

The economic foundations of the socialist market economy system in China - an intellectual vision

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Abstract: Since the emergence of human societies, and with the passage of time, each society has had its own circumstances, characteristics and historical dimension, and then its intellectual system and means of application. With the development of human life and the different conditions of societies and the development of their needs, different types of economic and social systems emerged to ensure the continuity of human life and satisfy his desires using the means of production and the sources of revolution available in society. increasing government support for agricultural production and increasing its credits in agriculture, and helping logic in developing. The economic development, especially in the old revolutionary areas and poor areas, contributes to the development of the economy, especially in the old revolutionary areas, areas populated by national minorities and remote border areas.

Keyword: economic and social systems, the socialist market system, economic globalization, agrarian reform

Introduction:

The development in the pattern of the Chinese economy, especially the socialist market system in the sense of the market economy system (under socialist conditions) has historically been linked to ideological reference, Chinese characteristics and international economic modernization, and that China is gradually moving away from the establishment of a communist (Marxist) society, and that its new economic policy is focused on establishing a socialist society. Specifically, and towards a mixture of socialism and capitalism.

Research importance:

The importance of studying the economic foundations of the socialist market system in China comes as this unique experience distinguished from other contemporary experiences in China's economic development and construction. Thus, it is a model for developing countries that have been able to succeed in facing challenges and addressing problems, and then succeeding in their development.

Research problem:

The stages before the socialist market system in which China was a developing country, economically backward, with the standard of living of its residents, the nature of the sectors of the economy and its branches, and the weakness of its dealings with technology. The previous economic policies of this system were a major obstacle to development and economic progress.

Search objective:

Knowing the foundations of this system that made China the second economy after the United States (globally), so that other countries can benefit from this distinguished and successful economically experience in record time during several decades.

Research hypothesis:

The great development in the pattern of the Chinese economy, which was embodied in what was known as (the socialist market system), this development was historically linked to the ideological reference, Chinese characteristics and international economic modernization (economic globalization).

Research Methodology:

The research depends on the analytical, intellectual, descriptive, and deductive method, which is consistent with the nature of this research in studying the economic foundations of the socialist market system in China. The research included four topics:

First: An introduction to the concepts of socialism, communism and capitalism.

The second: the Chinese socialist economic path in the pre-market socialist stage.

Third: Theoretical and practical foundations of the socialist market system.

Fourth: The basic mechanisms of the socialist market economy system.

The first topic: an introduction to the concepts of socialism, communism and capitalism

The seeds of socialist thought have been found since the conflict between human beings began, and they have developed into theories to address social and economic problems, especially ending exploitation and achieving reconciliation among people according to the characteristics of each society and its historical dimension.

We find these intellectual seeds in many of the laws and regulations of the ancient countries - and at the forefront of these countries is ancient Iraq. In his first civilization, King Hammurabi's ideas of respecting individual property, preserving public ownership, regulating economic activity, and working on the principle of cooperative participation when granting lands to groups of farmers who share together in its investment (*House, F. (2009). Freedom p. 92*). Then we seek these seeds from the Arabs before Islam when the movement (the tramps), which expressed itself as a revolution that rejects class differences in society. To organize social and economic life, it was a comprehensive human revolution against grievances, exploitation, injustice, poverty and tyranny of classes.

In European societies, socialist thought was not only a product of the conditions that resulted from capitalism in the eighteenth and nineteenth centuries, but its historical roots extend back to several centuries preceding that. However, the crystallization of the elements of this thought began to appear clearly with the development of capitalism, especially what the Marxist theory brought. From scientific formulations in her analysis of capitalism in Western European society in the mid-nineteenth century. This theory, which formed the intellectual reference for many socialisms, such as Soviet socialism (which collapsed), Chinese socialism, which developed in another direction called (market socialism), and the experiment of self-management in Yugoslavia, which ended with the death of Tito. In other societies in which you were not born, it is a product of imagination and not science. It is the product of the materialistic West, just as the capitalist theory preceded it in the society itself.

This means that every society, according to its characteristics and historical dimension, has its own socialism, despite the participation in a basic bridge between them, which is the end of human exploitation of other human beings. So communism is one thing and socialism is another.

