

CHINESE ECONOMIC REFORM POLICIES AND THEIR APPLICABILITY IN IRAQ

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ABSTRACT

This research focuses on the study and evaluation of economic reform programs in the Chinese economy, as one of the world's most effective policies. It was able to combine socialism with its openness to the market economy, resulting in market socialism. It demonstrated the feasibility of effective economic development in the state system itself by following the capitalist and socialist methods. The study looked at the relevance of Chinese experience in Iraq and its efficacy in the Iraqi economy's transition from a command economy to a free economy open to the rest of the world. It is based on laws and regulations that improve the economic development process by addressing national interests. In light of China's proposed reform experience, the paper concludes with a model for implementation in Iraq.

Keywords: The Chinese Economy, Accounting, The Mechanism of Economic Transformation, The Combination of Market and Planning Mechanisms, The Foundations of Economic Reform.

INTRODUCTION

China's experience has shown that combining a state-directed economy with some elements of capitalism can lead to development success. China was suffering from poverty, short natural resources human capital and, constrained by the hostile ideology against markets (Qian, 2002,1).

It is conceivable for developing countries, such as Iraq, to implement the Chinese model successfully. Iraq, as a developing country, exemplifies the rentier economy, which is defined by monopoly power and government control. As a result, creating the right environment to attract foreign investment to Iraq was critical to the success of the Chinese model implementation. In addition to the presence of transparency and an environment free of administrative and financial coercion, there must be a sincere willingness to implement these policies. Furthermore, there must be transparency and an absence of administrative and financial corruption in most government departments, it is important economic reforms are inter-connected and priorities have to be set (Cheng, 2009).

Iraq relied on centralized economic planning prior to 2003, and after 2003, it implemented economic reform initiatives. Iraq, on the other hand, has not attained the requisite levels of economic growth based on its existing resources in any situation. It was unable to identify a coherent economic policy that would develop and diversify the Iraqi economy, whether under the socialist system or at the current stage of the market economy. As a result, it is critical to follow China's lead in combining the socialist and capitalist systems. This is can be achieved by making some modifications to suit the conditions of Iraq. It is impossible to adopt

ready-made economic models or lessons learned from other countries without first determining the proper economic climate and available capabilities.

China has been able to achieve high rates in economic development Since the open-door policy began in 1979. It depends on strengths, relatively stability, a remarkably high saving rate, pragmatic reforms, a disciplined labour (Romo, 2009,15).

RESEARCH METHODOLOGY

Significance of the Study

The importance of the research is to address an important subject: Chinese experience. Because of the constant development of its economic position, it has captured the attention of a lot of developing countries. This makes it a successful model to be followed in order to achieve high rates of economic growth and draw from that experience lessons provide a framework for a new transitional phase that fits Iraq's economic reality.

Research Problem

One of the biggest and most successful development experiences in the world is Chinese experience. It has brought international authorities and organizations involved in achieving effective long-term economic growth to the attention. This study problem to determine how the Chinese experience in Iraq can be used to address structural and economic challenges in the implementation.

Research Aims

The goal of the study is to identify China's economic reform policies, as well as the extent to which they may be used and applied in the Iraqi economy given the available resources, and then to evaluate the policies' outcomes.

Research Hypothesis

The success of Iraq's economic reform measures will be determined by the implementation of a well-defined economic strategy, from which an integrated set of economic and financial policies, as well as the implementation of a comprehensive investment program, based on the reality and potential of the Iraqi economy.

Limits of the Study

The research is limited to a study of the Chinese economy from 1978 to 2017, with a focus on the Iraqi economy's most critical foundations.

Research Method

The descriptive analytical method was utilized to prove the study hypothesis and attain the research objectives.

Research Structure

To achieve the goal of the research, the research was divided into three sections. The first section deals with the study and evaluation of economic reform in China, while the second section touches on the possibility of applying the Chinese economic philosophy in Iraq and the basic pillars of the Iraqi economics. The third section presents a proposed model for economic reform in Iraq in the light of the Chinese experience.

