

ESSAYS ON INTERNATIONAL DEVELOPMENT:

**The Development of China's NGOs:
Constraints and Opportunities**

– AND –

Is Globalization Pro-poor in China?

by

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ABSTRACT

Essay 1: “The Development of China’s NGOs: Constraints and Opportunities” attempts to study the current environment of China’s NGOs by examining the main problems that NGOs in China face, including institutional and financial constraints, and demonstrating the opportunities China’s NGOs have when China faces the consequences that economic reform and globalization bring.

Keywords: Non-governmental organizations; Civil society; China

Subject Terms: Non-governmental organizations – China; Civil society – China

Essay 2: “Is Globalization Pro-poor in China?” examines the relationship between globalization and decreasing poverty, and also the relationship between globalization and increasing inequality, and tries to answer the question of whether globalization is pro-poor in China. It concludes that globalization has helped reduce poverty by providing better working opportunities to the poor, but it also has increased the vulnerability of the poor; the negative effects cannot be denied. It also implies that with proper policies, we can make globalization more pro-poor.

Keywords: Globalization; Poverty; Inequality; China

Subject Terms: Globalization – China; Poverty – China; Equality – China

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**1:
THE DEVELOPMENT OF CHINA'S NGOS:
CONSTRAINTS AND OPPORTUNITIES**

Introduction

China has experienced high-speed economic development since opening its door to the outside world. In the last 20 years, China has achieved annual growth rates averaging more than eight percent. According to the Human Development Report 2005, China's Human Development Index has increased by 30 percent in comparison to the early 1980s (UNDP, 2006). Per capita income has grown to 7 times 1978 levels and as a result over 400 million people have been able to escape extreme poverty (UNDP, 2007). At the same time, the so-called third sector, the sphere of social activity undertaken by organizations that are non-profit and non-governmental, has been slowly developing because economic reforms provided the necessary social conditions for the development of civil society, and also provided space for third sector growth. Based on the official regulation approved by the States Council, China's NGOs have been divided into three groups: social organizations, popular non-enterprise work units, and foundations. By the end of 2006, Chinese official statistics reported that there were 354,000 registered NGOs (Huang, 2008). In addition, there is an estimate of over one million grassroots or community based organizations that are not officially registered. Not many politically related social organizations have successfully contributed to democratization at this time. However, many of NGOs provide important services to China's public by being actively involved in socially beneficial projects in such fields as environment conservation, health care and education promotion, poverty reduction, legal assistance, social welfare and

provision of help to disadvantaged groups like orphans, seniors and the handicapped. These NGOs play an important part in a rising civil society in China.

Does China have real NGOs? Is the concept of civil society applicable to China? Does China have an established "civil society"? What are the main characteristics of China's NGOs? What are the constraints that they are facing? What needs to be done for further third sector development? Drawing on scholarly papers in both English and Chinese, this paper attempts to examine the current environment of China's NGOs to answer these questions.

Section one of the paper provides a brief summary of some key arguments about the concepts of NGOs and civil society in China and about the role of civil society in relation to developing democracy in China. Section two describes the brief history of China's NGO sector. Section three examines the main problems that NGOs in China face, including institutional and financial constraints. Section four demonstrates the opportunities China's NGOs have by analyzing the changes that the state faces, the consequences that economic reform and globalization bring to China, and the important role that INGOs play. Finally the conclusion summarizes the paper and lays out implications for further study and further development.

Section 1: NGO, Civil Society and Other Related Debates in China

1.1 The NGO Concept

Before discussing the current state and further development of Chinese NGOs, it is necessary to review valuable studies conducted by scholars regarding the definition of “non-governmental organization”.

In western society, the term “NGO” is used to refer to organizations which exist outside of state systems, some of them performing a variety of public service and humanitarian roles such as advocating public concerns to governments, promoting and tracking policies and supporting political involvement by supplying information.

In a comparative non-profit sector project starting in the 1990s Anheier and Salamon (1998) compiled data from over 40 countries which has proven invaluable for the study of NGOs. The survey data allowed Salamon and other colleagues to identify the common elements of NGOs:

1. NGOs are organized – they exist in structured form and organization;
2. NGOs are private – they exist as entities separate from the state;
3. No profit distribution – NGOs do not distribute profits to owners;
4. NGOs are self-governing– they primarily manage their own affairs;
5. NGOs are voluntary – there is no legal requirement to join as a member and they draw on voluntary donations of time or money (Anheier and Salamon, 1998: 20-21).

Taking account of all these five characteristics, scholars question whether China has a “pure” NGO sector because China’s NGOs have a closer relationship with the government than is the case in western countries and do not fully qualify in terms of the “private” and the “self-governing” characteristics. They consider that an organization that draws closer to government is more likely to be controlled by the government and thus lose its autonomy and its ability to function as a true NGO. For example, Fisher takes autonomy as a key characteristic of NGOs and argues that China has no NGOs (Fisher, 1998: 24).

However, should western standards of NGOs be fully applied to China? As I will discuss in section 2, due to China’s unique one-party political context and other aspects of the economic and social environment of the country, to require the full independence and self-governance of NGOs in China is not feasible at this point. On the contrary, because China before reforms was a society in which the state planned and controlled everything, China’s current government can effectively initiate NGOs and lead them in their first stages of development. In addition, many NGOs in China see their responsibilities as standing with the state to collaborate and better serve the people, but not as standing against the state to protect the society (Edele, 2005: 3). The relationship between China’s NGO sector and the state is different from that in western countries. Requiring full independence from the state as a key characteristic of Chinese NGOs is not feasible in the current political and social context.

Moreover, the Chinese government’s definition of “NGO” does not fully match the western criteria. The official classification of NGOs in China is based

on the regulation approved by the State Council. The 1989 official regulation did not give a clear definition of what a “social organization” is. However, the 1998 regulation divided NGOs into two categories: social organizations and popular non-enterprise work units. Later, the 2004 official regulation added another group: “foundations”. Article 2 of the 1998 regulation for social organizations states that “in these regulations ‘social organization’ means voluntary groups formed by Chinese citizens in order to realize a shared objective, according to their rules and to develop non-profit-making activities. All groups other than state organs may join social organizations as institutional members” (China State Council, 1998a). At the same time, popular non-enterprise work units were defined as “social organizations carrying out social service activities of a non-profit nature, run by enterprise and institutional work units, social groups and other social forces, and also individual citizens using non-state assets” (China State Council, 1998b). The definition of “foundation” in the 2004 regulation is “a non-profit legal entity established in accordance with these regulations that employs assets donated by actual persons, legal entities or other organizations for the purpose of engaging in some public benefit enterprise” (China State Council, 2004). Ma argues that, compared with the western definition, the Chinese definition of the three groups of NGOs does not include “self-governance” as a principle due to the one-party political state of China. The party still exercises a certain degree of control over every aspect of the society (Ma, 2005).

The relationship between the state and the NGO sector is also sometimes misinterpreted by the general population because the way people translate “NGO” to Chinese. In China, the term Non-Government Organization has been translated as “fei zhengfu zuzhi” which has various interpretations. The word “fei” in Chinese can mean “not”, as intended in this context, but it can also mean “wrong” or even “anti”. The term was first introduced in China at the 1995 Fourth World Women’s Conference in Beijing. Since then, because of the negative connotation that “fei” can have, some think that NGO means organizations which are against the government. Yu clarifies that, “fei zhenfu” should not be wrongly understood as “against the state” or “has no relationship with the state”; “fei” only emphasizes the relative independence that China’s NGOs have in terms of organizational structure and decision-making processes. China’s NGOs still depend on the state for support and are not actively anti-state (Yu, 2006).

In conclusion, the foreign concept of NGO needs to be applied thoughtfully in China by adapting it to the current political and social conditions. China’s NGOs have their own characteristics because they enjoy only a certain degree of autonomy due to their dependence on the state. Although the western concept provides valuable standards for the evaluation of the development of China’s NGOs, one should be careful about fully applying western standards to China’s situation. It would be wrong to deny that there was and is an NGO sector developing in China.

1.2 China's Civil Society and Democratization

The meaning of the concept "civil society" and the question of how it can be applied as a means of studying social and political developments in China have been contentious issues among many scholars. Chan questions whether the concept which was originally developed in the study of social and political developments in Western Europe can be effectively used for the study of China (Chan, 1997). Metzger stresses the hemispherical differences and states that the Western concept of civil society refers to a "bottom-up" view whereby citizens organize themselves to monitor the state, while its Chinese counterpart refers to a "top-down" structure, by which intellectual virtuosos are allowed by the state to be involved in guiding society (Metzger, 1998). In order to understand the applicability of the concept to China's case, we need to review studies of civil society.

Pre-civil Society

Edwards (2004) explores the significance of civil society and states that civil society means different things to different people. To Edwards, civil society as a good society "is simultaneously a goal to aim for", as the public sphere it is "a means to achieve it", and as associational life it is "a framework for engaging with each-other about ends and means" (Edwards, 2004: 110). Edwards insists that these three faces integrate with each other and thus form a complete idea of civil society. He especially emphasizes the importance of civil society's role as the "public sphere", when it "becomes the arena for argument and deliberation as well as for association and institutional collaboration" (Edwards, 2004: 55). He

sates that “the extent to which such spaces thrive is crucial to democracy, since if only certain truths are represented, if alternative viewpoints are silenced by exclusion or suppression, or if one set of voices are heard more loudly than those of others, then the ‘public’ interest inevitably suffers” (Edwards, 2004: 55). According to Edwards’ analysis of civil society, China’s NGOs definitely have not yet formed a healthy, independent civil society because various political constraints do not allow “alternative viewpoints” to voice themselves. As early as 1992, Zhao Shuisheng argued that there was no civil society existing in China, which was able to “combine all social forces into a powerful counterbalance against the state” (He, 1997: 49). For the same reason, Zhu emphasizes, “China is still in the pre-civil-society state” (Zhu, 2005: 1).

Semi-civil Society

He Baogang (1997) also rejects the idea of the term “civil society” being applied to China during the later part of the 1980s and the early 1990s. However, He states that China’s civil society is not fully developed and introduces the notion of semi-civil society to explain the developmental state of civil society in China because “Chinese autonomous organizations are neither completely autonomous from the state nor completely dependent on the state” (He, 1997: 7). For him, there is a semi-civil society in China and he insists that the concept of semi-civil society is useful in helping people understand the degree of development of social organizations in China and the complicated relationship between the state and society since it stresses the relativity of the autonomy and dependency of social organizations in China (He, 1997: 8).

Civil Society and Democratization

Diamond (1999) defines civil society by pointing out six types of activities in which citizens will act as a group within civil society:

Civil society is the realm of organized social life that is open, voluntary, self-generating, at least partially self-supporting, autonomous from the state, and bound by a legal order or set of shared rules. It is distinct from 'society' in general in that it involves acting collectively in a public sphere to express their interests, passions, preferences, and ideas, to exchange information, to achieve collective goals, to make demands on the state, to improve the structure and functioning of the state, and to hold state officials accountable" (Diamond, 1999: 221).

Based on Diamond's definition, Tang and Zhan (2008) state that most NGOs in China are engaged in only "expressing interests, sharing information, and achieving collective goals"; and have to this point taken only a small part in creating a more encompassing and broader democratic course due to the fact that they are not able to "place requirements on state, advance the organization and operation of state, and hold state officials responsible for their actions" (Tang and Zhan, 2008: 438). The question of the extent of the role that NGOs can play to check whether the state does a good job in China is left unanswered. For the same reason, Howell and Pearce (2001) argue that in China, "the current intermediary sphere of mass organizations and registered intermediary organizations is unlikely to provide the organizational basis for democratic ideas and demands" (Howell and Pearce, 2001: 143).