Therefore, the theory and experiences in which the collapse occurred at the beginning of the nineties of the last century is communist socialism whose reference is the Marxist materialist thought, not the socialism promoted by the Oekian theories, that is, the collapse of communism, which stood in a negative conciliation of religion, nationalism, and heritage, in which private property is denied and in which centralization prevailed. The severe stress in economic life, which regards the total need of man as material only, and the motive factor of history with the economic factor only (*Dr. Adnan Manat(1994). pp. 61-75*).

Therefore, the alienation of Marxist theory from the reality in which it was not born, as well as the external causes (the Cold War), are all basic reasons for the collapse that occurred to the communist regimes.

Despite the collapse that occurred, the socialist-communist economic system was distinguished from the capitalist economic system in particular in ensuring a greater degree of convergence between income levels, in the possibility of achieving a significant reduction in unemployment and in securing the basic necessities of living such as housing, health and education, as well as dividing society. To the rich and the poor and in principle where we find that the capitalist system is basically a system of class differentiation and aims to achieve maximum profits and is dominated by the monopolistic organization that controls the needs of the country, which does not achieve the full operation of resources, and makes the state a tool in the hands of the few and not to serve the people, in addition to periodic crises in economic life such as stagnation, depression and inflation, especially the unemployment, external debt and other problems that the American economy suffers from (*Zaki, Ramzi(1990). p. 7.*).

According to the foregoing, the collapse that occurred in the communist regimes, not in socialism, for the internal and external reasons that were mentioned.

The second topic: the Chinese socialist economic path in the pre-market socialist stage

The great developments and great transformations in any society and in its various fields, including the economy, were only the product of sophisticated thought and action that stem from the movement of reality and are based on the civilizational heritage, as well as interaction with the data

and experiences of human thought. Therefore, the experiences that overcame difficulties and challenges and achieved the material, spiritual and moral civilizational accumulation for them and for humanity were always based on a special path in thought, application and means.

In order to know the developments that took place in the pattern of the Chinese economy, especially the experience of the socialist market economy, it is necessary to study the previous course of this experience. It is noted that the Chinese socialist economic path passed through three stages:

1. The stage of socialist transformation from the establishment of the republic in 1949 until 1976.
2. The stage of socialist economic reform and openness from 1977 to 1992.
3. The stage of the socialist market economy since 1993.

The first stage: the socialist transformation:

This stage was characterized by features that stemmed from its specificity, historical heritage, and needs, especially in its adoption of the experience of armed struggle (the war of liberation) (*Selected Works of (Deng Xiaoping) (1975-1982). p. 439*), and its failure to surrender to the absoluteness of Marxist thought, and its adoption of the policy of isolation in the light of the strategy of self-reliance. At this stage, there were internal conflicts in the party, administration and army, which were expressed by the presence of two currents, the first being a radical current, expressed by the line (Mao Tse-Tung) and (Lin Biya) and then (the Gang of Four).

The other trend is the conservative current represented by (Liu Shaoshi), the president of the republic who was expelled and then reinstated after his death, and who put forward the slogan of the four freedoms, which are:

1. Freedom to buy and sell land.
2. Freedom to hire farmers (the farmers who work in the fields and take a quarter of the crop).
3. Freedom to choose the type of cultivation
4. Free markets and prices.

Those propositions in which we can sense ideas of a capitalist nature, and it seems that this current has continued in power

As Deng Xiaoping explains in his saying: "Concerning what Chairman Mao had in mind, he triggered the Cultural Revolution in order to avoid restoring capitalism, but he made a wrong assessment of China's real situation. In the first place, the goals of the revolution were wrongly set, which It led to the attack on those who wielded power on the capitalist path in the Party, and (Deng Xiaoping) was one of the leaders surrounded by the Cultural Revolution.

