

Initial Analysis on the Economic Development Model of China and Malaysia

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ABSTRACT. *This paper explores the similarities and differences between the economic development models of China and Malaysia so as to find their complementarities and promote further cooperation. We find that their ideas of development are highly consistent, and the economic structures of the two countries are highly similar. The government has played a positive role, and the compatibility of cultural ideas has become the source of internal coordination in the economic development of the two countries. Meanwhile, there exists essential differences as socialist market economy and capitalist market economy in their economic systems.*

KEYWORDS: *Economic development model, Economic cooperation between china and malaysia, Similarity, Difference*

1. Introduction

For a long time, economic development model has been regarded as a synonym of economic development path, such as development pattern, development style, etc., which reflects the track of a country's economic development. Previous studies shown that different countries have different economic and social development models. It is impossible for any country to stick to an unchanged economic and social development model, that is, the development model is dynamic (GaoYongzhong, 2011). In recent years, Sino-Malaysia cooperation has been upgrading. In 2018, Malaysian Prime Minister Mahathir visited China and they issued a *Joint Statement* to maintain long-term friendship between China and Malaysia. Under the background of the Belt and Road, the two sides achieve common development in many aspects such as politics, economy and so on. At present, China is Malaysia's largest trading partner. Malaysia is the first strategic partner and the largest trading partner of China in the 10 ASEAN countries. China and Malaysia are both developing countries. As the economic development model is the product of specific historical development stages of a country, and formulated by countries according to their own economic development conditions, they have their own characteristics. It is of great significance to analyze the economic development models of the two countries and to explore the similarities and differences between them in order to find complementarities, promote further cooperation between the two sides and maintain long-term relations.

2. The Economic Development Model of China and Malaysia

2.1 Economic Development Model of China

Based on the analysis, we find that the economic system, market players, resource allocation, economic growth and leading industries are constantly changing. The most prominent change is the one from planned economy to market economy. We analyze the characteristics of China's economic development before and after the implementation of China's reform and opening in 1978.

Before the reform and opening, the economy is macro-regulated with the government leading all economic activities. The economic system is a planned one. It is also known as directive economy. The state plans domestic production, resource allocation, consumption and other aspects. The state emphasizes that the means of production belong to all the people. The subject of the market is public ownership economy. As of 1978, 77.6% of the output in China's industry was owned by enterprises with overall ownership, 22.4% of the collective economy, and the other economic components were zero. The resource was allocated by planning. According to statistics, from 1950 to 1978, the average proportion of state investment in total investment was 84.5%, while that of local and enterprise investment was only 15.5%. The economy develops in a high accumulation and low consumption mode and it is extensive. The industrial development is dominated by heavy industry. During 1949-1978, 50% of the country's investment share was in heavy industry. By 1978, heavy industry accounted for 56.9% of total industrial output. The reward is distributed according to work. The economic structure shows the dual opposition structure of core-edge and city- countryside. The state focuses on the development of heavy industry in cities but squeezes the construction and development of rural areas and agriculture.

After the reform and opening, the combination of macro-adjusting and micro-opening plays a dual regulatory role of government and market. This process is accompanied by the gradual development of economic construction. China has experienced an economic system characterized by "planned economy as the dominant factor, market regulation as the supplementary factor", "state regulation of market, market guides enterprises" and "market economy as the dominant factor, state regulation as the supplementary factor". This means that the market subject, resource allocation and economic structure have changed accordingly.

2.2 Economic Development Model of Malaysia

Economic development model of Malaysia is embodied in a new economic model, which takes both export-oriented and domestic demand into account, and based on knowledge. After the financial crisis, Malaysian government realized the drawbacks of export-oriented strategy, recognized that excessive external dependence would endanger the stability of economic growth, and began to pay attention to the pulling role of domestic demand on the economy. Since the 21st

century, Malaysian government began to implement the development strategy of combining export with domestic demand in order to achieve sustained economic stability and growth (Lu Huaishu, 2009). It performs in the following areas:

(1) Ideas should go first to guide economic development. Since the last century, the Malaysian government has been actively promoting the economic strategic plan as a guide to promote the realization of economic development goals. “2020 ambition”, “new economic policy” and “2050 transformation plan” are the best proof.

(2) The government gives full play to advantages and take the road of developing economy with industrial characteristics. Among the three ASEAN countries and even East Asian countries, Malaysia is famous for its rich palm oil, rubber and cocoa. At the same time, it pays attention to the exploitation of mineral resources. It is the third largest exporter of liquefied natural gas in the world.

(3) Adhering to outreach and inward expansion enabled the economy to achieve stable and high-speed growth over a considerable period. Externally, we should make use of foreign capital and develop foreign trade; internally, we should pay attention to the balanced development of various economic sectors. The agricultural sector still occupies an important position. Industry, resource-based traditional manufacturing, labor-intensive and non-traditional manufacturing and service industries developed rapidly.

