



ՄԻԶԱԶԳԱՅԻՆ ՏՆՏԵՍԱԿԱՆ ՀԱՐԱԲԵՐՈՒԹՅՈՒՆՆԵՐ

DI YUNA

*Associate Professor at Beijing Technology
and Business University*

TATEVIK VARDANYAN

*Visiting Scholar at Beijing Technology
and Business University*

INCLUSIVE GROWTH: PROGRESS AND EXPERIENCE OF CHINA¹

Inclusive growth is a long-term growth with productivity employment, equal opportunity and sustainable environment. With the rising inequality around the world, more international organizations and countries are promoting inclusive growth to meet the needs and requirements of the society. China's high speed growth with inclusive social performances is providing an important example for developing countries. This paper uses an "Inclusive Growth Pillar" framework to analyze the connotation of inclusive development. And it uses data to measure the inclusiveness of China's economic growth and summarizes the experience of China's development. These framework and experience provide some enlightenment to Armenia and other developing countries.

Key words: *inclusive growth, China, Armenia, equal opportunity*

JEL: F63, O10

1. Introduction

Inclusive growth was first proposed by Asian Development Bank (ADB) in 2007. Ali, Economists of ADB, Ifzal and Zhuang Juzhong (2007), define

¹ This paper is supported by Beijing Social and Scientific Fund Program (15JGA001); Belt & Road Program, CAST, UNESCO/People's Republic of China (The Great Wall) Co-Sponsored Fellowships Program.

inclusive growth as growth with equal opportunities². They stated that inclusive growth should focus on both creating opportunities and making the opportunities accessible to all. Since then, more international organizations and countries began to pay attention to inclusive growth. OECD defines inclusive growth as an economic growth that is distributed fairly across society and creates opportunities for all³. The World Bank (2009) interpretes inclusive growth as raising the pace of growth and enlarging the size of the economy, while leveling the playing field for investment and increasing productive employment opportunities⁴. Inclusive growth not only focuses on the growth rate of an economy, but also emphasizes the importance of broad participation in economic activities. Although these organizations or countries do not use the same definition or reach a consensus on the range of inclusive growth, they all focus on creating more productive opportunities, distributing the opportunities equally and realizing a sustainable long-term development. Based on these studies, we define inclusive growth as a long-term growth with productivity employment, equal opportunity and sustainable environment.

With the development of economics, many countries are increasingly preoccupied with the new development strategy of inclusive growth. Because the needs of residents are now beyond GDP increases, the government should meet broader social objectives ranging from the satisfaction of people's basic needs and greater income equality to better environmental protection⁵. China's remarkable transformation from low income country to upper middle-income country in seven decades provides an important lesson for developing countries. Growth of economic scale is the basis for improvement in other dimensions. According to the statistics of IMF, GDP per capita of China was \$8643 in 2017, ranked the 71st in the world, while it was ranked after 100 when it was established in 1949. At the same time, China's economic growth also contributes to poverty reduction and social development, which meets the goals of inclusive growth. The Inclusive Development Index in 2018, which is published by World Economic Forum, shows that China locates at the 26th among emerging countries, and growth by 2.94% in the last 5 years. So, in this paper, we will use an "Inclusive Growth Pillar" framework to analyze the inclusiveness of China's economic growth and summarize the experience of China's development, in order to provide some suggestions for developing countries.

2. Framework of inclusive development

According to the connotation of inclusive growth, we can measure the inclusiveness of an economy in three dimensions: productivity employment, equal opportunity and sustainable environment. These three aspects of economic development are closely related and intertwined with each other, so we can use an "Inclusive Development Pillar" showing in figure 1 to describe the relations among them.

² Ali, Ifzal; Zhuang, Juzhong (2007): Inclusive Growth toward a Prosperous Asia: Policy Implications, ERD Working Paper Series, No. 97, <http://hdl.handle.net/11540/1858>

³ <http://www.oecd.org/inclusive-growth/>

⁴ Elena Ianchovichina, etc. What is Inclusive Growth? World Bank, 2009.

⁵ **Wong J., Lye L. F.**, Promoting Inclusive Development in East Asia[J]. East Asian Policy, 2014, 04(04):1200031.