One of the most prominent socialist economic principles and foundations at this stage, which represents the thought of (Mao Zedong), is that the concept of the dictatorship of the proletariat is not economical over the working class, but rather on the alliance (workers and peasants), and that surplus value is not created by the labor element according to Marxism, but by the labor and capital element. (*Mao Tse-Tung(1968) ,p. 238*) . In addition to recognizing private ownership, the national

economy will consist of the public sector, the cooperative sector, and the private sector, and the public sector is limited to basic matters in the economy, and the state works to encourage and assist the private sector that operates in accordance with the laws of the state (*Mao Tse - Tung (1965). p. 189*).

In light of the ideas of (Mao Zedong), the application took place at this stage.

At the rural level and agriculture as the main activity in China, it is noted that China relied on agrarian reform, and it began to be implemented since 1950, according to which landless peasants obtained agricultural land. The effectiveness of the central unified administration was strengthened, which affected the activity of farmers in production, making the annual rate of increase in the value of agricultural production during that period as low as (2.2%). At the level of the industrial sector, light industries such as spinning, weaving and foodstuffs were the basis in this sector before 1949, and after the revolution all industrial establishments were nationalized and the capitalists became hired managers for these establishments, and new industries appeared, and light industries prevailed as the basis in industry, and the proportion of The contribution of industrial production to the value of the gross domestic product from (30%) in 1949 to (70%) in 1978.

The second stage: reform and openness:

This policy dates back to 1977 after abandoning the ideology of the Cultural Revolution and the fall of the (Gang of Four) and the emergence of the dilemmas that faced the process of socialist transformation in the first stage, as well as the nature of the conflicts that were within the party leadership, all of which led to the rise of the Chinese leader (Deng Xiaoping). Banner of Reform, which summarizes his reformist philosophy by saying: ((It does not matter if the cat is gray or black, the important thing is that it devours mice, and that the important thing is not socialism or capitalism, but the important thing is to increase production and achieve economic prosperity, and then the welfare of the people)), to correct the mistakes of the past and bring about historical change and economic modernization according to

China conditions. In addition to the policy of economic reform at home, there was a policy of opening up to all countries of the year in a comprehensive way, actively developing foreign trade, importing funds, advanced technologies and administrative experiences, and expanding external economic cooperation (*China Illustrated Magazine,(1997) p. 22*). Among the most prominent ideas of (Deng Xiaoping) to achieve the major goals are the four socialist modernizations (agriculture, industry, technology and national defense), which are:

1. The concept of the dictatorship of the proletariat is no longer confined to the alliance of (workers and peasants), but also includes the intellectuals whom he calls the capitalist class (*Deng Xiaoping's(1975-1982)*).
2. The coexistence of the two economic systems (socialist and capitalist), given that the socialist system is the basis. This is evident in his assertion (we follow the policy of one country, two systems).
3. Technology is considered the key to modernization and one of the main productive forces.
4. Paying attention to the material civilization and the spiritual civilization together.

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5. Reform the economic system at home in a comprehensive way and practice openness to the outside.

6. Peace and development are two major issues in the current world. Hegemony must be opposed and peace must be defended (*Documents of the Thirteenth National Congress of the Communist Party, China (1987)*)

As for the most prominent economic policies related to the policy of reform and openness, the most prominent concepts are:

1. Encouraging the individual economy instead of transferring the ownership of government institutions to the private sector.
2. Considering the socialist economy as a planned commodity economy, it must be a system that unifies between planning and the market (*Ibidem*9).
3. Learn advanced modern economic management methods.
4. Adoption of competition aimed at stimulating production.
5. Linking the increase in people's income and raising their standard of living to expanding production.

To implement the policy of reform and openness, mechanisms were used, most notably:

1. Economic open areas for export
2. Investments and foreign companies
3. Foreign financial institutions

This policy has achieved great development and clear economic modernization in China and some positive results, especially in solving social and economic problems, as well as an increase in production (*Ibidem*9). The value of the domestic product in 1993 amounted to about (3138) billion yuan, an increase of (2.8) times what it was in 1978.

The national interest rate increased from 253 US dollars in 1983 to 658 dollars in 1993 (*UN. World Economic Survey(1994). p15*). However, there are problems encountered in this policy, such as the problem of bureaucracy resulting from small production. And the problem of inflation of economic management, cases of embezzlement, bribery and economic sabotage, and high inflation rates.

