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Collaborative Research
with China: Phase I

672-68

The World Bank Group
Archives



1315011

R1995-144 Other #: 12

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672-68 Collaborative Research with China: Phase I - 1v

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THE WORLD BANK INTERNATIONAL FINANCE CORPORATION
OFFICE MEMORANDUM

Push
Revised

DATE October 11, 1984
TO Mrs. Phi Anh Plesch, VPERS
FROM Gene Tidrick, ^{ET}AEACH
EXTENSION 72749
SUBJECT Completion of Collaborative Research with China: Phase I (672-68)

We spoke on the phone concerning your memorandum of September 26, to Mr. G. Ingram on this project. This is to confirm my understanding that: (1) the memorandum refers only to Phase I of Collaborative Research with China and (2) the completion report for Phase I will be included in the completion report for Phase II (673-14) at the end of the Phase II project.

cc: Messrs. Ingram, Lal, Lim, Lowther, B. King

GTidrick:mac

ore
dup

THE WORLD BANK / INTERNATIONAL FINANCE CORPORATION
OFFICE MEMORANDUM

DATE September 26, 1984

TO Mr. G. Ingram, DRD

FROM Phi Anh Plesch *PAP*

EXTENSION 69013

SUBJECT Outstanding Commitments on Completed External Research Projects

1. On June 30, 1984, this office had requested PBD and ACT to close the accounts of those research projects which were completed during FY84 or were mandatorily shut down in compliance with REPAC rule as stated in Operational Manual Statement No. 9.70, paragraph 14. At the end of this month we are sending to PBD and ACT another list of RPOs which were or are due to be closed between June 30 and September 30, 1984. The closure of an RPO's account (or Master Organizational Code) means that no expenditures or commitments could be charged to the account after the project's closing date. However, outstanding commitments will continue to be paid provided they were made before the closing date.

2. Managers of research projects contained in the attached table are, therefore, requested to submit a list of all outstanding commitments corresponding to their RPOs, along with the commitment numbers to the following persons:

Mrs. Pilar San Jose (ACT) - I4-164
Mr. Philip Sookar (PBD) - D-738
Mrs. Margretta General (VPERS) - I8-272

3. Please note the following:

- (a) Commitments made in excess of a project's total funding authorizations will be charged to the corresponding department.
- (b) Any expenditures or commitments made after the closing date of a project will also be charged to the department responsible for that project.
- (c) As noted above the cut-off date for outstanding commitments is in principle the mandatory closing date of the project. However, if a completion report is submitted and approved before the project's due closing date, the project is considered closed on the date of the submission and the date will be used as the cut-off date for all outstanding commitments on the project.

cc. and cleared with: Mr. D. Lal, VPERS
cc: ✓ Mr. E. Lim, DRD *AEA*
Mr. J. Lowther, DRD

<u>Project Code</u>	<u>Project Title</u>	<u>Principal Supervisor</u>	<u>Resp. Dept.</u>	<u>Closing Date</u>
672-68	Collaborative Research with China: Phase I (673-14, Phase II)	E. Lim	AEA	8/16/84

OFFICE MEMORANDUM

DATE October 11, 1984

TO Mrs. Phi Anh Plesch, VPERS

FROM Gene Tidrick, ^{ET}AEACH

EXTENSION 72749

SUBJECT Completion of Collaborative Research with China: Phase I (672-68)

We spoke on the phone concerning your memorandum of September 26, to Mr. G. Ingram on this project. This is to confirm my understanding that: (1) the memorandum refers only to Phase I of Collaborative Research with China and (2) the completion report for Phase I will be included in the completion report for Phase II (673-14) at the end of the Phase II project.

cc: Messrs. Ingram, Lal, Lim, Lowther, B. King

GTidrick:mac

Phi Ann
 → For your info - I'll do something more formal
 11. 7/7/89 JUL 3 1984
 672-68

EXTERNAL RESEARCH PROGRAM

Completed Research Projects with Overspending

on my return from leave.

RPO #	Title	Dept.	Supervisor	Negative Remainder of Total Authorization as of end March 1984
670-99	Economic Aspects of Household Fertility Behavior & Labor Supply in Northeast Brazil	DRD	R. Moran	\$3,300 4/
671-77	Appropriate Industrial Technology	DRD	L. Westphal	\$16,300 2/
672-05	Real Incomes and Economic Welfare of Selected Socio-Economic Groups in Colombia	DRD	R. Webb	\$2,600 3/
672-56	Dissemination Conference on Consequences of Educational Expansion in East Africa	DRD	R. Sabot	\$5,200 4/
672-68	Collaborative Research with China - Phase I	DRD	E. Lim	\$1,400 5/

- 1/ this was commitment error; it has been fixed.
- 2/ I'll write a note on this when I return 7/17/89 - it was accrual error.
- 3/ an error in overtime charges too time consuming to track down. I guess will buy it.
- 4/ should be charged to 672-01 (they were the same project)
- 5/ charge to 673-14 - all china research project

OFFICE MEMORANDUM

DATE: May 17, 1984

TO: Mr. G. Ingram, Director, DRD

FROM: *F* Marcelo Selowsky, Acting Chairman, REPAC *PAP*

EXTENSION: 76153

SUBJECT: External Research Program - Completed Research
Projects with Overspending

Our records, based on PBD's records as of end-March 1984, show that the completed research projects indicated on the attached list have overspent beyond their total authorizations. If these overexpenditures were due to accounting or recording errors, please make sure that these errors be resolved directly with PBD/ACT before the end of this fiscal year, so that any adjustments or changes can be reflected in PBD reports to the Secretariat of REPAC by end-June 1984. If you have already done so, we expect that these will be automatically reflected in the end-June PBD report. This June report will be the basis for calculating the amount of overruns that should be reimbursed to the External Research Budget on July 30, 1984.

Attachment:

cc: Mr. D. Lal
Mr. J. Lowther
Mrs. P.A. Plesch

PAP:lt


EXTERNAL RESEARCH PROGRAM

Completed Research Projects with Overspending

RPO #	Title	Dept.	Supervisor	Negative Remainder of Total Authorization as of end March 1984
672-68	Collaborative Research with China - Phase I	DRD	E. Lim	\$1,400

OFFICE MEMORANDUM

TO: Files

FROM: John H. Duloy 

SUBJECT: Collaborative Research with China
Phase I (Ref. 672-68

DATE: August 16, 1983

With the approval of Phase II of this project (which has been assigned Ref. No. 673-14) the first phase is completed. No completion report is necessary for Phase I. A completion report covering the entire project (i.e., including costs and results of Phase I) will be required at the end of Phase II.

cc: Ref. 672-68 ✓
673-14

JDuloy:nw

672-68

MAY 06 1983

THE WORLD BANK/INTERNATIONAL FINANCE CORPORATION

OFFICE MEMORANDUM

DATE: May 5, 1983

TO: Mr. John H. Duloy, VPERS

FROM: Ardy Stoutjesdijk, DRD *AS*

EXTENSION: 61001

SUBJECT: China Collaborative Research, RPO 672-68

1. With the upcoming changes in management personnel in DRD, Ed Lim, Ben King and I have come to the conclusion that the administrative responsibility for RPO 672-68 should transfer from Ardy Stoutjesdijk to Ed Lim, from July 1 and until further notice. Jack Lowther will continue to be responsible for the preparation of all administrative decisions originating in DRD in connection with the project.

2. Based upon our earlier conversation, I assume that this transfer of responsibility does not meet with objections on the part of the Research Committee.

cc and cleared with Mr. *E*. Lim
cc: Messrs. B. King, S. Robinson, J. Lowther

AStoutjesdijk:gm

OCT 26 1982

OFFICE MEMORANDUM

TO: Distribution

DATE: Oct. 7, 1982

FROM: Shujiro Urata, DRDDS *S.U.*

SUBJECT: Proposed First Steps on Bank Research on China

Sherman Robinson (DRDDS) proposed two activities for the Development Strategy Division in the coming months regarding the studies on the Chinese economy. The proposals were discussed at a meeting with the Chinese visiting scholars from the Chinese Academy of Social Sciences (CASS) (Messrs. He, Li and Wu) and the World Bank staff (Messrs. Gelb, King, Urata [DRD] and Lim [AEA]) on October 5, 1982. The proposals are:

- 1. Expand the "Sources of Growth" project data bank^{1/} to include data from large countries
- 2. Construct a demonstration model to analyze an archetype large country.

1. An expansion of the data bank to include data from large countries is very useful to compare the Chinese economy with other large countries. For this purpose, in addition to collecting the Chinese data from published data sources, data from Brazil, India, USSR, USA and EEC could be added to the data bank. Japanese data are already included.

2. A demonstration large-country model (dynamic input-output model) could be constructed on the basis of the data collected and transferred to CASS once their computer facility becomes available. Such an exercise would be useful for the Chinese (and for the World Bank) for several reasons. Firstly, a large country archetype model has not yet been constructed within the Bank. Such a model will be a useful addition to our collection of other archetype models. Secondly, the Chinese can use the model for methodological exercises. In this way, the Chinese can immediately work with a model when the necessary archetype data are collected. Thirdly, such work on model methodology helps identify the kinds of data necessary for further analysis and results in efficient data collection.

1/ The data bank currently includes: Colombia, Israel, Japan, Korea, Mexico, Norway, Taiwan, Turkey and Yugoslavia.

Distribution:

- Messrs. Wu Jiapai, Li Xuezheng, He Juhuang
- B. King (DRD), A. Gelb, S. Robinson (DRDDS)
- J. Chang, E. Lim, G. Tidrick, A. Wood (AEA)

OCT 25 1982

cc: J. Duloy (ERSVP) ✓

A Possible Chinese Data Framework: Some Thoughts and Options

Chinese economists are familiar with the representation of the economy in SAM form (cross-chessboard balance table), and appear to have adequate data to permit a reasonable stab at several of its component blocks. They are probably less familiar with the relationship between SAM's and models and with the various possible steps of endogenization. The strongest part of the data base is probably the matrix of intermediate flows and distribution of value added to factors. The information on the mapping from factors to institutions is however, weak and appropriate institutional definition is not as clear as that of the production sectors. Demand patterns of fairly aggregated institutions are not now clear but probably can be guessed through survey data and some common-sense.

The Input-Output Table and SAM produced by Ben King have been discussed with the Chinese during their visit. Particularly difficult areas seem to include the following:

(a) Prices and the relationship between value flows and quantity flows.

Prices are complex for three reasons: (1) the same good may be sold for different prices in different uses: (2) some goods may be produced by different units (consumers, individual plots) and procured and sold at different prices even in the same market; (3) the State distribution system's profit margins are different between various goods which implies cross-subsidization, but the pattern of this and its extent are uncertain.

If important consumer goods are partly rationed and partly sold on free markets this may argue for partitioning into a "basket" of controlled products and a set allocated by price.

(b) Non-material services. The nonmaterial service sector provides services to public and private consumption and generates considerable employment. It is poorly documented at present however.

(c) Much construction is done as a secondary activity hence is not included in sectoral data. As a result, value-added and employment in the activity are understated.

(d) In some sectors data are available for total activity, in others for only part of the sector (e.g., state enterprises).

(e) Some institutional breakdowns (e.g., between communal and private activities) appear to be unstable over time.

(f) Some potential SAM entries are in need of careful interpretation, for example, the meaning of light-industry-light-industry intermediate flows when some plants are integrated.

A range of data issues and possible difficulties are discussed in the attached documents.^{1/}

Following discussion of Ben King's input-output and SAM table drafts, a very tentative SAM decomposition was put forward. The accounts are broken down into a coarser primary and a more detailed secondary classification

^{1/} Ben King, China data June 28, "A Sort of SAM for China," May 5, "Annex to Letter to Professor Dong Furen," June 29, "Studies in the Structure of the Chinese Economy," September 17, "Specific Questions on Ma Hong and Sun Shangqing," September 24, (for replies see memo of Adrian Wood, memo of September 29).

A Tentative Set of SAM Accounts

A. Sectors

Primary Breakdown

Agriculture

Energy

Industry: Light

Heavy

Construction^{c/}

Transport^{d/} & Communication

Commerce^{a/}

Non Material Services^{e/}

Complementary Imports

Possible Secondary Breakdown

Grains^{a/}

Nongrain Agriculture^{a/}

Livestock^{a/}

Non Farm Activities^{a/}

Oil ^{b/}

Coal ^{b/}

Other ^{b/}

More detailed sectoral breakdown

if desired

a/ An alternative breakdown by institutions (communes, private plots, etc.) could be envisaged.

b/ This decomposition has not been discussed so far.

c/ Note that much construction is done as a secondary activity, hence may not be included in data, some aspects of the industry such as overall labor use, may be hard to identify.

d/ As these sectors are used to cross-subsidize it would be useful to have some idea of profitability of their operation by sector.

e/ Data are potentially available here, but need to be collected.

B. Decomposition of Total Net Output + Depreciation

Primary Breakdown

Secondary Breakdown

Depreciation

Value Added: Wages a/

Profits b/

Taxes b/

Payments to factors providing non-material services to

households (haircuts) c/

Government c/

Net Indirect Taxes d/

a/ In agriculture it seems preferable to keep wages and profits together at present because of the difficulty of imputing labour payments.

b/ The breakdown between profits and taxes is essentially arbitrary. Rates of return diverge greatly in China because of this. For policy analysis it will be necessary to impute some tax and "normal" profit rates. For this, estimates of capital stock would be needed. Together with cross-subsidization through distribution margins, this would give an overall tax breakdown by sector.

c/ At present household payments for non-material services are ignored or treated as intra-household transfers and government payments treated as transfers to households. The non-material services sectors are important for employment and its dependence on private and public consumption.

d/ These are partly subsumed in commerce cross-subsidies. It will be necessary to construct a proxy for overall net indirect taxes to enable a better feel for price structure.

C. Mapping from factors to Institutions

At present this is the weakest part of the data and that on which least work seems to have been done in China.

Households ^{a/}	Rural/Urban, possibly households
Government and enterprises ^{b/}	in communes

D. Demand Categories

Private consumption

Public consumption

Replacement Investment^{c/}

Net investment

Exports and Competitive Imports^{d/}

E. Capital Accounts

All public capital formation, apparently (?)

Financed by private savings and public savings

F. Employment by Sector ^{e/}

G. Capital Stock by Sector ^{e/}

a/ Given the relative uniformity of incomes in China from the consumption side it may not be vital to decompose a great deal here. (?) But there may be a need to separate institutions if say, savings pools of different groups are distinct.

b/ These can be amalgamated in that there is no independent entity "enterprise." Capital income and taxes seem to be indistinguishable.

c/ This may differ from depreciation although conceptually they must be equal and apparently they are in balance over a number of years.

d/ Tariff revenues are apparently small can be neglected.

e/ Although not strictly part of the SAM these would be needed for interesting applications, both of the SAM and of Input-Output data collected for structural analysis.

An alternative breakdown, proposed tentatively by the Chinese was as follows:

A. Institutions

a. Households

1. State staffs and workers
2. Commune members
3. Other residents

b. Enterprises

4. State ownership
5. Collective ownership
6. Private ownership
7. Joint ownership (government and foreign capital)

c. Government

8. Not-for-profit institutions
9. Social communities
10. Army
11. State organization

B. Activities

a. Productive activities

12. Agriculture
13. Industry
14. Construction
15. Transportation and communication
16. Commerce

b. Nonproductive activities

17. Scientific research
18. Education

19. Culture and arts

20. Health

21. Sports

(Possibly an extra category of nonproductive activities providing services to the private sector)

C. Factors and Funds

a. Material factors of production

22. Labor force

23. Fixed assets

24. Circulating assets

b. Monetary Funds

25. Depreciation fund

26. Financial resources

27. Bank credit

28. Individual saving

D. Rest of World

a. Trade flows

29. Import of export

b. Fund flows

30. Transfer from or to abroad.

In deciding on an appropriate breakdown it seems important to consider why the breakdown is needed: for example, a distinction between communes and other activities might be important if savings funds are institutional separated. Or the distinction might be useful simply from the representational point of view.

It may also be useful to separate activities (such as agriculture) from commodities (such as rice, wheat, etc.) if the production side is documented in the former, and the supply side in the latter classification. The activity-commodity map is probably of interest in its own right, and is often included in SAM exercises.

Specific Studies and Topics

The above discussion suggests that a good deal of research and data collection may be necessary to fill the SAM or input-output cells and to be able to interpret the results. Here, a demand or production study might be useful. But, even if we had a data base in the form of a static 'snapshot' of the Chinese economy at a point in time, this tells us little of its "laws of motion." Changing policies and structure possibly render econometric estimates based on past data of limited value here.

Some 'technical' coefficients can probably be guessed using data from other countries. But it is probably not possible to carry over behavioral assumptions. For instance, whether wages response to excess labor supply is very country-specific. Therefore some broad hypotheses on the role of prices especially, must be formed. One interesting issue is itself the question of whether concensus exists on such questions, but some studies could be helpful.

(a) Supply responses. What seems to determine agricultural and industrial output and in particular what is the role of price? Agricultural supply is a particularly vital question in China and no sensible macrostories seem possible without some attention to this issue.

(b) How can we tell if a certain commodity (or type of labor) is in excess supply or demand? Queues? Diversion of spending power onto other goods or stock buildups? International trade flows? Adjustment of supply? A

free market acting at the margin? Flexible but administered prices? Each of these options has a different implication from macro-economic model structure.

(c) How are real wages set in broad segments of the economy? Does the mechanism differ between productive sectors? Between collective and state and private units?

(d) Are investment decisions all centrally planned? How do households save and how are their savings channelled to investors? Is there one savings pool or many?

(e) Within a given sectoral category are there differently-responding classes of major actors? Are there major price divergences between uses? What are the largest divergences?

A first suggestion for special studies might therefore include:

- (a) a production or demand structure study;
- (b) capital stock and labor requirements by sector;
- (c) agricultural output determination;
- (d) the nonmaterial service sector;

(e) a paper on the role of prices in clearing key markets (and the potential role of prices).

DRAFT
A. Gelb
6 Oct. 1982

CASS/World Bank Collaborative Research Project on
Structural Change and Modelling Methods

I. Introduction

Over the past year or so there has been a series of discussions between Chinese and Bank economists regarding the possibility of a collaborative research program in the fields of comparative/historical analysis of the Chinese economy and medium- long-term projection. This has involved a series of visits of Bank economists to China, of Chinese economists to the Bank, some work on Chinese data at the Bank, and has culminated to date, in the visit to the Bank of Messrs. Wu Jiawei, Li Xuezheng and He Juahang. They have presented papers and attended seminars on planning models. During this visit, preparatory discussions on the substantive nature of such a program have also been initiated.

This document attempts to lay out such a tentative research program, summing up the outcome of these discussions as they appear from the Bank's perspective. This work could produce a series of outputs, at each stage, which could be useful to the Chinese. It represents a set of suggestions which CASS could consider and modify.

The present document has two sections. Firstly, what seem to be the many concerns and broad issues to be addressed? Secondly, what components of research seem necessary to address these? How might they be phased, and what might be the main responsibilities of each side? What research outputs might be envisaged?

II. The Main Concerns of Research

In broad terms, there appear to be two areas of concern which we see as closely interrelated.

A. Comparative and Historical Structural Analysis of the Chinese Economy

A clearer understanding of the evolution of the Chinese economy and of its present structure would be valuable in enabling policy makers to learn more from past experience and through comparing China with other large economies. For the purpose, it would be necessary to define the most relevant data sets needed, and to organize and collect data in a way to permit comparison. The Bank has a large data set, essentially of input-output type, which spans a number of countries over substantial time periods. Therefore, a natural first step towards comparative analysis would be to develop Chinese data to fit into this set. This forms one strand of the proposed research.

Let us consider some examples of specific applications of such an exercise, which should permit a variety of lessons for policy. Firstly, various balances in the Chinese economy - between consumption and investment for example, or, on the supply side, light and heavy industry - are debated. Decisions here affect the allocation of the investible surplus, and perhaps the relative price structure of the Chinese economy. Chinese development and balances might be analyzed both over time and compared with those of other countries. Secondly the structural coefficients of China could be analyzed - for example, it is sometimes suggested that intermediate and energy use and perhaps transportation is inefficient relative to other countries. If true, such an assertion would suggest gains are possible from improve policies and technology. Thirdly, the factor content of Chinese trade might be analyzed.