Economic growth can create new job opportunities for the society and will decrease the rate of unemployment. But a country’s living standard depends not only on the quantity of employment but also on the productivity of labor. Thus economic growth needs the growth to improve labor productivity and human capital accumulation. Once an economy creates more opportunities and outcome, all people in the economy should have equal opportunities to participate in the economic activities and share economic benefits regardless of their individual circumstances. For most developing countries, economic growth takes off by exporting primary products, which will cause pollution to the environment. Worsening environment will decrease the sustainability of an economy in the long term. Policy faces many trade-offs between environment and growth, equality and efficiency. So, the three dimensions of inclusive growth, showed in figure 1, should be balanced and considered as a whole.

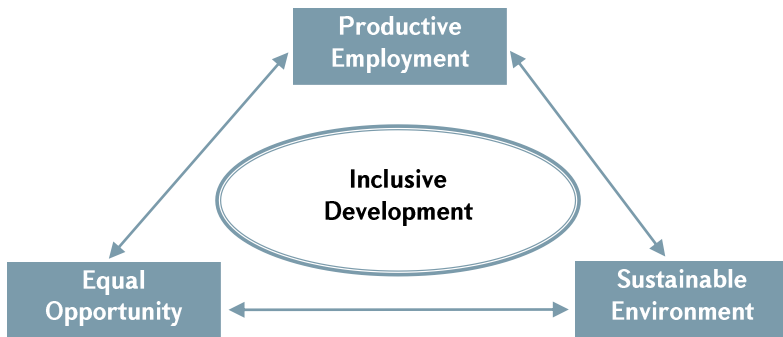


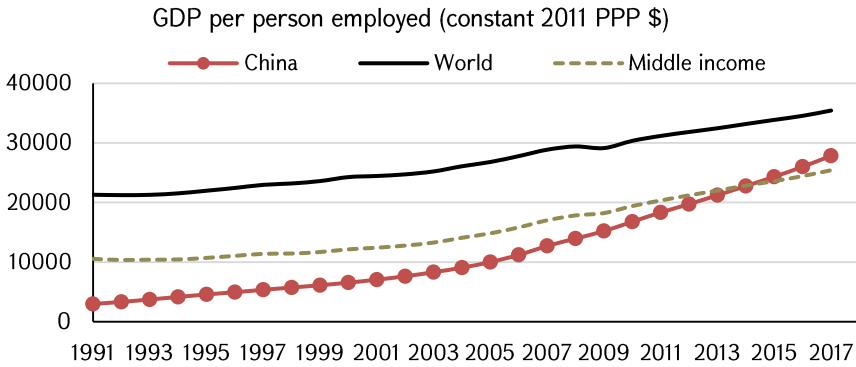
Figure 1. *Inclusive Growth Pillar*

3. China’s progress in inclusive development

3.1. Productivity employment

China has grown more than 7% in the last 30 years, and has become the world’s second largest economy. Since it adopted socialist market economy as its main goal of development, China realized its economic take-off. Growth of China not only comes from its natural or labor resource, but also the increase of labor productivity. Figure 2 shows the progress of China’s labor productivity from 1990, comparing with the middle-income countries. GDP per person employed in China increased about 10 times from \$2973 (Purchasing Power Parity, PPP) in 1991 to \$27843 in 2017. In 2015, China’s labor productivity excelled the average level of middle-income countries and now it is catching up with the level of high income countries.

A rapid growth of economy is the basis of employment, but the increase of labor productivity is the key to a long-term and sustainable development. So, with increasingly large economic aggregate and income level, China has begun to pay more attention to increasing labor skill and capacity in order to gain a new competitive power in the world.