CHINA'S ECONOMIC REFORMS

First: China's economy is in the process of reforming

Deng, in cooperation with his allies, has attempted to create a reform program in China that encompasses various sectors, notably the economy, since seizing power in 1978. The shift from a centrally planned to a market economy is critical to the effectiveness of these programs. A gradual opening to the rest of the world and a free market are required in view of the difficulties and structural imbalances that the Chinese economy faces. These stages of transition towards a market economy are:

Reforms in the countryside (1978-1984)

The adoption of the individual family-based farming system known as the family responsibility system was the most important step at this time. Self-disposition in production management helped by a policy of giving over a portion of production to the government and the flexibility to dispose of the surplus, boosted farmers' positive energy and freed up production capacity. As a result of the economic reforms, the institutional structure of Chinese agriculture shifted (Lin, 1992: 34).

Economic reforms in cities (1984-1989)

During this era, the Chinese government attempted to implement a number of measures aimed at moving economic reform from rural to urban areas. The dissolution of the State Council of Committees and the decrease of its total number and personnel numbers are among the key changes in the structure of industrial firm ownership and management. The goal of this reform was to gradually change the government from centralization to decentralization. It shifted its interventionist policies from complete involvement to selective intervention for a handful of projects, loosened its grip on resource and capital allocation, and allowed local institutions more autonomy (Zhang, 1996: 8).

Freezing reforms (1989-1991)

Unrest erupted as a result of the country's quick openness and economic reforms. It was one of the most well-known demonstrations at Tiananmen Square, which was defined by the rise of high prices and the expansion of corruption. Due to the lack of a comprehensive reform idea, the public outcry became more intense. As a result, reform coordination and prioritization were suspended, and then frozen in 1988.

Opening up to the Outside (1992-2017)

Deng started a new phase in the economic reform effort in 1992. The importance of the socialist market economy was highlighted, and the fundamental frameworks were established. Local governments were freed from the planned economy, allowing them to focus on their own activities. Tax reform was the first step taken by the government. Comprehensive economic globalization was approved by the end of the 1990s, and the country was admitted to the World Trade Organization in 2001. After 2002, the Chinese government realized that economic development was no longer sufficient to maintain the communist regime's legitimacy. This led to adoption of the modern development principle that is concerned with sustainable development (Cheng, 2009, 4-7).

Second: Mechanisms of reform and openness to the outside world

Open Economic Zones

China's economic development has considerably improved since it launched the open-door policy in 1979. The formation of special economic zones was part of that plan that helped China achieve economic growth. The Chinese government directed specific places with favorable circumstances. Open-door reforms were begun as an experiment to examine the impact of economic changes aimed at a market economy in a controlled context. The Chinese government chose to open just a portion of the economy, thus four special economic zones were created: Shenzhen, Zhuhai, and Shantou in Guangdong, and Xiamen City in Fujian Province, each with its own set of benefits (Romo & Athziri, 2009: 15). In light of the move toward a market economy that was outside of the state's full authority, the open economic zones were a test of new policies. This is due to its distance from political and economic regions. Added to that, the typical goals of special economic zones, such as attracting international investment and technology, raising exports, creating jobs, and producing local spillover benefits (Zeng, 2012: 7).

Foreign Trade Reform

China has implemented a new international trade system that combines a controlled economy with economic openness. It began to progressively abandon the previous planning strategy while preserving export subsidies, which provide the Chinese economy a competitive advantage. From 1994 until the present, China has accelerated its liberalization process, yielding a variety of outcomes. The Chinese economy grew more connected with the rest of the world. The major drivers of development were structural shifts away from agriculture toward industry and services. These were fueled by dramatic reforms in rural and urban regions (Song et al., 2016, 3).

Foreign direct investment in China

Foreign direct investment, which was almost non-existent before 1979, is another evidence of China's strategy of opening up and economic reform. In addition to incentives and privileges granted to investors for the purpose of reducing transaction costs for foreign investors, the Chinese government has worked to create a favorable business environment in order to attract foreign applications. It has also worked to grant a delegation to the local authority to facilitate business management such as most projects do not require approval (Canfei, 2006, 36).