(4) The relationship between economic growth and social development has been improved. The Malaysian government pays more attention to and emphasizes the comprehensive development of economy and society. What’s more, the government puts the solution of unemployment, poverty, distribution and other issues in an important position. According to statistics, in 2018, the inflation rate was 1%, and the national unemployment rate was 3.3%.

(5) The country actively integrates into internationalization and pays attention to the development of knowledge-based economy. Emphasis is placed on investing in education and science and technology, and on improving Malaysia’s capabilities in information technology, renewable energy and emerging economies.

3. Similarities and Differences between Economic Development Models of China and Malaysia

3.1 Similarities between Economic Development Models of China and Malaysia

Firstly, the development concept of China and Malaysia is highly consistent. The “Chinese Dream” and “One Malaysia” are the guiding concepts put forward by the two governments to promote social harmony. The aim is to guide all political, economic and social development. Secondly, the economic structure of China and Malaysia is highly similar. Both countries are mixed economies and belong to countries that rely on services and manufacturing to drive economic growth (Lu Huaishu, 2009) although agriculture is the basic industry of these two countries.

Thirdly, the course of economic development shows that government intervention played a positive role. The governments of the two countries have played the role of “strong intervention” in the process of economic development, and provided comprehensive policies that conform to the trend of the times and meet the inherent requirements of economic development. Therefore, the economy can develop along a benign road. In this way, the government become the internal driving force and institutional guarantee for technological innovation and promote the continuous and rapid development of the national economy. Fourthly, after China’s reform and opening, the develop strategy has gradually changed from import substitution one to export-oriented one, which has promoted economic growth. In the 1980s and 1990s, Malaysia adjusted its industrial structure and vigorously developed export-oriented economy, such as electronics and manufacturing industries, with good results. Fifth, both countries have the advantage of high-quality labor resources, which attracts large-scale foreign investment and technology investment, and stimulates the rapid development of traditional manufacturing industry. Agricultural and sideline products of both countries have influence in the international community and are the basis of foreign trade. Sixth, both countries formulate trade policies in line with our own economic development. Especially in the face of industrial upgrading, adjustment and formulation of transition economic strategy, the two governments have a realistic, concrete analysis of specific issues, timely adjustment strategy to adapt to the economic development of different times and different periods. Finally, the idea of compatibility culture has become the source of internal coordination in the economic development of the two countries. Malaysia is a multi-ethnic country. In the process of economic development, the Malaysian government has taken a lot of measures to eliminate racial barriers and achieve economic development while China emphasizes nationality and compatibility with the influence of Confucian culture.

3.2 Differences between Economic Development Models of China and Malaysia

The essential difference lies in the difference between socialist market economy and capitalist market economy. Chinese model of economic development is based on the public ownership of means of production while Malaysia is a typical capitalist economic development model which based on the private ownership of means of production capitalism.

Specific differences may not be detailed and perfect. Based on the economic scale, industrial structure and demand structure in the economic development model, the differences can be shown in the following table:

Table 1 structure Table

Aspects	China	Malaysia
Guiding Ideology	Adhering to the combination of the basic principles of Marxism with the reality of China, consciously practicing the theoretical principles of scientific socialism of Marxism, constantly promoting the modernization of Marxism in China, forming the socialist economic theory with Chinese characteristics, forming the basic economic system of socialism with Chinese characteristics and forming Chinese model of economic development	There is no specific guiding ideology. In the process of economic development, it is influenced by various economic theories.
Economic Scale	Relatively large	Relatively small
Industrial Structure	1. Agriculture is the leading industry, but the proportion has decreased (34.1% in 2018). The proportion of forestry, animal husbandry and fishery has increased (4.8%, 25.3% and 10.7% in 2018 respectively). 2. The industrial system is sounder. 3. New technologies such as e-commerce, data consumption, modern supply chain and Internet finance are the main services.	The industry is dominated by domestic raw materials and focuses on the development of electronics, automobiles, iron and steel, petrochemical industry and textiles. The mining mainly focuses on tin, oil and natural gas exploitation. Services, manufacturing and tourism are the main sources of foreign exchange. Sustainable development of tourism leads to the economic growth. The share of agriculture declined (the share of agriculture, mining, manufacturing, construction and services in GDP was 7.8%, 7.9%, 23.0%, 4.5% and 55.5% respectively in 2017).
Demand Structure	depending on investment to promote economic growth	depending on external demand or export to promote economic growth; the economic policy is more inclined to support export industries.
Import of Advanced Technology	introducing technology mainly by attracting direct investment	combining the adjustment of industrial structure with the direct introduction of foreign capital
Direction of Transformation	from "catching-up economy" to "innovative economy"; The government regards scientific and technological innovation as the basic strategy, greatly improves the ability of scientific and technological innovation, and forms strong competitive advantages, so as to maintain strong competitiveness in the international community	from "production-oriented economy" to "knowledge-based economy"; The government establishes an economy based on knowledge, innovation, investment in science and technology, high-tech and research. The core of knowledge economy change from information industry to digital economy

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