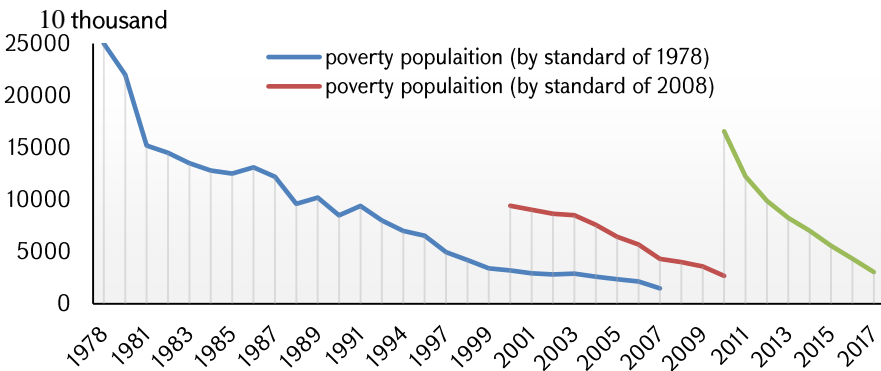
Sata Source: World Bank (modeled ILO estimate)

Figure 2. Labor Productivity of China

3.2. Equal opportunity

Inclusive growth is more than pro-poor growth which means giving more opportunity to people living below poverty line. Inclusiveness implies that all society members should be enrolled in economic activities and share the benefits economic growth. China’s government also developed many polices to reduce poverty, promote social equality, decrease income gap, improve social welfare and so on.

China’s remarkable development achievements lifted nearly 700 million people out of poverty, from 770 million in 1978 to 30 million in 2017, measured by the nation poverty line in 2010. As shown in Figure 3, China has increased its national poverty line two times, from net income of RMB 100 per year in 1978, to net income of RMB 865 per year in 2008, to net income of RMB 2,300 per year in 2010. Poverty line increases with the development of economy to meet the basic needs of daily life. But whatever the standard of measuring poverty is, the population and rate of poverty in China decreased very fast, and contributed to the global goals of ending poverty.



Data Source: National Bureau of Statistics of China

Figure 3. Poverty Population of China

Besides the improvement of living standard, China has also made great progress in social equality during the past decades. According to the 5th goal of SDGs 2030 sett by UN, providing women and girls with equal access to education, health care, decent work, and representation in political and economic decision-making processes will fuel sustainable economies and benefit societies and humanity at large⁶. As shown in figure 4, the female employment ratio of China was about 58% in 2018, which is higher than most developing countries and average level of the world. The ratio between female employment and male employment was 0.81, which is higher than 0.80 of European Union and lower than 0.82 of United States. So, promoting gender equality is not only the results of economic growth, but also the basis of economic development.

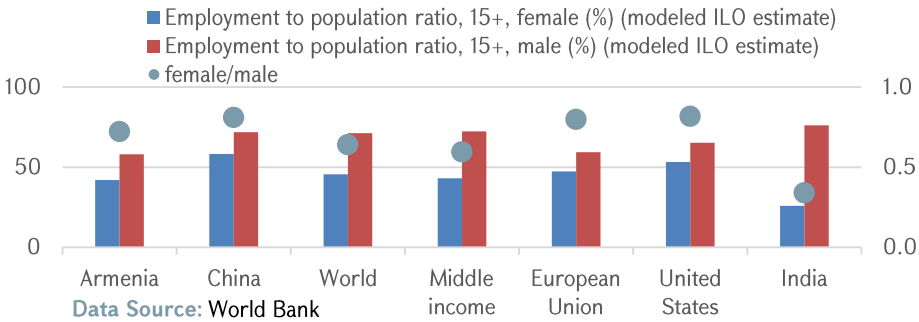


Figure 4. *China's Gender Equality in Employment*

3.3. Sustainable environment

Climate change has been a hot political and economic issue for several years. As an emerging economy, China does its best to control the emission and contribute to global emission reduction. Figure 5 shows the relation between carbon emission and logarithm of GDP per capita. At the same level of income, China produces less GHG than U.S. and EU. The experiences of EU and U.S. shows that the relation between carbon emission per unit of GDP and income level is inverted U shape curve. EU reached its emission peak when its GDP per capita was \$6836, and U.S. reached its emission peak when its GDP per capita was \$13493, and then their emissions per unit GDP have begun to decrease. Comparing with these two developed regions, China is developing at a lower level of emission and emission per unit output will begin to decrease in very near future. China values lucid waters and lush mountains as invaluable assets. In Xi Jinping's report at the 19th CPC National Congress, it is mentioned that China should have a strong commitment to socialist ecological civilization and work to develop a new model of modernization with humans developing in harmony with nature⁷.