Is China devoting scarce investable resources to heavy industry which provides few jobs and at the same time passing up potential export opportunities in more labor-intensive fields? Fourthly, the collection of appropriate data would enable a variety of experiments to be conducted, to compare the existing structure of the Chinese economy with that which might have evolved under alternative policies. These experiments could involve dynamic input-output and perhaps, simulation of alternative time paths of structural coefficients which might have evolved under different policies as suggested by comparative norms. Fifthly, study of relationships over time would permit some insight into the possible patterns of future change (say of input-output coefficients) and assist forward-looking analysis. Some econometric estimates of response functions (say of agriculture to prices or of industry to investment) could result. but caution would be needed in all extrapolations because of the changing institutional nature of the Chinese economy.

To enable comparison, it would be appropriate to collect input-output data for some base year (which could be 1980), time series for selected variables and input-output data for some earlier years (1970 and perhaps 1960). Certain additional information, notably prices and key definitions, might be needed to assist its comparison with data of other countries.

The development of the 1980 base data set forms an important link between this component of research and the second component, that of medium term macroeconomic analysis, because it will permit retrospective and comparative study to be integrated with forward-looking exercises.

B. Medium-Term Macroeconomic Perspective

China possesses a very large and generally planned economy. Reform of the economic system has however been proceeding and the price mechanism appears to be viewed as a potential means of effecting control and of improving incentives to greater efficiency. This focus seems appropriate, given the progressively greater difficulties of controlling directly all aspects of an economy as it grows and increases in complexity and sophistication. However, it complicates the task of analysis insofar as the responses of individual units to incentives and the effect of changing these via prices, wages, tax rates etc. need to be incorporated into the specification of relationships among the major economic actors.^{1/} The economic balances stressed in China - the Material, Market, Financial (government and comprehensive), Credit, Foreign Exchange and Labor Force Balances - have virtually exact equivalents in analytic frameworks used at the Bank,^{2/} which also address the issue of incentives noted above.

What kind of policy questions can such macro-models address? Some examples include: (a) what might be the consequences of changing certain administered prices; (b) how might changes in taxes (say the industrial products sales tax) affect the government budget, prices and the investable surplus; (c) if industrial wages were increased, what would be the

^{1/} That is, a model incorporating such effects tends to be more "endogenous" than input-output, and permits a greater value of interactions between variables.

^{2/} Material = Balance of supply and demand of goods used in production, Market = markets of specific goods clearing, Financial = public and macroeconomic budget constraints, Credit = loans and deposits matching, Foreign Exchange = current account, Labor Force = no unemployment or excess demand for labor by category or type.

implications for demand, and for the appropriate allocation of investable resources; (d) how might changes in trade policies affect the various sectors of the economy and what pressures might result on prices; (e) if it were desired to shift the balance of the economy between investment and consumption, what policy tools seem suitable and what might be the effects?

There is not one single type of model that includes all possible interactions, and be capable of addressing such questions. Rather, models can be ranked in a succession, from those embodying simpler responses and interactions to those with more complex specifications or, alternatively, from those with less to those with more endogeneity or, again, from less to more reliance on prices to achieve balance. A common feature of such models (or of a very wide class of them) is that they depart from a base-year representation of the economy in the form of a Social Accounting Matrix (SAM) which may be viewed as an extension of an input output table. In addition, they require some additional information on (a) economic behavior and (b) on the way in which the various balances are to be reconciled. Specific examples of such questions might be (a) if agricultural prices increase, how great is the response of supply likely to be? and (b) what is to happen if petroleum is in excess demand? Will price rise, exports decrease or users be constrained to purchase something else (say coal)?

To work towards a framework appropriate to address the above issues therefore requires four research elements. Firstly, identification of specific policy questions and of the disaggregation implied for the analytic

framework.^{1/} Secondly, studies of specific components may be needed to improve information. These "component studies" as they are termed below, are of two types: (a) data collection exercises to improve the data base (such as studies of production or demand structure): (b) exercises providing additional information on behavior and on the method of reconciliation of balances. Thirdly, the various elements need to be made consistent. Fourthly, these strands of analysis need to be articulated into models, of simpler or more complex kind.

The Components and Phases of Research

The two research components are closely interrelated because the SAM data base (say for 1980) embodies input-output information relevant to comparative and historical study, but also because it embodies information on the implicit structure of taxation and price-setting which permits better interpretation of data for comparison. Therefore in our view one research project is indicated rather than two, but it has two branches. One leads to comparative and historical study, the other to policy methodology and exercises. In the end, and during the process of the project, the two branches complement each other since comparative analysis suggests benchmarks to judge structure while the framework allows the policy needed to change structure to be simulated.

The organization of research is outlined in the Flow Chart, and is divided into three phases. In practice, the results of earlier research components will contribute to shaping the nature of later research

^{1/} For example, if food policy is to be distinguished from that relating to agricultural products of raw materials for industry, then two agricultural markets must be distinguished.

components. The chart should be interpreted as laying out a number of steps in the research process: this step by step approach would be built into the organization of research. At each stage, these steps should yield useful information to those responsible for guiding the Chinese economy. The chart indicates the timing of research, the allocation of responsibility and possible major outputs. The timing represents a guess at the time needed to make progress on a modest scale, assuming full involvement of both sides.

Phase 1

In this phase, to last some six months agreement is to be reached on the main concerns to be addressed in the macro framework and on the specific points of contact with Sources 1 data.^{1/} A pair of SAM frameworks are specified, in terms of the system of accounts. SAM 1 is perhaps more aggregated and relies on published data and some guesses and could be tentatively filled in. SAM 2 may need extra information. Some data needed to fill the SAM's will be available, but that needed for other blocks will be weak. To fill the most important gaps in knowledge, a set of component studies is planned. Finally, the various ways in which market balances (and other balances) might be achieved in the economy are assessed for their relevance.

The output of this phase is a summary document containing:

- (1) a review of policy concerns to guide later research:
- (2) the links needed for structural change study:

^{1/} "Sources 1" refers to the Bank research project RPO 671-32 "Sources of Growth and Structural Change," described in the Abstracts of Bank Research. The data collected for this project are substantially input-output representation of economies over time.

- (3) a SAM1 framework tentatively filled in from published data;
- (4) a SAM2 set of accounts with;
- (5) review of specific studies needed to fill out SAM2 (e.g. consumer survey) and their organization;
- (6) preliminary consideration on how balance might be obtained, in specific markets and study outlines to help understand those (e.g., an agricultural supply study).

We are now perhaps one quarter into such a phase: the next step seems to be the reformulation of this proposal by the Chinese.

Phase 2

This phase might last 15 months and embodies three strands.

(1) Data collection by the Chinese leads to the component studies identified in Phase 1 and helps to build up the input-output data base for comparative structural analysis. The component studies could involve the Bank and should lead in their own right to information useful for policy purposes.

(2) As input-output data are assembled and analyzed (mainly by CASS) they are inserted into the Sources 1 framework for comparative analysis (mainly by the Bank). After retrospective and comparative analysis some dynamic input-output and counterfactual historical experiments are carried out. This could lead to papers on (a) the historical development of the Chinese economy (b) China in comparative perspective, and (c) some exercises using input-output data.

(3) Meanwhile, in Phase 1 the Bank and CASS will have built a small, provisional SAM (SAM1) using published data. This is subjected to simple manipulation (accounting multiplier analysis etc.). The purpose of this strand is to obtain a rough idea of Chinese economic structure and of some

major interactions and to gain experience, in an aggregated framework, of analyzing some of the policy issues. Such a small model may have flexprice components, and would embody guesses at likely responses to price changes.

Naturally the Chinese may wish to develop models for their own purposes throughout the phase. The phase concludes with ^a joint conference on structural change and macromodelling.

Phase 3

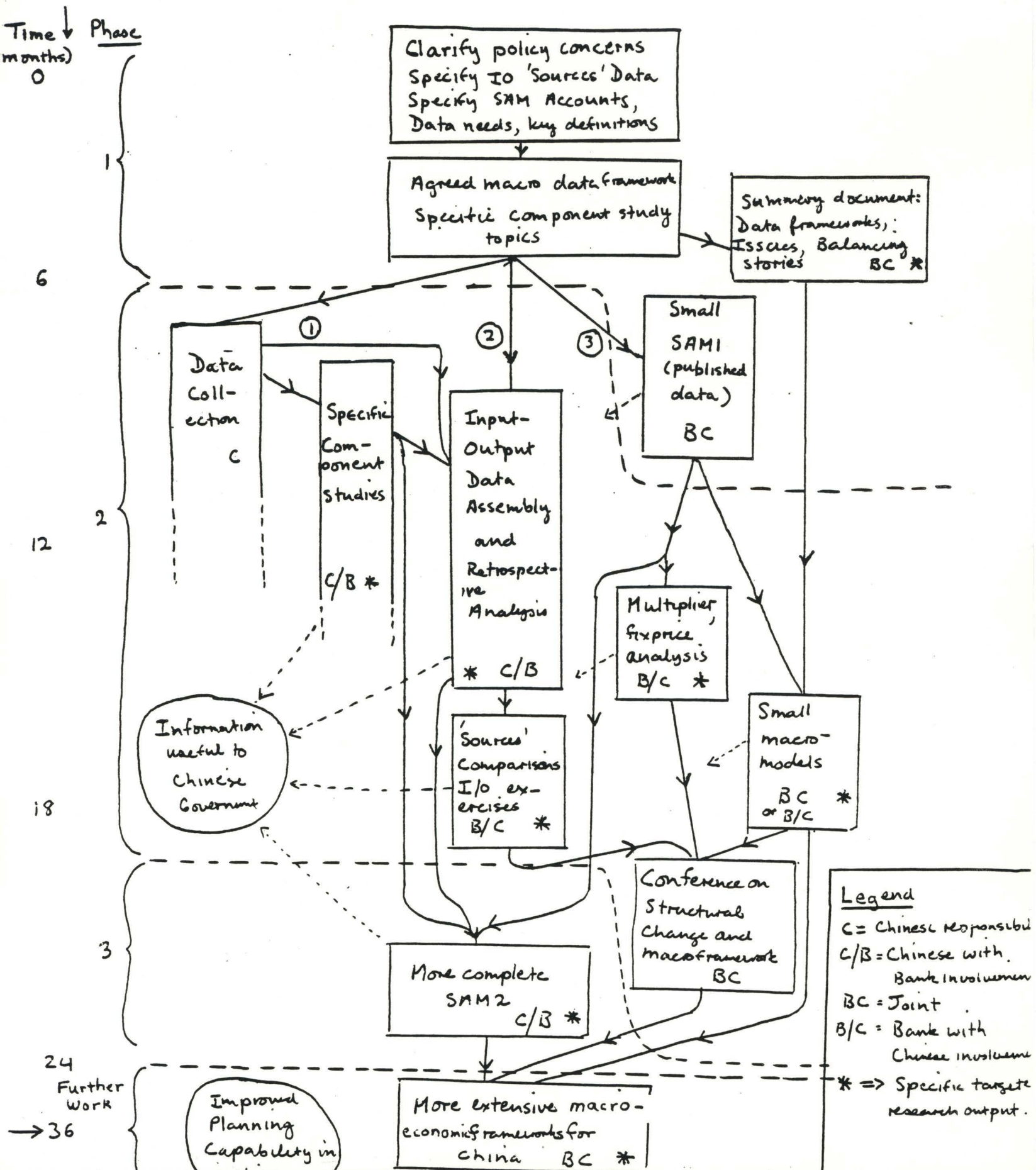
In the last few months of Phase 2, data from the component studies, input-output and the small SAM are combined into the more complete SAM, SAM2 which, together with commentary is taken to represent the "definitive" view of the Chinese economy in 1980.

Further Work

This could bring together the more complete SAM with the modelling techniques developed in strand (3) of Phase 2 to produce a more realistic macro framework for China. SAM2 could for example, serve as the basis for various models including a Computable General Equilibrium model modified to include distinctive features of the Chinese economy. At the present stage it is premature to suggest more than this.

Flow Chart

Proposed Collaborative Research



OFFICE MEMORANDUM

File
672-68-4

TO: Mr. Caio Koch-Weser, AEA
FROM: Benjamin B. King, CON *BBK*
SUBJECT: China Project (672-68)

DATE August 27, 1982

I am confirming my answer to your memo of August 18.
This project will pay for Jeffrey Taylor's contribution for two weeks
([REDACTED] [REDACTED]).

RESTRICTED
WBG ARCHIVES

MAR 13 2018

Exception PERSONAL INFORMATION

BBK:sjb

cc: Mr. Lim, AEA
Mr. Wood, AEA
Ms. B. Lewis, VPERS

**REFERENCE
COPY**



Record Removal Notice



File Title 672-68 Collaborative Research with China: Phase I -1v		Barcode No. 1315011		
Document Date March 24, 1982	Document Type Form			
Correspondents / Participants To: Programming & Budgeting Division, PAB From: Caio Koch-Weser, Divison Chief				
Subject / Title The World Bank Budget Transfer Request				
Exception(s) Personal Information				
Additional Comments		<p>The item(s) identified above has/have been removed in accordance with The World Bank Policy on Access to Information or other disclosure policies of the World Bank Group.</p> <table border="1"> <tr> <td>Withdrawn by Shiri Alon</td> <td>Date April 07, 2017</td> </tr> </table>	Withdrawn by Shiri Alon	Date April 07, 2017
Withdrawn by Shiri Alon	Date April 07, 2017			

py file

WORLD BANK / INTERNATIONAL FINANCE CORPORATION

OFFICE MEMORANDUM

TO: Files

DATE: April 27, 1982

FROM: Benjamin B. King, CON *BBK*

SUBJECT: China Collaborative Project (672-68)

1. It was envisaged in the proposal (para 19) that the project might pay for part of the cost of travel and subsistence of a representative of the Ministry of Health.

2. I have now agreed with Mr. Jamison (PHN) that the project will pay for 30% of the cost of Dr. Ge's visit (see attached letter of March 19, 1982). The estimated total is [redacted] and the project's share [redacted].

**RESTRICTED
WBG ARCHIVES**

MAR 13 2018

Exception PERSONAL INFORMATION

Attachment/-

cc. Messrs. Jamison (PHN); Lim (AEA) o/r; Ms. Wallich (ERS); Ms. Lewis (ERS).

BBKing/ko

**REFERENCE
COPY**

OFFICE MEMORANDUM

*Nemo File
and
Proj. File*

TO: Files

DATE: April 27, 1982

FROM: Benjamin B. King, CON *BBK*

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Attachment/-

cc. Messrs. Jamison (PHN); Lim (AEA) o/r; Ms. Wallich (ERS);
Ms. Lewis (ERS).

BBKing/ko

RESTRICTED
WBG ARCHIVES

MAR 13 2018

Exception PERSONAL INFORMATION

REFERENCE
COPY

March 19, 1982

Dr. Chunming Chen
Director
Institute of Health
Chinese Academy of Medical Sciences
29 Nan Wei Road
Beijing, China

Dear Dr. Chen:

Thank you for your letter of February 16th and for the letter of March 8th from Dr. Ge to Mr. Alan Berg. We are very pleased that Dr. Ge will be able to visit the World Bank, and we are more than pleased to assist him in arrangements for visiting other institutions that he expressed interest in. We can indeed cover the expenses of his entire trip, including the somewhat longer stay in Washington than he had indicated to be desirable.

It so happens that a long-term consultant to this Division, Dr. William Harlan, is a professor at the University of Michigan School of Public Health and has been very much involved with the analysis of the HANES data set. He would be glad to help make arrangements for Dr. Ge's visit to the University of Michigan, and he, of course, knows Dr. Tsai and can help make arrangements with him. Another person whom Dr. Ge may wish to meet is Dr. Frederick Trowbridge who is now with Johns Hopkins University but will soon become Director of the Nutrition Division of the Centers for Disease Control in Atlanta. Dr. Trowbridge has also consulted for the Bank, and I enclose two copies of a paper that he has collaborated on with a member of my staff (Mr. Jamison) utilizing nutrition data from China. If it would be of interest to Dr. Ge, we will also attempt to arrange for him to visit another of our colleagues, Dr. James Tanner (Director, Institute of Child Health, University of London). Dr. Tanner has, as I expect you know, extensive experience in the technical design of nutrition surveys. In addition, Mr. Berg has suggested that Dr. Ge may wish to visit Mr. Z. Sabry at the FAO, Rome; Mr. Sabry previously directed the Canadian national nutrition survey.

Dr. Ge's host here at the World Bank will be our Development Research Department, and a health economist in that Department, Mr. Jacques van der Gaag, will be responsible for arrangements for Dr. Ge here in Washington and for assisting with arrangements elsewhere.

March 19, 1982

I shall be in Beijing with a number of my colleagues during the first two weeks of April to work with Dr. Wang Liensheng at the MOPH. We would very much welcome an opportunity to meet with you and Dr. Ge at that time, and we will attempt to make arrangements to do so through Dr. Wang.

Looking forward to meeting you,

Sincerely yours,

Ishrat Husain
Chief, Division II
Population, Health & Nutrition
Department

Enclosures

cc: Dr. Wang Liansheng

bcc: (with copies of previous correspondence):

Messrs. T. King, J. van Der Gaag / DED

Mr. E. Lim / AEA

Mr. B. King / VPD

Messrs. J. North, A. Berg, D. Jamison, A. Prost, W. Harlan / PHN

Mr. Trowbridge (Johns Hopkins)

March 19, 1982

Dr. Chunming Chen
Director
Institute of Health
Chinese Academy of Medical Sciences
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Beijing, China

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Looking forward to meeting you,

Sincerely yours,

Ishrat Husain
Chief, Division II
Population, Health & Nutrition
Department

Enclosures

cc: Dr. Wang Liansheng

bcc: (with copies of previous correspondence):

Messrs. T. King, J. van Der Gaag / DED

Mr. E. Lim / AEA

Mr. B. King / VPD

Messrs. J. North, A. Berg, D. Jamison, A. Prost, W. Harlan / PHN

Mr. Trowbridge (Johns Hopkins)

OFFICE MEMORANDUM

1) prog. file
2) cc ~~PT~~

TO: Ms. Christine I. Wallich (VPD)

DATE: March 24, 1982

FROM: Caio Koch-Weser (Chief, AEADF)

SUBJECT: Collaborative Research with China, Research Project 672-68

Attached is a request to transfer \$10,000 from this division's budget to the above research project account. This fund can be used for any purpose related to the project.

As this fund is coming from our consultant budget allocated for work on system issues, it is our understanding that in return for our contribution to this project the Chinese collaborators will be preparing for us a paper on "China's Prices and Price Management System" and another on "Past, Present and Future of Chinese State Industrial Enterprise Management."

cc: Mr. Ben King

ELim:dce



Record Removal Notice



File Title 672-68 Collaborative Research with China: Phase I -1v		Barcode No. 1315011	
Document Date March 24, 1982	Document Type Memorandum		
Correspondents / Participants To: Programming & Budgeting Division, PAB From: Caio Koch-Weser, Division Chief			
Subject / Title World Bank Budget Transfer Request			
Exception(s) Personal Information			
Additional Comments		The item(s) identified above has/have been removed in accordance with The World Bank Policy on Access to Information or other disclosure policies of the World Bank Group.	
		Withdrawn by Shiri Alon	Date April 07, 2017

672-68
file
CW

March 12, 1982

Mr. Dong Furen
Deputy Director
Institute of Economic Research
Chinese Academy of Social Sciences
5 Jianguomennei Dajie
Beijing
People's Republic of China

Dear Mr. Dong:

I write to confirm the agreement regarding the visit of economists from your Institute to the World Bank which we have reached through the exchange of letters between Mr. Huan Xiang and Mr. Hollis Chenery, and your recent discussions with Mr. Lim.

It is our understanding that Ms. Zhang Chunyin, a specialist on price reform, and Mr. Chen Jiyuan, a specialist on state enterprise management, will visit the World Bank for about four weeks beginning about May 3, 1982. The objectives of their visit would be to familiarize themselves with Bank research in their areas of interest, and to exchange views with Bank economists about problems of price reform and enterprise management in China. For the latter, Ms. Zhang will have ready when she arrives a paper on "China's Prices and Price Management System" and Mr. Chen a paper on "Past, Present and Future of Chinese State Industrial Enterprise Management." Through the discussions with Ms. Zhang and Mr. Chen, we hope to be able to define in more concrete terms possible research projects on these two subjects to be undertaken jointly by your Institute and the World Bank.