Furthermore, He (1997) states that semi-civil society plays "dual roles in the initial stage of democratization in China" (He, 1997: 17). He argues, "the

development of civil society is a necessary but not a sufficient condition for democratic politics” since many social organizations “sacrifice their autonomy in order to survive and develop,” in a way that might hinder the development of democracy (He, 1997: 147).

In conclusion, opinions are varied about whether China has a mature NGO sector, and whether diverse NGOs have formed a “civil society” in China. However, they all point out that due to the political and social circumstances China’s NGOs are not active enough to form a real and mature civil society that can pursue democratic goals. As Edwards et al. (1999) put it, “the rise of civil society in the South is uneven and in many areas slow, but it is happening” (Edwards et al., 1999: 3). China’s NGO sector has been developing, especially after China’s “open policy”. However, to consider further democracy-friendly development, we need to refocus from conceptual debate to analysis of the environment of China’s NGO development: what are the obstacles, and what are the opportunities.

Section 2: The History and the New Development of China’s NGOs

2.1 The History of NGOs in China

Although “NGO” is definitely a western concept, the Chinese term “social organizations” existed as early as the Sui Dynasty (581-618 AD). Clan associations and cultural clubs have existed throughout Chinese history. In the

pre-1949 era, private schools, missionary organizations and academic organizations had already existed for a long time. For example, international organizations such as the Rockefeller Foundation were very active during the 1920s and 30s in China. The Peking Union Medical College was originally supported by the Rockefeller Foundation with six other missionary societies and is still in existence (Zhang, 2003: 5).

However, after 1949, because the state was concerned about the possible threat social organizations might bring to the newly established government, instead of admitting the autonomy that social organizations had, the state forced them to be absorbed into the structure of the Communist Party. Social organizations became the means of Communist Party control over the people and in fact there were no longer any true NGOs in China during the 1950s and 60s. Furthermore, the Cultural Revolution of the 1960s and 70s brought tremendous chaos to China and not only did the government not allow the formation of new NGOs, it also closed many organizations which it considered counterrevolutionary. Consequently, from the 1960s to the early part of the 1980s there was no NGO development in China. Organizations like the Chinese Medical Association and The China People's Association for Friendship with Foreign Countries retained their operational names in order to preserve China's foreign policy strategy, but these organizations were totally controlled by the state (Zhang, 2003: 9). He (1997) summarizes the pre-open period by saying that "Maoism and its culmination, the Cultural Revolution, was successful in creating a highly dependent society" (He, 1997: 21).

2.2 A New Era after Deng

The introduction of the reforms and policies of openness from the late 1970s created rapid economic development in China and a market economy slowly developed. Increased market competition and decentralization of state power have lessened government control and allowed for a wide assortment of public sector opportunities. The altered interaction between state and general society brought more opportunities for social organizations.

In the 1980s, NGOs faced minimal governmental controls or restrictions; and the registration and administration of NGOs were managed by assorted government departments in a reasonably simple manner. It was however to be later described by the director of the "Division for Social Organizations" as "a chaotic period when there was no rule to follow and no person in charge" (Ma, 2002: 309). However, the events surrounding Tiananmen Square on June 4th, 1989 dramatically altered the government's attitude from non-interference to one of greater fear of grassroots NGOs. After the events of June 4th, 1989, many politically related social organizations went "underground" and in October 1989, the government issued Document Number 43 titled: "Regulations for registration and management of Social Organizations", which requires all organizations to register under the relevant branch of the Ministry. The new regulations resulted in many grassroots organizations started in the 1980s being classed as illegal operations and forced to close.

In the 1990s, the Chinese government did allow certain NGOs to work in areas such as social welfare and environmental protection when China faced the

social and environmental costs of the rapid economic reforms of the time. This allowed the government to place some of its responsibilities on groups outside the state structure under the motto of “small government, big society”. However, on the other hand, the government worried about the increasing influence of NGOs and possible political instability they might bring, and tried to control and repress their political role.

Entering the 21st century, the important role the NGOs play in the provision of social services has finally being recognized by the state (Wang & Jia, 2006). In 2004, the premier of China, Wen Jiabao, promised to allocate more state activities to private ventures and NGOs, marking the first time that the government explicitly acknowledged the importance of NGOs in its yearly report to China’s top legislature, the National People’s Congress. The state is taking an affirmative step to relax its monopoly in the provision of public services and form a more autonomous environment for NGOs (Edele, 2005: 7).

In short, in a new era of development, China’s NGO sector has been developing after economic reforms brought China social, financial, and political change. The environment that China’s NGOs face is far more complicated than simply “friendly” or “unfriendly”, as the next two sections will explore in an analysis of its constraints and opportunities.

Section 3: Constraints for Further Development

The development of China's NGOs is conditioned by existing political and socio-economic constraints. Understanding the different constraints that China's NGOs are facing is necessary.

3.1 Institutional Constraints

North (1993) has pointed out the importance of the institutional factors that play a role in economic growth and social development. For North, institutions "form the incentive structure of a society and the political and economic institutions, in consequence, are the underlying determinant of economic performance" (North, 1993: Part one). North also states that "institutions are the humanly devised constraints that structure human interaction. They are made up of formal constraints (rules, laws, constitutions), informal constraints (norms of behavior, conventions, and self imposed codes of conduct), and their enforcement characteristics" (North, 1993: Part Two). For analyzing the development of China's third sector, to look at the history and current status of different levels of institutions including formal institutions such as government policies, the legal environment and informal institutions such as culture and people's attitude is crucial.

3.1.1 Government Policies and Attitudes towards China's NGOs

Under China's socialist political system, the central government policies and attitudes towards NGOs in China are very important because they are the constraints on the successful growth of NGOs. As we discussed in section 2, the

central government has increased support for the development of the NGO sector in order to cope with the dramatic social changes that economic development has brought to China. However, the Chinese government still resists autonomy for the NGOs in this new era, being unwilling to relinquish hold over public interests that they might not be able to command. The central idea of state-control is that the state does not allow NGOs to participate in any activity that it considers as anti-one party or as having the potential to bring “social instability”. During the democratic movement of the 1980s, the government had within its power the ability to limit the NGOs that it considered to be a threat by simply classifying them as illegal. The state has required that NGOs must be apolitical in nature and the NGOs must declare their reluctance to engage in politically sensitive behaviour. These measures can be seen in the persecution of the Falung Gong sect, the closure of labour organizations for promoting worker’s rights, and the banning of NGOs that provide public services to certain groups not officially recognized as being in need of social service. For example, a gay men’s club was closed in 1993 and the director of this group was removed from his job at the Ministry of Health because it was felt he was “advocating homosexuality and human rights” (China Development Brief, 2002) .

Although the state declares that social organizations are a “necessary support for Harmonious Society building” (Zhang & Jie, 2006: 4), space for political participation is still limited in Chinese civil societies. The majority of NGOs state that they are not willing to oppose the will of the government and acknowledge that their association’s future would suffer if such attempts were

made. A one-party political system limits the role the NGO sector can play in terms of democracy building.

The state has achieved this control by enforcing legal requirements for the formation and administration of NGOs. To study and understand the legal atmosphere for NGOs in China is imperative.

3.1.2 Legal Environment for China's NGOs

Since its inception, the People's Republic of China has passed four sets of legal policies (in 1950, 1989, 1998, and 2004) concerning the categorization, registration and regulation of organizations that fall outside the state organization. The classification of NGOs according to the 1989 regulations was different from the later 1998 regulations. NGOs were separated into five distinct groups following the 1989 regulations; however, they were still under the single category referred to as "social organizations". In the "Regulations for registration and management of Social Organizations" of 1998, however, Article 2 defines social organizations as "voluntary groups formed by Chinese citizens in order to realize a shared objective according to their rules and to develop non-profit making activities" (China State Council, 1998a). These comprise such groups as academic, professional or trade associations, chambers of commerce, foundations and charitable organizations.

The 1998 regulations call for all social organizations to be registered with the Ministry of Civil Affairs or one of its regional or local offices (Local Civil Affairs

Departments) which are the prescribed “registration and management agencies”.

They must meet the following criteria:

1. All organizations must have a sponsor within a state or party department in a field relevant to their intended operation (China State Council, 1998a: Article 7 & 8).
2. Organizations are further limited by Article 13 of the regulations which states “If in the same administrative area there is already a social organization active in the same or similar area of work, there is no need for a new organization to be established” (China State Council, 1998a: Article 13).
3. NGOs are restricted to operation within their registered areas (China State Council, 1998a: Article 33).
4. In order to qualify for registration all NGOs must be able to provide the necessary money for start-up. National organizations must have more than 100,000 Yuan (roughly 12,000 USD) and provincial or local organizations must raise 30,000 Yuan (roughly 3,600 USD) (China State Council, 1998a: Article 10).
5. One of the most stringent conditions of the regulations, found in Article 10, imposes the requirement that “a social organization must have more than 50 individual members or more than 30 institutional members or, if it has both individual and institutional members, a total of at least fifty” (China State Council, 1998a: Article 10).

These various legal restrictions limited the development of China's NGOs and there are a number of public NGOs that are operating in a technically illegal manner due to the inability to meet registration requirements. These rules have come under criticism by the NGO Research Center at Tsinghua University which stated "this stipulation has strong traits of a planned and monopolist system. On the one hand, it uses artificial measures to protect existent top-down NGOs established by government; on the other hand, it limits the establishment of NGOs from the bottom up. In fact, it is not beneficial for the capacity-building and long term development of NGOs in China" (Ho, 2001: 903). Many small grass-root NGOs are unable to register due to membership requirements, start-up financial requirements or because of being without a supporting government department.

3.1.3 Culture and Historical Constraints

It is a common belief that China has a tradition of helping people in need and respecting the elderly. However, does China really have a charitable culture that can support the development of an NGO sector?

Confucianism, which is based on the teachings and writings of the philosopher Confucius, is an ethical system dictating the behaviour of people in society. Confucianism has influenced Chinese culture for more than 2500 years. The traditional values of Confucianism emphasize five relationships including those of ruler-subjects, father-son, husband-wife, neighbour-neighbour, and brother-brother. For the ruler-subjects relationship, Confucianism emphasizes loyalty and absolute obedience, and believes that if all the obligations are met,

society will be just and harmonious. Confucianism was used as a tool to protect the feudal order on behalf of the rulers because based on its philosophy, rulers can easily control their subjects and people are not encouraged to voice opinions or organize themselves into groups that can challenge authority. Unlike people from Western society who emphasize “fairness” and “equality”, the Chinese people are more likely to obediently accept the rule from the top and respect authority. In part, this is the reason why people in China still passively accept government as the absolute authority to obey, rather than as a servant to whom they pay tax and upon whom they can rely for services. This traditional ruler-subject value system limits the capacity of self-organization and therefore conflicts with the development of a true civil society.

Moreover, China lacks the kind of “social capital” which according to Putnam is a critical level of trust among the members of a society that can contribute to making collective action possible (Putnam, 2000). Confucianism’s teachings regulated the behavioral interactions between the common people including the five relationships mentioned above, which do not include distant relationships because the central idea of Confucianism sets “family” as the priority. Since China’s society has been family and local area based, people tend to help others who share the same background: people who are relatives, people who are from the same villages, even people who graduate from the same school. Family members owe each other support without question, and people who have the same identity feel obligated to help each other. However, as Pye (1999) puts, “the Asian cultures have elaborate standards of personal civility, but

they are strikingly weak in the areas of impersonal interaction, which is most important for democratic political cultures” (Pye, 1999: 769). There is minimal trust between distant groups of relatives, thus impersonal interaction and cooperation, which are very important for further development of an NGO sector and a democratic political culture, seem missing in China.