Third: Evaluating China's Economic Reform

GDP rate: China sought to achieve a high economic growth rate and to increase per capita income through structural changes. Table (1) shows China's GDP increased from 26126.03 billion dollars in 1979 to me \$122,277.23 billion, with a compound growth rate of 5.2% in 2017, and the compound growth rate of the value of the gross domestic product reached 10.7% during the period 1979-2017. This increase was reflected in the improvement in the per capita GDP, which rose from \$269 in 1979 to \$8,830 with a growth rate of 4.6% in 2017, and the compound growth rate of the per capita GDP was 9.6% during the period 1979-2017.

Year	Gross Domestic Product (Billion Dollars)*	compound growth rate%	GDP per capita (dollars)*	compound growth rate%
1979	26126.03	-	269	-
1982	26861.14	0.9	278	1.1
1985	30635.39	4.5	291	1.5
1991	40842.86	0.4	354	-1.1
2000	119853.33	8.1	949	7.2
2004	193183.05	12.7	1490	11.9
2006	271342.69	18.5	2069	17.8
2012	856502.61	19.7	6341	19.1
2015	1106377.8	8.9	8068	8.4
2017	1224277.23	5.2	8830	4.6
Compound growth rate of the value of GDP during the period (1979-2017) %				10.7
Compound growth rate of per capita GDP during the period (1979-2017) %				9.6

Source: National Bureau of Statistical of China, Available at:
<http://www.stats.gov.cn/english/Statisticaldata/AnnualData>

The compound growth rate was calculated based on the value of GDP and applying the equation

$$r = \left(\frac{P_2}{P_1}\right)^{\frac{1}{n-1}} * 100$$

*Converted the values from yuan to dollars based on the corresponding exchange rates for each year

Gross fixed capital formation. As a proportion of GDP, the rate of fixed capital formation as a percentage of GDP in China increased from 29.21 percent in 1979 to 41.89 percent in 2017 (World Bank, Data Bank, www.data.worldbank.org). This reflects the progressive growth of infrastructure investments, as well as the gradual increase in the flow of foreign direct investment into China and the implementation of government policies in advanced technology domains, in order to develop a broad industrial base.

Foreign direct investment in China

Table 2 shows the investments have grown from 1258 million dollars in 1984 to 13, 4060 million dollars in 2017. in order for the state's policies to be successful. Foreign direct investment outflows from China increased from 134 million dollars in 19984 to 158 million dollars in 2017. To meet China's needs, the Chinese government adheres to the departure policy.

year	Inflows of foreign direct investment into China	Foreign direct investment outflows from China
1984	1258	134
1990	3487	830
1995	35849	2000
2000	40715	9158
2005	72410	12261
2009	90300	48000
2010	114730	68810
2015	135610	128000
2016	133710	183000
2017	134060	158000

Source: United Nations Conference on Trade and Development (UNCTAD). World Investment Report, New York, multiple years.

Reform of Foreign Trade

Table 3 displays high value of foreign trade increased from 29.33 billion dollars in 1979 to 4107.2 billion dollars in 2017. With a compound annual growth rate of 14.39 percent, the exports has grown from \$13.66 billion in 1979 to \$2263.4 billion in 2017. Imports grown from \$15.67 billion to \$1843.8 billion, a compound annual growth rate of 13.36 percent. The surplus increased from 102 billion dollars in 2005 to \$419.6 billion in 2017.

Year	Total exports	Total imports	Total foreign trade	Trade balance
1979	13.66	15.67	29.33	-2.01
1980	18.12	20.02	38.14	-1.9
1990	62.090	53.350	115.44	8.74
2000	249.20	225.1	474.3	24.1
2001	266.10	243.55	509.7	22.6
2005	761.9	659.9	1421.8	102
2010	1577.8	1396.3	2974	181.5
2013	2209	1949.9	4158.9	259.0
2015	2273.5	1679.6	3953.0	593.9
2017	2263.4	1843.8	4107.2	419.6
The compound growth rate of exports during the period (1979-2017) %			14.39	
The compound growth rate of imports during the period (1979-2017) %			13.36	
Compound growth rate of total foreign trade during the period (1979-2017) %			13.88	

Source: National Bureau of Statistical of China, multiple years, a Available at: <http://www.stats.gov.cn/english/Statisticaldata/AnnualData>

The compound growth rate was calculated based on the value of GDP and applying the equation

$$r = \left(\frac{P_2}{P_1} \right)^{\frac{1}{n}} - 1 * 100$$

The possibility of applying Chinese economic reforms in Iraq. In this section, the possibility of applying Chinese economic reform framework in Iraq is discussed.

