

# Special Issue

## Poverty Reduction Policies and Measures in China: An Introduction

**Tai-Chee Wong\***

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### Abstract

Post-reform China has launched a grand politically committed poverty reduction policy involving huge human and financial resources to ensure its success. Measures applied have targeted both rural and urban sectors with an objective to raise the poor's factors of productivity, education and skills which are strongly linked to China's market integration with the world. China's success in poverty reduction over the last 40 years has won complimentary remarks from international communities. This special issue presents limited but representative aspects of poverty reduction measures adopted as poverty resolution options. These include assistance provided towards underprivileged ethnic minority groups through economic restructuring process, resettlement for a better livelihood linked to modern activities, returning youths from the cities to their rural setting to conduct business, and about the applicability of Taobao e-commerce in the Philippines. The macro-level urbanisation strategy is another major actor which is seen to have stimulated growth benefiting also the poor.

**Keywords:** Poverty reduction, China, productivity, livelihood, ethnic minority

### Background

Poverty is a global issue widespread in Asia, Africa, and Latin America. For whatever political regime it may be, managing poverty is in theory a national mandate and reducing the

incidence of poverty is justifiable as good governance. In the post-World War II era, lessons have been learnt that aids provision to the poor does not eradicate the roots of poverty as this tends to create dependence and discourage self-reliance. While self-reliance is perceived as critical in sustaining poverty reduction efforts, promoting economic growth to expand the economic pie is not only fundamental, but equitable redistribution of the pie to the poor is also critical. This is built on the premise of social justice that the poor's basic needs should be sustainably met and their household incomes be progressively improved. More precisely, this improvement should cover the areas such as lack of purchasing power, exposure to risk, malnutrition, high mortality rate, low life expectancy, and *inter alia*, inadequate access to social and economic services like education, medicare and physical infrastructure. Large-scale road investment in rural areas has been seen as a key factor in China as it provides a more effective link between the poor and the expanding economy (Page & Pande, 2018; Ugoh & Ukper, 2009; Weiss, 2005).

This special issue focuses on income poverty reduction measures as experienced in China following economic reforms from the 1980s. Income poverty is an indication of the shortage of material necessities which can be measured by incidence of poverty and this poverty indicator affects non-income aspects of the poor in the areas of health care, knowledge, housing and life security (Zhang, 1993). The term reduction is preferred to alleviation in this context as they differ in substance and implications. Broadly speaking, poverty reduction is achieved largely as a result of overall economic growth, proactive public support and aids provided to the very low-income identified groups in health, education, and infrastructural services in order to improve their human and physical capital to an acceptable standard institutionally set. Politically, poverty reduction efforts carry with it a strong state-led initiative and often a political mandate of governance. In contrast, poverty alleviation is more a generic term which prescribes groups of people who manage to change their poor living conditions to the better.

Under the Chinese Communist regime from 1949 to the present, poverty reduction has gone through two contrasted periods. During the first 30 years from 1949 to the eve of reform in 1978, China's political economy, under Mao as Party Chairman, was more focused on building a socialist state with an ultimate goal of achieving a communist society. Key tasks such as nationalisation of civilian enterprises and urban private assets, setting up People's Communes in the rural sector were executed vigorously under a powerful centralised economic system. Poverty reduction was never scheduled then as an organised national development agendum. Social turmoils arising from the battle against the landlords, anti-reactionary "right wingers" in the 1950s, the three-year famine (1959-1962) as a result of the failure of the People's Communes and the 10-year Cultural

Revolution (1966-1976) had all, in one way or another, brought forth economic setback, let alone any achievement in poverty reduction measures.

There was, however, a critical element that the Chinese Communist regime had much facilitated the implementation of major development programs notably infrastructure building when reforms began in 1978. And that was the state ownership of all urban lands. As to rural lands, even though the new land code formulated in the 1990s continues to stipulate that farmlands are “collectively owned” by peasants, the state has an absolute authority to expropriate land for development purposes. Peasants are consequently compensated at a market rate deemed appropriate by the authorities as individual or household rights users (Ho, 2001). This has made development programs easily implementable in China as compared to many other countries where privately-owned lands often meet with legal disputes.