Furthermore, trust between people was further shaken by the Cultural Revolution which happened from 1966 to 1976 when the Red Guard movement destroyed the social order within China. As many as 3 million people died in the violence of the Cultural Revolution because they were considered “anti-revolutionists”; among them, some were betrayed by relatives or close friends and forced to admit their anti-revolutionary behavior. Survival during the Revolution meant that many people were forced to inform on friends and close relatives, and to protect themselves by not trusting anyone. By the end of the Cultural Revolution, trust between people was almost non-existent.

Edwards considers civil society a kind of “people power” (Edwards, 2004). However, in China, due to the traditional ideology of “Confucianism” which emphasizes loyalty and obedience, the traditional charitable values that exclude distant relationships and the shattered trust between people after the Cultural Revolution, the “people power” factor is weak and forms a continuous constraint to the development of China’s NGO sector.

3.2 Financial Constraints

“One cannot make bricks without straw”. Dependable funding is crucial for the development of the third sector. China’s NGOs, especially grass-root NGOs, face tremendous financial difficulties.

First, limited funding is the main characteristic of the financial status of China’s NGOs. The majority of individuals devoted to operating NGOs in China face personal financial hardships to maintain their organizations due to very low financial resources, which very often come from their own personal accounts. In 2005, charitable contributions in China only reached 0.05% of GDP, compared with 0.84% in the United Kingdom and nearly 2% in the United States (Chen, et al., 2006). Moreover, the majority of the funding was allocated to government-organized NGOs which are a very small proportion of all legally registered and illegal non-registered NGOs. Government affiliated NGOs absorbed 85% of the funding in 2005 (Chen et al., 2006). The NGOs that are registered but not part of state management and the non-registered NGOs are forced to depend almost entirely on private sector funding

Second, a great many Chinese NGOs are forced to depend on the international community for operating capital. International organizations and corporations account for 80% of all donations to Chinese charities (Chen, et al., 2006). Since the 1980s, donations from overseas Chinese have increased. Special needs projects such as disaster assistance in cases of earthquakes, floods, etc., family and village assistance, universities, temples and churches are the beneficiaries (Jackson et al., 2005). Projects that attract global concern such

as AIDS prevention programs are also the targets of INGOs. For example, the Global Fund has so far committed USD 190 million for AIDS prevention and care in China, with additionally more than USD 17 million in a new funding round (Young & Mian, 2007). Given that the international community is willing to provide funds, numerous NGOs were formed with a clear intention of accessing funding from the international organizations and foundations. However, very few contributions come from domestic sources so far, which leaves China's NGOs too dependent on international financial resources, thus limiting further self-development of China's NGOs.

Third, China lacks a functional institutional structure for charitable contributions. Related to the institutional constraints mentioned before, the institutional structure for donations is not fully established. Articles 24 and 25 of the "Public Welfare Donations Law", passed by the 9th National People's Congress in June of 1999, and in effect since September 1st in 1999 allocated tax allowances to those individuals and business organizations which donate funding to public service projects.

"Article 24: Corporations and other enterprises that under the stipulations of these regulations make donations to public welfare undertakings will in the administration of these regulations enjoy business tax benefits.

Article 25: Individuals and private small businesses that under the stipulations of these regulations make donations to public welfare undertakings, will in the administration of these regulations enjoy personal tax benefits" (China State Council, 1999: Articles 24 & 25).

However, unfortunately, the exact nature of the reimbursements allowed and the provisions for securing them are not specifically stated. The incentive system, which could help secure more funding for NGOs is not fully developed.

In conclusion, China's NGOs have limited funding resources and rely too much on international funding in the absence of support from local society. Moreover, the institutional and financial constraints reinforce one another. On one hand China's lack of systematic legal and political support discourages domestic donations and on the other the lack of secure funding limits the ability of the NGO sector to promote a philanthropic culture in the general population.

Section 4: Opportunities for Further Development

Although China's NGO sector faces constraints, there are still opportunities, which give hope that further development of NGOs is possible.

4.1 The Limitation of the State

With the introduction of a market economy, the state abandoned the planned economy and reduced central control. The weakness of the government in dealing with social problems stems from financial limitations and low capacity.

In the pre-open era of China, the central state and local governments were responsible for the welfare of the people. The Chinese people are designated as either urban or rural dwellers based on the "Hukou" system of residence registration. The responsibility of the local government was to provide essential

services like educational needs, housing and medical services to those people whose Hukou were in its operational area. The state was financially capable of doing this because the state owned every industry and could use their profits to fund the services. Privatization and marketization reduced the financial capability of the state to support the welfare system. The state has subsequently drawn on the support of NGOs, and has entered into a symbiotic relationship with them, whereby it allows the formation of NGOs that are able to help it to fulfil its original responsibility.

Self-reliance was once an important principle of the Chinese government when coping with disasters. In July of 1976, after the earthquake near Tangshan in Hopei province, the state declined all foreign aid, including the International Red Cross (Terrill, 1977). Currently, admitting its limited capacity, the government of China is no longer emphasizing “self-reliance” and “self-independency”. Instead, since the 1991 floods, the state has welcomed financial assistance from overseas. The state no longer considers itself the only resource to provide welfare and public goods, instead, it regards the NGO sector as a “bridge between the state and the people” which provides a channel for the state to “impart policy to enterprises, households and individuals” (Howell, 1997: 207).

4.2 The Consequence of Economic Reform

The state, realizing its limitations, now provides more support to the development of the NGO sector. The economic and social consequences of reforms and globalization also provide room for China's NGO to develop. China has experienced high-speed GDP growth, but at the same time, unexpected

social unrest has increased. For example, continuous poverty problems in rural and inland areas, inequality between urban and rural areas, migrant worker problems and environmental issues have caught people's attention. Some problems, especially those not politically sensitive, provide a relatively secure space for further development of NGOs that can be operated in a non-political context.

4.2.1 Environmental Degradation

High-speed growth has seriously damaged the natural resource base and caused major environmental problems in China. Over the last three decades, China has followed a path of extremely elevated pollution, emissions and energy consumption. China has been following the economic model of early Western wealth accumulation that held fast to a tradition of "pollute first and clean up later". China, as a country in environmental trouble, has major problems in the areas of land misuse leading to declining land quality, water shortages and problems of water quality, air pollution, and depletion of its forests. These issues threaten the long-term sustainable growth of the economy and the health of this generation and those to follow is in jeopardy due to these issues. In 2006 there were reports of 842 contamination incidents including 482 water pollution cases and 232 airborne pollution incidents (China Daily, 2007).

NGOs have the potential for raising awareness of such environmental problems and for bringing pressure to bear on government to deal with them. In fact, some of China's environmental NGOs have already proven to be effective. For example, in 2000, a well-known NGO, Global Village of Beijing (GVB), as an

advisor to the Beijing Olympic Games Committee, coordinated with five other NGOs to start “Earth Day China” events. The events were supported by a dozen local NGOs. Altogether about 10 million people participated, showing great support for the first- ever countrywide environmental action taken by NGOs in China. In addition, the GVB also developed an environmentally based training program for local communities (GVB website, 2008). It has been reported by the All-China Environment Foundation that China had 2768 environmental NGOs with a membership of approximately 224,000 members by the end of 2005. Zeng Xiaodong, vice-chairman of the All-China Environment Federation, predicted the number of China’s environmental NGOs would grow more in the coming decade (Xinhua News Agency, 2006).

4.2.2 Poverty and Inequality

Agricultural reform and trade liberalization helped China to reduce poverty by giving the rural population more incentives to increase production, and by providing employment opportunities to increase incomes. However, reform and trade liberalization brought uneven effects. After more than two decades of reforms, coastal areas showed big improvements, both in growth and the reduction of poverty. Other inland areas, especially the north-east part of China, improved too but not as much. In addition, the process of poverty reduction in China is facing more difficulties now than ever before. Furthermore, after China’s trade liberalization, inequality increased. Two decades ago, China was one of the most equal countries in the world, in which people were equally poor. Under the principle of “encourage some people to get rich first”, the Chinese government

gave incentives to encourage firms and individuals to expand their businesses in the globalization environment. Now, China's Gini coefficient for income inequality – a standard measure of inequality, with zero indicating absolute equality and one indicating extreme inequality – has increased from 0.2 in 1980 to 0.473 in 2004 (ADB, 2007). In the early 1980s, the wealthiest 10 percent of the population accounted for less than 20 percent of the national income. After opening to globalization, the top ten percent earned 45 percent of the national income, while the bottom 10 percent accounted for only 1.4 percent in 2005 (Wen, 2005:44). Furthermore, the difference between urban and rural society increased. China has experienced extremely fast urban growth over the last 20 years and as a result, the income disparity between the urban and rural groups grew. In a report by the Chinese Academy of Social Sciences, in 1978 urban incomes were 2.57 times greater than those of the rural population, in 2005 that had changed to 3.22 times and by 2006 it had increased to 3.27 times (Huang et al., 2007: 9).

Continuous alleviation of poverty and distribution of the overall gains from openness more evenly across the country, thus decreasing inequality, requires innovative methods and multilayer actor participation. In 2006, six NGOs were selected by the government to begin poverty reduction projects in 19 villages in Jiangxi province with funds from the government poverty alleviation budget and an Asian Development Bank grant (China Development Brief, 2007). Although NGOs do not have the full capacity to replace the government in terms of providing social goods to help the poor, there is a need to include them,

especially at the grassroots level, in active participation in these tasks and explore new methods of poverty alleviation in order to improve the efficiency of project management. Liu Dongren, who works for the China Foundation for Poverty Alleviation, said that NGOs are able to “understand the situation of rural households, [are] more effective in stimulating participatory planning processes, and better than government at involving women and ‘motivating the masses’ in general” (China Development Brief, 2007).

Moreover, the notable urban and rural income gap motivates rural people to relocate to the city in search of better wages. NGOs can help the over 130 million migrant workers to fight for better health and education opportunities, and improve their living standards since their health and education are not covered by urban welfare systems. For example, in the spring of 2003, the Culture and Communication Center for Facilitators (CCCF), was established in Beijing as a Chinese grassroots labour organization. CCCF's mission is “to transform workers from the helped to the helper, and to realize their rights”, in order to build up their awareness for self-empowerment. In 2003 when SARS spread in China, CCCF launched a program of “SARS Prevention among Migrant Workers” in Beijing and provided timely assistance to 31,343 migrant workers, providing knowledge on SARS prevention and helping them with necessary prevention materials (CCCF, 2004). Evidence shows that grassroots NGOs can help the state address the needs of the vulnerable.

4.3 International NGOs' Contribution

At present, China has no specific registration system for international NGOs operating in the country and the government has no official figure on how many international NGOs have entered China since its openness policy. The China Development Brief (2004), states that there are about 500 international NGOs operating in China, with a total investment of around 200 million USD per year. A directory published by China Development Brief also provides a list of over 200 major international NGOs actively engaged in a wide range of programs in China, including poverty alleviation, rural community development, environmental issues, health and education improvement, HIV/AIDS prevention and academic research (China Development Brief, 2004). However, Professor Wang Ming, director of Tsing-Hua NGO Research Institute, argues that the figure is between 3,000 and 6,500 because there are many unregistered international NGOs facing the same legal registration problems previously mentioned (Zhang, 2005).

International NGOs are willing to give not only financial support, but also provide capacity-building support to the development of China's NGO sector. For example, the Ford Foundation in China, which was formed to respond to China's evolving needs, has a long history of assistance in many areas. It has supported Chinese research facilities such as the Chinese Academy of Social Science since the 1970s, and helped to support and fund local environmentalism in the 1980s. As the first INGO to receive permission to open an office in Beijing, the

Ford Foundation has dedicated itself to helping other INGOs further understand China's NGO environment in order to successfully operate in China.

