

China's Development and Poverty Reduction: Modes and Experience

Wei Jianguo

Secretary-General of China Center for International Economic Exchanges

Oct 28, 2009

Ladies and gentlemen:

Good morning!

I'm honored to be invited to participate in this international seminar and to give the lecture. This year is the 60th anniversary of the PRC. At this moment, it is of profound significance to look back the poverty reduction career of China during the three decades since the foundation of China, especially after the reform and opening up, to learn from experience, to make clear the challenge we are facing and to develop more targeted policies as well.

I . China has made great achievements in poverty reduction.

During the past years after New China was founded, great achievements have been made in poverty reduction. There is a 200 million reduction in the number of poverty-stricken people whose food and clothing problems have not be resolved yet in the countryside. In 2008, Chinese government adjusted the poverty standard and there were totally 40 mln poor people in the country. It marked that China entered a new historical phase of poverty reduction.

The great achievements made in poverty reduction are closely related to the fast and stable development of China's macro economy. Adhering to people-oriented development philosophy, Chinese government has developed many good policies and approaches based on the actual situation of the poverty-stricken people.

II. Modes and Experience of China's Development and Poverty Reduction

First, insisting on poverty reduction through economic development. Since China's reform and opening up, the average annual growth rate of China's economy has been as high as 9.8%, and the development of agriculture has always been taken as the foundation in the fast development. An important lesson has been learned from the actual poverty reduction of China: We cannot enrich farmers unless we reduce them. In such a way, we can promote rural labors to turn to cities or small towns. China has realized rapid urbanization and industrialization, which makes more employment opportunities for rural poor people. As a result, they gain much more income.

Second, adhering to the mode of government-led public participation Impoverished Area Economic Development Leading Group was founded in China and Top Leader Responsibility system was carried out at all levels of governments, which greatly promoted the poverty reduction. However, it is hard to mobilize the increasing social resources and the government will face too heavy financial pressure if the

poverty reduction barely depends on the government instead of mobilizing social forces to participate in. Chinese government calls for public participation in the poverty reduction, and a large number of volunteers, including teachers, doctors, technicians and skillful craftsman, go to the poor area to help develop the planning, talent training and technology transfer.

Third, building a learning-oriented government to develop a series of preferential policies for the poor based on actual situations: China has made different poverty reduction policies according to the overall poverty status, the formation mechanism of poverty and the actual situation of poverty alleviation in different regions. For example, targeting policy often adjusts poor county range and targets; capital investment policy develops reasonable subsidized loans and small amounts of loans and establishes development fund for undeveloped area with amount growing year by year. For instance, the poverty alleviation of welfare-to-work combines poverty reduction and local economy development. Chinese government put forward the development strategy of new rural construction and urban-rural integration and issued a series of policies to promote the rural development and make poverty-stricken people get rich.

Fourth, poverty alleviation policies are shifting from relief to development-oriented. According to the poverty reduction experience of China, in order to prevent people out of poverty falling into poverty again, we must change “blood transfusion” poverty reduction to “blood making” poverty alleviation, and shift the poverty reduction from relief-oriented to development-oriented. For example, Chinese government has made Five-year Training Planning for the county leaders in poor area, helped in the development of higher education and highly qualified specialist training in western area, and started construction of “Western Development Grant Project” in Aug 2000.

Through such a series of efforts, China has made great achievements in poverty reduction. By the end of 2000, the problem of food and clothing of rural poverty-stricken people had almost been solved except that of a small number of people enjoying social security benefits and the poverty-stricken people living in the areas with harsh natural environment as well as some people with disabilities, and we had basically achieved the strategic objectives of National Seven-Year Priority Poverty Alleviation Program.

Based on former poverty reduction work, Chinese government has made China's rural poverty alleviation and development framework (2001-2010) and put forward the objective of building a well-off society.

This year is the key moment for China to respond to the global financial crisis and is a challenging year for poverty reduction. Premier Wen Jiabao put forward in his government work report that we must strengthen the poverty reduction and development. A new anti-poverty standard will be implemented this year and the pro-poor policy will benefit all the low-income people in the countryside. According to the new standard, per capita subsidy has been increased to RMB 1196 each year

and 40.07 mln people are covered. It indicates that China has entered a new phase of poverty alleviation and development.

