

## BOOK REVIEWS

**China's Economy: What Everyone Needs to Know, Author: Arthur R. Kroeber, Publishers: Oxford University Press, 2016, pp. 337.**

China's economic growth in the recent decades has been exceptional. Since 1979, millions of Chinese have been lifted out from poverty. The economic planning and reforms undertaken by the government have not only improved the economic wellbeing of their citizens, but it has gradually turned it into an economic superpower in the next few years. China is already the leading global trading nation and with the progression of Communication (belt and road initiatives), it is further advancing its global expansion. This comprehensive study covers China's economic progress and its impact on the world's economy.

The book covers various aspects of the Chinese economy, including agriculture, urbanisation, demographics, labour, energy, environment, industry, financial system, government's role and future challenges. In the author's own words, this book is an 'effort to explain how China's economy got to where it is today, where it might be headed in the coming years, and what China's rise means for the rest of the world'. Given the complex nature of China's economy, the author has accomplished a formidable challenge. He starts by explaining the political economy of China and calls the country's system 'bureaucratic-authoritarian'. He points out that unlike other modern authoritarian regimes; China has achieved three successive transfers of power from one living leader to another unrelated one. In the opening chapter, the author also discusses how, despite being a centralized state formally, it is very much decentralized in practice. He points towards the high level of discretion and autonomy enjoyed by the local governments.

"When you multiply any problem by China's population, it is a very big problem. But when you divide it by China's population, it becomes very small." This quote is attributed to Premier Wen Jiabao and the author explains that this quote illuminates the main goal of the Chinese economy. The author discusses the wastage of resources in the Chinese economy but contends that it is a by-product of an effective process of meeting basic needs. In the period between, 2000– 2010, the government of China gives over 20 million employment opportunities and build 8 million new urban housing units for their citizens to meet the basic employment and shelter needs of its population. The author opines that China's large resources provided it the option to favour quantity over quality. The author also states that by 2020s, China will have to shift focus towards efficiency as the extensive growth phase is drawing to an end.

State-led industrial development and gradual transformation of the centrally planned economy into a more market-oriented one form the basis of Chinese economic strategy since Deng Xiaoping's era. The author reckons that Chinese leaders learned from the failure of other Communist countries the importance of sustaining rapid and broad-based growth in order to maintain their grip on power. At first, the author discusses the agriculture sector. This is because at the time China embarked on its transformation plan, agriculture was the highest contributing sector of the economy and reforms began with privatization of the agriculture sector in the late 70s. The author observes that agricultural reforms had far-reaching benefits. Higher incomes provided greater opportunities for investment and demand for the industrial sector's equipment increased. Moreover, greater savings capacity of farmers boosted the availability of funds for lending to nascent manufacturers.

The economy of China rises with the rapid expansion and growth in the manufacturing sector. In 2014, China became the leading manufacturing nation in the world. The author suggests that China has probably returned to the position it enjoyed prior to the industrial revolution in Europe. Factors that propelled China's industrial expansion consisted of historical and geographical advantages along with beneficial policies of the government. The author posits that China's over-reliance on capital intensive heavy industry went against its basic factor endowments. Since there was a shortage of capital and abundance of cheap labour, it was more logical to structure the economy around labour-intensive light manufacturing. This change occurred when Deng Xiaoping came into power and with it the fortune of better change in the Chinese economy.

The remaining part of the book, the author wants the readers to understand both the economic and political rise of China. He states that China's economic rise and political rise have separate implications. Economically, China will continue to expand its trade and investment flows. Beijing's economic ambitions are beneficial for the world, but countries have to vary about its strategic intentions. The problem outlined for the smaller countries is how to extract maximum economic benefits from Chinese trade and investment while ceding as little political sovereignty as possible.

As China's engagement with the rest of the world continues to grow, it is imperative for other countries who are seeking to benefit with China to enhance their relationship with an understanding of China. This book offers lessons in history, economics and diplomacy that could be worthwhile to replicate.

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