In addition, large INGOs like the Ford Foundation have the capacity to contribute still more. In 2007, the Ford Foundation provided China with 127 grants totalling \$16,873,960 USD dollars. Among the 1868 grants that the Ford Foundation has provided around the world, totalling \$631,920,209 USD dollars, China's portion only accounts for about 2.67%, and there is still space for China's NGOs to ask for further financial assistance (Ford Foundation, 2008). NGOs can increase efficiency, effectiveness and empowerment to reach their full potential in order to attract more financial support from INGOs.

Although as mentioned in the previous section, the current regulations greatly limit the effectiveness of the INGOs' activities and there are concerns that China's local NGOs depend too much on INGOs, INGOs can contribute their financial and managerial assistance to further the development of China's NGO sector, particularly if the Chinese government provides them with a better institutional environment.

In summary, economic reform brought China tremendous changes. It has created social problems such as environmental issues and the issue of migrant workers which give China's NGOs the physical space to develop; it also limited the state's capability to provide for its citizens' welfare and thus provides China's NGOs the political opportunity they require for further development. Furthermore, greater integration into the global market also allows international NGOs to give financial and capacity support to the development of the domestic NGO sector.

Economic growth and globalization changed the way the Chinese deal with the outside world and provide the need and opportunity for their NGOs to develop.

Conclusion

China has progressed rapidly in the past three decades, not only in the economic area, but also in regard to the development of its NGO sector. Although western standards of NGO definition cannot be fully applied to China due to the limited independence and self-governance that China's NGOs can enjoy, they have been emerging and developing with their own characteristics by adapting in their current political and social conditions. Although not mature enough to form a real people power "civil society" and hence pursue a path towards democracy due to the political and social circumstances that they face, they have already shown rapid progress after China's economic opening.

Exploring how to overcome the various institutional, financial, and cultural constraints and exploit the opportunities that a changing social order has brought to China, for the improvement of the NGO sector, should be the objectives of future studies. China's NGOs will contribute more to the establishment of a real "civil society" if they can successfully manage these constraints and opportunities. Economic growth and globalization changed the way China interact with the outside world and provided the need and opportunity for NGOs to develop. The establishment of a harmonious society depends on them to fight

a diversity of problems; the state needs their support to fulfil welfare responsibilities; and INGOs are becoming more willing to support them.

On May 12, 2008, an 8.0 magnitude earthquake hit Wenchuan in China, killing over 70,000 men, women and children, and left millions of people homeless. NGOs and volunteers flooded into Wenchuan to participate broadly in relief efforts. NGOs have received enormous donations from over 40 million people all over the world. The Wenchuan earthquake not only uncovered the incredible need for NGO development, but also exposed the potential of a young but powerful Chinese civil society. Furthermore, the earthquake might provide a crucial catalyst for the government to further realize the necessity of creating more room for civil society organizations and make the country's leaders realize that they would benefit from the formation of civil society organizations. If effectively responding to the rising public demand and establishing a harmonious society are the targets for developing the country, the state needs to provide a better institutional framework for the further development of its third sector and the NGOs need to develop their accountability and transparency in order to earn the trust of the whole society and establish a charitable culture in China.

A greater opportunity for the development of the NGO sector will emerge in the post-disaster management area. Let us hope that the victims of the quake have not died needlessly, and that their sacrifice will help the development of China's NGO sector.

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**2:
IS GLOBALIZATION PRO-POOR IN CHINA?**

Introduction

Since 1978, China has been the most successful story of development in the world. China has experienced rapid economic growth since opening its door to the outside world. In the last three decades, China's foreign trade has expanded greatly. In 1978, the total absolute value of imports and exports was 20.64 billion dollars, and in 2006, it was 1,760.69 billion (MOFCOM Website, 2007). At the same time, China has achieved more than eight percent average annual GDP growth, and as a result, over 400 million people have been able to escape extreme poverty (UNDP, 2007). Furthermore, according to the Human Development Report 2005, China's Human Development Index for 2005 has increased by 30 percent in comparison to the early 1980s (UNDP, 2006a). However, while China has dramatically increased its openness over the past two decades, it has also been experiencing a very marked increase in income inequality. Not only has the rural-urban income gap increased, but the disparity between different regions has increased as well.

Is globalization helpful for achieving poverty reduction in China? Is globalization the major factor to blame when talking about the increasing inequality there? What explains the regional diversity of inequality? This essay examines the relationship between globalization and decreasing poverty, and also the relationship between globalization and increasing inequality and tries to answer the question of whether globalization is pro-poor in China.

This essay proceeds as follows. Section one provides some key arguments about the concepts of globalization and of pro-poor growth. Section two explains China's process of trade liberalization since Deng Xiaoping's pro-market reforms. Section three studies the relationship between globalization and poverty alleviation in China. Section four analyzes the increasing inequality and regional diversity in China and assesses the contribution of globalization as a factor to blame. The last section summarizes the essay and lays out some implications for China's further development.

Section 1: The Concept of Globalization and Pro-poor Growth

1.1 Globalization

"Globalization" is a nebulous buzzword that has been used frequently in our newspapers, magazines, and academic papers. Globalization and its implication for pro-poor development have been much discussed among academics, politicians, non-government organizations and the general public. However, when one asks what globalization means, different people offer different opinions.

Kaplinsky defines globalization as "the systematic reduction in the barriers to the cross-border flow of factors (labour, capital), products, technology, knowledge, information, belief systems, ideas and values" (Kaplinsky, 2005:9). By this definition, globalization is the integration of not only economic, but also

political and cultural systems across the globe. However, in a narrower definition, the term globalization may be used to refer to economic globalization alone, that is, as Bordo defines it, “the increasingly close international integration of markets for goods, services and factors of production, labour and capital” (Bordo, 2002: 20). In this essay, I refer to globalization in this narrow sense of economic globalization.

Globalization is not something new. The famous Silk Road, which connected China and Europe during the Middle Ages, provided a channel for an older form of globalization. In addition, for many hundreds of years people and companies have invested in new ventures in other nations. In modern times, the first wave of globalization ended due to the First World War, the Great Depression and the Second World War. Bordo compares the first wave and the later one and concludes that although there are similarities between them, there are key differences between the present globalization and the earlier one. Not only have the speed of communication and the complexity of exchange systems changed, but the size of international trade is very much larger, there is much more trade legislation and there are multinational agencies such as the WTO to help to deal with trade disputes (Bordo, 2002: 28). Furthermore, many countries have learned to adopt better policies to compensate losers and maintain economic and social sustainability.

Globalization is a highly controversial issue. Those that support globalization believe that it enables poorer nations and their peoples to grow economically and to improve their standard of living. David Ricardo developed

the theory of comparative advantage as a key economic concept in the study of trade and explained how trade can benefit all countries and individuals involved. Globalization, it is claimed, allows an increase in the level of global output by providing for optimal allocation of the world's resources. Scholars such as Bhagwati defend globalization. Using empirical evidence from developing countries, he states that "trade enhances growth", and "growth reduces poverty" (Bhagwati, 2004:53). He states that globalization is not just economically, but also socially benign (Bhagwati, 2004:28). According to Bhagwati, globalization should be the principle strategy for increasing incomes and living standards of the poor. Other supporters of globalization, such as Jeffrey Sachs, point to the rapid reduction in poverty levels in participating countries such as China that have a strong global presence in trade and stress that economic globalization can help reduce poverty (Sachs, 2005: 161).

However, opponents of globalization deny those benefits with three main arguments. First, some argue that in reality, at the expense of the poor of developing countries, the development of global open markets has profited the international business communities based mainly in developed countries. For example, Klein accused international firms of providing low salaries to people in developed countries in their pursuit of ever-greater profits (Klein, 2000). Furthermore, Stiglitz emphasizes the danger of capital market liberalization and states that the freer movement of financial assets without adequate risk management capacity in the countries concerned was responsible for the Asian financial crisis in 1997 (Stiglitz, 2002:104). Second, some argue that

globalization is harmful not only to the poor of developing countries, but also detrimental to the poor of developed countries because unskilled workers can be easily replaced by low-wage labourers in developing countries. Third, others blame globalization for bringing more industrial pollution and environmental degradation since it stimulates higher growth in developing countries with typically low capacity for environmental protection. In summary, according to those opposed, globalization is not pro-poor because it destroys the livelihoods of the poor in both developed countries and developing countries because of economic loss and social degradation.

There is another group of people who appreciate the potential in globalization, but emphasize that better policies are needed to ensure that a country can gain from it. Rodrik argues that economic integration undermines the ability of countries to implement social programs and thereby erodes the market economy's social foundations, and leads to increasing political instability. He calls for creative thinking on how to provide social safety nets and thereby maintain stability for the new global economy (Rodrik, 1997: 9). Kaplinsky argues that a country's gains from globalization depend on its producers' positions in global markets. In other words, how effectively a country can translate its comparative advantage into competitive advantage by innovation management is the key factor of success. Kaplinsky calls for better policies to ensure that countries receive the benefits of globalization (Kaplinsky, 2005: 54).

How to measure economic globalization is another important issue. The trade/GDP ratio is the most common measurement, calculated as exports plus

imports as a proportion of national income or of national income per capita. Other measurements include net migration rates in terms of inward or outward migration flows weighted by population; the FDI/GNP ratio which measures total foreign direct investment as a proportion of national income; and the tariff rate which is the average customs duty on all import goods. Rodriguez and Rodrik argue that these measures do not always work well when used to compare openness across countries (Rodriguez and Rodrik, 2000). For example, small countries near larger, richer markets will be more likely to trade than large countries surrounded by smaller neighbouring countries. However, when examining the globalization process for a particular country such as China, the trade/GDP ratio and FDI/GNP ratio are useful for tracking the process of moving towards more openness.

1.2 What is “Pro-poor”?

From the late 1990s the term “pro-poor growth” became popular among social scientists. However, different people have different interpretations about what “pro-poor growth” really means.

For Kakwani and Pernia, “pro-poor growth” means that the incomes of the poor increase at a higher rate than those of the non-poor (Kakwani and Pernia, 2000:3). By this relative definition of pro-poor growth, growth that reduces inequality is “pro-poor growth”. However, Ravallion and Chen (2003) find this definition limited because an economic situation in which the poor have absolute gains but there is a slight increase in inequality would not be considered “pro-poor”. In addition, if a society tries to achieve pro-poor growth under this relative

definition, it could favour overall growth that is relatively smaller than the average income growth of the poor, which would reduce the incentives for achieving absolutely higher aggregate growth and consequent growth in the incomes of the poor. This relative definition might favour state interventions that reduce inequality regardless of their impact on poverty reduction.

On the contrary, Ravallion and Chen simply define “pro-poor growth” as growth that reduces poverty. They state that “growth is considered to be pro-poor if and only if poor people benefit in absolute terms, as reflected in some agreed measure of poverty” (Ravallion and Chen, 2003: 4). Under this absolute definition, whether the growth is pro-poor depends solely on achievement of poverty reduction. In other words, using this unconditional description, the intention of pro-poor growth plans is to realize the maximum rate of poverty reduction through growth and adjusted redistribution. However, Kakwani et al. argue that this absolute definition is “too broad” because it implies that even if poverty is reduced only slightly, and income distribution becomes extremely uneven, it would still be considered to be a case of pro-poor growth (Kakwani et al., 2004:4). Osmani develops a more appropriate definition that combines relative and absolute definitions. He regards growth as pro-poor when reducing poverty and decreasing inequality are both targets (Osmani, 2005:3). This combined definition of “pro-poor” is appealing because it not only emphasizes poverty reduction as crucial for improving the living standard of the poor, but also considers inequality reduction as essential for long-term growth and social stability.

In principle, this combined definition that takes care of poverty and inequality is attractive, but we should also realize that reality shows up many different possible combinations of growth, poverty alleviation and inequality and that a straightforward answer to the question of whether growth is pro-poor is not always easy, such as the case of China. In the next section, I will review the process of China's openness first.