First, institutional change necessitates the enactment of rules, laws, instructions, programs, and policies that govern behavior within the scope of the state's power and administration.

Second, management and organization are available as reform components and pillars, with management encompassing relevant theories, strategies, plans, and leadership, as well as mechanisms on the ground to accomplish the desired outcomes and decentralization. market requires getting property rights right and getting institutions right. because property rights, and institutions in general, set the rules to affect the behavior of economic agents in a fundamental way (Qian, 2002,7).

Thirdly, doctrine there must be a for the of communal action. As team work is seen as a creed and the basis for a renaissance experience and plays a part in solving the problems faced by this movement, it has become possible to resolve the problems that confront technology through multiple phases through successful research and development method (Gordon, 1993, 199).

Fourthly, high savings, and a fast-growing economy. Chinese experience in this field can be used, and in view of the importance of saving, it is vital to follow: (Barry, 1996,150).

1. Enhance awareness of savings by means of media and education and provide adequate ways to attract individual savings, particularly from high-income individuals.
2. The development of the financial system through developing financial institutions and financial markets that leads to the increase of domestic savings and to the creation and improvement of the capital formation.
3. Working on policy development economic policies designed to improve domestic savings rates and other initiatives to reduce inflation and increase local savings.

Fifthly, Iraq should to build a suitable investment environment. While it provides a range of advantages and incentive to attract investors, it is not the only aspect that has a bearing on investment decisions. It is necessary to benefit from the Chinese experience.

Sixth: Benefit from china in the combination of market and planning mechanisms (Qian, 1999, 21) in Iraqi. The Iraqi economy has seen the application of two types of systems. The first type represented the application of the planned economy system prior to 2003, in which the state played a significant role and was based on a fixed political will that adopted central planning. The second type Iraq's the free-market economy system after 2003, in which the economy is open to international trade. It is a market economy built on economic freedom and market competition, as well as the Iraqi economy's connection with the world economy. Iraq did not achieve needed economic growth rates and the planned economic development rates in both situations. The Chinese experience with the social market economy system and market socialism may be learned. If, the Iraqi economy has a substantial governmental sector, and state-owned companies, such as the private sector, function and keep their earnings for the benefit of all she can be successful.

Seventh: Free economic areas can be used to facilitate a steady change of the market economy and to establish and disseminate acceptable ideas for economic reform. Chinese knowledge in this subject can be. In the caseavailab of effective administrative methods, good governance and organization play an important role for the work of investors without complicated procedures and high costs which will require efficient and skilled administration to operate in the free zone and sufficient powers to bypass routine. The need to offer incentives in the different economic zones, including tax and customs exemptions, project ownership, the

restoration to the home country of profits and capital, the provision of cheap, trained workers, raw material supplies and the infrastructure services of the host country, in various forms (Chow, 2004,143).

A proposed model for economic reform in Iraq in light of the Chinese experience

First, economic reform as a springboard for diversification: By advancing toward economic variety, we can improve economic performance, increase stability and balance, and ensure long-term sustainability. Especially given Iraq possesses natural and human resources that, if properly developed, help the country diversify its economy by. establishing a stable investment fund and developing transparency structures and, and accountability, as well as working to secure a solid independent technical management. And Identification of key diversification sectors, including agriculture, industry and tourism.

Second, working on appropriate programs and mechanisms to combat administrative and financial corruption, which has an impact on economic and political stability, wastes resources, wealth, time, and energies, obstructs the completion of responsibilities, jobs, and services, and causes further delays in construction and economic progress.