Economic reforms began in 1978 two years after Mao's death. Under the leadership of Deng Xiaoping, he overturned Mao's “egalitarian poverty sharing doctrine” and initiated a pragmatic approach to encourage people to strive hard and gather wealth to improve their material living standards. In the rural sector, People's Communes were decollectivised and household responsibility system was introduced to induce productivity growth through marketisation and pricing reforms. In 1984, urban reforms were introduced and were more characterised by the ease of *hukou* (registered residence) control of city-bound rural migrants and export-led industrialisation (Zhang, 1993). In June 1984, while receiving a foreign delegation, Deng said succinctly that “socialism must eliminate poverty and poverty is not socialism”. For him, building socialism was tantamount to enhancing productivity to a high level and creating great material wealth for the people. The advantage of socialism over capitalism, he added during his southern tour in 1992, was that it could potentially create wealth and achieve common prosperity (Wu, 2017).

After over 40 years of reform and opening-up, China has indeed reached a much higher income development stage. According to World Bank's international poverty classification, China's poverty rate had dropped from 84% in 1981 to 49.8% in 2000, and most recently, 0.6% in 2019 (World Bank, 2019a).

### **The Five Stages of Poverty Reduction Measures**

From 1979, putting economic development as top priority and as a good welfare token aimed at winning over the hearts and minds of most ordinary Chinese folks who were more interested in having their daily livelihood improved than any communist ideals, poverty reduction measures had begun with great effect and rigour. From 1979 to the present, poverty transformation in China

following the reforms has gone through five stages, summarised as follows (Hou, 2018):

1. 1979-1985: Gradual removal of the People's Commune and setting up of the household responsibility system in the rural sector. With household units being allocated arable and non-arable plots for farming, all units would have to pay in kind as taxation and sell part of their harvest to the state at fixed prices. In 1982, a special fund was set up to help out identified parts of the north-western region where peasants lived in abject poverty;
2. 1986-1993: Assistance given to 592 pilot poverty counties identified nationwide as those with serious problems. Criteria of aids were formulated for helping them out of poverty and such identified counties were administered directly by their own county officials;
3. 1994-2000: Under the "National Seven-year Priority Poverty Reduction Program", a guiding plan was provided to further develop poverty-stricken areas. At the same time, measures of environmental preservation were carried out, including the return of ecologically fragile farmlands to forest or grassland, soil and water conservation, natural forest protection to strengthen biodiversity, and desertification control. Farmers discharged from fragile areas were offered appropriate compensation packages and relocated to other sites to continue farming or to be trained to take up non-farm or farming plus off-farm jobs;
4. 2001-2012: Deepening anti-poverty measures started earlier with the 592 pilot counties, to the village level covering a total of 150,000 villages. Programmes included value-added business creation and marketisation of local products. By 2007, a minimum livelihood scheme was set up to provide security income to local villagers; and
5. 2013 to the present ushering the stage of targeted poverty alleviation. This means strategic measures would be applied to the remaining poverty groups with the aim to fully remove poverty at household level nationwide by 2020. This period has witnessed the assignment of special task force personnel to identify specific features of each village whose special needs would be tackled by tailor-made approaches.

Stage 1 was fundamental as Deng's reformist policy sent a strong signal that "poverty is not socialism" to his top-ranking officials who hesitated whether to follow him or to stick to Mao's pre-reform path which forbade any move towards to market economy. Using the World Bank's US\$1/day income measure as the poverty line, the number of poor people estimated at 490 million or 49% of the population in 1981 dropped sharply to 6.9% in 2002. This achievement was largely made through real GDP growth which recorded an annual average of over 9% during this period. This sustained GDP growth was largely attributable to economic structural reform which encompassed shifts from central planning to markets and the move away from agriculture to manufacturing and services. Through encouraging international investments, China benefited substantially from

technology and management skills transfer (Wang *et al.*, 2004). At the domestic front, the “unlimited supply of cheap and ununionised labour” from the farm sector played a major role in supporting the urban economic expansion.

### Achievements

Before the start of the reforms, poverty in China as a whole was more of a rural phenomenon. Urban *hukou* residents were then paid low wages and led a very humble life as state employees but were free from taxes and entitled to social welfare and public housing subsidies. They also enjoyed cheap farm produce which peasants paid in the form of land tax and another proportion sold at fixed prices to support urban residents. Even after the start of reforms, rural poverty was commonplace because households were largely redistributed with tiny land plots under the responsibility system when People's Communes were dismantled. In contrast, virtually all urban *hukou* residents were entitled to pension schemes after retirement as against aged peasants who had to rely on close relatives.