⁶ <https://www.un.org/sustainabledevelopment/gender-equality/>
⁷ http://www.xinhuanet.com/english/download/Xi_Jinping's_report_at_19th_CPC_National_Congress.pdf

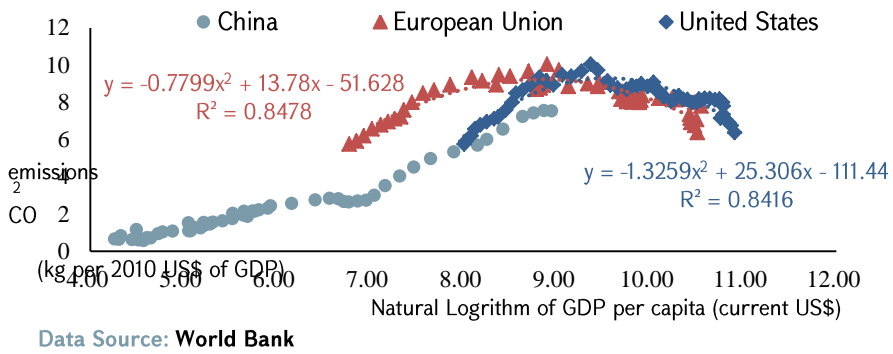


Figure 5. Carbon Emission and Economic Growth

4. China’s experience in promoting inclusive development

Since 1978, China has begun its gradual and pragmatic transformation to the socialist market economy. The reform and opening up of China has provided a set of institutions that are well conceived and efficiently functioning to promote inclusive growth. Here, we would like to summarize some key strategies of China in order to give a useful guide for developing countries.

4.1. Building a market economy system

China has begun its transformation from planned economy to socialist market economy since 1992. It tried to use “two-track system” to make use of the advantages from both planned and market economy. Based on the transformation, China built a set of institutions to encourage private economy and arouse vitality. This system eliminated the constraints of non-state sectors, diversified ownership and improved free competition in the market. As a result, private economy is acting an important role in the market now. China’s transformation to market economy has expanded the employment scale and ratio.

By 2017, the quantity of private companies in China had been more than 27,000,000, and registered private capital had exceeded 165 trillion Yuan. Private economy contributes more than 60% of GDP and employment. In general, more than 80% of investment in manufacturing industry, more than 75% of new products, more than 65% of patents are from private companies in China. And the development of private economy is also the main force of boosting the labor productivity in China. According to the National Statistical Bureau, more than 80% of urban employment is created by private enterprises.

Growth is the basis for all other aspects of inclusiveness in developing countries. And emphasizing the function of market and its mechanism is a necessary environment for economic growth. Thus, building a system of market economy with Chinese characteristics is an important experience of China’s inclusive development.

4.2. Open to the world

The practice of China’s development shows that openness can bring progress to the country, while closing will cause a slowdown. China began to open up in 1978 and became a member of WTO in 2001. Open door policy led the resource to export department, such as labor intensive manufacture products, and attracted FDI from other countries. According to the WTO, China

imported 10.2% and exported 12.8% of total merchandise in the world, in 2017. Since 2009 China has become the largest exporter and the second largest importer in the world. In 2018, China exported \$ 2.5 trillion and imported \$ 2 trillion. More over, China is also an important importer of services in the world, its service importing quantity shows an annual average of 16.7 percent. Along with international trade, China also becomes the world's top investment attractors. Since its accession to the WTO, the FDI has increased by 6.9% every year, and reached \$136.32 billion in 2017. At the same time, China's outward investment also increased very fast over the last year and ranked the third in the world.

International trade is an important source of China's economic growth. And openness to the world has not only improved the trade and capital flow, but also encouraged the exchange in technologies, education, cultures and so on. Globalization is an irreversible trend in this era. Partner countries can gain mutual benefit and win-win outcomes from worldwide multilateral cooperation. China will open wider in future to promote a fair, equitable and transparent environment for domestic and foreign companies. And for most developing countries, export-oriented policy is helpful to realize the economic take off. International cooperation would help developing countries to allocate their resources, create more jobs and improve residents' living standards.