Later this summer, Mr. Wu Jiawei, Mr. He Juhuang and Mr. Li Xuezheng will also visit the World Bank. The purpose of their visit will be to learn about the Bank's ongoing research in the areas of "quantitative analysis of structural change in the process of economic development" and "economy-wide modelling," and to have further discussion with Bank staff on concrete ideas for collaborative research on these subjects. We understand that, although Mr. He and Mr. Li are now undergoing English language training in China, they will require a short period of intensive language training in Washington. We therefore suggest that Messrs. He and Li arrive in Washington about August 5, and begin a four-week intensive language course which we will arrange for them at a local university. Mr. Wu should join them on about September 5, when they have finished their language training. The three of them would then spend the six weeks from early September to mid-October in the Bank.

It has also been agreed that Mr. Wang Li of your institute will spend between six months to one year as a research assistant in the Bank. Mr. Wang will work with Bank staff in a number of ongoing research projects and other economic work of the Bank, the main purpose being to familiarize himself with advanced techniques of quantitative economic analysis, especially those involving the use of computers. It would probably be most convenient if Mr. Wang were to come with Messrs. He and Li in early August. As a research assistant in the Bank, Mr. Wang will be able to participate in language training being provided as part of staff training and we shall not need to make special language training arrangements for him.

Our aim is that by late September or early October (i.e., towards the end of the visit of Messrs. He, Li and Wu) we should have a much clearer idea about the content of our research projects and how collaboration between the Institute and the Bank should proceed. We should then begin preparing documents on our collaborative research projects for consideration by the Research Committee of the Bank and by the Academy of Social Sciences. It would be very helpful if you yourself could find time then to visit the World Bank for one or two weeks to join in our final discussions and to agree with us, even tentatively, on the next step to be taken.

Mr. Wang's travel expenses will be paid by the World Bank, and he will also receive the usual salary of a research assistant while he is working in the Bank. For all other visitors, including yourself if you should decide to come, the World Bank will be responsible for the plane fare from Beijing to Washington; expenses associated with travel; hotel or equivalent accommodation; and a subsistence allowance for each day spent in Washington in connection with this project, equivalent to that provided by our Economic Development Institute for government officials visiting the Institute (\$25 per day).

Your Institute should make all the necessary bookings for travel to Washington. We can request the UNDP office in Beijing to issue all the plane tickets. If it is more convenient to you, however, your institute can purchase the plane tickets and we will reimburse the institute for their costs. Subsistence allowance will be given to each visitor upon arrival in Washington, and we will make arrangements for accommodations in Washington.

You should apply for visas to enter the United States at the U.S. Embassy in Beijing. To facilitate the issuance of the visas we shall be informing the U.S. State Department of our arrangement. In your visa applications, you should list me (telephone: (202) 676-9011) and Mr. Lim (telephone: (202) 676-1018) as your contact persons in the Bank.

Please let me know whether you wish to have the plane tickets issued by UNDP and if you have any questions on the above. Mr. Lim will be in China towards the end of this month and, if necessary, will be available to discuss the arrangements further with you.

Mr. Dong Furen

-3-

March 12, 1982

I am happy to say that we are now in a position to start making arrangements for the Bank team who will be working on the collaborative project. Mr. Lim will be able to inform you in more detail when he next visits China.

With best regards,

Sincerely yours,

A handwritten signature in cursive script, appearing to read "Ben King", with a long horizontal flourish extending to the right.

Ben King
Coordinator, Collaborative
Research with China

cc: E. Lim
S. Robinson
J. Shilling
A. Wood
C. Wallich

OFFICE MEMORANDUM

TO: Files

DATE: March 9, 1982

FROM: B.B. King *BBK*SUBJECT: China Project (672-68)

1. Two meetings were held on March 4. Present were Messrs. Lim, Robinson, Shilling (second meeting), Wood and myself. Subject: the structural change/macromodelling.

Bank Resources

2. Mr. Robinson's division in DRD is not yet completely determined. Messrs. Urata and Bhalla are likely candidates for work on China. Mr. Robinson will devote a large part of his available time. Mr. Gelb may devote part time and possibly Mr. Mitra insofar as his work on structural adjustment appears relevant.

3. There will be close cooperation between Messrs. Shilling and Robinson, the nature of which will be left up to them. It would be desirable to introduce the Chinese initially to the RMSM model. It is expected that either Mr. Wen or Mr. Hwa will be involved.

4. Mr. Wood of the China division will participate in the project.

5. Possible cooperation with Mr. Newbery's division (especially on energy) and Mr. Westphal's will be explored.

Consultants

6. Two types were identified. "Gurus" should definitely include Professor Ishikawa. Other possibilities would be Professors Adelman, Lou, Perkins. Names would be cleared with the Chinese. Working consultants mentioned were Mr. Devarajan and Karen Polenske (MIT). Mr. Wood will write to the latter, who is particularly strong on the data side.

7. It was emphasized that all consultants must be consultants to the Bank, not let loose independently on the Chinese.

Timing

8. It was decided that August would be a bad month for the Chinese Researchers to start on the project. The Chinese should therefore be told that it would be better if they arrived early August for language training and start after Labor Day. This does not affect the arrival of other participants.

Hosts and Contacts

9. Mr. Robinson's division will be responsible for the arrangements for the three macro/structural researchers, Wu, He and Li. However, Messrs. Wen and Hwa of Mr. Shilling's division and Mr. Byrd and Mr. Chang of the China division will give "hand-holding" support when they first arrive, and subsequently provide appropriate introductions to the RMSM model.

10. Wang Li will formally be attached to Mr. Robinson's division. However, for the first three months or so, he will work in Mr. Shilling's division.

11. The China division will be responsible for the researchers arriving in May. Mr. Tidrick on public enterprise management and Mr. Wood on price reform.

Model

12. The primary purpose of the model will be to provide insights for the preparation of the next five-year plan. It should be a long-range (10-20 years) model, capable of simulating the effects of different policy decisions or assumptions. Foreign Trade implications will be an important component. To be effective, it should be ready by 1984 and be workable by the Chinese themselves. While, as a practical matter, innovation will be necessary to simulate the workings of the Chinese economy, in the first instance innovation should not be an end in itself.

13. Messrs. Robinson and Shilling undertook to read the main volume of the Mission's Report. All participants undertook to write a short note for a follow-up meeting early in the week of April 5th. The notes would speculate on the kinds of questions that Chinese planners might want to ask of the model. Mr. Wood and Mr. Lim would compare our speculations with the Chinese, when they are in China in April.

14. Mr. Robinson observed that it would take little more effort to construct a CGE model than a dynamic input-output one. Mr. Wood observed that a CGE model is much more versatile.

cc: Messrs. Lim, Robinson, Shilling, Wood

cc. for information: Messrs. Chenery, Hughes, Koch-Weser, Stoutjesdijk, Duloy

BBK:lt

672-68

OFFICE MEMORANDUM

TO: Distribution List Below

DATE: February 25, 1982

FROM: B.B. King *BBK*

SUBJECT: China Research (672-68)

Now that the dust is beginning to settle on DPS/ERS, it might be a good idea to have a meeting on the macro modelling/structural change side of the research project. The purpose is exploratory: to exchange ideas on what should and could be done in advance of the CASS researchers' arrival in July/August. The meeting should be short. Ms. Thampy will be calling you to fix a time.

Distribution:

- Messrs. E. Lim
- S. Robinson
- J. Shilling
- A. Wood

For information

- Messrs. E. Stoutjesdijk
- C. Koch-Weser
- Mrs. H. Hughes

BBK:lt

OFFICE MEMORANDUM

TO: Ms. Vanessa Tucker

DATE: February 11, 1982

FROM: B.B. King (VPD) *BBK*SUBJECT: Concordia apartments

1. Following our conversation, I would be grateful if you could make reservations for the various researchers arriving later this year. Their names and the approximate duration are listed below (surnames underlined):

- (i) Mr. Chen Jiyuan and Ms. Zhang Chunyin, May 1-31.
- (ii) Mr. He Juhuang and Mr. Li Xuezheng, July 1- Sept. 15.
- (iii) Mr. Wu Jiawei, August 1 - September 15.

2. I understand that there are a few double apartments at the Concordia. If one is available, Messrs. He and Li might share.

3. If there are problems, we will have to consider alternatives such as Anthony House. Please call me in that event (69011).

cc: Mr. E. Lim (AEA)

BBK:lt



Record Removal Notice



File Title 672-68 Collaborative Research with China: Phase I -1v		Barcode No. 1315011		
Document Date February 11, 1982	Document Type Memorandum			
Correspondents / Participants To: Mr. E. Lim, AEA From: B.B. King, VPD				
Subject / Title Expense estimates China project (672-68)				
Exception(s) Personal Information Corporate Administrative Matters				
Additional Comments		The item(s) identified above has/have been removed in accordance with The World Bank Policy on Access to Information or other disclosure policies of the World Bank Group.		
		<table border="1"><tr><td>Withdrawn by Shiri Alon</td><td>Date April 07, 2017</td></tr></table>	Withdrawn by Shiri Alon	Date April 07, 2017
Withdrawn by Shiri Alon	Date April 07, 2017			

OFFICE MEMORANDUM

My China file
672-68

TO: Mr. Edwim R. Lim, AEA

DATE: January 29, 1982

FROM: Mark Leiserson, DEDER

SUBJECT: Research in China by Professor Samuel Ho, UBC

You may be interested in the following paragraphs on Sam Ho's plans for research in China that he included in a recent letter to me:

"You asked about my research undertakings in China. I hope to make two "research visits" to China in 1982. The first visit will probably be in May-June and the purpose will be to gather material for a study on international economic and technical cooperations and joint ventures in China. I selected the topic largely because I thought it would be of interest to the Chinese while providing me with an opportunity to study China's industrial and management system. What interests me particularly about this study is the insights it may provide on international transfer of technology and how conditions in China facilitate or hinder this transfer.

If all goes well, I hope to visit China again in the fall. What I want to do is to spend 8-10 weeks in Shanghai. There are a number of projects that interest me. One is to research why old enterprises in Shanghai are still among the most productive in China despite the fact that they have received relatively little new investment in the past 20-30 years. Another is to examine why Shanghai enterprises are more innovative. A third is to study the transfer of technology within China (an interesting recent development is that factories in coastal cities are encouraged to develop joint venture relationships with enterprises in the interior or in the countryside). All will require access to industrial enterprises in Shanghai. Of course, I will not know what I can do until I get there. I am just beginning to make arrangement for the second visit. I see the second visit primarily as an opportunity to explore research possibilities in Shanghai."

c.c.: B. King, VPD; E. Stoutjesdijk, DEDDR.

MLeiserson:dr

IBRD LANGUAGE SERVICES DIVISION		
CONTROL No.	CE-12/82	DATE: January 28, 1982
ORIGINAL LANGUAGE:	Chinese	
DEPT.	VPD	TRANSLATOR: CK:hb

JAN 29 1982

CHINESE ACADEMY OF SOCIAL SCIENCES
Jianguomennei Dajie 5 Hao, Beijing, China

January 14, 1982

Dear Mr. Chenery:

Thank you for your letter dated December 2, 1981.

I was on a visit abroad last October. It is regrettable that I was not able to meet with the World Bank delegation in Beijing. But I gathered both from my colleagues at the Institute of Economic Research and from your letter that the talks between the World Bank delegation and the Institute had been fruitful. I am very pleased that cooperative efforts in research between our two sides will soon be started.

Concerning the joint programs mentioned in your letter, we have initially the following plans:

1. In March 1982, Mr. Chen Ji-yuan of the Institute of Economic Research will be sent over to visit the World Bank for three weeks. It is hoped that he will be able to attend the forum on Reforms in the Economic System in Hungary sponsored by the U.S.-Hungary Economic Association and will also have a chance to exchange views with fellow economists on research work that has been done regarding state enterprises in various countries and on our joint research programs.

2. In March 1982, Mr. Zhang Chun-yin of the Institute of Economic Research will be sent over to visit the World Bank for three weeks. It is hoped that he will be able to attend the forum on Reforms in the Economic System in Hungary sponsored by the U.S.-Hungary Economic Association and will also have a chance to exchange views with fellow economists on research work that has been done on price systems and discuss our joint programs.

3. In May/June 1982, Mr. Li Xue-zeng will be sent over to the World Bank for a visit of five weeks. Mr. Li will exchange views with fellow economists on the state of the art of research in Industrial Structure and how joint work can be done on this topic by utilizing already-made-public and published materials.

4. In May/June 1982, Messrs. Wu Jia-Pei and Ho Ju-huang will be sent over to the World Bank for a five-week visit. Their interest will be in the constructing of macro-economic models. They will also explore the possibility of conducting joint theoretical studies in this field.

5. In February/March 1982, Mr. Wang Li will be sent to the World Bank to participate in a period of work lasting from six months to one year. It is hoped that he will at the same time have a chance to study the use of computers.

The Institute of Economic Research under the Academy has, in a separate letter, sent to the World Bank short biographies of the six persons mentioned here. I hope we would hear from you at your earliest convenience as to what recommendations you have concerning the persons selected and the initial plans we have made.

It is my belief that through our joint efforts the cooperation between our two sides will achieve satisfactory successes.

Please accept my best wishes.

Yours sincerely,

Huan Xiang (signed)
Vice President,
Chinese Academy of Social Sciences

My China file

672-66

(T)
JAN 20 1982

中国社会科学院经济研究所

INSTITUTE OF ECONOMICS, CHINESE ACADEMY OF SOCIAL SCIENCES

~~2 King~~
A. S. ...
Ed. Kim

Dear Mr. Duloy

January 18th, 1982

I am very glad to read your letter and the attached sheets by L. Taylor of his comments on the macroeconomic model of China. I shall carefully consider your comments. We will suddenly read the books and documents you sent us. As my English is not good enough, couldn't read them all in a short time. I am working hard on my English now.

with best wishes

yours truly

何菊煌 (He jühuang)

OFFICE MEMORANDUM

TO: Mr. J. Duloy, Director, DRC

DATE: January 20, 1981

FROM: B.B. King, Research Adviser, VPD *bbk*SUBJECT: China project (672-68) - Wu Jia-Pei

1. Wu Jia-Pei was supposed to be coming here on February 5th. In view of the difficulties he expressed about finding time to come here, there is a question whether we should hold him to this visit. This seems to depend on the following:

- (a) How much preparation has been made for the visit? Has Alan Gelb written the promised note (if so, I haven't seen it)?
- (b) Are there specific questions we might wish to ask him? If so what?
- (c) Are there any specific requests we might wish to make to him, e.g. data preparation and mailing to Washington, useful papers on any existing models or on the issues to be tackled?
- (d) Have we anything specific to give him or show him, e.g. papers on Sources project, approach to Turkey/Yugoslavia models.

2. Perhaps we should discuss these issues early next week, formulate an agenda if the visit seems necessary and come to a final decision when Ed Lim returns (about the middle of next week).

cc: Messrs. E. Stoutjesdijk, S. Robinson (DED)
A. Gelb (DRC)
E. Lim (o/r) (AEA)

BBK:lt

OFFICE MEMORANDUM

TO: Files

DATE: January 19, 1982

FROM: B.B. King, Research Adviser, VPD *BBK*SUBJECT: China Research (RPO 672-68)

I have received additional information from Mr. Lim via Mr. Bumgarner:

- (i) A reply from Huan Xian (VP-CASS) is on its way to Hollis Chenery, but should be ignored, as the problems mentioned have been straightened out by Ed Lim.
- (ii) Dong Fu-Ren will probably come towards the end of the visit by the three macro-model/structural change specialists.
- (iii) Mr. Wang (computer applications) will also arrive in July, but he may spend the first six weeks in additional language training.

cc: Messrs. H. Chenery (o/r), B. Waide, Ms. C. Wallich (o/r),
Ms. B. Lewis (VPD)
J. Duloy, B. Balassa (DRC)
E. Stoutjesdijk, S. Robinson, G. Nankani,
J. Lowther (DED)
E. Lim (o/r), A. Wood (AEA)

BBK:lt

Completely in Box!

PAGE

EXTENSION

MESSAGE NUMBER

TEST NUMBER (FOR CASHIER'S USE ONLY)

1 1 OF 1

690

MESSAGE NUMBER grid

TEST NUMBER grid

12

10

START 2 HERE

TO: MR. E. LIM, C/O MINISTRY OF FINANCE

CITY/COUNTRY

BEIJING, CHINA

4 THANKS FOR INFORMATION ON ARRIVALS STOP HOW ABOUT WANG
5 LI'S TIMING STOP INFORMATION FROM PERSONNEL SUGGESTS
6 COMPENSATION ABOUT EIGHTEEN HUNDRED MONTHLY STOP KING

END OF TEXT

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CLASS OF SERVICE:

TELEX NO.: 22486 MFPRC

DATE: January 18, 1982

SUBJECT: China Research

DRAFTED BY: B.B. King

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AUTHORIZED BY (Name and Signature): (B.B. King)

DEPARTMENT: VPD

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OFFICE MEMORANDUM

TO: Files

DATE: January 18, 1982

FROM: B.B. King, VPD SUBJECT: China Research (RPO 672-68)

Mrs. Lim relayed the following information from Ed Lim about the timing of the arrival of Chinese researchers in Washington:

- (i) Messrs. Wu, He and Li (macro-model/structural change) are enrolled in the UNDP language course through June. They will come in July.
- (ii) Mr. Chen (public enterprises) and Ms. Chang (prices) will come in May.
- (iii) No information on Wang (researcher on computer applications).
- (iv) No one will come to the Indiana conference on Hungary in March.

cc: Messrs. J. Duloy, B. Balassa (DRC)
E. Stoutjesdijk, S. Robinson, G. Nankani (DED)
B. Waide, Ms. C. Wallich (o/r), Ms. B. Lewis (VPD)
E. Lim (o/r), A. Wood (AEA)

BBK:lt



Record Removal Notice



File Title 672-68 Collaborative Research with China: Phase I -1v		Barcode No. 1315011	
Document Date January 12, 1982	Document Type Form		
Correspondents / Participants From: Benjamin B. King, External Research			
Subject / Title The World Bank Request for Consultant/Researcher			
Exception(s) Personal Information Corporate Administrative Matters			
Additional Comments		The item(s) identified above has/have been removed in accordance with The World Bank Policy on Access to Information or other disclosure policies of the World Bank Group.	
		Withdrawn by Shiri Alon	Date April 07, 2017

China Reser 672-68

JAN 18 1982

The World Bank / 1818 H Street, N.W., Washington, D.C. 20433, U.S.A. • Telephone: (202) 477-1234 • Cables: INTBAFRAD

January 7, 1982

Dr. Chen Chunming
Director
Institute of Health
Chinese Academy of Medical Sciences
29 Nan Wei Road
Beijing, China

Dear Dr. Chen:

I am writing you to follow up on the recent visit of Messrs. Benjamin King and Ardy Stoutjesdijk to China. Messrs. King and Stoutjesdijk were engaged in meetings to explore the potential content of a collaborative research program between the World Bank and selected Chinese institutions, and it was in this context that they visited you to discuss the forthcoming national nutrition survey.

The research community here in the World Bank has accumulated substantial experience in the data processing associated with large bodies of information as well as with the statistical designs of large surveys. In addition, staff from our Population, Health and Nutrition Department have worked on nutrition and food consumption surveys in conjunction with projects in several countries. They have views on both design of surveys and ways the resulting information can be helpful in subsequent decision-making.

Those of us in the Bank concerned with operational work in the field of nutrition and health believe that large scale anthropometric and food consumption surveys can yield valuable insights for health and agricultural sector planning. For these reasons, the possibility of joint work concerning the planned Chinese nutrition survey seems a possibility worth at least considering for inclusion in the Bank/China collaborative research program.

During the King-Stoutjesdijk visit it was agreed that one possible next step in collaboration would be for a member of your staff to visit us here in the Bank for perhaps 10 days to discuss in some detail aspects of the survey to which Bank technical staff might be able to contribute. There also would be opportunities to visit experts on surveys from other nearby institutions and perhaps other United Nations agencies such as UNICEF. The Bank would be able to cover all travel expenses and per diem associated with such a trip and, perhaps, to invite outside technical specialists to join us during part of the visit. From our point of view, any date after the beginning of February would likely be convenient.

