИЯ В ЭКОНОМИКЕ УЗБЕКИСТАН. In Региональные проблемы преобразования экономики: интеграционные процессы и механизмы формирования и социально-экономическая политика региона (pp. 121-123).

5. Арипов, О. А. (2019). СОЗДАНИЕ БЛАГОПРИЯТНОГО НАЛОГОВОГО КЛИМАТА ДЛЯ МАЛОГО БИЗНЕСА И ЧАСТНОГО ПРЕДПРИНИМАТЕЛЬСТВА В УЗБЕКИСТАНЕ. In АКТУАЛЬНЫЕ ВОПРОСЫ СОВЕРШЕНСТВОВАНИЯ БУХГАЛТЕРСКОГО УЧЕТА, СТАТИСТИКИ И НАЛОГООБЛОЖЕНИЯ ОРГАНИЗАЦИЙ (pp. 64-68).

6. Арипов, О. А. (2019). Структурные элементы деловой среды и их влияния на функционирования субъектов малого бизнеса и предпринимательства. Региональные проблемы преобразования экономики, (8 (106)).

7. Арипов, О. А. (2015). Современное развитие малого бизнеса и частного предпринимательства в Узбекистане. Молодой ученый, (22), 332-334.

8. Арипов, О. А. (2017). Приоритетные направления развития малого бизнеса и предпринимательства в Узбекистане. Российское предпринимательство, 18(24).

9. Abdullayevich, A. O. (2021). Problems Of Agricultural Development In Uzbekistan. Design Engineering, 9724-9729.

10. Abdullayevich, A. O., & Abdullajanovich, U. T. (2021, December). DEVELOPMENT OF SMALL BUSINESS AND PRIVATE ENTREPRENEURSHIP IN UZBEKISTAN. In *Conference Zone* (pp. 123-128).

11. Скориков В.В., Нумман М.Д. Путь Китайской народной республики к эономическому чуду. // Экономические и социально-гуманитарные исследования. 2022. № 1(33). С. 84–93.

12. THE WORLD BANK ANNUAL REPORT 2008 [Electronic resource]. URL: https://openknowledge.worldbank.org/bitstream/handle/10986/7524/462560WBAR00EN 1ry0Sept020080English.pdf?sequence=1&isAllowed=y (дата обращения: 17.12.2021).

13. 陈宗胜, 黎德福. 内生农业技术进步的二 元经济增长模型 — 对 “东亚奇迹” 和中国经济的再解释 // 经济研究. (Chénzōngshèng, lídéfú. Nèi shēng nóngyè jìshù jìnbù de èr yuán jīngjì zēngzhǎng móxíng — duì “dōngyà qíjī” hé zhōngguó jīngjì de zài jiěshì // jīngjì yánjiū) 2004. №. 11. С. 16—27.

14. Тайна китайского экономического чуда [Электронный ресурс] / Институт экономического анализа. URL: https://www.lib100.com/success/chinese_miracle_ secret/html/?page=9 (дата обращения 02.02.2022).

15. Линь Ифу, Цай Фан, Ли Чжоу. Китайское чудо: стратегия развития и экономическая реформа: пер. с кит. М.: Ин-т Дал. Востока РАН, 2001. 367 с.

16. Непомнин О. Е. Социально-экономическая история Китая. 1894—1914 гг. М.: Наука, 1980. 367 с.

17. Самбурова Е. Н., Мироненко К. В. «Китайское экономическое чудо» в мирохозяйственном измерении // Региональные исследования. 2016. №. 3. С. 149-157.

18. Фицжеральд Ч. П. История Китая: пер. с англ. М.: Центрполиграф, 2004. 458 с.
19. World development report [Electronic resource] / The World bank. Access mode: https://www.worldbank.org/en/search?q=World+development+report (Access date: 10.03.2022); Отчеты WDR [Electronic resource] / The World bank. Access mode: https://www.worldbank.org/en/publication/wdr/wdr-archive (Access date: 10.03.2022).
20. 吴练达, 甘晗. 经济质量指标与中国经济奇 迹实证分析 // 天津商业大学学报 (Wú liàndá, gān hán. Jīngjì zhìliàng zhǐbiāo y zhōngguó jīngjì qíjī shízhèng fēnxī // tiānjīn shāngyè dàxué xuébào). 2011. Vol. 31. №. 1. С. 22—27.