4.3. Sharing economic opportunities and achievements

Equal opportunities of participating and sharing in an economy are key factors for long-term inclusive development. People's initiatives in production is the basis of economic growth, and people's gain from production is the goal of economic growth. The president of China, Xi Jinping, said that the wishes the people express, the best practices they create, the rights they are entitled to and the role they play must be respected.

Providing equal opportunities should secure equal access to education, health services, skill training, and social production. In recent years, China has been continuing expanding its public expenditure on living hood projects, such as improving transport connectivity for all regions, decreasing the gap between rural and urban areas, and providing more education and training opportunities. China treats its residents' right of education as the main strategy. Government spending on education is increasing and will reach 4% of GDP soon. Over the last five years, China has spent more than RMB 21 trillion on education. These efforts have increased the average year of schooling for working age population to 10.5 years. Besides, China has built the largest social security system in the world, which provides over 1.3 billion people with medical insurance. This social security system also increases the world's social security coverage by 11%.

Inclusive growth focuses on broad participation in economic activities. To accomplish the goals of inclusive growth, a country should respect all people's rights and opportunities in all fields. Ensuring that people have strong motivation for education, health care and work is a prerequisite for inclusive growth. So, all countries should not only focus on scale of economy, but also on the distribution of opportunity and income.

5. Enlightenments for Armenia

It is of utmost importance to comprehensively analyze the experience of China. The constructive and positive experience of China's inclusive development can be a guide for Armenia. There are two main points which can be useful and convenient for Armenia:

5.1. Construct a harmonious and stable social environment for inclusive development

During almost 28 years of independence Armenia has already faced a lot of challenges. After gaining independence Armenia "inherited" absolutely unviable economy from the Soviet system and found itself in the direst situation of all countries of Transcaucasia. That was a serious setback for the newly independent country. Without having its own natural resource of oil and gas, the landlocked Armenia was under economic blockade, and because of the Nagorno-Karabakh conflict it was cut from Azerbaijan and Turkey. In April and May, huge political changes took place in Armenia. The Velvet Revolution was a series of anti-government protests staged by various political and civil groups led by a member of parliament Nikol Pashinyan. Protests and marches took place initially in response to Serzh Sargsyan's third consecutive term as the most powerful figure in the government of Armenia and later against the Republican Party-controlled government in general. All these events have deeply altered future of Armenian economy's development. In the new governmental program, one of the most important points is inclusive development of Armenian economy. In August 2018, Prime Minister Nikol Pashinyan announced the start of economic revolution in Armenia. Now, Armenia is actively fighting against corruption and monopolies. The main path for the future expansion of Armenian's economy is the transformation pattern development where high technology, education and science can play key roles for the economy. Stable social environment and clear goals of the government are the basis for realizing inclusive development.

5.2. Improve productive employment

Armenia has serious employment problems. In 2017, the number of employment rate in economy in Armenia was 33%. Whereas more than 55% of total population are employed in China. Average monthly nominal salary in Armenia in 2017 was \$368 and the unemployment rate of labor force was 17.8%. Today, Armenia is an industrial-agrarian country. The priority belongs to small-scale agricultural production. According to RA Statistical Committee, Armenia 2017 GDP of Armenia was \$11536.5 million (17% more comparing with GDP in 2014) and GDP per capita was \$3872⁸. The share of agriculture of GDP was 16.3%, manufacturing was 16.5% and trade was 10.4% of GDP in Armenia. As a developing country, Armenia has more potential to move labor force from agricultural sector to the industrial one and increase the productivity of the economy. To promote industrialization, the government should provide more competitive environment to small and private companies which is the main way to increase job opportunities. And the government should also provide labor force with more platforms for education and skill trainings to improve productivity.