Dr. Chen

-2-

January 7, 1982

We would certainly welcome a visit from your Institute, and I look forward to receiving your reply.

Sincerely,

Ishrat Z. Husain
Chief, Division II
Population, Health and Nutrition Department

cc: Mr. R. Eckert (UNICEF, Beijing)
Mr. L. Goldstone (UNICEF, New York)

Cleared (in substance) w/ & cc: Messrs. King, VPD
Lim, AEA

cc: Mr. Koch-Weser, AEA
Mr. Stoutjesdijk, DED
✓ Mr. King,
Mr. Goering, AEP
Mr. Berg, PHNDR
Mr. Warford, PHNPR
Dr. Liese, PHND2
Ms. Domingo, PHND2
Division File

DJAMISON:gsr
CHINA/PHN

OFFICE MEMORANDUM

TO: Mr. E. Bevan Waide, VPD

DATE: January 7, 1982

FROM: Sherman Robinson, DEDND SR

SUBJECT: Research on China

I have read Ben King's memorandum to you dated January 6, 1982. I have for some time been discussing the inclusion of work on China in my work program. All parties seem to agree that some kind of multisectoral modeling and comparative research effort should be undertaken with the Chinese and I have indicated my willingness to be involved. My continued involvement is, of course, contingent on what happens in the reorganization, but I certainly hope to keep China in my work program. In any case, given my ongoing work on various research projects, I will not be able to do any serious work on China before next fall, although I can probably start up over the summer.

At present, all research work on China is to be coordinated by Ben King. This arrangement seems to me to make good sense given the need to start up work in a variety of places in the special case of China and I would very much like to see it continued. However, if this arrangement should change--if it should be scrapped or if Ben King is not to be the one charged with coordinating responsibility--then I would have to rethink my involvement.

SR:kt

cc: Messrs. H. Chenery (o/r), B. King, A. Stoutjesdijk, Westphal, DED;
van der Tak, CPSVP; E. Jaycox, C. Koch-Weser, E. Lim,
A. Wood, AEA

yellow

E. Bevan Waide, VPD

January 6, 1982

B.B. King, VPD

Collaborative Research with China (Phase I): 672-68

1. In our meeting yesterday with Messrs. Lim and van der Tak, we discussed the uncertainties caused by the pending reorganization of DPS and CPS, referred to in my memo of December 28, 1981.

2. Mr. Lim and I pointed out that our most pressing need at the moment was to make a firm commitment of staff to that part of the project concerned with macroeconomic modelling and structural change. At a minimum, we would like to have Mr. Sherman Robinson associated with the project from approximately May/June onwards. This does not exclude (a) a small amount of his time beforehand, and (b) the association of other staff members, as and when it can be arranged.

3. I have talked to Mr. Robinson, who, as I understand it, would like to undertake the assignment and to Mr. Stoutjesdijk, who has no objection. You may, of course, wish to confirm this yourself.

4. Could we, therefore, make this firm commitment, subject to the exigencies of any force majeure that may later emerge?

BBK:cbk

cc: Messrs. van der Tak, CPSVP
Stoutjesdijk, Westphal, Robinson, DED
Jaycox, Koch-Weser, Lim, Dubey, AEN

INTERNATIONAL

this week, it will have to be worked for.

The finance minister, Mr Wang Bingqian, spelt out the future in one solemn sentence: "Necessary readjustments should be carried out with regard to price subsidies". He called for higher productivity and an end to waste. At the moment subsidies on 28 basic necessities, including food, coal and cotton cloth, amount to \$18.4 billion, more than a quarter of the government's entire spending. They will gradually be phased out. To end them immediately would be revolutionary rather than an adjustment. Even so, the announcement had been anticipated by many Chinese far from Peking who had deduced from their own observations the way prices were going up. There have been reports from many parts of the country of a rush on the shops. Presumably to reassure the hoarders, a resolution was passed at the congress calling for stable prices "by and large".

The government admits to an inflation rate of 6%, but the cost of cigarettes alone recently went up by 20%, and China has one of the largest proportions of smokers in the world. Most Chinese are likely to accept higher prices providing that they can get work. But a delegate from Shaanxi echoed a worry that, like inflation, is familiar in the west. If there were "serious streamlining", he said, "a large number of people will become redundant".

China's rising cost of living is nothing new to western businessmen in the country, who strongly suspect that they are being exploited by their hosts. Last month foreign banks and traders in Peking were told that they could expect rent rises of up to 170% for office and living accommodation. Taxi and train fares for foreigners are up to four times higher than they are for Chinese, and a special charge of \$60 a day is sometimes charged to businessmen travelling outside Peking, Shanghai and Canton. European and American firms reckon that it costs at least \$200,000 a year to maintain a senior representative in Peking.

At the people's congress it was announced that foreign firms would in future have to pay taxes of 30-50% of their profits. The vice finance minister, Mr Xie Ming, said that the taxes were "fair and equitable", and no doubt China expects firms to be able to offset them against their tax liabilities at home. China trade remains an attractive proposition. Off-shore oil continues to be a lure, the country needs tourist hotels, and in the long term China is a dreamy consumer market: imagine cornflakes on 200m tables. All the same, it is no longer the bonanza it seemed when Mr Deng first offered a beckoning finger to the west.

United Nations

The veto-survivor

As usual, the United Nations security council has picked a quiet man to be the next secretary-general. The system of election ensures such a choice: to succeed, a candidate must get at least nine votes in the 15-member council without running into a "no" from any of the five veto-wielding powers. Mr Javier Perez de Cuellar proved to be the only one of the 11 declared candidates who could achieve this. His confirmation by the general assembly duly followed on Wednesday.

Those critics who have called Mr Perez a Peruvian Waldheim seem to fear that the same reluctance to give offence that enabled him to get the job will prevent him from doing it properly. They may be right. But they may forget how the history of the office shows that circumstances sometimes compel a "quiet" man to stick his neck out. Even Dag Hammarskjöld, now regarded as the only really imaginative innovator to have held the job, was picked as being such a man; and Hammarskjöld's successes were achieved not by rashness but mainly by a combination of subtlety, tact and good timing.

The qualifications that Mr Perez brings to the job are not merely negative ones. He begins with more UN experience than any previous secretary-general. Since 1971 he has represented Peru in New York for four years (including two years when it held a security council seat) and then served the organisation first as special UN representative in Cyprus and later as an under-secretary-general, in which capacity he had to grapple with such intractable problems as that of Afghanistan.

Earlier, as a career diplomat, he had served in London, Paris and Moscow as well as four other capitals. He is credited with having done much to enlarge his

The system picked Perez



country's diplomatic horizons. As a Peruvian, he meets the requirement that the UN's top job should now pass to a third-worlder, yet is not directly involved in any of the fiercer conflicts that split the third world's ranks.

Mr Perez will be 62 in January, and thus comes to the job later in life than any of his four predecessors (who were all around the 50 mark when they took office). But, if this makes it likely that he will serve for only one five-year term, the fact that he will therefore have no need to worry about getting re-elected may help him to withstand pressure from powerful governments when the world community's interests require him to do so.

Zimbabwe

Now black does it to white

FROM OUR SALISBURY CORRESPONDENT

The relationship between black and white has been reversed in Zimbabwe, but the rules remain the same. During the years when the whites were struggling against the rising tide of black nationalism, arbitrary arrests and detentions without trial were common. The same emergency regulations are still in force 18 months after independence, and they are now being invoked against the whites.

So far nine whites, including a member of parliament, have been detained under the inherited regulations. None of them has yet been charged, and the government has provided few details of their alleged offences. Six people arrested in one swoop in Bulawayo last month have been accused of activities likely to endanger state security. A member of parliament, Mr Wally Stuttaford, is said to have been involved in a plot to overthrow the government. Another white is being detained for allegedly defacing portraits of the president and the prime minister; the detention order on him was served after the attorney-general had decided not to prosecute. Lawyers are being denied access to the detainees.

Whites in general still hanker for the days when they ran the country, and no doubt many of them should change their attitudes if relations between the races are to improve. But feeling nostalgia for the past is one thing, actively working to bring it back is quite another; and the government may be confusing the two.

Unless the authorities produce some solid evidence against those who are being detained, white morale, already low, will fall farther. One result will be an increased rate of white emigration. There is already evidence that the rate of white

January 6, 1982

Professor Xu Dixin
Vice President
The Chinese Academy of
Social Sciences
5 Jianguomen Nei Dajie
Beijing, China

Dear Professor Xu:

I am taking the opportunity of Mr. Lim's return visit to China to say how much we all appreciated the warm welcome you gave us in Beijing. My wife has very pleasant memories of the two dinners you attended and sends her warmest regards.

We are also most grateful for the beautiful calligraphy. We were able to have it mounted expertly in Shanghai and intend to frame it ourselves. By a remarkable coincidence, I found the quotation from Li Bo in a magazine that Mr. Stoutjesdijk picked up in Hong Kong; an extract from the article is enclosed.

Yours sincerely,

B.B. King
Research Adviser

Enclosure

BBK:qdb

January 6, 1981

Professor Dong Fu-Ren
Institute of Economics
The Chinese Academy of
Social Sciences
5 Jianguomen Nei Dajie
Beijing, China

Dear Professor Dong:

I am taking the opportunity of Mr. Lim's visit to thank you more formally for your letter of December 7. It arrived, as I said, just as my letter of December 14 was about to be mailed.

The changes in organization that I spoke of in my letter are still going on, but are not complete. Mr. Lim will brief you on the present situation. We are taking whatever steps we can to preserve the continuity of the project and are hopeful that only minor changes to the timetable will be involved. We still put our faith in "longevity".

I omitted to mention in my last letter our gratitude to the provincial Academies, who were our hosts in Tianjin, Wuhan and Shanghai. They were most hospitable and particularly in Wuhan, catered to our last minute changes in schedule with great patience and efficiency.

Yours sincerely,

B.B. King
Research Adviser

EBK:gdb

OFFICE MEMORANDUM

TO: Messrs. van der Tak and Waide

DATE: December 28, 1981

FROM: B. B. King, VPD *BBK*SUBJECT: Collaborative Research with China (Phase I): Research Project 672-68

1. I am addressing this note to you as coordinator of this project. I am concerned about the future of the project under the impending reorganization of DPS. The questions I will subsequently raise have some urgency, since final arrangements for the project are to be discussed by a mission consisting of Caio Koch-Weser and Ed Lim, which is to arrive in China on January 11, 1982.
2. Let me first recapitulate the history of the project in brief. After some initial correspondence, it was agreed that a mission would go to China for substantive discussions with the Chinese Academy of Social Sciences (CASS) in October 1981. This mission consisted of Mr. Duloy (Director, Development Research Center), Mr. Stoutjesdijk (Director, Development Economics Department), Mr. Lim (Senior Economist, East Asia and Pacific Country Programs Department) and myself. The composition was chosen in order to ensure that any agreements would have the full backing of the departments most likely to be involved.
3. The project was approved by the Research Committee on November 25. The Chinese government was informed in a letter from Mr. Chenery to Mr. Huan, Vice-President of CASS, dated December 2 (copy attached). At that time there was no reason to suppose that, despite impending changes, the project could not be implemented more or less as envisaged. Mr. Chenery's letter was followed by my letter of December 14 (copy attached) to Dong Fu-Ren, Deputy Director of the Institute of Economics at CASS, with whom we held the substantive discussions in October. Although by then it was plain that changes were going to be made in DPS, they did not appear to entail more than a tolerable amount of disruption in the implementation of the project. Mr. Clausen's letter to all staff dated December 15 stated:

"This will involve a transfer to Operations of some of the functions and resources of the departments of Development Economics and Policy Planning and Program Review, while retaining a substantial part of the Development Economics Department in the integrated research activity."
4. The changes envisaged now seem to be somewhat greater than we were expecting. In view of the present uncertainty, the dislocation that regrouping is bound to cause and the possibility that future assignments of staff may be incompatible with implementation of the project, I would be grateful if we could discuss how we should proceed as soon as possible in order that the mission can be properly briefed before it leaves.

Attachments

cc: Messrs. Jaycox, Koch-Weser, Lim, Stoutjesdijk, Duloy, Acharya ✓

BBK:qdb

December 2, 1981

Mr. Huan Xiang
Vice President
The Chinese Academy of
Social Sciences
5 Jianguomen Nei Dajie
Beijing, China

Dear Mr. Huan:

I am happy to inform you that, following the visit of the mission led by Mr. Ben King in October, the Bank's Research Committee has approved the allocation of funds to initiate a program of collaborative research up to an amount of \$65,000.

The specific purposes for which these funds would be used would include the following:

- (i) Visit to Washington in March 1982 by two members of the staff of the Institute of Economics concerned with pricing and public enterprise management. The Bank's research budget would cover the cost of two round-trip tickets from Beijing to Washington plus subsistence for a total of approximately six man-weeks.
- (ii) Visit to Washington in May or June 1982 by three members of the staff of the Institute of Economics concerned with macro-modelling and structural change. The Bank's research budget would cover the cost of three round-trip tickets from Beijing to Washington plus subsistence for a total of approximately fifteen man-weeks.
- (iii) Employment by the Bank on a fixed-term appointment of a member of the staff of the Institute of Economics knowledgeable about computer science, starting in February or March 1982. The Bank's research budget would cover the cost of one round-trip ticket from Beijing to Washington plus salary according to the Bank's usual standards for the term of the appointment. This term would be for a minimum of six months, but could be extended for not more than an additional six months.

December 2, 1981

- (iv) Possible contingent expenses, including data-processing in Washington, D.C. and other travel expenses, if this should prove necessary.

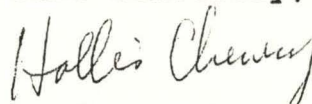
The purpose of the visit in March 1982 would be mainly exploratory in nature: to discuss with Bank research and operational staff what relevant research has been undertaken or is contemplated; and to come to some preliminary agreement on specific areas for future collaboration.

The purpose of the visit in May/June 1982 would be to prepare a specific research proposal for the development of a macro-economic model of the Chinese economy to be presented to the Bank's Research Committee. To the extent possible, the model would be intended to illuminate the process of structural change. The purpose of the employment of the computer science specialist would be to facilitate the transfer of the Bank's experience in the use of models of this kind.

Apart from the items mentioned above, the expense of the Chinese researchers would be borne by the institutions to which they belong. Similarly, salaries of Bank staff working on the collaborative research would be borne by the Bank.

I hope these arrangements meet with your approval. I have asked Mr. King to work out the detailed arrangements with the Institute of Economics. We look forward very much to the prospect of collaboration.

Yours sincerely,



Hollis B. Chenery
Vice President
Development Policy

cc: Mr. Dong Fu-Ren
Beijing, China

Mr. Wang, EDS

Messrs. Husain, Hasan, Jaycox, Koch-Weser, Lim (East Asia)
Duloy, Stoutjesdijk, Robinson, King, Acharya (DPS)

December 14, 1981

Professor Dong Fu-Ren
Institute of Economics
The Chinese Academy of
Social Sciences
5 Jianguomen Nei Dajie
Beijing, China

Dear Professor Dong:

I understand from Mr. Lim that he has told you about Mr. Chenery's letter to Mr. Huan of December 2. I expect that by now you will have received a copy. Needless to say, I am very glad that the suggestions we agreed on last October are now, by and large, confirmed.

Before I go on to discuss our arrangements for the future, I would like to thank you for the very cordial reception we had in Beijing and to say, on behalf of all the mission, that we much appreciated the friendly atmosphere in which our meetings took place.

I would particularly like to thank you for making Mr. Cao available to us. In addition to acting as our interpreter and carrying out that function extremely well despite the unfamiliarity of the terminology used on many occasions, Mr. Cao was a constant help to us throughout our three-week visit. We could not have asked for a pleasanter travelling companion. I would also like to thank you, on behalf of Mrs. King and myself, for the hospitable way in which you received her and, in particular, for the very helpful assistance of Miss Wei.

Mr. Lim is, as you may know, returning to China on about January 11th. It would be best if he discusses some of the details of the arrangements with you. Some changes in the organization of research are being made in the Bank and their consequences will be clearer by the time he arrives.

....2

December 14, 1981

I would be grateful, if you would confirm the names of the participants in the program. As we understand it, they are, at present:

- (i) Pricing and public enterprise management: Mr. Wu Jing-Lian and Ms. Zhang.
- (ii) Macromodelling and structural change: Messrs. Wu Jia-Pei, He Juhua, and Li Xuezheng.
- (iii) Computer science: Mr. Wang Li.

Chen
Jiquan

I would be grateful if you could have their curricula vitae ready for Mr. Lim when he arrives. We would particularly like to have the one for Mr. Wang Li fairly soon as our personnel department would use it to determine his salary. I would also like to know the approximate date of his arrival, so that we can start to make arrangements.

Mr. Lim will also be able to discuss with you the appropriate timing and duration of visits for the various participants. We have met briefly with Mr. Wu Jia-Pei and expect to see him again here on February 5th before he returns to China. We think that the best time for his return to Washington in connection with macromodelling would probably not be before June. However, it would be desirable if Messrs. He and Li come some weeks earlier in order to avail themselves of the opportunity for continued language training to supplement the training in Beijing that we assume they have started. We have come to the conclusion that training in the U.S. would best be done in Washington and are therefore exploring possible arrangements; Mr. Lim can also discuss this with you. I should point out, although the Research Committee funds are not available for language training, we hope to have access to other resources. I assume that you are making arrangements for the necessary clearance in China for the participants' travel.

Mr. Lim will also discuss the subsistence allowance referred to in Mr. Chenery's letter. We envisage that this would correspond to the standard allowance given to participants at the Bank's Economic Development Institute or something similar.

Yours sincerely,



B.B. King

cc: Mr. Wang, EDS
Messrs. Koch-Weser, Lim (AEA)
Mr. Acharya (VPD)

P.S. I have just received your letter with the Curricula vitae dated 12/7/81.)



Record Removal Notice



File Title 672-68 Collaborative Research with China: Phase I -1v		Barcode No. 1315011		
Document Date N/A	Document Type CV / Resumé			
Correspondents / Participants Wang Li (M.)				
Subject / Title Curriculum Vitae				
Exception(s) Personal Information				
Additional Comments		<p>The item(s) identified above has/have been removed in accordance with The World Bank Policy on Access to Information or other disclosure policies of the World Bank Group.</p>		
		<table border="1"><tr><td>Withdrawn by Shiri Alon</td><td>Date April 07, 2017</td></tr></table>	Withdrawn by Shiri Alon	Date April 07, 2017
Withdrawn by Shiri Alon	Date April 07, 2017			

Cost of Language Training for Chinese Researchers (\$)^{1/}

	<u>Concordia</u> (double)	<u>Concordia</u> (single)	<u>Anthony House</u> (single)	<u>Anthony House</u> (double)
Per Person per week	396	473	564	452
2 x 4 weeks	3,168	3,784	4,512	3,616
2 x 8 weeks	6,336	7,568	9,024	7,232

^{1/} Based on \$95 per week for ALIGU and \$25 per day for subsistence. Rents: 18, 29, 42, 26 respectively.

Contact: Vanessa, Hotel Section (75037)

Revised 12/31/81

OFFICE MEMORANDUM

TO: Files

DATE: December 24, 1981

FROM: Bela Balassa

SUBJECT: Back-to-Office Memo: Budapest, December 19 - 21

1. I went to Budapest on December 19-21 in a private capacity to have discussions on my paper "Reforming the New Economic Mechanism in Hungary," which deals with the 1980-81 reform measures. The paper will be presented at the Meetings of the American Economic Association, to be held in Washington, D.C. on December 28-30, 1981, and at the Roundtable on the Hungarian Economy and East-West Economic Relations, to be held in Bloomington, Indiana, on March 21-24, 1982.

2. I met with some of the principal architects of the Hungarian economic reform, including Joseph Bognar (General-Director of Institutes of Economics and Industry), Bela Csikos-Nagy (President of the Price and Materials Office), Otto Gado (former Deputy-President of the Planning Office), and Rezso Nyers (former Minister of Finance), the first three of whom spoke at the Bank in the past. I also gave a seminar on the subject of my paper at the Institute of Economics of the Hungarian Academy of Sciences.