On a more equitability basis, China's reformist strategy has turned the originally urban-biased policy to extend assistance to the rural sector. Initially, the promotion of “Township and Village Enterprises” (TVEs) in the rural sector in the 1980s was such a move. By 1992, the TVEs employed over 25% of the rural workforce and contributed some 40% of the per capital rural income (Yao, 2000: 448). Between 2013 and 2017, President Xi Jinping put forward another idea, known as “precise poverty reduction,” which targeted at specific rural poor population with tailor-made packages and helped relieve over 60 million out of poverty.

Despite weaknesses and inexperience encountered during the implementation process, China's poverty reduction programme has been achieved at a highly satisfactory level. During the period from 1978 to 2017, for instance, China's per capita disposable income increased by as much as 24 times, which also saw the level of urbanisation rising from 17.9% to 58.5% or an increase in urban population by 640 million. Impressed by China's success, the UN Secretary-General Antonio Guterres spoke highly of Xi's idea of “precise poverty reduction” which he felt was a good way to help the poorest people in developing countries. For this objective, the United Nations drafted an ambitious goal in its “2030 Agenda for Sustainable Development” in which over 700 million people living in extreme poverty globally have been targeted for poverty eradication (Zhou, 2019). In 2022, the World Bank acknowledged that over the past 40 years, the world's population that lived in extreme poverty, or on a per capita income below US\$1.9 per day, have been reduced by 800 million. Of these, almost 75% were in China. China's next move is to achieve a new goal towards common prosperity by 2035 with particular focus placed on the most vulnerable groups. The World Bank's assessment basis was built primarily on four key factors: growing agricultural

productivity, incremental industrialisation, managed urbanisation and rural-to-urban migration, and the role of infrastructure (World Bank, 2022).

These key elements have contributed substantially towards macro-level economic growth with trickle-down effects benefiting the poor and their incidence of poverty. They are also interlinked and incremental in providing a strong driving engine dynamo during the 40-year process of transformation. First, agricultural reform made improvements in productivity and provided market incentives. Second, the initial stage of low skilled labour-intensive industries in the cities provided ordinary workers released from agriculture with adaptable capacity to meet industrial needs. Third, with jobs made available in the urbanisation campaign, rural migrants are able to make transfers of incomes back to the villages. Lastly, investment in infrastructure improved not only living conditions in rural areas but also connected them with urban and export markets (see Zhu & He, 2019; Zhao *et al.*, 2016).

### About This Special Issue

Apart from this introductory article, the special issue has five specific articles which have a focus on poverty resolution measures adopted for ethnic minorities, returning youths from the cities, applicability of Taobao e-commerce in the Philippines and lastly a macro-policy issue as to what urbanisation could do to help relieve incidence of poverty. National economic growth is definitely a major stimulator which can spark off trickle-down effects to benefit the poor as a whole.

In Article 2, Huang and Zhang examine ethnic Yao's poverty associated traditionally with strong dependence on subsistence agriculture in northern Guangdong province, in which they trace the role of the state and imported capital as an initiator and stimulator to bolster economic development. The transformation is through economic restructuring by bringing in more productive secondary and service sectors to the mountainous area. The fatherly care and guidance of state-owned enterprises has been key to lead state-private joint ventures and private enterprises and make the ethnic area more dynamic with activities and exposed to the outside world. As the Yao ethnic group lives in scenic hilly areas, tourism has great potential to bring in good sources of revenue from holiday makers living in the affluent Pearl River delta cities situated to its immediate south (Donaldson, 2007).

In Article 3, Ran Liu and her associates investigate the contribution of returnees in rural Beijing in bringing up local income levels with their business undertakings, though not all returnees are successful. Their sources of data are taken from the 2016 official data, interviews and observations in rural Pinggu, north of Beijing city. Even though only a small number of people have returned, their valuable knowledge learnt from the cities and social networking skills are highly useful as entrepreneurs. Moreover, they have benefited from technical guidance provided by the local Pinggu government in terms of marketing network links, and other e-commerce training and platforms. A

strong remark needs to be noted is that both men and women returnees have played an equal role in the running of business.