III. Challenges in poverty reduction of China

Many problems need to be solved in China's development and poverty reduction. I personally think the following four problems need to be resolved urgently. **First is the urbanization.** More preferential policies are demanded especially in the small and middle-sized cities and towns, which play an important role in transferring rural people and providing them with employment opportunities. **The second is about migrant workers.** 150 rural migrant workers have brought great wealth back to the countryside. As a result, their families are gradually shaking off poverty and becoming wealthy. However, the large number of migrant workers will not always exist in China and they'll surely settle in the city and enjoy the urban civilization sooner or later. **The third is the adjustment of China's trade structure.** Since the financial crisis, Chinese government indicated that we must expand domestic demand and reduce the dependence of economic development on exports. China must make more efforts to improve people's income, strengthen their purchase ability and expand domestic demand. **The fourth is the upgrading of industrial structure.** More reasonable policies need to be developed in China in the future. While promoting the developing of high-tech industry, we cannot ignore the development of labor-denseness industry. Meanwhile, we should respond to the weather change problem together with other countries in the world and vigorously promote the development of low-carbon industries to achieve green recovery.

IV. Some suggestions and ideas on poverty reduction

Now, I'll offer my personal suggestions and ideas on the poverty reduction.

First of all, we must implement the scientific development and adhere to the principal of people-oriented. Scientific development and people-centered idea should be reflected in policy developing and financial aid use. To implement the poverty reduction project, we must often listen to the poverty-stricken people, solve urgent problems for them and offer what they want instead of taking poverty reduction activity as an external force. We should absorb the poor people in the project construction and mobilize their enthusiasm.

Secondly, we should strengthen employment training and improve the quality of poverty-stricken people. We must solve the problems in the long-term development in poverty reduction to prevent the people who are out of poverty fall into poverty again. We should try to improve the poverty-stricken people's comprehensive quality and self-development ability and take it as a carrier and approach to "make blood" for them. We must continue the training on the poor people on agricultural cultivation and breeding technology and more basic skills and techniques for them to adapt to non-agricultural employment. Besides, the education of the children of poverty-stricken people should be strengthened to make it possible for their children

to shake off poverty in knowledge and technique as well as in confidence.

Thirdly, we must take the way of new industrialization and new urbanization and absorb the rural people into the city. Reducing farmers is the key to enrich farmers. We must absorb more farmers into the city and make more migrant workers live a stable life in the urban area. However, China cannot follow the way taken by Western developed countries in industrialization and urbanization. Instead, we should take a low-consumption, low-pollution and low-carbon discharge new way with big/middle/small-sized cities and small towns in harmony and city and countryside in harmony as well.

Fourthly, the role of social forces should be strengthened in poverty reduction. The government must change the functions and strengthen its public service ability, and mobilize a large number of social funds with limited financial fund to fully mobilize social forces' enthusiasm and creativity in poverty reduction instead of constructing specific poverty reduction projects. In the meantime, we must continue to cooperate and communicate with international organizations and different countries and go on introducing advanced project management experience through international cooperation to effectively improve the project construction ability.

Fifthly, we should continue strengthening international cooperation in poverty reduction field. China's overall economic force has been greatly strengthened, and great achievements have been made in poverty reduction. However, we still need to strengthen the international cooperation in poverty reduction field. It is still hard for many people in the countryside and some cities to have enough clean drinking water and the environment still needs to be improved, which are all new poverty problems. New international technology and management experience are needed in improving wastewater treatment facilities, urban infrastructure and environmental protection projects.

Sixthly, we should adhere to help underdeveloped countries and regions in poverty reduction. Since the foundation of China, China has been strengthening the cooperation with Africa and other underdeveloped regions and countries, helped them in poverty reduction through debt relief, providing interest-free loans and free and unconditional assistance, and achieved tremendous results. Confronted with the challenge from the financial crisis, however, Chinese government is still strengthening the support to underdeveloped regions and countries. For instance, China adheres to zero-tariff policy for the goods of the most underdeveloped countries exported to China so as to make them export more products to China. At present, China has made 95% of the commodity zero-tariff step by step implementation plans and is conducting relevant process. The plan will be implemented in 2010. It fully reflects that China is taking the initiative to undertake the responsibility of the international community.

Finally, I'd like to say, we should prevent trade protectionism to realize global trade and investment facilitation. Free open global economy is the important approach for developing countries to reduce poverty. According to China's experience in poverty reduction and international aid participation, it is not enough to give underdeveloped regions and countries grains, loans and grant assistant and this is only "blood transfusion" poverty reduction instead of "blood making" permanent poverty relief. More industrialization development opportunities should be offered to them so that they'll really shake off poverty finally. Taking it into consideration, China offers zero-tariff policy for the most underdeveloped countries in the world. Now, under the financial crisis, trade protectionism is again obvious and it will prevent the economic development of developing countries and certainly influence the poverty reduction of these countries. It needs international attention and must be prevented!

Thank you!