3. The paper was well received and it is expected that it will be published in Hungarian as was my 1978 paper "The Economic Reform in Hungary: Ten Years After." Also, following an earlier invitation, Mr. Csikos-Nagy asked me to lead the discussion on policies of export promotion and import substitution at a day-long meeting, to be held with the participation of high-level government officials, in late August.

4. A dozen leading Hungarian economists will participate at the March Roundtable in Indiana. One group will come to Washington on March 18-19 and plans to visit the Bank to acquaint themselves with the research program and country economic work. Mr. Nyers will come to Washington on March 28th and I suggest that we invite him to conduct an informal seminar at the Bank.

cc: Messrs. Stern, Chaufournier, Bart, Karaosmanoglu, Picciotto,
Dubey, Humphrey
DPS Directors
DRC Senior Staff

BB/vec



Copy to Lim

File → 672-68
or discard if spare.

December 14, 1981

Professor Dong Fu-Ren
Institute of Economics
The Chinese Academy of
Social Sciences
5 Jianguomen Nei Dajie
Beijing, China

Dear Professor Dong:

I understand from Mr. Lim that he has told you about Mr. Chenery's letter to Mr. Huan of December 2. I expect that by now you will have received a copy. Needless to say, I am very glad that the suggestions we agreed on last October are now, by and large, confirmed.

Before I go on to discuss our arrangements for the future, I would like to thank you for the very cordial reception we had in Beijing and to say, on behalf of all the mission, that we much appreciated the friendly atmosphere in which our meetings took place.

I would particularly like to thank you for making Mr. Cao available to us. In addition to acting as our interpreter and carrying out that function extremely well despite the unfamiliarity of the terminology used on many occasions, Mr. Cao was a constant help to us throughout our three-week visit. We could not have asked for a pleasanter travelling companion. I would also like to thank you, on behalf of Mrs. King and myself, for the hospitable way in which you received her and, in particular, for the very helpful assistance of Miss Wei.

Mr. Lim is, as you may know, returning to China on about January 11th. It would be best if he discusses some of the details of the arrangements with you. Some changes in the organization of research are being made in the Bank and their consequences will be clearer by the time he arrives.

December 14, 1981

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- (ii) Macromodelling and structural change: Messrs. Wu Jia-Pei, He Juhua and Li Xuezheng.
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I would be grateful if you could have their curricula vitae ready for Mr. Lim when he arrives. We would particularly like to have the one for Mr. Wang Li fairly soon as our personnel department would use it to determine his salary. I would also like to know the approximate date of his arrival, so that we can start to make arrangements.

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Mr. Lim will also discuss the subsistence allowance referred to in Mr. Chenery's letter. We envisage that this would correspond to the standard allowance given to participants at the Bank's Economic Development Institute or something similar.

Yours sincerely,



B.B. King

cc: Mr. Wang, EDS
Messrs. Koch-Weser, Lim (AEA)
Mr. Acharya (VPD)

P.S. I have just received your letter with the Curricula vitae dated 12/7/81.)

OFFICE MEMORANDUM

TO: Hotel Section, Travel Office

DATE: December 14, 1981

FROM: B.B. King, VPD *BBK*SUBJECT: Concordia Apartments

1. I have discussed with Mr. Haase (EDI) the possibility of housing some officials of the Chinese Academy of Social Sciences at the Concordia apartments. These officials would be coming to Washington as part of a collaborative research program (ref: 672-68). The approximate dates when they would be coming would be as follows:

Mr. Wu Jing-Lian:	March 25 - April 3
Ms. Zhang: <i>Changjun</i>	March 25 - April 17
Mr. Li Xuezheng:	April 12 - July 15
Mr. He Juhua: ^{ng}	April 12 - July 15
Mr. Wu Jia/Pei:	June 15 - July 15

2. We would prefer to have Mr. Li and Mr. He share a one-bedroom apartment, if a suitable one is available.

3. Would you let me know if there will be space available at these times?

cc: Mr. Haase (EDI)
Mr. Lim (AEA)

BBK:lt

Mr. Chen Jiyan
wang *ki*

December 2, 1981

Mr. Huan Xiang
Vice President
The Chinese Academy of
Social Sciences
5 Jianguomen Nei Dajie
Beijing, China

Dear Mr. Huan:

I am happy to inform you that, following the visit of the mission led by Mr. Ben King in October, the Bank's Research Committee has approved the allocation of funds to initiate a program of collaborative research up to an amount of \$65,000.

The specific purposes for which these funds would be used would include the following:

- (i) Visit to Washington in March 1982 by two members of the staff of the Institute of Economics concerned with pricing and public enterprise management. The Bank's research budget would cover the cost of two round-trip tickets from Beijing to Washington plus subsistence for a total of approximately six man-weeks.
- (ii) Visit to Washington in May or June 1982 by three members of the staff of the Institute of Economics concerned with macro-modelling and structural change. The Bank's research budget would cover the cost of three round-trip tickets from Beijing to Washington plus subsistence for a total of approximately fifteen man-weeks.
- (iii) Employment by the Bank on a fixed-term appointment of a member of the staff of the Institute of Economics knowledgeable about computer science, starting in February or March 1982. The Bank's research budget would cover the cost of one round-trip ticket from Beijing to Washington plus salary according to the Bank's usual standards for the term of the appointment. This term would be for a minimum of six months, but could be extended for not more than an additional six months.

December 2, 1981

- (iv) Possible contingent expenses, including data-processing in Washington, D.C. and other travel expenses, if this should prove necessary.

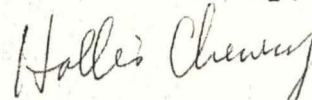
The purpose of the visit in March 1982 would be mainly exploratory in nature: to discuss with Bank research and operational staff what relevant research has been undertaken or is contemplated; and to come to some preliminary agreement on specific areas for future collaboration.

The purpose of the visit in May/June 1982 would be to prepare a specific research proposal for the development of a macro-economic model of the Chinese economy to be presented to the Bank's Research Committee. To the extent possible, the model would be intended to illuminate the process of structural change. The purpose of the employment of the computer science specialist would be to facilitate the transfer of the Bank's experience in the use of models of this kind.

Apart from the items mentioned above, the expense of the Chinese researchers would be borne by the institutions to which they belong. Similarly, salaries of Bank staff working on the collaborative research would be borne by the Bank.

I hope these arrangements meet with your approval. I have asked Mr. King to work out the detailed arrangements with the Institute of Economics. We look forward very much to the prospect of collaboration.

Yours sincerely,



Hollis B. Chenery
Vice President
Development Policy

cc: Mr. Dong Fu-Ren
Beijing, China

OFFICE MEMORANDUM

- ch - 11/14
6268

TO: Edwin R. Lim

DATE: December 2, 1981

FROM: Benjamin B. King *BBK*SUBJECT: Per diem for research project (672-68)

1. I have spoken to Gerold Haase (EDI) regarding (a) per diem and (b) availability of Concordia apartments.
2. EDI pays participants \$25 a day for meals and incidentals plus a Concordia apartment.
3. Concordia apartments cost \$29 a day for an efficiency and \$36 for a 1-bedroom apartment.^{1/} They would, in principle, be available for the CASS representatives coming to Washington (it is not certain that we would actually have to pay for them). However, in practice, availability depends on how many courses the EDI has at the time. Haase is looking into this--end of March looks like a bad time. There is always the possibility of last minute dropouts. Reservations are made through the Hotel Section of the Travel Office but controlled by EDI.
4. A fallback possibility is the Antony House, but this is commercial. Approximate cost: \$40 to \$50 a day.

cc: Mr. Stoutjesdijk (DEDDR), Mr. Duloy (DRC), Ms. Wallich (ASA)

BBKing:mh

1/ A few of these can accommodate two people.



Record Removal Notice



File Title 672-68 Collaborative Research with China: Phase I -1v		Barcode No. 1315011		
Document Date N/A	Document Type CV / Resumé			
Correspondents / Participants Wu Jiapei; Zhang Chunyin; He Juhuang; Chen Jiyuan; Li Xuezheng; Wang Li.				
Subject / Title Curriculum Vitae				
Exception(s) Personal Information				
Additional Comments		The item(s) identified above has/have been removed in accordance with The World Bank Policy on Access to Information or other disclosure policies of the World Bank Group.		
		<table border="1"><tr><td>Withdrawn by Shiri Alon</td><td>Date April 07, 2017</td></tr></table>	Withdrawn by Shiri Alon	Date April 07, 2017
Withdrawn by Shiri Alon	Date April 07, 2017			

Department of Economic Administration
Wuhan University, Wuhan City
Hubei, China

Dec. 8, 1981

Mr. Ardy Stoutjesdijk
Director
Development Economics Department
The World Bank
1818 H. Street N. W.
Washington D. C.
U. S. A.

Dear Mr. Stoutjesdijk :

It was a great pleasure and an honor to us that you, Mr. B. King and Mr. John Duloy visited our University on Oct. 24 this year. I don't know what impressions you have got here and how do you think about our work. However, we feel your visit will give us some encouragement to get wider contact with the outside world, especially the international economic organizations like the World Bank.

In order to meet the urgent need to improve the lagging-behind conditions of the economic and business management of our economy, our university has recently established a new department, the Department of Economic Administration and I am elected the Chairman of the Department. Prof. Floyd Reynolds of Yale University, the Chairman of the Committee of Comparative Economics, the American Economic Association, invites me to attend the Annual Meeting of A. E. A. to be held in Washington D. C. on Dec. 28-30, and Prof. Lowell Dittmer, Chairman of the Center for Chinese Studies, University of California, invites me to visit his Center. I am planning to leave China on Dec. 21 by Pan American airplane to San Francisco and Clemson S.C. and shall be in Washington on Dec. 26. I intend to visit the World Bank and the International Monetary Fund after the meetings. Thereafter I shall make a tour to visit some schools of administration and the banking institutions in the eastern parts of the United States, and then go to Berkeley and stay there for one to two months.

Hope to see you in Washington.

Remember me to Messrs. King, Duloy and Lin.

With best regards,

Sincerely Yours,

Li Chong-huai

Li Chong-huai
Professor and Chairman

P. S. my address in Washington D. C.
Prof Li Chong-huai
C/o Ms. Xie Jue
Chinese Embassy
Washington D. C.

Director Chen Xing Nong
Ministry of Economic Relations with
Foreign Countries

Mr. Lei Wen
Beijing Second Foreign Language Institute

Kenneth Leitner
4700

<i>Jeanne</i>	<i>Kent</i>
	<i>Telephone</i>
<i>890</i>	<i>4676</i>
<i>862</i>	<i>room</i>
	<i>4706</i>

Chen

OFFICE MEMORANDUM

TO: Mr. E. Jaycox, (AEA)

FROM: Christine I. Wallich, (VPD)

SUBJECT: Research Proposal on "Collaborative Research with China: Phase I"

DATE: November 25, 1981

1. The Research Committee has agreed to approve a modified version of this proposal on the first phase of collaborative research with China. The amount approved by the Committee is \$65,000, reflecting an agreed reduction in the original \$75,000 budget, of \$10,000, for English language training for the visiting researchers.

2. The identification code and authorizations for the project is as follows:

(i) Identification Code:	672-68
(ii) Total Authorization:	\$65,000
(iii) FY82 Authorization:	\$50,000
(iv) FY83 Authorization:	\$15,000

3. Please use this identification code in all financial documents and other communications concerning this project, including letters of appointment to consultants.

cc: Messrs. B.B. King
B. Balassa
J. Duloy
E. Lim
E. Stoutjesdijk
J. Lowther
S. Panickaveetil
L. Lin
Ms. Y. Rodrigo
B. Eltezam
B. Lewis

CW:qdb

OFFICE MEMORANDUM

TO: Research Committee Members

DATE: November 24, 1981

FROM: Christine I. Wallich, VPD *aw*SUBJECT: Collaborative Research with China:
Phase I

1. Attached are the recommendations of the Review Panel for the research proposal on "Collaborative Research with China: Phase I". The review panel memorandum and the proposal are being circulated to you for a telephone vote, as a fairly immediate decision is required.

2. Please call me by noon tomorrow (Wednesday, November 25) with your decision.

Attachment:

Distribution: Messrs. H. Chenery
B. Balassa
J. Baneth
V. Dubey
R. Gulhati
J. Holsen
A. Churchill
R. Picciotto
D.C. Rao
M. Selowsky
A. Shakow
D. Turnham
H. van der Tak
C. Willoughby
S. Acharya (o/r)

CW:lt

OFFICE MEMORANDUM

TO: Research Committee Members
FROM: Christine I. Wallich, VPD
SUBJECT: Review Panel Memo: "Collaborative Research
with China: Phase I"

DATE: November 24, 1981

1. A panel consisting of Messrs. H. Chenery (VPD), R. Picciotto (EMP), D.C. Rao (EGY), and V. Dubey (EMN), met to discuss this proposal on November 20. Also present were Messrs. B. King, E. Lim, J. Duloy, B. Balassa, E. Stoutjesdijk, the project sponsors, and Ms. C. Wallich.
2. Messrs. King and Lim introduced their proposal, highlighting its unusual aspects and noting its collaborative and institution building features and pointing out that the decision to do such collaborative research had evidently been made at the highest levels in China.
3. The Panel's discussion focused on the following issues:
 - (a) the unusual, precedent-setting nature of the proposal;
 - (b) the focus of the proposed research (model-building and comparative systems) and the Bank's comparative advantage in these areas;
 - (c) the suggested inclusion of a \$10,000 component for teaching English to the researchers (later withdrawn); and
 - (d) relation of proposed research to country economic work.
4. On (a), the precedent-making aspect of the proposal was acknowledged and concerns were voiced over whether China was being treated differently from other countries. The Panel noted that in view of the research collaboration and institution building objectives set by the Research Committee, new initiatives such as this would probably come up with some frequency, and more efforts would have to be made to be flexible and tailor collaborative research to particular country situations. This proposal was perhaps best viewed as a new experiment which suits a new client country.
5. On (b) questions were raised as to how much data availability and the size of the Chinese economy might make model-building a less than perfect area to launch the research effort, and whether the Bank really had much to offer on "comparative systems." On the first question, the researchers acknowledged that data could be a problem and that the modelling would have to be tailored to what data was made available by the Chinese. They also pointed out that while the Bank might have preferred to begin its China research in some other field, modelling had been singled out by the Chinese. On "comparative systems" the researchers explained that there was somewhat of a misnomer. In fact what was being referred to, and what was intended, was research on Chinese pricing and public enterprise management, drawing on whatever lessons exist from such experience of other countries as might be relevant. The panel noted that this was a different story entirely and agreed that international

comparisons of this kind - the broad cross-section view - were very much the Bank's comparative advantage. ^{1/}

6. Some concern was also voiced over the appropriateness of using Research Committee funds to finance English language training. The Panel generally agreed that this did not belong to research proper.

7. In view of these concerns, the Panel recommends that a modified proposal be approved by the Research Committee. To wit:

- (i) the Panel recommends that the project budget, originally \$75,000, be reduced to \$65,000, and that the costs of language training be borne by another source;
- (ii) the comparative work on Chinese pricing and public enterprises should be referred to as such, and reference to "comparative systems" should be discontinued.

The expected output from this first experiment in funding collaborative research preparation would be a project proposal of the usual sort.

HBC/CW:1t

^{1/} Due to the recent application by Poland and Hungary to join the Bank, the specific reference in the proposal to funding the Chinese researchers' attendance at the conference at Indiana University in March 1982 on Hungarian Economic Reform was viewed with dismay by two of the panelists. It was agreed that in view of the very delicate nature of the present Bank/Hungary relationship, the Bank must be seen to be above suspicion, that regardless of the actual content of the conference proceedings, the wrong impression could be gotten. The Panel also cautioned that use of cross country data (particularly for socialist countries and new members) be handled with great care.

Ben King

November 25, 1981

Mr. He Juhua
Institute of Economics
Beijing, China

Dear Mr. He:

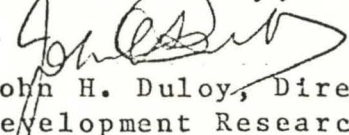
While we were in Beijing, I promised to provide some comments on your macro model. On my return, I discussed your model with a colleague, Lance Taylor, who produced the comments which are attached. These are, of course, of a preliminary nature, but I hope that they will be both interesting and helpful.

In the longer run, I think that it would be useful to think of extending the model. In particular energy as a possible constraint on growth needs explicit treatment. Also, trade is becoming more important in China, and this calls for the introduction of trade and balance of payments considerations. Above all, it is important to think carefully about how the Chinese economy actually functions and how it might function in the future. The development of a changed specification of the model should be based upon this thinking, rather than upon how modelling was done in other countries.

Nevertheless, I thought that you would be interested in some of the modelling experience elsewhere, and have sent you some books and documents dealing with this. Reading these will, I think, prove a test of your English as well as a useful background to our discussions in Washington next Spring.

Kind regards.

Yours sincerely,


John H. Duloy, Director
Development Research Center

Attachment

cc: Messrs. Ben King, E. Stoutjesdijk, E. Lim

To: John H. Duloy

From: Lance Taylor

Re: Comments on China macro model

I thought the most constructive thing to do was reformulate the model to eliminate what I saw as problems. The new version is on the attached sheets. Equation-by-equation, the modifications are the following:

(1) I have included real capital stock in agriculture in the production function, not nominally valued stock as in the equations -- this is quite standard. Also, the KA variable in the original equation set includes capital accumulated within the period, see equation (15).

It is more usual to assume that capital accumulated now can only be put to productive use next period, so KA_{-1}^* becomes the relevant real capital stock in my equation (1).

(2) and (3): These are basically accounting identities linking total agricultural output with value-added. They might be better replaced by explicit input-output accounting.

(4): In the industry production function, it is again standard to use real capital stock accumulated up to the end of last period.

(5): It is hard to understand the parameters in the original version. Essentially $YI/YI^* = PI$ by definition of the price index linking real and nominal output.

(6) and (7): These are essentially accounting identities, and do not need the slope and intercept terms in the original formulation.

(8): The original version has accumulation of nominal agricultural capital here, determined by saving from that sector. I keep the saving determination, and further assume that the "machines" making up agricultural capital are

produced within the sector. Hence, my (8) says real capital stock growth comes from nominal saving deflated by the agricultural price.

(9) It is usually easier in models with more than one commodity to set up consumption demand functions in nominal instead of real terms -- that way you can apply consumer theory more directly. The original model worked with real consumption, deflating nominal income by a GDP-deflator to get real income, and then relating that to real consumption. My (9) relates nominal consumption to nominal income, without an intercept term for simplicity. An intercept could be added, along the lines of the Extended Linear Expenditure System -- the point is that it has to be expressed in nominal terms as well.

(10) is the same in both models. Why does $B_{10,1}$ exceed one?

(11) My version defines depreciation of fixed assets via a wasting parameter d applied to the existing stock -- this is the standard treatment.

(12) This equation is for the change in stocks or inventories. Again, rather than relate it to total investment as in the original model, I used real income as a more standard variable.

(13) By the logic of the model, FI is total investment and FII is fixed net capital formation (total investment less stock changes and depreciation). This is the accounting identity I use.

(14) This is a lagged capital formation equation. I drop the intercept since I do not know what it means. Also note that the condition $W_1 + W_2 + W_3 = 1$ should apply.

(15) and (16): These are accumulation equations, giving capital stocks available for production in the next period. The parameter d should be the same as in my (11).

(17) My equation (17) is the same as (20) in the original model -- the story is that (17) and (9) go together to determine both CD and W simultaneously from agricultural output plus income distribution considerations.

(18) and (19) Now we have to worry about how the model hangs together. The original version was not complete in that it did not contain separate commodity balances for agriculture and industry. Its spirit, however, is supply-determination of both consumption and investable resources. I have added demand-supply balance for both sectors -- industry in (18) and agriculture in (19). In the former, note that investment is determined as a residual after private consumption demand and social consumption are subtracted from YI^* . Consumption demand is determined by nominal total consumption CD and the prices PA and PI . The levels of consumer demands for industrial and agricultural products are given respectively by the functions $q_I(CD, PA, PI)$ and $q_A(CD, PA, PI)$ which should satisfy the condition $q_I PI + q_A PA = CD$ (i. e. we work with a complete system of demand equations).