Katrina Principe's study in Article 4 is about the applicability of the Chinese Taobao model in the Philippines which has great potential to help raise rural household incomes. According to the World Bank (2019b), Taobao operations have indeed stimulated jobs, growth, entrepreneurship and income generation in rural China through e-commerce. This success has attracted migrants to return to their villages to run business, and they have also benefited from cheaper loans provided by Taobao than informal sources (Weiss, 2005). While considering the adoption of China's Taobao model in the Philippine setting, the paper puts forth a rethinking and re-conceptualisation of rural development in the Philippines. She appeals to analyse first why rural development in the Philippines has so far been ineffective, and questions how institutional capacity can best be strengthened, what public economic support should be introduced to help the rural poor using the strategy implemented in the Taobao Villages.

Putian Pu in her Article 5 looks at how resettlement of an ethnic minority group in the mountainous Yunnan region from subsistence farming to urban-based activities. This measure has proved to be a justifiable option in alleviating localised poverty despite difficulties encountered by resettlers when adapting to a new livelihood. In her case study of Jinggu County, she has discovered that careful government planning and resettlers' own initiative are equally important in making income improvement a reality and a better future for their children. Besides, follow-up actions are indispensable and a continuous process to ensure resettlement is sustainable, and these include the promotion of industrial activities, uplifting management skills to reinforce villagers' autonomy, as well as stimulating resettlers' endogenous motivation to face up with new challenges.

In Article 6, Tai-Chee Wong examines China's urbanisation strategy which has been deployed to reduce the incidence of poverty. Policy initiative has come from the state which uses urban economies of scale, higher values of land and goods and services as the engine to drive growth (World Bank Group, 2014; Li et al., 2020). Cities are moreover an absorber of rural surplus labour, centres of major infrastructure and urban-industrial activities when reforms took off from the 1980s. Thanks to the high performance of export-led industrialisation and finance-driven expansion, the lower income groups are also recipients of the spread effects. Whilst living standards of the poor have seen much improvement, the wealth of the richer cohort of the society has even grown faster, resulting in a widened gap between the rich and the poor. Focus of the state is now centred on bringing up faster the income levels of those in disadvantaged mountainous and arid provinces in the western remote regions.



## Conclusion

China's post-reform policy of poverty reduction which has involved huge human and financial resources to help the poor has served a two-pronged objective. First, it has assisted the regime to maintain one-party rule and social stability. Second, while the Chinese Communist Party has retained a tight control within a market-led reformist political doctrine, poverty reduction has been used to raise its international standing as a successful "socialist state" adherent to social justice and social harmony. Based on China's successful experience over the last 40 years, international communities have made complimentary remarks on its poverty reduction efforts.

However, effectiveness of poverty reduction depends on the extent of equitable redistribution of resources and fruits gathered from economic growth. As the reformist regime has introduced a market mechanism which has allowed private business undertakings, and their collaboration with the politically powerful, widening income gaps and social disparity have become inevitably a "villain by necessity." Thus, as it is often stated that if the gini coefficient remains high when GDP growth is high, the success rate of poverty alleviation capacity would be low. In other words, growth of higher quality means more equitable distribution of benefits are made in favour of lower-income groups as they gain more in absolute terms as average incomes rise. China's massive scale and export-led industrialisation in the post-reform era has been a key factor in urban-based poverty reduction, and this is demonstrated in the provision of substantive urban jobs, not in the form of low-ordered street petty trade, a common feature highly visible in many other under-developed countries (see Weiss, 2005).

Over the last four decades, many developing national governments, in collaboration with international organisations, have attained certain level of success in reducing their incidence of poverty. But one cannot take for granted that this positive trend will continue and poverty will be eradicated as a matter of time. Evidence in many less developed countries outside China has shown that the trajectory might regress to a state of relatively slow progress reminiscent of the situation in the 1980s and 1990s. As a whole, there have been signs of rising overall inequality since 2005 (Ravallion, 2013). China is no exception as a result of high rates of economic growth and export surpluses which have been followed by polarisation effects. It is this concern that the current Chinese leadership is focused on in order to build a renewed society of common prosperity which is expected to carry equal policy weightage as poverty reduction was once given some 40 years ago.

\* Dr. Tai-Chee Wong [黄大志] was a former Associate Professor of Nanyang Technological University of Singapore, Visiting Professor of Guizhou University of Finance and Economics, China, and Professor of Southern University College, Malaysia and Guest Editor of this special issue. Email: taicheewong@gmail.com



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