Third, a new way to look at the oil and gas industries: The reform of these two sectors aims to improve their effectiveness by implementing a commercial methodology and governance standards, speeding up the passage of the Federal Oil and Gas Law, separating the regulatory and administrative work tracks, and gradually transitioning from a state-led approach to one in which the private sector is supervised and monitored by the state.

Fourth: rehabilitation of the public sector in accordance with an integrated national program that fosters competition between the public and private sectors without requiring public sector ownership transfers and is in keeping with the realities and possibilities of the Iraqi economy. This can be achieved through creating a strategy for assessing public-sector performance. There is also a need to provide exact and thorough information on these businesses, as well as to identify the causes of production drop and to work to improve production processes and efficiency.

Fifth: Changing commercial policy through influencing economic policy to invest in ports and the surrounding areas. In addition, a portion of the money allocated to border crossings will be used to improve their reality. There is a need to protect the regulations and laws that govern the import process and prohibit the arrival of items that do not meet the Central Organization for Standardization and Quality Control's requirements. Exempting or lowering the percentage of customs taxes paid on manufacturing needs or raw materials utilized in local manufacture. It is a prerequisite to support export-oriented products, researching export opportunities, and recommending production growth rates for these commodities in line with export capabilities and internal policies that allow them to benefit from external market conditions. As it happened in China (Lardy, 1993,40).

Sixth: Reforming the educational policy through:

1. Ensuring the quality of educational systems and curriculum while modernizing human resource infrastructure and establishing integration and coordination between educational outputs and labor market requirements.
2. Creating a partnership between the Ministry of Higher Education and Scientific Research and other ministries such as oil, agriculture, trade, and tourism. It is beneficial endeavors to take advantage of scientific knowledge and academic guidance and apply.

3. Seek to promote interest in transferring, localizing, and extending technology; encourage creators and inventors, conclude contracts with private organizations; and provide incentives and advantages to attract researchers and thinkers from across the world to profit from them.

Seventh: making Monetary reform is an important part of comprehensive economic reform. It aims to achieve high rates of economic growth, alleviate poverty and unemployment, achieve a high degree of social justice, achieve internal and external economic balance as it happened in China (Yueh, 2012,137). and work to strengthen the Central Bank's ability to develop control methods, on the functioning of the banking system, and in parity with the rest of the world. In addition, it keeps an eye on numerous financial investment firms. As well as the continuation of the Central Bank of Iraq's monetary policy, through a set of procedures mandated by the transition mechanism, within the context of achieving its operational and intermediate goals of reducing monetary inflation and maximizing the purchasing power of the dinar through indirect monetary, as well as the adoption of market signals in a way that aids the stabilization of the dinar.

Eighth: Providing job opportunities for the unemployed and eliminating unemployment: this is one of the most pressing issues confronting the Iraqi economy, and it necessitates the formulation of a broad development strategy that is labor-intensive and based on diversifying the local production base in order to achieve economic growth.

CONCLUSIONS

1. In its model of reform, China has chosen experimental and flexibility-based economic and political policies and has tried to strengthen state authority over economic and open markets.
2. It has been evident that Chinese reform is progressive and no strategy existed, and it was not evident that its progress in market economy is directed. In the beginning, China depended as a catalyst on planning and the market.
3. China's economic reform experience cannot be recreated, but it does not preclude us, in view of the fact that it has many material and human elements and that to date has failed to achieve the economic progress hoped for, from gaining certain lessons learned from it in the Iraqi economy.

Recommendations

1. The economic reform in Iraq must be progressive in its transition to a social market economy, that is, a combination of markets, profits, society and development, and a need to balance them, with the presence of an effective state that functions as a custodial state, deriving both from reality and from components of the Iraqi economy.
2. Achieving an ambitious strategy that expresses a broad focus on economic diversification as a prime objective and a vital prerequisite for the construction of a more sustainable modern economy.
3. Security stability must be established in order to stimulate local and foreign investment to attract and benefit from the knowledge and technical capabilities of multinationals to invest in Iraq.
4. Take advantage of Chinese experience of Iraqi economic fields which are in keeping with their reality and components in light of their incapacity to reach, as a result of the special conditions, the intended economic development to date.

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