Given this set-up, the main question is determination of PA . Accounting consistency requires that we include EA^* (net export of agricultural commodities) in the balance equation for that sector. I treat this as exogenous, hence PA has to be an endogenous variable which feeds back throughout that system as shown in the flow-chart at the end. Alternatively, one could fix PA and treat food exports as a residual (positive or negative). Adding sectoral balance equations forces us to consider this specification choice in the model.

The flow chart or schematic shows that the model is almost recursive -- the main feedbacks are from the industry demand-supply balance to determination of investment, and the effect of PA in many equations -- basically the agriculture price moves to clear the market, and this affects a lot of things. . . Another point that should be checked is overall macro consistency in the sense that the sum of demands in both sectors should equal the sum of supplies. This is equivalent to Walras's Law, or investment equals saving from all sources. I did not work through the algebra of this, since it seemed tedious when we have not yet settled on a specification.

Revised Equation Set

* indicates a real quantity (nominal magnitude deflated by a price index). Other variables are nominal or non-monetary. A bar over a variable indicates it is exogenous.

$$(1) \quad YA^* = f(\overline{LA}, KA_{-1}^*, D)$$

Put agriculture capital stock in real terms.

$$(2) \quad GA^* = B_{20} + B_{21} YA^*$$

What is meaning of coefficients?

$$(3) \quad P_A GA^* = Y_A + \overline{P_{IA}} (GA^* - YA^*)$$

Accounting Identity.

(2) and (3) really ought to be done in input-output form,

$$P_A G_A^* = P_A a_{AA} G_A^* + P_{IA} a_{JA} G_A^* + Y_A$$

$$(4) \quad YI^* = f(\overline{LI}, kI_{-1}^*, GA_{-1}^*)$$

Put industry capital stock in real terms.

$$(5) \quad YI/YI^* = \overline{PI}$$

Essentially a definition of real output.

$$(6) \quad Y^* = YA^* + YI^*$$

Definition of real net national product.

$$(7) \quad Y = YA + YI$$

Definition of nominal (current price) net national product.

$$(8) \quad \Delta KA^* = \frac{1}{P_A} (B_{80} + B_{81} YA)$$

Agriculture capital stock produced in ag. sector.

$$(9) \quad CD = B_{91} [w + YA - P_A \Delta KA^* - \overline{TA}]$$

Determines nominal consumption demand in a lagged formulation. Note that there is no intercept.

$$+ B_{92} [w_{-1} + YA_{-1} - P_{A-1} \Delta KA_{-1}^* - \overline{TA}_{-1}]$$

$$(10) \quad \frac{CS}{CD} = B_{10,0} + B_{10,1} \left(\frac{Y^*}{POP} \right)$$

Define social consumption. Why is $B_{10,1} > 1$?

$$(11) \quad FIS = \overline{PI} \cdot d \cdot KI^*_{-1}$$

Essentially defines depreciation.

$$(12) \quad FLS = (B_{12,0} + B_{12,1} Y^*) \overline{PI}$$

In Western usage, defines inventory accumulation (not change in working capital).

$$(13) \quad FII = FI - FIS - FLS$$

Defines net capital accumulation in nominal terms.

$$(14) \quad \Delta KI^* = w_1 \frac{FII}{\overline{PI}} + w_2 \frac{FII_{-1}}{\overline{PI}_{-1}} + w_3 \frac{FII_{-2}}{\overline{PI}_{-2}}$$

Lags show investment gestation. Need $w_1 + w_2 + w_3 = 1$.

$$(15) \quad KA^* = KA^*_{-1} + \Delta KA^*$$

Ag. capital stock accumulation.

$$(16) \quad KI^* = (1-d)KI^*_{-1} + \Delta KI^*$$

Industry capital accumulation.

$$(17) \quad \frac{w/\overline{N}}{(YA - PA \Delta KA^* - \overline{TA})/\overline{LA}} = B$$

Rural and urban income shares.

$$(18) \quad YI^* - g_I(CD, PA, \overline{PI}) - \frac{CS}{\overline{PI}} = \frac{FJ}{\overline{PI}}$$

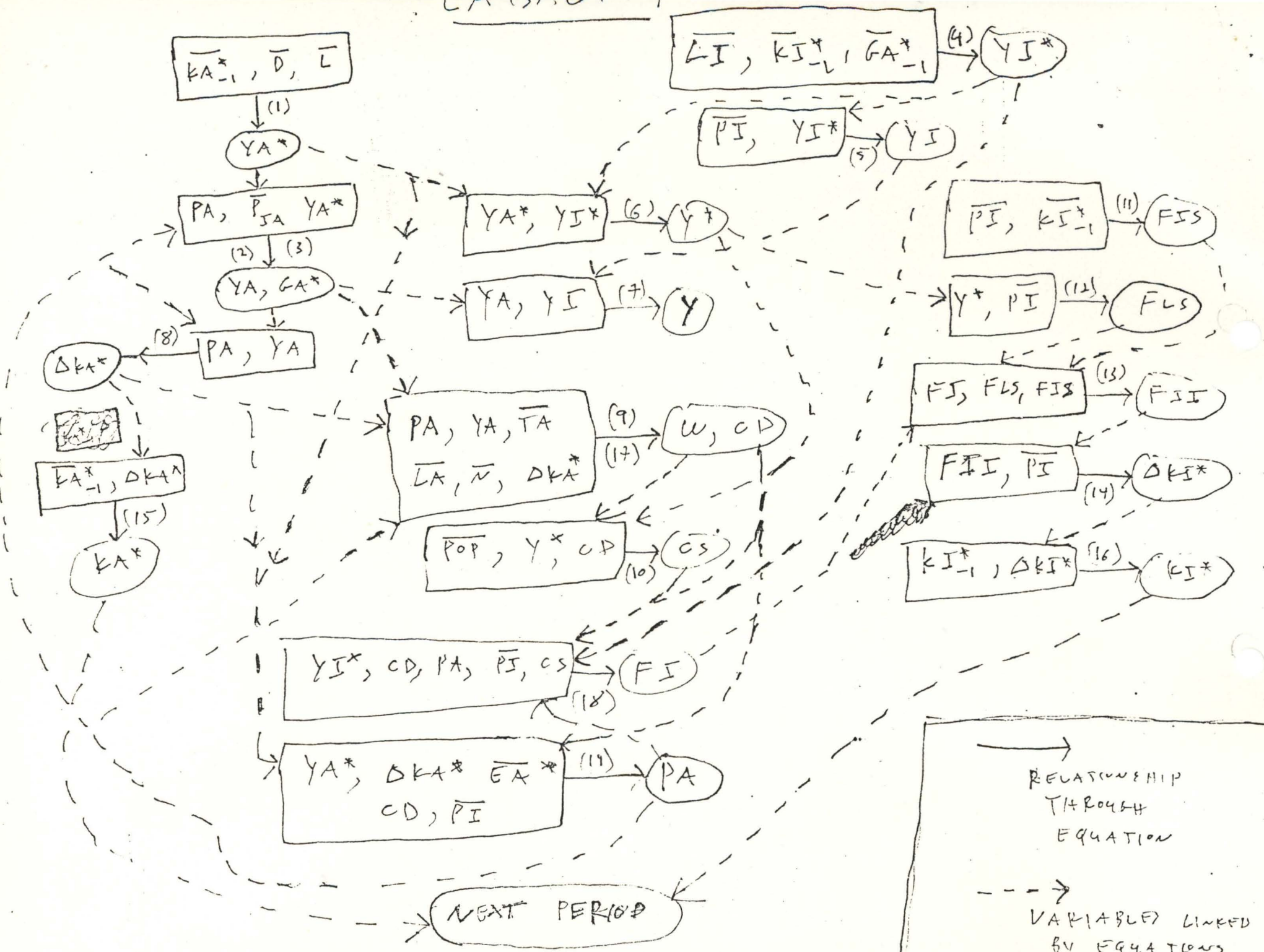
Determines total investment in industry goods from demand-supply balance.

$$(19) \quad YA^* - \Delta KA^* - \overline{EA}^* - g_A(CD, PA, \overline{PI}) = 0$$

Demand-supply balance for agriculture: \overline{EA}^* is not exports of agriculture products. This determines PA.

Memo: g_I and g_A are a complete system of demand equations satisfying

$$PA g_A + \overline{PI} g_I = CD$$



→ RELATIONSHIP THROUGH EQUATION
 ---→ VARIABLES LINKED BY EQUATIONS

M. King

November 20, 1981.

Mr. Dong Furen
Deputy Director
Institute of Economics
Chinese Academy of Social Sciences
5 Jianguomen Nei Dajie
Beijing
China

Dear Mr. Dong:

Thank you for your invitation, contained in your letter of November 9th, to visit China. I am happy to accept. I am afraid, however, that it may not be possible for me to stay beyond two weeks.

I could come to China next year once my teaching obligations at the Johns Hopkins University come to an end. I would suggest a visit in the second half of May if convenient to you.

The programme you propose for my visit is fine; it fits in well with the suggestions made in my letter of October 5. At the same time, given the limited time available, it may be desirable to undertake only one trip outside Beijing. I would be especially interested to go to Sichuan, possibly stopping on the way in Xian if this could be arranged. Let me add here that my travel and related costs in China would be covered by the World Bank.

I enclose a revised version of the paper I earlier sent to you on the Hungarian reform. I will present this paper at a Roundtable on the Hungarian economy to be held at Indiana University in late March.

Thanking you again for your kind letter and invitation, I remain,

Sincerely yours,

Bela Balassa

Bela Balassa

Enclosure

cc: and cleared with Mr. Koch-Weser

cc: Messrs. S. S. Husain, AENVF; Jaycox, AEA; F. Hasan, AENVF;
Chenery, VPD; Dubey, AENVF; King, VPD; Stoutjesdijk, DDD

中国社会科学院经济研究所

INSTITUTE OF ECONOMICS, CHINESE ACADEMY OF SOCIAL SCIENCES

Dear Professor BALASA:

I take it a great honour to welcome you on your three-weeks visit to China next year at a time which you find convenient.

During your visit, we'd like you to talk to us about the Reform in the Hungarian economic system, especially the reform in the pricing system, and about the development strategy for developing countries. We would give you some ideas about the Chinese economic system and its reform. And if you like, I suggest you to visit Sichuan and Shanghai besides Beijing. Please inform me the time you'd like to do your visit and your ideas about the visit as soon as possible, so that we can work out the arrangement for you.

As for the expences, will the World Bank pay your costs in China besides the travelling fees?

All the good wishes!

Sincerely:

Dong Fureng *Dong Fureng*

Economics Institute

Chinese Academy of Social Sciences

NOVEMBER 9, 1981

OFFICE MEMORANDUM

TO: See Distribution

DATE: November 19, 1981

FROM: Christine I. Wallich, VPD ^{aw}SUBJECT: Review Panel: "Collaborative Research
with China: Phase I"

This is to inform you that Mr. V. Dubey (EMN) has been added to the panel to review the above project.

Distribution: Messrs. H. Chenery
R. Picciotto
D.C. Rao
B. Balassa
J. Duloy
B.B. King
E. Lim
E. Stoutjesdijk
B. Waide
S. Acharya (o/r)
V. Dubey

OFFICE MEMORANDUM

TO: See Distribution

DATE: November 18, 1981

FROM: Christine I. Wallich, ^{wj}VPDSUBJECT: Review Panel: "Collaborative Research
with China: Phase I"

1. A panel comprising Messrs. H. Chenery (VPD), Chairman, R. Picciotto (EMP), D.C. Rao (EGY), and B. Balassa (DRC), has been set up to review the above named proposal. The panel will meet on Friday, November 20 at 3:30 p.m. in Room I8-100.

<u>Project Title</u>	<u>Principal Supervisor</u>	<u>Amount Requested</u>
Collaborative Research with China: Phase I	B.B. King	\$60,000

2. The panel is expected to consider issues such as (i) Is the proposed research of interest to the Bank? (ii) What is the expected usefulness of this research for Bank operations? (iii) Is the study designed to deal with the issues that it raises? A set of guidelines designed for the preparation and submission of research proposals is attached. It highlights many of the issues that may be relevant for the panel discussion. It may, therefore, be a useful aid in considering this proposal.

3. The panel's recommendations should reach me by Monday, November 23, 1981.

Attachment:

Distribution: Panel Members
Messrs. S. Acharya (VPD)
J. Duloy (DRC)
B.B. King (VPD)
E. Lim (AEA)
E. Stoutjesdijk (DED)
B. Waide (VPD)

:lt



Record Removal Notice



File Title 672-68 Collaborative Research with China: Phase I -1v		Barcode No. 1315011		
Document Date November 18, 1981	Document Type Form			
Correspondents / Participants				
Subject / Title World Bank Research Program - Project Proposal				
Exception(s) Personal Information Corporate Administrative Matters				
Additional Comments		<p>The item(s) identified above has/have been removed in accordance with The World Bank Policy on Access to Information or other disclosure policies of the World Bank Group.</p> <table border="1"> <tr> <td>Withdrawn by Shiri Alon</td> <td>Date April 07, 2017</td> </tr> </table>	Withdrawn by Shiri Alon	Date April 07, 2017
Withdrawn by Shiri Alon	Date April 07, 2017			

COLLABORATIVE RESEARCH PROGRAM WITH
THE PEOPLE'S REPUBLIC OF CHINA: PHASE I

Background on the Bank's Relations with China

1. The People's Republic of China assumed the membership of China in the Bank Group in May 1980. A large economic mission went to China in the Fall of 1980; its report (3391-CHA) was published in nine volumes in June 1981. Work has been initiated on projects in a variety of sectors; one on higher education has received Board approval. The EDI has conducted one course in Washington for high level officials and is now undertaking a series of courses in China in cooperation with an institute in Shanghai.

2. The idea of a program of collaborative research was first mooted by Hollis Chenery during the mission in 1980. Subsequent correspondence led to an invitation by the Chinese Academy of Social Sciences in Beijing to send a mission in October 1981.^{1/} The substance of the mission's discussions and tentative agreement with the Academy of Social Sciences is contained in a Back-to-Office Report (BOR) dated November 11, 1981 which has already been circulated to the Research Committee and which is attached (Attachment 2). The specific recommendations must be seen in the light of present developments in the Chinese economy and of the Bank's relations with it.

3. China at present is in the throes of what might well be called a structural adjustment on a grand scale, in the most meaningful sense of that term. Since 1978 many steps have been taken leading away from the previous command economy with all its rigidities and economic inefficiencies. Exactly where it is headed and how fast are matters of great uncertainty, but current policy undoubtedly stresses "adjustment" in order to eliminate past inefficiencies and to achieve faster growth in living standards.

4. In these circumstances, the Bank's strategy is, with limited resources, to intervene where intervention is likely to make the greatest difference, subject to Chinese receptivity. The transition, however long it may be, will require massive absorption by the Chinese of the tools of economic management, of the lessons of experience elsewhere and of new technology. In this context, project lending, economic and sector work, EDI courses and collaborative research are conceived of as a mutually reinforcing package, not as independent activities. The aim of research, in line with this approach, is not to initiate projects calling for ad hoc assistance from Chinese institutions, but to provide Chinese institutions with as much of the methodological expertise at our command as appears useful, to help them to absorb it and to trust in their ability to use it to the best advantage. The emphasis, in fact, will be on application and dissemination rather than innovation for its own sake. Collaborative research is likely to have an impact on policy making, because of the involvement of many of our proposed Chinese collaborators in policy making and planning.

^{1/} See Hollis Chenery's memo of Sept. 25 to the Research Committee (attached).

The Program of Collaborative Research

5. In conception, therefore, this proposal is somewhat of a novelty. It reverses the usual process of selecting a research idea and looking for a collaborator; instead, we have chosen a collaborator and have sought for subjects of mutual interest. In the Chinese context this would appear to make a lot of sense. Moreover, in calling the proposal a program, we are guilty of some exaggeration. We do not have a program; we only have initial steps. It is important, however, to conceive of the activity as a long-term program, despite the fact that we may have only a sketchy idea of what is to follow, not least because much depends on the success with which those first steps are implemented.

6. These first steps are in several different subject areas. All of them were selected by the Chinese from a list of suggestions put to them. All of them appear highly relevant to current conditions in China and they are believed by the regional sponsors to be of high priority. The Bank contribution has largely been to give specific content to the general desire on the Chinese side for collaboration and to stress interdependencies among lines of enquiry, which the Chinese tend to compartmentalize. Compartmentalization is a phenomenon already observed in an operational context. If we are at all successful in breaking it down, this could be a significant contribution by itself, whether in the operational or the research field.

7. One of our first moves, therefore, is to suggest bringing Chinese researchers in different sub-disciplines to Washington at the same time. This move, however, runs up against one serious constraint, namely language ability. We advised our Chinese colleagues, therefore, to start English language training as soon as possible, to which they readily agreed. This may not, however, be enough. We expect that we may have to do some "topping off" in Washington as well. This may well appear as an unconventional use of research funds. It is, but we regard it as an essential ingredient in making the critical first steps successful. We would hope that it would not have to be continued as a regular feature of a long-term program.

Specific Subjects

8. Two of the subjects chosen by the Chinese were "structural change in the process of industrialization" and "macro economic models". These were thought of by the Chinese as separate subjects, illustrating the point made about compartmentalization. Since all but the simplest of economic models is likely to incorporate elements of structural change, we suggested--and they agreed--that initially these subjects be treated in tandem and the two Chinese researchers working on them come to Washington at the same time. Because of the language problem, this will not be before May 1982. At that time we hope that the Chinese collaborators and Bank staff will together be able to formulate a specific proposal for model development to submit to the Committee.

9. If this works out, then we would envisage periodic visits by Bank staff to China in an advisory capacity to help in the development of the model. One obvious and serious constraint on any model-building will be data. However, this is a chicken and egg problem. We would doubt that serious efforts would be made to collect suitable data without the stimulus of a model development exercise. Fortunately, one of the deputy directors of the Institute of Economics has a parallel post in the State Statistical Bureau. What form such a model might take, how long will be needed to make it operational and indeed what internal organization within China may be needed, it is far too early to say. It is clear that energy use, which is extremely high in China, could well be an important element in such a model. We have made a preliminary approach to those researchers in China working on the energy problem and have, as another effort at decompartmentalization, suggested that ultimately their work may need to be integrated into the model-building. Because of the close ties of our proposed Chinese collaborators to the State Planning Commission, we hope research work would have an impact on the analytic framework, at least for the Five Year Plan beginning in 1985.

10. The second subject, "comparative systems," is much harder to crystallize into specific activities, largely because the Bank itself is only beginning to express interest in the subject, to identify what the issues are and to think about how to initiate research which might throw light on them.

11. The various Chinese institutions have evidently been interested in the general subject for some time, but just what work they have done and how much economic content it has we do not yet know. As we said in the back-to-office report (paragraph 11), our interest is in the constraints imposed on the adjustment process itself. It is our impression, especially since it would be logical in the present context, that this is their interest, too, but again, their interest appeared to fasten on two specific aspects:

(i) Price adjustment

(ii) Reform of enterprise management.

12. However, the Bank does have something to offer even now. The work done by Bela Balassa over an extended period on the Hungarian experience is obviously relevant; his latest paper has already been transmitted to the Institute. In addition, we expect Chinese representatives to be invited to a conference on Hungarian reform experience, as outlined in paragraph 12 of the Back to Office Report.

13. The Bank has also done considerable work, mainly in an operational context, on Yugoslavia. Yugoslavia was also the subject of one of the case-studies in the research project on Managerial Structures and Practices (671-71). Furthermore, work on multisector and macroeconomic models of structural adjustment has been initiated under research project 672-26. The third country which the Bank has some experience with, Romania, may also be of some interest, though largely from a negative point of view, since there has been little or no reform experience.

14. The first steps in this general area are therefore largely exploratory. They will be of considerable benefit to the Region, in that it is hoped to learn much more about the current price and price-formation system, a matter now being debated in China. Plans for future development of a research proposal are as yet embryonic, but will probably build on the suggestions made by Mr. Kavalsky in his memo of October 5 (Attachment 3).

15. Initial conversations with representatives of PHN since writing the BOR suggest that we should also allow for the visit of a Ministry of Health representative, as mentioned in para. 22 of the BOR. The political advantages to the Bank and to the Chinese alike of collaboration on nationwide survey data are very great, but expectations should not be pitched too high, given the sensitivity of the subject.