⁸ <https://www.armstat.am/en/?nid=586&year=2018>

5.3. Cooperate with partner countries

The export-oriented strategy is the most popular and efficient choice for most developing countries. In 2017, international trade of Armenia increased to \$5398.5 million. This means that Armenia is more and more being integrated to global trade community and world economy. The new government of Armenia is doing their best to develop new economic cooperation with the world attracting foreign direct investments in Armenia and discovering new trade markets. Economic relations between Armenia and China have a significant role in Armenian economy. In 2017, China was the second largest import country for Armenia (the 1st is Russia). Almost 12% of Armenian import is from China. Moreover, it is vital to mention that comparing with 2014 the imports from China have increased to 14.6%. The historical ties between China and Armenia have gained a new role when China decided to revive the Great Silk Road in a new context, choosing globalism as a foreign policy practice instead of traditional isolation. Diplomatic relations between China and sovereign Armenia were established in 1996. Chinese investors are ready to invest in the construction of roads and railways in Armenia. The largest Chinese construction corporation "Sinohydro Corporation" participated in the construction of the third stage of the North-South highway of Armenia in two sections. In addition to joint road projects, Armenia can offer China to restore and modernize the chemical plants and institutes remaining from the USSR. Chemical products can be sold in the countries of the EAEU where they are in demand. Meanwhile, China can be interested in importing organic food from Armenia. International trade and FDI are the main driving forces of Armenia's development. Globalization is an irreversible world development trend, so joining the multilateral trading system and cooperating with partner countries are win-win strategies for all countries.

References

1. This paper is supported by Beijing Social and Scientific Fund Program (15JGA001); Belt & Road Program, CAST, UNESCO/People's Republic of China (The Great Wall) Co-Sponsored Fellowships Program.
2. Ali, Ifzal; Zhuang, Juzhong (2007): Inclusive Growth toward a Prosperous Asia: Policy Implications, ERD Working Paper Series, No. 97, <http://hdl.handle.net/11540/1858>
3. <http://www.oecd.org/inclusive-growth/>
4. Elena Ianchovichina, etc. What is Inclusive Growth? World Bank, 2009.
5. Wong J., Lye L.F., Promoting Inclusive Development in East Asia[J]. East Asian Policy, 2014, 04(04):1200031.
6. <https://www.un.org/sustainabledevelopment/gender-equality/>
7. http://www.xinhuanet.com/english/download/Xi_Jinping's_report_at_19th_CPC_National_Congress.pdf
8. <https://www.armstat.am/en/?nid=586&year=2018>

ԴԻ ՅՈՒՆԱ

*Բեյջինգի տեխնոլոգիայի և բիզնեսի
համալսարանի դոցենտ*

ՏԱԹԵՎԻԿ ՎԱՐԴԱՆՅԱՆ

*Բեյջինգի տեխնոլոգիայի և բիզնեսի
համալսարանի հետազոտող*

Ներառական աճ. Չինաստանի զարգացումը և փորձը.–

Ներառական աճը երկարաժամկետ աճ է, որն ուղեկցվում է աշխատանքի արտադրողականությամբ, հավասար հնարավորություններով և կայուն շրջակա միջավայրով: Անհավասարության աճին զուգընթաց ամբողջ աշխարհում օրեցօր ավելի շատ երկրներ ու միջազգային կազմակերպություններ են առաջնորդվում ներառական աճի սկզբունքով՝ նպատակ հետապնդելով բավարարել հասարակության անդամների պահանջները: Չինաստանի աճի բարձր տեմպերը և ներառական սոցիալական ցուցանիշները կարևոր օրինակ են զարգացող երկրների համար: Հոդվածում վերլուծվում է Չինաստանի ներառական տնտեսական աճի փորձը՝ զարգացող երկրների համար դրույթներ առանձնացնելու նպատակով:

Հիմնաբառեր. *ներառական աճ, Չինաստան, Հայաստան, հավասար հնարավորություններ*

JEL: F63, O10

ДИ ЮНА

*Доцент Пекинского университета
технологии и бизнеса*

ТАТЕВИК ВАРДАНЯН

*Приглашённый учёный Пекинского
университета технологии и бизнеса*

Инклюзивный рост: прогресс и опыт Китая.–

Инклюзивный рост - это долгосрочный рост с производительностью труда, равными возможностями и устойчивой окружающей средой. По мере роста неравенства во всем мире все больше международных организаций и стран содействуют инклюзивному росту в целях удовлетворения потребностей членов общества. Высокие темпы роста Китая и инклюзивные социальные показатели являются важным примером для развивающихся стран. В статье анализируется инклюзивный экономический рост Китая, чтобы представить некоторые предложения развивающимся странам.

Ключевые слова: *инклюзивный рост, Китай, Армения, равные возможности.*

JEL: F63, O10