Section 2: Globalization: China's Experience

2.1 China's Trade Liberalization

From 1978, China successfully changed the trade pattern from a planned and controlled type to one of gradual openness. Figure 1 presents China's total trade of imports and exports from 1978-2003. In 1978, the total value of imports and exports was 20.64 billion dollars, and in 2003, it was 850.99 billion dollars. Between 1978 and 2003, China's exports grew at about 14 percent and imports at about 13 percent per year (Dollar, 2001:8). In the same period, China experienced an average of 9.4% GDP growth per annum. Even through the Asian financial crisis of 1997, China's economy grew at 8.8% and in 1998 it still experienced 7.8% growth. China's share of global trade has also increased since the "open the door" policy began in 1978. China ranked only 34th in export trade and 58th in the import trade at the end of 1970s (Lu, 1995:2). In 2007, China replaced Germany as the world's second largest trader with 2.1 trillion U.S. dollars in foreign trade and some researchers think China may overtake the

world's largest trader, the United States, by the end of 2010. Clearly, China's trade liberalization is a result of its trade reforms.

Before 1978, the State Planning Commission controlled and entirely planned China's trade, limiting import items mainly to equipment and machinery, which were necessary for high priority industries, and controlling exports by allocating physical quantities for each commodity. The state owned foreign trade corporations that managed by the Ministry of Foreign Trade, dealt in a specific range of commodities and were usually the only authorized trading firm for these commodities. Lardy states that "The State Planning Committee had the ultimate control of over 90% of all imports and specified the physical quantities of more than 3,000 individual export products"(Lardy, 2003:4). These policies for trade were not based on what China was good at in terms of its comparative advantage and also since profit for individuals was not encouraged, producers of trade goods had no incentive to produce and export more.

This planning system of foreign trade was gradually abandoned after 1978. In April 1979, at the 3rd Plenary Session of the 11th CPC Central Committee, the central state decided to start redesigning the economy by putting forward new principles of readjustment and reform. The state weakened its control of foreign trade firms by giving them rights to expand their business in a market friendly way, and allowed firms to keep part of their foreign currency for their own development. The state not only changed its fixed overvalued exchange rate, but also allowed exporters to keep a share of their earnings. In addition, the state started to rebate the value-added tax on export goods and

give duty drawbacks to import materials, parts and components which were used to produce exports goods (Lardy, 2003:8). Furthermore, tariffs, licensing requirements and quotas which changed gradually also helped China to expand its international trade. These policies under the principle of “encourage some people to get rich first” gave the incentive to firms and individuals to expand their international businesses. At least two changes reflect these reforms. First, the volume of China’s international trade increased. We can see from Figure 2 that the trade and GDP ratio in China, increased between 1985 to 2004. In 1985, China’s trade and GDP ratio was 24%, and by 2004 it had increased to 79.9% (See Figure 2). Second, as we have seen in Table 1, the composition of Chinese export commodities changed. It is clear that the percentage of manufactured goods increased from 20.6% in 1953 to 50.4% in 1981 and 86.9% in 1997. China’s international trade has become concentrated on labour-intensive manufacturing products in which China does have comparative advantages (See Table 1).

At the end of 2001 after more than 10 years of discussions and negotiations, China became a member of the World Trade Organization (WTO), obliged to respect the WTO’s basic principles of non-discrimination and of being pro-trade, and in return, enjoying the privileges of WTO membership. China’s openness has further expanded since it became a member of the WTO, cutting import tariffs, reducing tariff rates, and abolishing quota and license arrangements for goods such as grains, wool, and others. China is clearly willing further to integrate itself into the global economy.

2.2 FDI in China

Another important part of the globalization process in China has been the growth of foreign direct investment (FDI) inflow. After three decades of openness, China has become one of the most important recipients for international direct investment. From the late 70s to date, the amount of inward foreign direct investment in China has grown dramatically. The central state set up many more Special Economic Zones (SEZs) to attract FDI and technology transfer. Furthermore, after 1992, when Deng Xiaoping made his famous tour of south China, the volume of FDI flowing into China jumped even higher. Since the early 1990s, China has been the largest FDI recipient among developing countries. In 2002, China further attracted US \$52.743 billion of FDI and became the number one recipient in the world. The ratio of FDI to GDP grew as high as about 4 per cent in 2001. Figure 3 shows the FDI amount in China which increased from 1.75 billion Dollars in 1984 to 70 billion Dollars in 2006.

Two points are worth making about China's FDI. First, scholars have found a positive correlation between FDI and GDP growth at a national level in China. Although empirically, a causal relationship between FDI and economic growth is not clear, FDI inflow does benefit growth by providing the additional necessary resources for economic development. Increasing FDI inflow has been an important part of China's growth. Second, although China is a big recipient of FDI and in spite of the large total amount of FDI, the FDI per capita in China is in fact not as great as some other Asian countries. For example, the Chinese FDI stock per capita is about \$160, in contrast to \$320 in Thailand and more than

\$2,000 in Malaysia (Lemoine, 2000:20). In this sense, China's globalization still has space to expand.

2.3 Regional Differences

One important feature of China's trade liberalization and FDI inflow is that they are mostly concentrated in the coastal regions. China's globalization shows big regional differences, for the following reasons. First, from a location perspective, the coastal areas have seaports which make export and import easier than inland areas. Furthermore, the central state's policies for gradual openness are biased towards the coastal areas, especially as most of the SEZs are concentrated in the eastern coastal area. For example, three of the four initial SEZs are in Guangdong Province. Moreover, the coastal area originally had more personal international ties than inland provinces, which became the source of expanding foreign trade and FDI. For instance, the majority of FDI in China is allocated to four coastal provinces (Guangdong, Jiangsu, Fujian, and Shanghai). Between 1983 and 2000, approximately 88% of all FDI flows were received by coastal areas (Fung et al., 2002: 8). Among them, Guangdong Province has received the highest amounts. While the coastal regions show higher FDI rates and higher growth rates, the nine western inland provinces have relatively low rates in both FDI/investment and GDP growth.

In summary, increased globalization brought China expanded export and import business opportunities as well as increasing FDI flow and thus boosted China's economic growth. However, the levels of openness are different in China with eastern coastal areas being more "globalized" than inland and western

areas. Did this uneven openness affect the results of poverty reduction and inequality? Section 3 and 4 will try to study this question.

Section 3: Is Globalization Helpful for China's Poverty Reduction?

3.1 China's Poverty Reduction

China provides an important case study of poverty reduction. First, because of the huge population in China, poverty in China accounts for a major share of world poverty and any change in poverty in China would have a significant impact on world poverty. Second, having been an almost "closed" and "planned" country, China provides a good opportunity to study the impact of globalization on poverty. Third, as a large country, China provides regional variations which may be helpful to researchers studying the relationship between poverty reduction and geographic targeting.

As Ravallion and Lipton (1995) state, it is difficult to define a poverty line. Defining poverty lines is "to estimate the cost of a bundle of goods necessary to assure that basic consumption needs are met". However, identifying what are "basic needs" including food and non-food consumption is difficult. In order to measure poverty, one needs to define living standards and a basic needs package first and then define a poverty line on this basis. Furthermore, different measures will give different results and they all have limitations. For example, one can use the Head-Count Index, which means "the proportion of the

population for whom consumption (or other living standards) is less than the poverty line”, or use the Poverty Gap Index which “reflects the depth of poverty” by giving the mean distance to the poverty line. However, the Head–Count Index cannot tell the depth of poverty and the Poverty Gap Index neglects inequality among the poor (Ravallion and Lipton, 1995: 12-20). While the economic definition of poverty focuses on basic material needs and whether people have the necessary income to obtain them, some scholars argue for a multi-dimensional conception of poverty, and refer to poverty as the lack of “capability” of people to live the kinds of lives they value, including access to education, health care, or political rights (Sen, 1985).

According to the World Bank, the international poverty line is USD \$1.00 a day per capita after purchasing-power adjustments. Based on this poverty line, the World Bank estimates that from 1981 to 2001, there were more than 400 million poor people in China escaped from poverty. According to this international poverty line, Sachs explains that Chinese poverty fell from 64% in 1981 to 17% in 2001. In 1990 China’s population of poor people accounted for 29% of the total world poverty but this was already reduced to 19.2% by 1999 (Sachs, 2005: 155). However, if one uses the new international poverty line which is \$1.08 a day, measured in terms of 1993 purchasing power parity (PPP), the UNESCAP (2007) states that in 1990 one third of Chinese lived in poverty, while today, the number is below one in ten (UNESCAP, 2007).

Yao explains that in Chinese statistics the official poverty line has changed several times according to the country's price index. In 1985, the

Chinese government set its poverty line at 200 Yuan (28 Dollars) per capita annual income (Yao, 2000: 452). Table 2 shows different official poverty lines in China for different years. According to these poverty lines, from 1978 to 2003, the number of rural people living in poverty fell from 250 million to 29 million and the headcount rate fell from 30.7% in 1978 to 3.1% in 2003. China's official poverty line is currently 680 Yuan, which is approximately one-fourth of the international standard. However, international communities have criticized this poverty line because it is too low and fails to consider the education and health needs of people and thus cannot fully reflect the real severity of the poverty level in China (Xinhua News Agency, 2007).

Ravallion and Chen (2004) examine China's poverty data using 850 Yuan per person per year for rural areas and 1200 Yuan for urban areas at 2002 prices as a new poverty line in order to adequately include necessary food and non-food consumption. Table 3 suggests that compared to the low official Chinese poverty line, which is 300 Yuan per person per year at 1990 prices, the new higher poverty line reflects a different and more accurate poverty situation in China. However, no matter whether one uses the old official Chinese poverty line or the new estimated line, and no matter whether one uses the Head-Count Index (H), the Poverty Gap Index (PG) or the Squared Poverty Gap Index (SPG) to measure poverty, the results are the same: they all show a big reduction from 1981 to 2001 (See Table 3). In addition, Ravallion and Chen also find that the majority of poverty reduction happened in rural populations (Ravallion and Chen, 2004). Table 4 shows the findings. For example, if one uses the old poverty line

and the Head-Count Index, rural poverty reduction accounts for 74.2% of the total poverty reduction that occurred in the period of 1981-2001.

In short, although the data based on different poverty lines have different poverty numbers, they all point to the same two results. First, they all show large decreases in poverty rates and confirm that the big reductions happened in China after economic reforms. The great poverty reduction in China cannot be denied. Second, the major share in poverty reduction is seen in the rural population, rather than in the urban population. So, what are the main forces that lead to dramatic poverty alleviation? Is agricultural reform the main force? Has globalization been helpful? Scholars have thoroughly examined the relationship between globalization and poverty reduction.

3.2 Globalization and Poverty Reduction: A Literature Review

The relationship between globalization and poverty has been much debated by development economists.

Some scholars claim that trade liberalization has helped to reduce poverty. For example, using aggregated country data, Dollar and Kraay argue that freer trade can contribute to economic growth and hence lead to increase the average income and thus reduce poverty. They find “the increase in growth rates that accompanies expanded trade therefore on average translates into proportionate increases in income of the poor” (Dollar and Kraay, 2002: 18). Differently, Winters analyzes the channels through which trade might affect poverty and suggests that “trade liberalization can have both positive and

negative effects on poverty” (Winters, 2000b: 61). Thus, he concludes that there are no easy generalisations about the relationship between trade liberalization and poverty:

“Trade liberalization is generally a strongly positive contributor to poverty alleviation—it allows people to exploit their productive potential, assists economic growth, curtails arbitrary policy interventions and helps to insulate against shocks. However, most reforms will create some losers (some even in the long run) and some reforms could exacerbate poverty temporarily” (Winters, 2000b: 43).