Organization and Budget

16. On the Bank side, we propose to set up a Steering Group on China Research which would include representatives from the three sponsoring departments and two or three members of the Research Committee, including in particular representation of CPS. The purpose of the Steering Group would be to review suggestions for research work on China and facilitate approach to Chinese institutions. We intend to invite two well-known experts on China, Prof. Dwight Perkins of Harvard and Professor Shigeru Ishikawa of the Institute of Economic Research, Hitotsubashi University, Tokyo, to act as informal consultants to the Steering Group, who could advise on research on China outside the Bank. Mr. B.B. King (VPD - Consultant) would act as coordinator.

17. On the Chinese side, our counterpart will continue to be the Chinese Academy of Social Sciences and, de facto, the Institute of Economics. We broached the question of coordination, if we should initiate work with other institutes, but we have no official answer and are unlikely to get one until an actual case arises. In the first instance, if we were to approach other institutes, we would do so directly, but would keep the Institute of Economics informed.

18. The mode of collaboration, like the proposal itself, differs from that of the usual proposal. We will not be employing Chinese researchers as consultants. Their staff time will be their contribution to the joint effort. The Bank would only pay for their "external" costs in much the same way as it does for the Bank's external costs of a regular research proposal.

19. Except for a few items, the budget required for this first phase is the same as in the BOR (para. 14), though we have rounded it and set it out somewhat differently as follows:

	<u>Total</u>	<u>Travel</u>	<u>Subsistence</u>	<u>Salary</u>	<u>Other</u>
<u>FY82</u>					
Macro model/structural change	41,000	9,000	10,000	10,000	12,000 ^{1/}
Comparative Systems	14,000	5,000	3,000	-	6,000 ^{2/}
Contingency	5,000	-	-	-	5,000 ^{3/}
	<u>\$60,000</u>	<u>14,000</u>	<u>13,000</u>	<u>10,000</u>	<u>23,000</u>
<u>FY83</u>					
Marco model/struc. change	15,000	1,000	-	14,000	-

1/ \$10,000 language-training and \$2,000 data processing.

2/ Fees for outside consultants.

3/ Includes a possible visit by Dong Fu-Ren, Deputy Director of the Institute of Economics, and/or by a representative of the Ministry of Health.

We have included the cost of consultants for papers on reform experience in other Socialist countries. We have included small additions for data-processing and the possible visit from the Ministry of Health. The estimate for language-training has been changed, since we already have reason to believe that it might be reduced. Contributions would be made by the East Asia Region and, contingently, by PHN.

20. This is the cost of the first steps (or Phase I) only. Estimating the costs of future proposals under this rubric is an exercise in guesswork. As an order of magnitude, if all goes reasonably well, we could plump for a figure of the order of \$100,000 to \$150,000 in the first year (FY83) rising, perhaps, to \$200,000 a year.

Timing

21. We hope, if this proposal is approved, to send a letter from Hollis Chenery to Huan Xiang, Vice-President of CASS, inviting Chinese participation in the program. This letter would be hand-carried to China by Mr. Lim, who is returning to China shortly after November 24 (Thanksgiving). He would also take with him comments on the model already presented to us in October together with a number of books and documents pertinent to the subjects under consideration.

OFFICE MEMORANDUM

TO: Research Committee

DATE: Sept. 25, 1981

FROM: Hollis B. Chenery HBC

1. CW

2. File China

K. ...

SUBJECT: Collaborative Research Mission to ChinaSA
9/28

1. As you are aware, I broached the idea of collaborative research with the Chinese Academy of Social Sciences in Beijing during my visit to China in December 1980. We waited until the economic report on China had been received by the Chinese before reviving the idea. After further discussions with the Academy by Ed Lim of the East Asia Region, it has now been agreed that a research mission will arrive in Beijing on October 11.

2. The mission will be led by Ben King and will include Messrs. Duloy and Stoutjesdijk of the DPS and Lim of the East Asia Region. Their host will be the Academy of Social Sciences, but they will also be visiting two universities in Beijing and universities and local Academies of Social Sciences in Tianjin, Wuhan and Shanghai. The mission will take about three weeks.

3. The Academy has, in correspondence, indicated a particular interest in three subjects--comparative economic systems; macro-economic models; structural change in the process of industrialization--but we regard the mission as having a broader mandate. We know very little about the Chinese research capability, their main preoccupations at this time and their attitude to collaboration with the Bank. Conversely, they probably have only a sketchy understanding of the Bank's research activities and procedures. Essentially, therefore, the mission is exploratory and intended to improve mutual understanding.

4. The Vice President of the Academy has already indicated an interest in sending two or three Chinese scholars to the Bank to study our work in macro-economic models. This may also be the necessary first step in some other fields. It does not seem likely that a full-fledged research proposal will be presented to the Research Committee much before the end of the fiscal year.

5. I think that it is important for the mission, in its first approach to the Chinese, to be able to speak with a certain amount of authority. While they would not make any commitments involving Research Committee funds without subsequent endorsement by the Committee, they should feel free

to discuss possible commitments up to a certain budgetary limit. I have agreed that this figure should be put at \$100,000, of which not more than \$50,000 would be disbursed during FY82. This would facilitate discussion of the first steps mentioned above (bringing Chinese scholars to Washington) and possibly a modest amount of consultants' fees. All proposals would, of course, be subject to the Research Committee's usual procedures.

BBK/HBC/tsa

OFFICE MEMORANDUM

TO: Mr. Hollis B. Chenery, VPD

DATE: November 11, 1981

FROM: Benjamin B. King, VPD *BK*SUBJECT: Back-to-Office Report: Mission to ChinaComposition and Itinerary

1. The mission consisted of Messrs. Duloy, Lim, Stoutjesdijk and myself. The mission arrived in Beijing on Sunday, October 11 and spent the whole of the following week there. The next week was spent in Tianjin and Wuhan; Mr. Lim, whose presence was invaluable in getting the mission under way, left the mission after the visit to Tianjin. Most of the final week was spent in Shanghai, from which the mission left on the evening of Saturday, October 31.

2. The work of the mission may be most conveniently divided into three parts:

- (i) Meetings with the Institute of Economics of the Chinese Academy of Social Sciences (CASS), our official host. These led to almost all the concrete proposals for collaborative research. They were all held in Beijing.
- (ii) Meetings with five other institutes in CASS and two outside it. Some of these meetings, which were also held in Beijing, suggested the possibility of collaboration in the future, but the prospects are much more tentative.
- (iii) Meetings with universities, provincial academies of social sciences and other institutions. With the exception of two universities in Beijing, these meetings were all held in the other three cities. They were largely of the "get-acquainted" variety and are not likely to lead to collaboration in the near future.

3. The structure of this report follows the subdivision outlined in the previous paragraph. We will not attempt a description of each institution in the body of the report, but will confine ourselves to those points which we think relevant to collaborative research in the reasonably near future. Descriptions of the various institutions will be issued in a separate Appendix, together with a second Appendix containing a list of people we met.

Meetings with the Institute of Economics

4. Although CASS was formally our host and was responsible for most of our administrative arrangements, it is a large organization with 30 institutes and 4,000 people. De facto, the Institute of Economics was our host. This institute has 230 people in it of whom 120 are researchers. The discussions were led by Dong Fu-Ren, Deputy Director of the institute, in close collaboration with the other Deputy Director, Liu Guoguang, who has a parallel post in the Bureau of Statistics. The institute has strong, if indirect, links with the policy making activities of the government. It takes part in the work of various research centers that are directly advisory to the State

Council; it is represented on committees of experts established by the Planning Commission. Various other examples of links to the government were mentioned to us.

5. The institute reiterated its interest in the three subjects mentioned in Mr. Huan Xiang's letter of June 30 (attached), namely: (i) comparative economic systems, (ii) structural change in the process of industrialization, (iii) macro economic models. These three subjects correspond to the three most relevant sections of the institute: political economics, national economy and quantitative economics. A fourth section, with which we did not meet, is concerned with the history of economic thought. On the first of these subjects, we had first to clear up a little terminological confusion and then to narrow down such a wide subject to more manageable proportions. Furthermore, we had to point out that, from our own point of view, we were ourselves just starting.

6. As far as the other two subjects are concerned, we felt--and we tend to believe that they felt also--that we would have something to contribute by way of experience and methodology. However, we made a strong point of combining the two subjects together since much of their interest in structural change, which they elaborated on in detail, might be illuminated with a successful and suitable model.^{1/} This combination of the two headings was agreed to, at least in the first instance. Another point that we stressed was the importance of training in English for those members of the staff who would be expected to collaborate with us. This point was readily accepted and the need for training in English will be on the critical path of the program and may require some assistance from the Bank.

7. Our meetings with the institute were extremely cordial and open. The Vice-President of CASS, Xu Dixin, made a point of attending the two social occasions with the CASS institutes. Although there was some give and take on points of detail from time to time, these hardly got in the way of what appeared to be a strong disposition--on both sides--to reach some agreement, if only on initial steps. We had the strong impression that collaborative research had been endorsed as a conscious policy at a higher level. This does not, however, mean that research on any subject has been endorsed; we were quite struck with the lack of interest, or at least expressed interest, in work on agriculture or the rural economy. This may well be explained by the prevailing debate on the organization of the commune system.^{2/} The importance of central approval needs to be stressed, since the present cordial mood could easily be reversed.

8. The specific proposals, which were tentatively agreed to on the MM/SC (macroeconomic model/structural change) proposal were as follows:

1/ In our discussion of the "Sources" project, the Chinese pointed out that the countries were much smaller; they would be interested in a Brazil/India/China comparative study.

2/ Compare the recent article in the Financial Times of November 4.

(i) One young analyst skilled in computer science to spend about a year in the Bank with the DRC or DED, working as a regular member of the Bank's staff (either as research assistant or researcher). He would arrive in February 1982, approximately. The nominated candidate is Wang Li, now on loan from the Institute to the Planning Commission.

(ii) One member each of the current staff of the Quantitative Economics and National Economy sections to come to Washington in about May, 1982 for approximately six weeks. The nominated candidates are He Juhua (QE) and Li Xuezheng (NE). Mr. He, who has been with the institute for over ten years, but is still relatively young, gave a short demonstration of an econometric model he is developing. Mr. Li, who gave a detailed account of the questions they wanted to answer on structural change, does not have quantitative skills. It was agreed that it would be advantageous if the two came together rather than separately.

(iii) All three would immediately be given courses in English in Beijing and the Bank would investigate special training for two to three weeks, at least for He and Li.

(iv) Mr. Wu Jai-pei, who has been working with Lawrence Klein at Pennsylvania University for over a year, will return to Beijing at the end of January 1982, but would return to Washington with He and Li. Before Wu leaves for Beijing, we would invite him here for a few days.

(v) DRC and DED would identify staff members to be associated with the MM/SC project on a continuous, though not necessarily full-time, basis. These staff members would also be available for consultation to members of the China Division of AEA responsible for development of an ad interim model to be used by the next major mission to China (mid-1982?).

(vi) The purpose of the May visit would be to formulate a research proposal to be submitted to the Research Committee. It was suggested that Prof. Dong Fu-Ren should himself come to Washington for a week or two, possibly towards the end of the visit by Wu, He and Li. This was not finally agreed to, but we should regard it as a possible contingency.

9. The approximate cost of the above, excluding special language training in the US, would be:

	<u>FY82</u>	<u>FY83</u>
3 round-trips for Wu, He, and Li	7,500	-
Subsistence or allowance for six weeks for three people	10,000	-
One-way trips for Wang	1,250	1,250
Salary, etc. for Wang	<u>10,000</u>	<u>14,000</u>
	\$28,750	\$15,250

In all, the cost might be of the order of \$40,000 in FY82 and \$15,000 in FY83.

10. We regard the special language training as a vital element in the short run to make collaboration effective. It is also a good investment in the long run. While foreign language training appears to be widely available

in China and is encouraged, the possibility of really intensive "total-immersion" type training did not appear to exist. The UNDP seems to have some training capability, but not of the intensity required. While including language training in a research proposal may appear unusual, two arguments would suggest its justification in this case:

- (a) The fact that China has been cut off so long from Western ideas and currently seems anxious to absorb them.
- (b) The fact that, as we envisage the collaborative program, we would not employ Chinese institutions or their staff as consultants, but would only pay for their "external" expenditure. This is a substantial offset.

11. The original suggestion on comparative economic systems in your letter of April 24 (attached) to Huan Xiang contained the qualifying phrase "with particular reference to the consequences of changes in those systems". We were at pains to identify as the main point of interest the study of mechanisms for change from, for example, a command economy, such as China and some Eastern European countries now have, to a more decentralized, market-controlled economy. We mentioned problems of the same genus in changing from a regime with strong import and foreign exchange controls to a more open one. The main point at issue is the effect of political and social constraints on the road taken from system A to system B. We pointed out that, while there was great interest in this study in the Bank, little systematic work had so far been done.

12. It was agreed that two representatives come to Washington at the time of a conference on reform experience in Hungary, to be held at Indiana University in late March, 1982 and to which we expect them to be invited. One, Wu Jing-lian (director of the Political Economy section of the Institute) would be concerned with comparative systems generally and the decision-making process in enterprises more specifically. This visit would be comparatively short and exploratory. The other would be concerned with price management and might work with the Regional Office for a month or more; the Region expects to have a Chinese-speaking staff member to be specially assigned to the work on prices.

13. The cost of these two visits might amount to \$8000 (two round-trips plus a total of 6 man-weeks subsistence) plus, perhaps some additional amount, if other participants at the conference are invited to Washington.

14. Thus the total cost would be (in \$000)

	<u>FY82</u>	<u>FY83</u>
MM/SC	29	15
Language training (say)	12	--
"Comparative systems"	9	--
Dong's visit	<u>3</u>	<u>--</u>
	53	15

The Regional Office would contribute to the cost of the comparative systems work to some extent. We aim to make a formal submission to the Research Committee within a week or so, which we hope can be acted on reasonably quickly.

Other Institutes in Beijing

15. The seven institutes mentioned in paragraph 2(ii) varied considerably, as far as we could gather from rather short meetings. The following paragraphs, devoted one to each institute, concentrate on what prospects there might be for collaboration.

16. Institute of Industrial Economics (CASS). Started in 1978^{1/}; now has 59 staff including 10 engineers. Interested in reform of technology; reform of industrial management system; application of advanced techniques (operations research; systems analysis). A suggestion was made for cooperation on the application of investment planning models in one of two forms: (a) model development for a particular industrial sector, probably in one part of China, (b) secondment of a member of the Institute's staff to the Bank for one to two years to work on industrial modelling (inter alia). This was reasonably well received, but subject to consideration by CASS and the government.

17. Institute of Technical Economics (CASS). Very new, started in January 1980. Range of subjects is remarkably like the DRC's (e.g., application of computers; energy; use of natural resources). One possible and probably low-cost mode of collaboration would be participation in a possible project for international comparison of energy-use parameters by sector (for example). The DRC will approach the institute, once it has formulated a proposal. Secondly, since energy is likely to be a key constraint on development, it may well be an important feature of any macro-model. Thus, the ITE might well become a collaborator at a later stage.

18. Institute of Agricultural Economics (CASS). Started in 1978. Since one of the institute's main preoccupations is the new "responsibility" system and the efficiency of the agricultural production structure, collaboration would appear to be a natural. But the representative we spoke with, though he had some interesting observations on commune statistics, was not authorized to discuss it and the chances do not appear very high.

19. Institute of World Economy (CASS) Established in 1964. The Deputy Director, Luo Yuanzhan who was mentioned in a recent EPD research proposal, was not present. We questioned the representatives about this proposal, but they had not heard of it. All these representatives were from the "Comprehensive Section", a synonym for all subjects other than the other seven sections. They were keen to collaborate, but their principal interest was the study of other developing countries in cooperation with the Bank. We said that they could not do this as an institute, but the Bank was anxious to recruit Chinese staff.

^{1/} The Institute of Economics was one of the institutes spun off from the Chinese Academy of Sciences in 1978 to form CASS. In turn, elements of the institute were spun off to form new institutes.

20. Institute of Finance, Trade and Materials (CASS). Although some of the subjects mentioned appeared interesting in the abstract (e.g., economic efficiency in foreign trade), we had no opportunity to pursue them. We expressed an interest in a study of the pricing system in China that they were undertaking.

21. Institute of Systems Science (Chinese Academy of Sciences). No formal meeting was held. Chen Xikang, who was leaving Beijing shortly after the mission arrived, had dinner with several members of the mission. This institute had constructed an input-output table for 1973, which, however, was expressed only in physical terms. There are plans to update it and to express it in value terms, as well as for models for particular sectors.

22. Institute of Health (Chinese Academy of Medical Sciences). At the suggestion of Alan Berg and Dean Jamison, two members of the mission met Dr. Chen Chunming, the Director. We discussed the possibility of Bank assistance in preparation of a nutrition survey to be carried out in September 1982. Dr. Chen was rather positive about the possibility of sending someone to Washington to discuss the technical arrangements for the survey, once it has been approved by the Ministry of Health. Given the timing, the latest time for such a visit would be January 1982. There is in the Institute no language problem. For this survey, it is hoped that data can be processed by each province and the disks (or whatever) sent to Beijing. Hence the Bank might be able to help in questionnaire design, data processing and techniques of analysis. However, nutrition is very sensitive; the 1959 survey results have not been published. It was agreed that PHN should write to Dr. Chen making an informal proposal.

Universities and Provincial Institutes

23. These can be divided into three groups: the universities, the provincial Academies of Social Sciences and other institutions. A paragraph or two below is devoted to each group.

24. Universities. We visited People's and Beijing Universities in Beijing. Nankai University in Tianjin, Wuhan University and Huazhong (Central China) Institute of Technology (H.I.T.) in Wuhan and Fudan University in Shanghai. The meetings varied in many respects. Most universities were interested in improving their curricula on western economic thought, in advice on textbooks and in building up their libraries. We found Nankai and Wuhan Universities the most likely possibilities. However, we have only made a start and can help most initially by sending materials; possibly, in the future, we could invite some faculty members to a conference or workshop, if a suitable occasion arises.

25. As might be expected, libraries tended to be very thin on foreign texts. The acquisition system is highly centralized and dependent ultimately on Beijing; in at least one case this resulted in an excellent technical library on statistical methods in an institute where we would least expect

it ^{1/} The only Bank documents we saw were a few copies of the WDR and Marcelo Selowsky's Occasional Paper.

26. A more encouraging impression was the number of younger faculty members and graduate students. Since they knew nothing of the YP program, a greater dissemination effort might be in order. We brought back a couple of publications (in Chinese): one from a faculty member at Nankai, a graduate from the physics department, who is interested in shadow prices and who has formulated a linear programming model but not yet estimated it for lack of data; the other a thesis by a graduate student of Wuhan on the importation of international inflation into China.

27. Universities are commissioned by various government bodies to carry out studies. Wuhan is doing a study of population in Yichang for the Hubei province Family Planning Commission, in cooperation with IDRC; we have an article on this (in Chinese). Nankai works on prices for the Price Commission. Professional associations also seem to influence the direction of research. In general, it would appear that University journals may prove to be a useful source of information, if the Bank can tap into this by some suitable selection process.

28. Provincial Academies of Social Sciences. These have been started by CASS in every province except Tibet, but they are independent of it. In Tianjin, the local academy's interests do not seem to overlap with ours; in Wuhan, it is so new that, apart from the organizer of our program (done very efficiently), we did not meet anyone. The one in Shanghai is much older (1958) and more promising. It has 13 institutes including Institutes of Economics, Sectoral Economies (rather new) and World Economy. It also has an economic consulting group, which works with large enterprises. A possibility for the future, if any suitable case-study develops, might be the Institute of Sectoral Economics.

29. Other Institutes. For the record, we met (i) the Institute of Finance, Hubei Province, of the People's Bank in Wuhan and (ii) the Institute of Finance and Economics, a dependency of the Ministry of Finance, in Shanghai. The latter, under an alternate title (Shanghai Institute of International Economic Management) hosts the EDI courses in China. Our visits were interesting in both cases, but very unlikely to lead to collaboration.

Some Final Observations

30. With hardly any exceptions, the mission was very well received at all the institutions it visited, which included in addition to those described a commune near Wuhan and a papermill in Shanghai. Discussions were free and open. Reserve about collaboration in certain areas is most likely to stem from national policy; about this we must be patient.

^{1/} In one extreme case, the librarians rather than the faculty determined the acquisition.