As for the third stage, represented by the (socialist market economy), it will be dealt with by the third topic.

The third topic: Theoretical and practical foundations of the socialist market system

The policy of economic reform and openness to the outside constituted basic premises of the socialist market economy system and the mechanisms of this policy, especially the economic zones open for export, foreign investments and companies, and foreign financial institutions.

It seems that the first references to the establishment of the socialist market system were discussed by the Third National Congress of the Communist Party of China in 1987, and came under the title: (Accelerating the Establishment and Improvement of the Socialist Market System) (*Documents of the Thirteenth National Congress of the Communist Party of China (1987)*, p. 34) and then the focus began on establishing this system through the speeches of the Chinese leader (Deng Xiaoping) in 1992 during his tours in southern China, which resulted in this establishment. Hence, the Fourteenth Congress of the Party held in 1992 indicated that the goal of economic reform is to establish a socialist market economy system. Consequently, the Third Plenary Session of the Central Committee emanating from the Fourteenth Congress of the Party in November 1993 approved a resolution to address issues related to the establishment of a socialist sub economy (*Sun Bei Fan (1995)*. p. 127)

Therefore, the establishment of this system came in a gradual, mature formula after (Deng Xiaoping) laid down its basic features by saying:

((It is permissible to apply the market economy in socialist conditions, since the planned economy and the market economy are both means, and the important thing is to confirm whether this means helps to develop the productive forces of the socialist society, helps to strengthen the comprehensive national strength of the socialist state and helps raise the standard of people's life)) (*China Illustrated Magazine, Same reference . p. 127*) . This means that the criteria for judging the socialist market system are those three indicators.

Among the most prominent foundations of the theory of the socialist market economy are (*Prof. Wuchen Ken. (1998)*):

1. The distribution of materials and the direction of the economy are carried out by means of the market mechanism within the framework of state coordination and complete control of it

2. The basic requirements of this system are the following:

a. commodity production inputs

- a) Independence of property rights relations.
- b) market economic relations.
- c) Freedom of production management within the framework of state laws.
- d) Determining the prices of goods and services according to the market mechanism.
- e) Striving to earn the largest profit.
- f) Economic activity is carried out according to an agreement.
- g) The state coordinates and controls the market, and the market directs the institutions.

B. The legality of economic activities.

C. Social insurance issue.

3. There are five main laws in this system:

a. The law of value.

- a) law of supply and demand
- b) Competition Law

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- c) Law directing the entity's main interests in the market.
 - d) Social Business Guidance Law by Ratio
4. The basic mechanism of the market economy is the market mechanism, which plays a major role in the market economy.
5. The basic functions of this system are stimulating interests, transferring information, distributing resources, directing the market, selecting the superior and excluding the inferior.
6. The main characteristics of this system are:
- a. The initiative of the main entity of the market.
 - a) Market systems integration
 - b) market business competitiveness
 - c) market business openness
 - d) Market regularity

The basic structure of the socialist market system consists of the following five pillars:

1. Institutions as the main entity of the market.
2. Market and market system
3. Reasonable distribution system for people
4. The social insurance system at different levels

With regard to the practical foundations of the socialist market system, they are as follows:

1. Changing the administrative mechanisms of public sector institutions according to a modern and scientific administrative system that responds to the market economy system, especially in determining rights and duties, as well as separating institutions from government administration.
2. We built an open and unified market system throughout the country in order to achieve integration between the urban and rural markets, and to create links between the internal market in the country and the global market, and in light of an open competitive policy (*Documents of the Thirteenth National Congress of the Communist Party of China (1987)*, previous reference, p. 34).
3. Changing the government's tasks to manage the economy, simplifying departments and devices, solving inflation in devices and routines, interfering with devices in tasks and low feasibility of work, pushing reform in the financial and tax system, accelerating reform in the financial system, deepening reform in the financial system, deepening reform in the investment system, and speeding up the reform of the planning system .
4. Building a system of equitable distribution of individual income and social guarantees. The principle (to each according to his work) must be adhered to in the process of distributing the income of the individual, and building a system for salaries and wages and the mechanism for increasing them in line with the characteristics of productive and professional institutions and various administrative departments

5. Deepening rural reform and permanent adherence to the system of contract responsibility based on agricultural families in relation to production or farmers experienced in contracting land, and dividing the agricultural reward into two parts, the first of which is provided to the community as public savings, public services, administrative expenses and rural social services, and the second is provided to those who cultivate the land. As for the institutions' revenues, they are distributed to the contractors and the group in accordance with their agreement and the necessity of responding to changes in market demand, improving the composition of agricultural products and accelerating the development of rural institutions in order to provide more job opportunities for the surplus of rural public hands.