Based on empirical studies from China, Huang et al. argue that trade liberalization is beneficial for rural residents because farmers, by changing to more profitable agricultural products, on average can increase their incomes (Huang et al., 2007: 11). However, they also point out that “it is possible that trade liberalization has both a positive and negative effect on poverty reduction.” Because “whether farmers gain or lose, of course, depends on the initial conditions—that is, what were the commodities (either those in which China has a comparative advantage or those in which China does not have a comparative advantage) that each group of farmers were producing prior to the reform” (Huang et al., 2007: 12).

Ravallion and Chen (2004) also study China carefully and suggest that China’s fight against poverty has shown an uneven pattern and that trade liberalization does help in reducing China’s poverty, but is not the main force. According to Ravallion and Chen, the big reduction of poverty in rural areas rather than in urban areas, especially at the beginning of the reforms, proved that “it is not surprising that agricultural growth plays an important role in poverty

reduction.” They conclude that promoting agricultural and rural development is important to pro-poor growth in most developing countries (Ravallion and Chen, 2004: 28).

All these valuable studies show that it is not easy to simply say that globalization is absolutely pro-poor in terms of helping poverty reduction. On one hand, they all admit that globalization does contribute to China’s poverty reduction, although their views of the degree to which it does so are different. On the other hand, there are truly some negative effects that globalization brings to the poor. The next section reviews some of the positive and negative effects that globalization brings to the poor in China.

3.3. Analysis: the Consequences of Globalization to the Poor in China

In China, together with the increase in total trade, poverty decreased as well from 1978 to 2003 (See Figure 4). There are certainly positive sides of Globalization. First, trade liberalization does help decrease poverty by increasing employment opportunities for rural people. Ravallion’s argument about the reduction of poverty in China is that since the majority of poverty reduction happened in the rural areas, therefore the main force of reduction has been agricultural reform rather than trade liberalization. This is correct, regarding the important role of agricultural reforms for poverty reduction, since they have allocated lands to individuals and allowed farmers to sell their surplus crops on an open market. However, it underestimates the role of trade liberalization for poverty reduction.

In order to exploit their comparative advantage in the manufacture of labour-intensive export goods, many manufacturers opened township and village enterprises, which employed the rural population and formed a new income source for rural poor households. The state also started to relax the travel restrictions imposed by the “Hokou” system that regulated where a person could live and work. This resulted in the increasing migration of the poor rural population to areas that could provide employment. Nagi states that in 2001, Shenzhen, one of the earliest “Special Opening Zones” in China, had a population of 7 million people, of which a predominant 82.7% were peasant migrants from all parts of China because the openness provided working opportunities to the poor (Nagi, 2002: 1). China has approximately 780 million peasants and ten to twenty million entered the non-agricultural workforce each year. These migrant workers called “peasant workers” are from the poor areas in the countryside and the majority of them were previously under the poverty line. This component of poverty reduction, which counted as rural poverty reduction due to the special Chinese household registration system, is because of reasons such as trade liberalization, and it does not support the view that agricultural reform is the only force behind this reduction.

The development of an inland county of Yiwu is another example. At the end of the 1970s, Yiwu was an impoverished rural area with scarce land and poor resources. In 1978, the GDP of Yiwu was only 128 million Yuan, with the agricultural industry accounting for nearly 60%. Starting from 1982, Yiwu gradually became China’s largest export resource of light industrial products,

sending commodities to 212 countries. In 2006, Yiwu had exported about 400,000 containers of manufactured goods, an average of more than 1,000 containers per day (ADB, 2007a). The GDP of Yiwu exploded to 28,200 million Yuan by 2004, with the manufacturing sector accounting for 50% (Ke, 2007: 5). Yiwu does not have real peasants now, although the rural population figure remains the same. The peasants of Yiwu went to firms to earn more money because during the trade liberalization of the 1980s, due to the expanding export trade, peasants could easily find labour-intensive jobs. The average income of rural residents in Yiwu for 2006 was 8,810 Yuan including a salary income of 3769.28 Yuan that accounted for 42.8% of their overall income (Yiwu Government, 2007). Globalization provided opportunities for the poor to increase their non-agricultural incomes. The advantage that trade liberalization brought to some of the Chinese poor is undeniable.

In addition, while all provinces experienced the same process of agriculture reforms, the regions that have higher poverty reduction rates are coastal regions which are relatively more open than inland areas. After more than two decades of reforms and globalization, coastal areas showed big improvements, both in growth and the reduction of poverty. Other inland areas improved too, but not as much, especially the north-east part of China. Wei states that “the challenge for policymakers is to find ways to increase openness in the areas that are currently less open and to distribute the overall gains from openness more evenly across the country” (Wei, 2002).

However, on the other hand, globalization does bring the poor hardships as well. While trade liberalization brings employment opportunities to “peasant workers”, the 100 million “floating population” face tremendous difficulties such as unpaid wages, unsafe working conditions and inadequate health care. There are sweatshop factories that commonly force migrant workers to work overtime, 13 to 15 hours a day, 7 days a week. In addition, these migrants also face great health risks because they are not covered by any form of medical insurance. By the later 1990s, almost 70,000 female migrants working in export shoe factories in Putain County, Fujian Province had contracted benzene poisoning which affects the blood and nervous system and is not only difficult to cure but can result in death (Xiang, 2003:5). Moreover, a number of migrant factory workers died in Huizhou City, Guangdong Province, in 2000, when forced to work more than 500 hours a month (Sun, 2002: 154). The former State Economy and Trade Commission issued a report on job-related accident and illness in July 2000, which recognized migrant workers as the chief victims of all occupational health problems (Tan, 2002: 145).

In addition, after joining the WTO in 2001, China reduced tariffs and abolished non-tariff trade barriers especially for some agricultural products. Guangxi Province, once the centre of a successful sugarcane industry, saw its economy decline when China became a WTO member. Inexpensive and greatly subsidized sugarcane inundated the market and pushed millions of sugarcane producers into poverty. Prior to entering the WTO the price for sugarcane in China was approximately \$250 Yuan per ton; however, once China

entered the WTO the price of sugarcane dropped to \$190 Yuan per ton between 2002 and 2003, subsequently falling to \$170 Yuan per ton between 2003 and 2004. There were people who fell back to poverty due to the loss of profit from sugarcane production (Calvert, 2004).

Moreover, in recent years, despite the fact that the rate of economic growth and the level of globalization were still robust, poverty reduction has not been dramatic. This finding indicates there are still many issues that need to be addressed to continuously reduce poverty. Although globalization had helped the poor, the positive effects it brought have diminished over time. Trade openness is an essential and necessary condition for nationwide poverty reduction; but by itself is not sufficient for further success.

In conclusion, trade liberalization has had a mixed impact on the wellbeing of the poor in China. On one hand, it obviously has created more employment opportunities for people to increase their salary incomes, and hence coastal areas have achieved more poverty reduction than inland areas even though they experienced the same agricultural reforms. However, on the other hand, globalization also has increased the vulnerability of the poor, especially of the 100 million floating population. In some areas, globalization has even resulted in people falling back to poverty. The negative effects cannot be denied.

Section 4: Is Globalization to Blame for the Increasing Inequality in China?

4.1 China's Increasing Inequality

Over the past thirty years, while openness has brought China rapid economic growth, overall income inequality has risen as globalization has deepened. In the early 1980s, the top 10% of the population earned about 20% of the national income. By 2005, the richest 10 % earned 45%, while the bottom 10% only accounted for 1.4% (Wen, 2005:44). Some people blame globalization, saying that although it in some way helped reduce poverty, at the same time it increased inequality in China. Is openness responsible for the increasing inequality? In order to answer this question, we first need to understand the concept of inequality and the facts of China's inequality situation.

The answer to the question "what is inequality?" will never be the same because inequality means different things to different people. First of all, there are different types of inequality. Economic inequality means income gaps or differences in expenditure patterns, while social inequality usually refers to the differences in access to educational programs, adequate medical care and social programs, or the lack of opportunity to engage in free speech, or the right to vote. Second, even within economic inequality, there are different levels. Global inequality is the inequality between all individuals in the world while international inequality (inequality among countries) means the economic differences between countries. National level inequality (inequality within the country) means the unequal distribution of income among people within a specific country. Third,

there are various methods for measuring economic inequality. Even when discussing national inequality, within one particular country, different data and measurement methods can result in totally different results. The most widely used method is the Gini coefficient which is a ratio with values between 0 and 1, where 0 means perfect equality and 1 means extreme inequality. Above 0.4 is considered high.

First, without any hesitation, we can say that the overall income inequality in China increased after the openness policy. According to the World Bank, the Gini coefficient in China has increased from 0.16, before economic reform and opening policy, to past 0.4, the warning line, higher than all other developed countries. Key Indicators 2007 released by the Asian Development Bank (ADB) shows that China's Gini coefficient is estimated to have risen to 0.473 in 2004 (ADB, 2007b).

Second, there exists a rather large inequality gap between rural and urban people. Urban-rural income inequality has increased. China's urban per capita income in 2005 was 3.34 times greater than that of rural income while in 1980, the urban/rural income ratio was 2.49 (Huang et al., 2007: 9). During the last three decades of "reform and opening", the general mean income in both urban and rural sectors has risen dramatically; however, even though the first five years resulted in a marked reduction of the rural-urban earnings gap (due to the agricultural reforms that revived the rural economy), the income inequality gap has subsequently widened once again (Young, 2007:3).

Third, China shows large regional inequalities. Since China's trade liberalization mainly focused on the coastal area, the inequality between East and West China has increased. Figure 5 shows the difference of per capita income among East, Center and West regions and with the deepening of trade liberalization; the income gap has been increased. For example, in 2005, per capita GDP in Shanghai was 9.9 times higher than that in Guizhou province of inland China (ADB, 2006).

In conclusion, China's inequality is not only evident in the overall statistics, but also noticeable in rural-urban divide and regional gaps. However, does inequality really matter? Is globalization to blame? Different people have different views.

4.2 Growth and Inequality: Does Inequality Matter?

The inequality problem has long been the center of development studies. The debate on the relationships between growth and inequality continues. China's experience as the world's top goods supplier provides a vivid example of the positive connection between globalization and overall economic growth. However, does economic growth inevitably bring increasing inequality? Will increasing inequality slow down economic development and induce social instability? These questions are well argued.

Kuznets argues that there exists an inverted U-shaped curve which expresses the relationship between income inequality and economic development (known as the Kuznets curve). According to his theory, when

countries begin to develop a stronger economic base, there will be an increase in wealth in a certain section of the population, which creates income inequality; although eventually through the development of assorted public welfare programs, the more developed countries will be able to lower these inequalities (Kuznets, 1955: 18). Based on this theory, some scholars have suggested that increasing income inequality is a necessary cost of economic growth, and that we do not need to worry because eventually inequality will be corrected by economic growth itself. In other words, inequality is not harmful for growth. Many people think that the acceptance of inequality is a necessary condition for development, and argue that the prospect of greater material wealth provides incentives which help the establishment of orderly competition and innovation within an economy.

Some scholars argue that whether inequality matters to growth depends on its degree and type. For example, Cornia and Court try to find the optimal distribution of income, and state that too much equality and overly high levels of inequality both have a negative impact on growth. In addition, they point out that not all types of high inequality are anti-growth:

While the balance of evidence strongly indicates the negative impact of high income inequality, it is important to note that different types of inequality have different (even opposite) effects on growth. Inequality of earnings that rewards effort is likely to be pro-growth, at least up to a point. Inequality of ascribed income or income due to ascribed wealth—that is income or wealth accruing because of inheritance, priestly status, or positioning to seize monopoly rent or to undertake political lobbying for example—is likely to be anti-growth (Cornia and Court, 2001:23).