6. Deepening the reform of science and technology and the education and learning system, advancing the integration of science and technology into the economy, examining vital technical issues in the development of the national economy, ensuring the volume of investment in the field of education, changing the government's unilateral management of schools, encouraging community circles to participate in building schools, and expanding the independence rights of local governments And schools, universities and higher institutes in its management, and focus on respecting science and the gifted.

7. Deepening openness to the outside, expanding foreign investments, increasing the opening of the country's internal market, and encouraging the construction of export institutions.

8. Enhancing the construction in the law to ensure the socialist market economy system in order to protect it and expedite the legislative steps that the system is legally bound by.

9. The development of the private economy as one of the types of socialist market economy (*Gao shangpuan, chlfulin, Theory and Reality of Tradition to a Market Economy(1995)*).

Professor Sun Bei Fan indicates in his research "China Under Reform and Opening up" that positive results emerged in light of the implementation of these foundations and led to the effective, continuous, rapid and sound development of the national economy (*Ibidem14*), as Professor Li Ping, a member of the Committee pointed out. The Standing Committee of the Political Bureau of the Communist Party of China at the opening session of the Fifteenth National Congress held in September 1997 pointed out that China has made remarkable and rapid progress in economic development in the past few years. 9.7%) over the previous year, according to the fixed price (*Chi Shi, China(1997)*). With this progress, the share of public ownership in the GDP decreased and non-public ownership increased, and the per capita income rate in cities and towns increased to (4,377) yuan, an increase of 3.3% in 1996 over 1995, and this rate reached in the countryside (1936) yuan, an increase of (9%) during the same period (*Ibidem20*).

Despite this rapid and significant development in the Chinese economy, the stage of the socialist market economy is not without problems and difficulties that represent an extension of the (reform and opening) stage, especially economic inflation, which reached (13%) in 1994 after it was (4%) in 1992 and (2.8%) in 1984 (*UN world Economic survey(1994)*), and at the regional level.

The fourth topic: the basic mechanisms of the socialist market economy system

As the socialist market economy is a means that leads to the development and modernization of the economy, especially through the basic activities (rural and agriculture, the industrial sector, science

and technology), its basic mechanisms have been through (economic areas open for export, foreign investments and companies, foreign financial institutions), which have formed mechanisms policy of reform and openness as well

1. Economic Zones Open for Export:

The idea of establishing special economic zones for export is one of the mechanisms of openness to the outside, which was presented by (Deng Xiaoping) in 1979(*China Illustrated Magazine, Issue (1997)*). With the aim of developing export production, which enjoys a comparative advantage based on the intensity of the labor force, and it first began in the coastal areas as transfer ports for technology and for reasons of modern management and foreign consultancy, China identified five exclusive economic zones in 1980, and (*Arvind Panagaria, (1995 June)*) coastal cities became open cities in 1984, then the open economic areas increased in the coastal areas, and then in the border areas and the interior areas.

The Chinese government has adopted a set of policies to achieve the goal of establishing these areas, including:

- a. Imported inputs that are used in exports are exempted from customs duties.
- b. Providing additional preferential treatment for projects with export production
- c. Adoption of export cultural promotion methods.
- d. Encouraging foreign investment in these areas.

In 1990, this region accounted for (52%) of the total realized investments and constituted more than half of the total exports (25). The value of Chinese exports increased from (550) million US dollars in 1950 to (91.76) billion US dollars in 1993 (*Ibidem*8). Thus, exports became a key to economic discourse. However, this policy created wealthy regions in exchange for other less rich regions, and at the same time, it may lead to the growth of a wealthy class that may encourage political liberalism as well as economic liberalism.