According to Cornia and Court, “targeting an efficient inequality range” is important and “such efficiency range roughly lies between the values of the Gini coefficients of 0.25 and 0.40” (Cornia and Court, 2001:24).

However, for others, inequality is simply not good. The Human Development Report 2005 states that “inequality matters because it is a fundamental issue for human development” (UNDP, 2006b:51). The report argues that inequality limits human capabilities and thus is “a powerful brake on accelerated progress towards the MDGs” (UNDP, 2006b). In addition, the report also emphasizes that “extreme inequality is not just bad for poverty reduction, it is also bad for growth” because inequality can create barriers to future investment when the poor lack opportunities for credit and education (UNDP, 2006b:53).

In China’s case, many scholars question whether Kuznets’ hypothesis applies. Although it is true that in the initial stage of development inequality increased together with a high growth rate, scholars do not agree that there is causation between growth and inequality. Ravallion (2004) states that:

“It is clear that both mean income and inequality in China have risen substantially over the last two decades of the twentieth century. This is consistent with the idea of an aggregate trade off. However, a closer inspection of the data casts doubt on that view. The time periods when inequality fell (notably the early 1980s and the mid-1990s) actually had the highest growth rates, not the lowest. And the provinces where rural inequality rose the least had the highest growth rates” (Ravallion, 2004: 21).

Furthermore, Wan et al. find empirical evidence from China and argue that inequality is harmful to growth in China. Wan et al. state that “our empirical

results unequivocally point to the negative effects of inequality on growth in the short, medium, and long run” because “the negative effects stem from the strong and negative influence of inequality on physical investment, which consistently outweigh the mostly positive impacts of inequality on human capital” (Wan, et al., 2006b: 13).

In summary, inequality does matter if further sustainable economic pro-poor growth of China is the target.

4.3 Analysis: Is Globalization to Blame?

It is undeniable that there is a correlation between the overall globalization level and the overall aggregate inequality. However, the national aggregate statistics about overall openness and national inequality can be misleading. Wei and Wu conducted a comparison of urban-rural income (urban areas and adjacent rural counties) for 100 Chinese cities over the period from 1988 to 1993 and find a negative association between urban-rural inequality and openness. Areas that experienced more openness also had a greater reduction in urban-rural income inequality. Based on their findings, Wei and Wu conclude that “globalization has helped to reduce, rather than increase, the urban-rural income inequality” because it provides better opportunities for growth in the poor rural areas (Wei and Wu, 2001: 1). In summary, if one talks about rural-urban inequality, globalization did not induce it, but rather it helped to reduce it.

Other scholars, instead of studying the relationship between globalization and rural-urban inequality, analyze the relationship between globalization and

regional inequality. Xing and Zhang (2004) use the FDI/GDP ratio as a measure of globalization and obtain a positive relationship between overall openness and inter-regional inequality. Kanbur and Zhang use the trade/GDP ratio and find the same positive relationship, and conclude that globalization is responsible for the regional differences (Kanbur and Zhang, 2005:17). Wan et al. (2006a) also find that “Globalization constitutes a positive and substantial share of regional inequality and the share rises over time” (Wan et al., 2006a: 16). However, these positive relationships between overall globalization levels and regional inequality do not mean that globalization is responsible for some regions’ above average level of inequality. On the contrary, not globalization, but instead, a lack of necessary institutions that can support all provinces to take full advantage of globalization is the main reason some regions experience above average inequality.

Overall, globalization should not be blamed for increasing inequality although there is a correlation between the overall globalization level and the overall aggregate inequality. Globalization does not induce rural-urban inequality, but rather it helped to reduce it in China. Instead of blaming globalization, we should consider how to take advantage of the opportunities provided by globalization and reduce inequality in China if further pro-poor growth is sought.

Conclusion

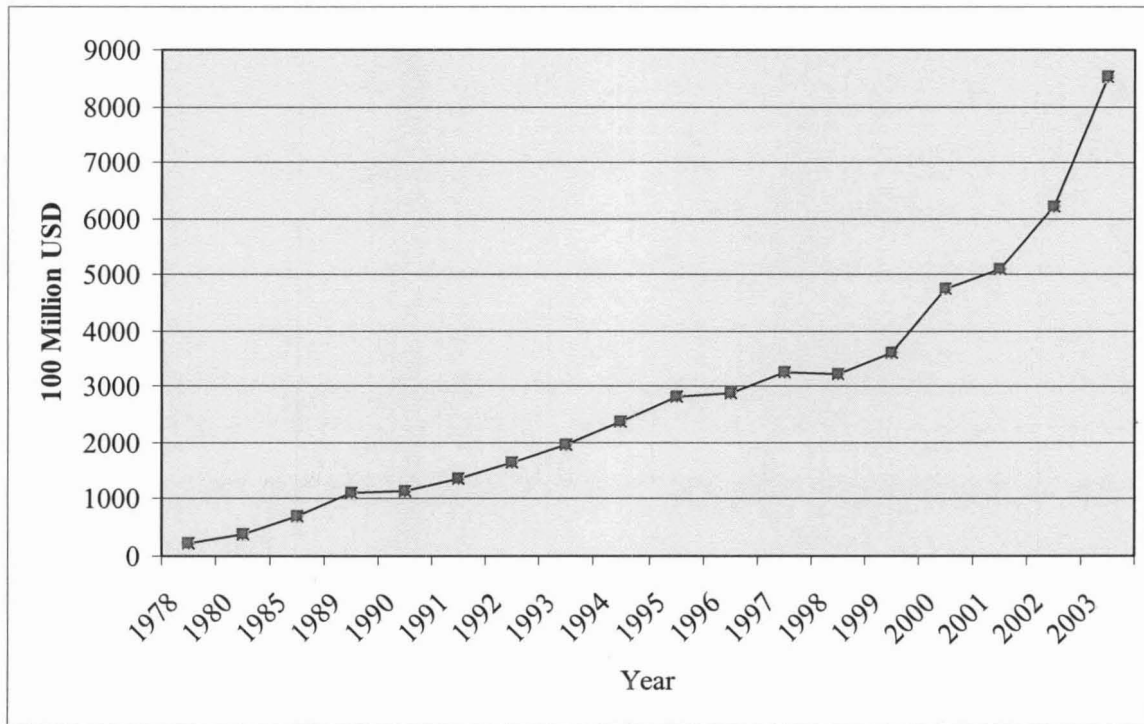
Bardhan states that the net outcome of globalization is “often quite complex and almost always context dependent” (Bardhan, 2006:2). Looking specifically at what globalization brought to China, we should say it has helped reduce poverty by providing better working opportunities to the poor, but it also has increased the vulnerability of the poor; the negative effects cannot be denied. Globalization should not be blamed for China’s increasing inequality because the major factor of high rural-urban gaps and regional differences are the result of “not enough globalization”, rather than the reverse, we still need to study more about the relationship between globalization, inequality and pro-poor growth because justice and enhancing human capacity would always be the targets of human development.

I agree with Bhagwati when he states “globalization is good, but not good enough” (Bhagwati, 2004:32). The opportunities and risks globalization brings to China require the central state and local government to put proper domestic political and economic institutions in place to further develop pro-poor growth, especially when China maintains its status as a socialist country in which strong institutional and economic controls from the state are still possible. How to make basic public services such as health care and education opportunities more accessible to the general public in order to achieve broad-based human development should be considered if further poverty and inequality reduction is the target of sustainable pro-poor growth. How to make sure that the poor can fully participate in the globalization and economic development should be the

main target of China's western development strategy in order to achieve poverty reduction in the coming years. A better progressive taxation system is necessary to reduce the tremendous income inequality in society in order to maintain social harmony. With proper policies, we can make globalization more pro-poor.

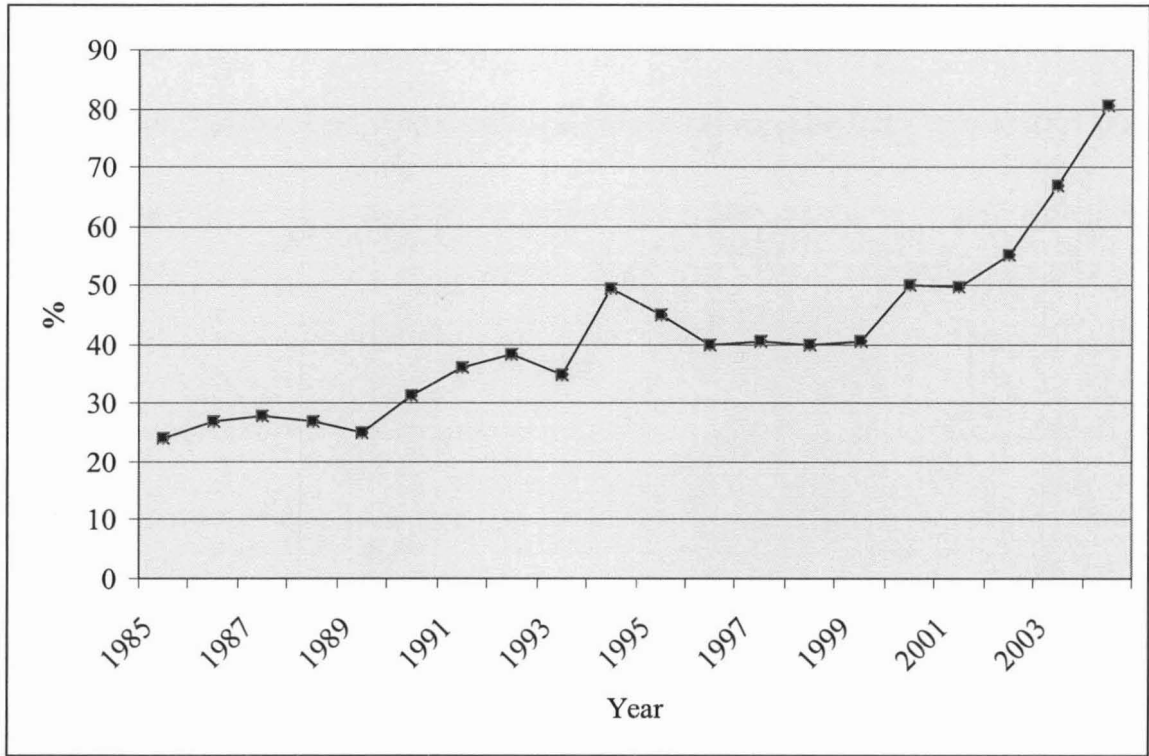
Figures and Tables

Figure 1 Total China Imports and Exports 1987-2003



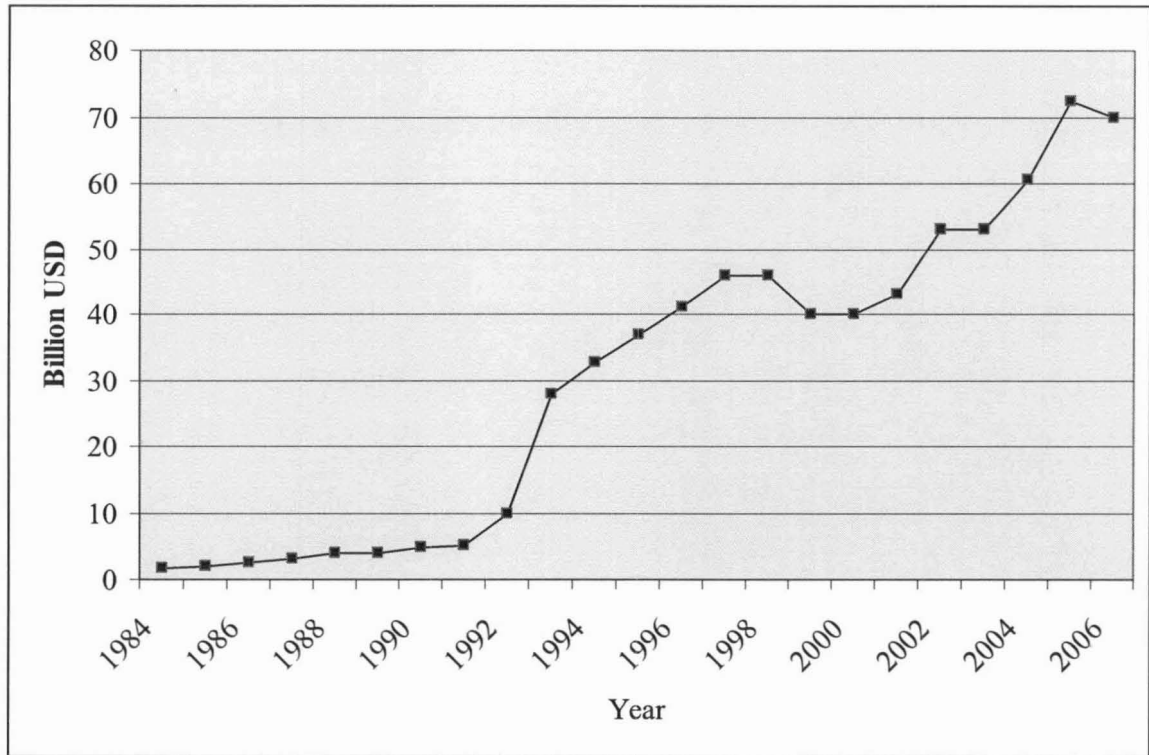
Source: *China Statistical Yearbook, 2004*