2. Investments and foreign companies:

This directive was illustrated by the words of the Chinese leader (Deng Xiaoping and Ping) in 1978:

We and Comrade Mao are still alive in the matter of expanding economic and technical exchanges with other countries

And the development of economic and trade relations with some capitalist countries and even the absorption of foreign capital and the implementation of joint investment projects, but the necessary conditions were not available because a threat was imposed on China in those days, and later the Gang of Four came to label every attempt in economic relations with other countries as (cult Everything that is foreign and adulation of it) or (national betrayal) closed China to the outside world (*Ibidem*8).

Therefore, China began to adopt two means in the field of foreign investment, the first of which is to attract foreign investments, and the second is through foreign loans from countries and international financial institutions, as well as through bonds issued by China in foreign countries (*China in Your Hands, Foreign Investment in China(1988)*) and in accordance with the following policies and procedures:

- a. Self-reliance as a major factor and gaining foreign aid as a catalyst
- b. Adhering to the principle of equality and mutual benefit, ensuring the rights and interests of both sides of China and foreign countries
- c. Paying attention to the economic effectiveness of foreign investment that guarantees debt repayment and earn reasonable profits
- d. Obliging the joint venture (Chinese - foreign) to use advanced technology and modern management style, the development of production in quantity and quality, rehabilitation of technicians and administrators, expanding exports and increasing hard foreign currency earnings.
- e. Creating excellent conditions for foreign investors, including preferential treatment, and preference in fees and taxes.
- f. Providing the internal market for the products of foreign-invested institutions.
- g. Adopting flexible policies in employment, wages and prices for joint projects.

And because the policy of attracting these investments is fundamental to China, the State Planning Commission issued in July 1995 the (Interim Decision guiding the direction of foreign investment) as well as the (Schedule of institutions for foreign investment).

In accordance with these policies and procedures, the following has been achieved:

- a. Foreign investments doubled year after year, during the period (1979-1985) they amounted to (21.7) billion US dollars, while during the first half of 1995 they amounted to (16.27) billion dollars (*China in Your Hands, Transcontinental Companies in China(1995)*).
- b. The sources of these investments expanded, and they came from more than (150) countries, the most important of which are in Europe, America and Japan.
- c. The three investment institutions, the first of which are joint investment institutions (Chinese - foreign), the second are cooperative institutions (Chinese - foreign), and the third are foreign investment institutions own, economic feasibility. The contribution of these institutions to the total value of Chinese industrial output reached (12.2%) in 1994.
- d. The investments of transcontinental companies are steadily increasing, reaching more than (200) companies at the end of 1994, those companies that flocked to China for several reasons, including the cheapness of Chinese manpower and the capacity of markets in China.

It is noted that among the (500) American transcontinental companies, (52) companies employed their capital in China and established factories and branches for them.

3. Foreign Financial Institutions:

The year 1979 is considered the beginning of financial openness to the outside in China, where the representative office of the Japan Import and Export Bank was opened, and then in 1982, China allowed foreign capital banks to set up branches in the economic zones open for export, and then expanded in the nineties with the expansion of opening outlets abroad .

This was done in accordance with the rules that foreign banks are bound by, such as setting a minimum deposit of the bank's total assets. In 1995, the number of cities entitled to accept foreign capital financial institutions increased, including a large number of capitals of internal provinces and the central economic cities in Beijing. Until the end of 1995, it was allowed to set up (519)

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offices representing and (142) operating organs for foreign financial institutions in China. (*China in your hands* (1996), New Star House, Beijing, p.1). Some banks with joint capital (Chinese - foreign), others are banks with foreign capital, and others are branches of foreign banks, as well as financial companies with foreign capital, insurance companies with foreign capital and an investment bank with joint capital (Chinese - foreign), and that among these institutions is an American financial company (joint stock) with China Construction Bank in 1995. Where the American company owns (35%) of the total financial shares of the company, and it is the first investment banking company with (Chinese - foreign) capital.

Based on the foregoing, these intellectual and practical foundations of the socialist market economy system brought China to a developed economic state, but rather mixed in second place in the world after the United States.

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