Figure 2 China Trade/GDP Ratios



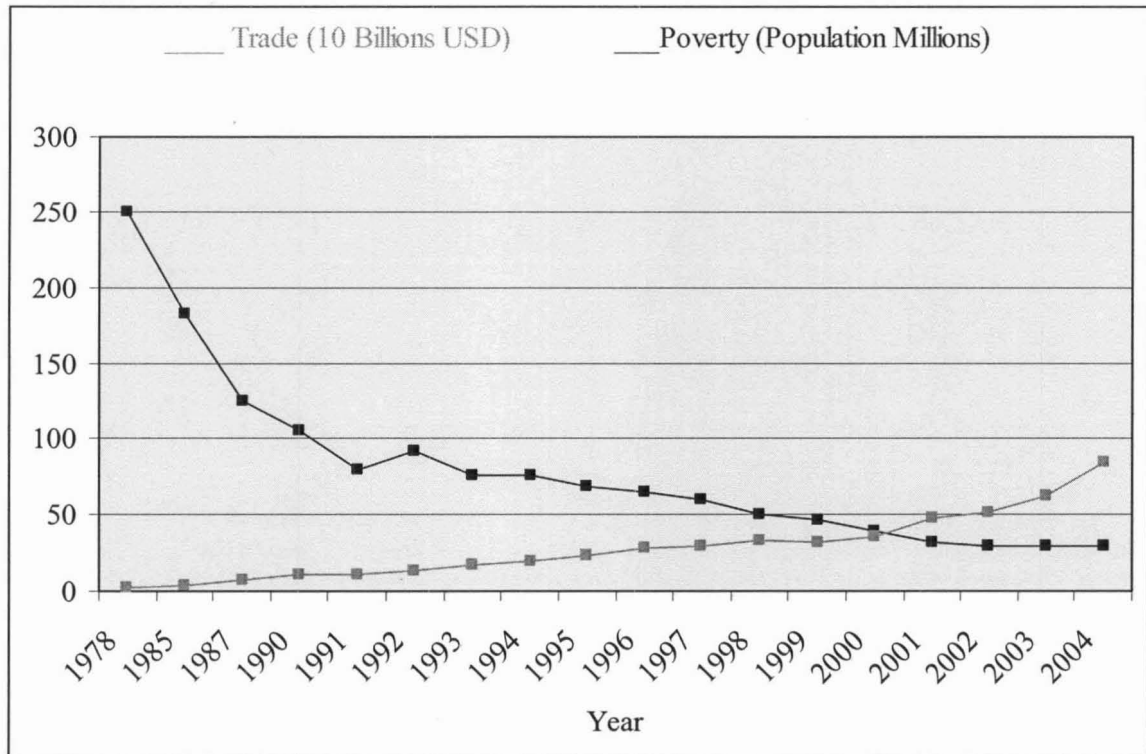
Source: Lane, 2006

Figure 3 China's Inward FDI 1984-2006



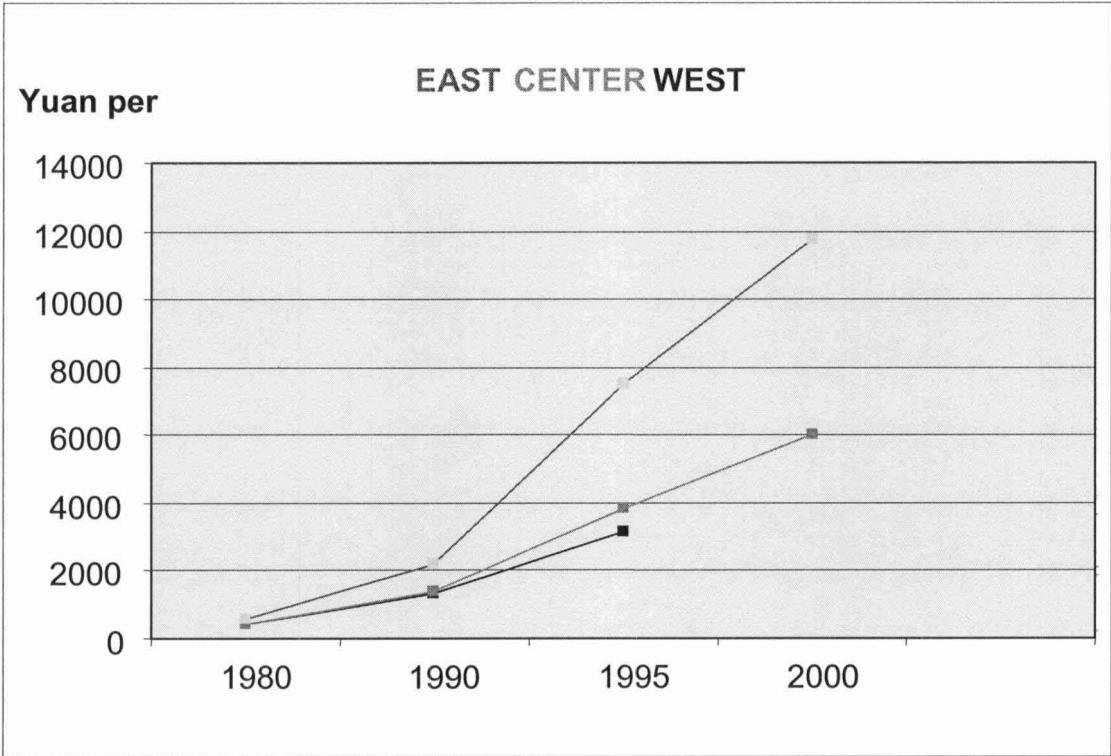
Source: UNCTAD, 2007

Figure 4 China's Yearly Increased Trade and Reduced Poverty



Source: *China Statistics Yearbook, 2004; National Bureau of Statistics, 2004*

Figure 5 Per Capita Income by Region



Source: Chandraskhar & Ghosh, 2006

Table 1 Changes in China's Export Structure (Percentage)

Year	Manufactured goods	Primary Goods
1953	20.6	79.4
1981	50.4	49.6
1989	71.4	28.6
1996	85.8	14.5
1997	86.9	13.1

Source: *Shi et al., 2000*

Table 2 Poverty Line and Poverty Headcount Rate, 1978-2003

Year	Poverty Line (Yuan/person)	Population of Rural Poor (Million)	Headcount Rate %
1978	100	250	30.7
1984	200	128	15.1
1985	206	125	14.8
1986	213	131	15.5
1987	227	122	14.3
1988	236	96	11.1
1989	259	102	11.6
1990	300	85	9.4
1992	317	80	8.8
1994	450	70	7.7
1995	530	65.4	7.1
1997	640	49.6	5.4
1998	635	42.1	4.6
1999	625	34.1	3.7
2000	625	32.1	3.4
2001	630	29.2	3.2
2002	627	28.2	3.0
2003	637	29	3.1

Source: *National Bureau of Statistics, 2004*

Table 3 Poverty in China as a Whole, 1981-2001

*Population weighted means of poverty measures

Year	Official Poverty Line			New Poverty Line*		
	H	PG	SPG	H	PG	SPG
1981	23.02	5.51	1.90	52.84	16.17	6.81
1982	13.70	2.89	0.87	38.14	10.19	3.92
1983	10.48	7.96	0.52	30.42	7.80	2.85
1984	7.67	1.24	0.28	24.11	5.83	2.01
1985	6.78	1.13	0.27	17.55	4.04	1.33
1986	7.49	1.45	0.40	18.53	4.63	1.65
1987	6.39	1.15	0.33	16.77	4.10	1.45
1988	6.13	1.04	0.31	17.71	4.23	1.47
1989	9.73	2.15	0.71	23.37	6.60	2.65
1990	7.96	1.45	0.41	22.15	5.65	2.04
1991	8.52	2.08	0.85	22.16	6.37	2.61
1992	7.13	1.61	0.63	20.75	5.61	2.27
1993	8.27	1.79	0.54	20.01	5.72	2.29
1994	7.58	2.00	0.74	17.01	5.26	2.32
1995	5.65	1.55	0.75	14.74	4.08	1.58
1996	2.97	0.81	0.42	9.79	2.52	1.07
1997	3.35	0.58	0.15	9.30	2.41	0.87
1998	2.16	0.24	0.04	8.10	1.88	0.65
1999	2.24	0.27	0.05	7.63	1.79	0.60
2000	3.34	0.64	0.18	8.49	2.33	0.89
2001	2.96	0.51	0.12	7.97	2.13	0.80

H: Headcount Index
 PG: Poverty Gap Index
 SPG: Squared Poverty Gap Index

Source: *Ravallion & Chen, 2004*

Table 4 Decomposition of the Change in Poverty

Note: % of total in parentheses

Poverty Measures (%) Point Change (1981-2001)							
	Official Poverty Line				New Poverty Line		
	H	PG	SPG		H	PG	SPG
1981-2001							
Within rural	-						
	14.88	-3.76	-1.35		-32.53	-10.39	-4.51
	(74.2)	(75.2)	(75.7)		(72.5)	(74.0)	(75.0)
Within urban	-0.31	-0.08	-0.05		-2.08	-0.32	-0.09
	(1.5)	(1.7)	(3.0)		(4.6)	(2.3)	(1.5)
Population shift	-4.87	-1.16	-0.39		-10.27	-3.32	-1.42
(rural to urban)	(24.3)	(23.2)	(21.7)		(22.9)	(23.7)	(23.6)
Total change	-						
	20.06	-5	-1.78		-44.87	-14.04	-6.01
1991-2001							
Within rural	-4.31	-1.27	-0.61		-10.74	-3.24	-1.38
	(77.5)	(80.9)	(83.7)		(75.7)	(76.4)	(76.2)
Within urban	0	0	0		-0.44	-0.14	-0.1
	0.0	0.0	0.0		(3.1)	(3.3)	(5.5)
Population shift	-1.25	-0.3	-0.13		-3.01	-0.86	-0.33
(rural to urban)	(22.5)	(19.1)	(17.2)		(21.2)	(20.3)	(18.2)
Total change	-5.56	-1.57	-0.73		-14.19	-4.24	-1.81

H: Headcount Index
 PG: Poverty Gap Index
 SPG: Squared Poverty Gap Index

Source: *Ravallion & Chen, 2004*

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