31. Our best course at present would be to pursue dissemination and application in subjects where we are strong in methodology and experience and the Chinese receptive; to offer information and suggest collaboration on comparative studies of a relatively simple kind; to emphasize interdependence of subjects which tend to be too compartmentalized in the institutional structure in China; and to offer the chance for what is, in effect, training of the younger generation. The first steps need to be undertaken cautiously, but with adequate resources to establish our credentials.

Copy to:

Mission: Messrs. Duloy, Lim, Stoutjesdijk

Research Committee: Messrs. Acharya, Balassa, Baneth, Dubey, Gulhati, Holsen, Churchill, Picciotto, Rao, Selowsky, Shakow, Turnham, van der Tak, Willoughby

East Asia Region: Messrs. Husain, Hasan, Jaycox, Koch-Weser, Wood, Berk, Wyss,

DPS: Messrs. Waide, Haq, Pyatt, Westphal, Robinson, Jamison, Lamb
Mrs. Hughes

CPS: Messrs. Yudelman, Dr. J. Evans, Rovani, Aklilu, Hultin, Berg

BK:gm/ao

OFFICE MEMORANDUM

Sezcan ~~HW~~
EL

TO: Mr. Edwin R. Lim, AEA

DATE: October 5, 1981.

FROM: Bela Balassa, DRC

SUBJECT: Conference and Research on Hungary

I have spoken to Professor Marer who would be happy to have you, and other interested parties from the Bank, as well as Chinese visitors at the Conference on Hungary to be held on March 21 - 24. As the enclosed invitation indicates, the more interesting part of the Conference takes place in the first two days.

Professor Marer agrees with the idea of having a small seminar in Washington, with the participation of several Hungarian economists immediately following the Conference. At the seminar we could have discussions on some of the topics that are of interest to the Chinese as well as on prospective research on Hungary.

cc: Mr. Koch-Weser, AEA

Enclosure

BBalassa:nc



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SCHOOL OF BUSINESS
Bloomington/Indianapolis
10th St. & Fee Lane
Bloomington, IN 47405
(812) 337-7529

July 31, 1981

Bela Balassa
International Bank for
Reconstruction and Dev.
1818 H Street, N.W.
Washington, D.C. 20433

Dear Bela:

We would like to invite you to participate in a Roundtable on the Hungarian economy next March 21-24 in Bloomington, hosted by the Hungarian Chair in the Department of Uralic and Altaic Studies and the Graduate School of Business of Indiana University.

The current plan is to "merge" two small conferences into a four-day meeting on the Hungarian economy, March 21-24, 1982, though we understand that some US participants may not be able to stay for the full four days. The first two days, with program responsibility principally by Indiana, would be devoted to:

1. Reforms in Hungary's macroeconomic planning and enterprise management (day one); and
2. The organization and performance of Hungarian agriculture in international perspective (day two).

The third and fourth days would in effect be the seventh annual session of the US-HUNGARIAN ROUNDTABLE ON ECONOMICS. As you know, the Roundtable is an annual meeting of US and Hungarian specialists on the economies of the two countries and East-West commercial relations. Hungarian participation in the Roundtable is organized by Prof. Mihaly Simai of the Institute of World Economics in Budapest, US participation by Prof. Ed Hewett of the Brookings Institution in Washington, D.C.

Given the small number of US academic specialists on the Hungarian economy, the difficulty for all of us to find time and money to participate in two conferences on Hungary in the same year, and the substantial expense of bringing a dozen or so leading economists from

Bela Balassa
July 31, 1981
Page two

Hungary to the US, Professors Hewett, Ranki and I thought that it would be sensible to hold the two meetings parallel, but with formal program and funding responsibility for the two components remaining separate but of course closely coordinated. It is our understanding that Prof. Simai has agreed to this arrangement but we are awaiting his written confirmation.

At the Roundtable meetings at least one or two days are usually devoted to East-West economic relations. Accordingly, the third and fourth days of the Conference would be:

3. East-West economic relations (papers on US economic relations with the East and Hungary's economic relations with the West);
and

4. East-West economic relations (continued) and miscellaneous other topics involving either Hungary or the US (papers to be determined on the basis of topics suggested by the invited participants).

The four-day meeting is slated to bring together an unusually large and strong team of experts on the Hungarian economy. In the past, the Hungarians have always sent 8 to 10 outstanding economists to these Roundtables, usually including Otto Gado, Marton Tardos, Bela Kadar, Mihaly Simai, Istvan Dobozi and others of their caliber. On this occasion the Hungarian Chair at Indiana has invited, at its expense, several other leading specialists from Hungary, including Rezso Nyers (former member of the Politburo who is considered one of the architects of the NEM), Janos Kornai, and two others, and tentative acceptances have been received already.

US participation in the Roundtable is funded by the NSF. Since Ed Hewett must soon submit a grant request for the March 1982 Seventh session which must include a preliminary list of US participants and the tentative titles of their papers, he would like to know whether you can make a tentative commitment to present (even a short) paper at any of the four sessions. If yes, please send us the tentative title of the paper. On the assumption that NSF will continue to fund the Roundtable, Ed and I would then be in a position to cover the full cost of your conference participation.

So far other letters of invitation have been sent to Professors Balassa, Bornstein, Brada, Grossman, Holzman, Marrese, Montias, Portes, and Wolf (possible members of the US Roundtable team) and to Messrs. Hare, Radice, and Swain (who just published a co-edited book on the Hungarian economy) in the UK. If you know any other professor or advanced graduate

Bela Balassa
July 31, 1981
Page three

student doing research on the Hungarian economy, please let us know
so that we can extend an invitation.

To expedite matters, please send a copy of your reply also to Ed Hewett
at Brookings (1775 Massachusetts Ave., N.W., Washington, D.C. 20036).

Sincerely yours,



Paul Marer
Chairperson and Professor
International Business

PM:dkc

WORLD BANK OUTGOING MESSAGE FORM (Telegram Cable, Telex)

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~~WANG PING, CHINESE ACADEMY OF SOCIAL SCIENCES~~

~~5 JIANGUOMEN NEI DAJIE, BEIJING, CHINA~~

CONFIRM ARRIVALS BEIJING DULOY LIM STOUTJESDIJK AND MYSELF 2315
OCTOBER 11 PA 15 MRS. KING 1930 OCTOBER 12 CA 918. DEPARTURES
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DIFFICULTY WITH RESERVATION MRS. KING SHANGHAI HONGKONG. REQUEST
YOUR ASSISTANCE RESERVATION CAAC FLIGHT 501 OCTOBER 31. IF NOT
POSSIBLE SECOND PREFERENCE OCTOBER 30 THIRD PREFERENCE OCTOBER 29.
ASSUME YOU ARE ARRANGING WITH CHINESE EMBASSY WASHINGTON FOR
ISSUE VISAS FOR FOUR MISSION MEMBERS AND MRS. KING. PLEASE REPLY
KING AND STOUTJESDIJK, INTBAFRAD, WASHINGTON, REGARDS, BEN KING

NOT TO BE TRANSMITTED

SUBJECT:

DRAFTED BY:

CLEARANCES AND COPY DISTRIBUTION:

AUTHORIZED BY (Name and Signature):

cc: Messrs. Duloy
Lim
Stoutjesdijk
Paul Ferre

DEPARTMENT: *Benjamin B. King*

VPD

SECTION BELOW FOR USE OF CABLE SECTION
CHECKED FOR DISPATCH

Mr. Hollis B. Chenery

September 21, 1981

• Benjamin B. King

China Mission

1. I think--and the other members of the mission agree--that it will be very difficult to conduct our discussions with the Chinese without some commitment authority. By this I do not mean a blank check for any purpose. What we need is the secure understanding that proposals will not be rejected solely for lack of money - up to a certain limit.

2. The amount I have in mind is \$100,000, of which about \$50,000 might be spent in FY82. The latter amount might appear high, but it includes allowance for possible travel to Washington and subsistence for a number of Chinese, which could well happen during the next nine months. These amounts do not include the present mission.

3. Could we discuss this in the near future?

cc: Messrs. Acharya
Duloy
Lim
Stoutjesdijk

BBKing:gm



Record Removal Notice



File Title 672-68 Collaborative Research with China: Phase I -1v		Barcode No. 1315011		
Document Date N/A	Document Type CV / Resumé			
Correspondents / Participants Everardus Jakob Stoutjesdijk				
Subject / Title Curriculum Vitae				
Exception(s) Personal Information				
Additional Comments		<p>The item(s) identified above has/have been removed in accordance with The World Bank Policy on Access to Information or other disclosure policies of the World Bank Group.</p> <table border="1"><tr><td>Withdrawn by Shiri Alon</td><td>Date April 07, 2017</td></tr></table>	Withdrawn by Shiri Alon	Date April 07, 2017
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File Title 672-68 Collaborative Research with China: Phase I - 1v		Barcode No. 1315011		
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Correspondents / Participants John Howell Duloy				
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Record Removal Notice



File Title 672-68 Collaborative Research with China: Phase I - 1v		Barcode No. 1315011		
Document Date N/A	Document Type CV / Resumé			
Correspondents / Participants Benjamin B. King				
Subject / Title Curriculum Vitae				
Exception(s) Personal Information				
Additional Comments		The item(s) identified above has/have been removed in accordance with The World Bank Policy on Access to Information or other disclosure policies of the World Bank Group.		
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Withdrawn by Shiri Alon	Date April 19, 2017			

September 11, 1981

Mr. Wang Ping
Chinese Academy of Social Sciences
5 Jianguomen Nei Dajie
Beijing, China

Dear Mr. Wang:

Thank you for your cable to Mr. Chenery of September 8. I enclose a copy of my reply of September 9. I am sorry that we have been so long in arranging our travel plans. We considered it important that Mr. Ed Lim join us for at least the first part of our mission and, until now, it has not been possible to determine the exact timing of his availability.

I should also explain the composition of the mission. Since this is the first mission on collaborative research, it will carry a heavy responsibility for the future development of our joint work. Consequently, we thought it best that the Directors of the two Bank departments which carry out the greater part of the research in the Bank should participate. Between them, they will have the knowledge and authority to cover most of the research being undertaken in the Bank. We will, of course, be prepared to discuss the specific subjects mentioned in Mr. Huan's letter of June 30, but we look upon the mission as having a broader scope.

As to our itinerary, we understand that, in conversation with Mr. Ed Lim, officials of CASS suggested the following: Beijing, Tianjin, Wuhan and Shanghai. We would like to visit a broad range of the principal research institutions and universities, including some research institutions of the government. Since you are in the best position to judge, we would be happy to leave the final decisions up to you as to which institutions can reasonably be accommodated within a three-week period. We think it would probably be desirable that the first week be spent in Beijing. Unless there appear to be good reasons to the contrary, we would expect to leave China from Shanghai.

We hope to arrive in Beijing in time to start work on Monday, October 12. We would also propose to leave China on Friday, October 30 or Saturday, October 31 from Shanghai. If this is not convenient, please cable, so that we can make our reservations accordingly. I will cable you when we know our flight numbers and dates. Mr. Lim will be returning to Washington on about the 19th or 20th. We would be grateful if you would make the reservations for internal travel and let us know the itinerary when it is arranged.

Mr. Wang

- 2 -

September 11, 1981

There are two details about the mission that I might mention. First, it is not absolutely necessary for all of us to attend every meeting. If you find it more convenient in making up a timetable that we split up occasionally, we would be quite prepared to do so. Secondly, where it is convenient, we would somewhat prefer to stay in the downtown part of the cities we visit.

You said in your letter that CASS would bear the cost of the accommodation and transportation. We are most grateful for your generous offer, but it is the Bank's policy to bear the cost of its missions. I will, of course, pay for the expenses of Mrs. King, who will, as I said in my cable, also be coming. Since she is mainly coming as a tourist, she would prefer to stay with me in Beijing and then visit Xian and Suzhou before joining me again in Shanghai. Since I do not want to impose on you in arranging this travel, I would be grateful if you would ask the China International Travel Service to arrange a short trip, including those two cities, while the mission is in Tianjin and Wuhan. I hope this is not too much trouble.

In the last few months, I have met in Washington, Dr. Xu Da-Dao of the Shanghai First Medical Hospital and Dr. Pu Shan of the Institute of International Studies. I would be grateful if you would do me the courtesy of informing them of my forthcoming visit.

I enclose the vitae you requested and two copies of a recent publication on the Bank's Research Program. We all look forward to our visit.

Yours sincerely,

Benjamin B. King
Office of the Vice President
Development Policy Staff

Enclosures

BBKing:gm

cc: Messrs. Chenery, Duloy, Stoutjesdijk, Acharya, Lim, Tidrick

OFFICE MEMORANDUM

TO: Mr. Shankar Acharya, VPD

DATE: September 10, 1981

FROM: Benjamin King *BK*SUBJECT: China Research Mission

As you are aware from the cable I sent to CASS (Chinese Academy of Social Sciences), Messrs. Duloy, Lim and Stoutjesdijk will be going on this mission as well as myself. Hollis Chenery has asked me to ask you to explore with them how far the Research budget can finance the travel costs of this mission. Ed Lim tells me that the travel budget of his Department has been cut, for example.

cc. Mr. Chenery; Mr. Duloy (DRC); Mr. Lim (AEA); Mr. Stoutjesdijk(DED)

BKing/ko

Class of Service: LT Date: SEPTEMBER 9, 1981

Telex No.: _____ Originators Ext: 690

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START
HERE TO

WANG PING, CHINESE ACADEMY OF SOCIAL SCIENCES

ITY/COUNTRY

5 JIANGUOMEN NEI DAJIE, BEIJING, CHINA

MESSAGE NO

REFERENCE YOUR CABLE SEPTEMBER EIGHT, MISSION WILL CONSIST OF JOHN DULOY DIRECTOR DEVELOPMENT RESEARCH CENTER, ARDY STOUTJESDIJK DIRECTOR DEVELOPMENT ECONOMICS DEPARTMENT AND MYSELF. ED LIM WILL JOIN THE MISSION FOR ABOUT THE FIRST TEN DAYS. I EXPECT MY WIFE TO ACCOMPANY ME. WE HOPE TO ARRIVE BEIJING ON OCTOBER TEN OR ELEVEN AND LEAVE CHINA ON OCTOBER THIRTY OR THIRTYONE. UNDERSTAND YOU PROPOSED ITINERARY BEIJING TIANJIN WUHAN SHANGHAI WHICH IS BROADLY ACCEPTABLE TO US. LETTER WITH DETAILS FOLLOWS WITH GENE TIDRICK LEAVING WASHINGTON SEPTEMBER TWELVE, REGARDS,
BEN KING

END
OF
TEXT

NOT TO BE TRANSMITTED

SUBJECT:

DRAFTED BY:

BBKing:gm

CLEARANCES AND COPY DISTRIBUTION:

AUTHORIZED BY (Name and Signature):

Benjamin B. King *BBK*

cc and cleared with: E. Lim
cc: Messrs. Chenery, Waide,
Acharya, Dulo, Stoutjesdijk
Koch-Weser, Tidrick

DEPARTMENT:

VPD

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MR HOLLICE B CHENERY

VICE PRESIDENT

DEVELOPMENT POLICY

THE WORLD BANK

1318 H STREET, N.W.

WASHINGTON DC/20433

LETTER JULY 24TH RECEIVED. PLEASE INFORM PROMPTLY BANK MISSION'S
SUGGESTED ITINERARY, VITAE, ARRIVING AND DEPARTING PORTS AND
FLIGHTS. REGARDS.

WANG PING CASS

COL 1813 24TH

Huan Xiang, Vice President
Chinese Academy of Social Sciences
5, Jianguomen Nei Dajie
Peking, China

JUL 21 1981

June 30, 1981

Mr. Hollis Chenery

Dear Mr. Chenery:

As you will have realized by now, I have already replied on May 8 to your letter of April 24.

With regard to our Academy and the World Bank doing collaborative research, our initial intentions are to select two topics to begin this collaborative research with the Bank and then to gradually expand the scope of the research later. These two topics are item 8 (comparative economic systems) and item 10 B (structural change in the process of industrialization) in the list of collaborative topics attached to your letter.

We are also interested in item 1 on the list (macroeconomic models), and we hope that when it is convenient for the World Bank we may send two or three scholars to the United States to become acquainted with the necessary statistical data and related matters in this area.

As for your sending a delegation to China to discuss collaborative research between us, I hope you will understand that because our Academy's foreign-affairs activity plans for this summer are already full it would really be difficult for us to receive them. We would welcome a visit by your delegation at a suitable time late this year or early next year.

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We look forward to learning your views on the aforementioned initial intentions, as well as the Bank's proposals on the mode of future collaboration, financial arrangements, and other concrete issues.

With best regards,

Huan Xiang, Vice President
Chinese Academy of Social Sciences

April 24, 1981

Mr. Huan Xiang
Vice President
The Chinese Academy of
Social Sciences
Beijing
The People's Republic of China

Dear Mr. Huan,

When I was in China last year, we discussed the possibility of a collaborative program of research. At that time, I promised to write to you in amplification of our discussion. I have not done so until now, since it seemed best to await the completion of the work of the Bank's economic mission, and the initiation of discussions of its report.

With your agreement, and that of the Ministry of Finance, I propose to send a mission to China for about two weeks late in June or early in July, specifically for the purpose of developing a program of research. In addition to Mr. Ed Lim, whom you know well, two other members of the Bank's staff will form the core of the mission: Mr. Ben King, who was formerly Research Adviser and subsequently Director of the Development Economics Department of the Bank; and Mr. Shankar Acharya who is currently Research Adviser. I expect Mr. King, who will head the mission, to continue afterwards as coordinator of the program.

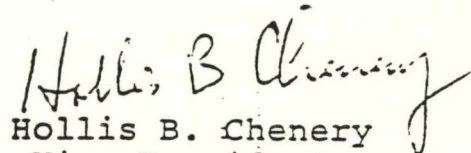
The range of subjects covered by the Bank's own research program is wide. The first task, therefore, is to examine which of these subjects is of particular interest to the Chinese authorities at this juncture and what kind of research into them might best be implemented. The purpose of the current mission will, thus, be exploratory in nature. I attach a list of preliminary ideas purely as a starting point for discussions with the mission; we would, of course, welcome any ideas that you might like to add. On the basis of the mission's discussions with you, we will, on their return, try to formulate specific proposals for your consideration. This will, no doubt, entail subsequent visits to China by individual researchers to discuss these proposals.

It is our hope that, in this initial phase of the program, any research or application of research methodology that we undertake in collaboration with you would be as responsive as possible to the needs of the Chinese economy. As you are aware, the East Asia Region of the Bank is concurrently preparing a program of work on general and sectoral economic issues. The time horizon of this latter program will, necessarily, be shorter than that of the research work which we envisage. But I wish to assure you that the objectives are the same and we shall do our best to ensure that the two types of activity are mutually reinforcing.

In view of this broad objective of the research program, I believe it would be most helpful if the research mission could visit branches of the Government that may have a particular interest in the application of research, other relevant research institutions and perhaps some provincial authorities. We would rely heavily on your advice in this selection. I hope that you will be able to discuss a suitable choice with Mr. Lim, who will be visiting China in May before returning on the research mission.

May I say that I have a great personal interest in this endeavor and that I hope that we can, together, initiate a successful collaborative program.

Sincerely yours,



Hollis B. Chenery
Vice President
Development Policy

Attachment

cc: Mr. Li Peng, Vice Minister, Ministry of Finance
Messrs. Husain, Hasan, Jaycox, Koch-Weser and Lim, AEA
Messrs. King, Duloy, Stoutjesdijk, Acharya, Jamison,
Keesing and Robinson, DPS

Preliminary List of Subjects for Collaborative Research

1. Macroeconomic models, with special reference to planning applications
2. Sectoral models; determination of shadow prices
 - (a) Industrial investment planning models
 - (b) Agricultural models at the level of production team or brigade
3. Pricing of energy resources
4. External trade, including incentive policies and analysis of comparative advantage
5. Income and demand

Study of household budget surveys in order to determine income elasticities
6. Capital/Labor substitution in construction
7. Human resources
 - (a) Food availability and other environmental variables (e.g., water supply, living space) as determinants of child growth and health
 - (b) Relation between child growth and educational performance
 - (c) Determinants of family size (socioeconomic characteristics of parents, income, child health, family planning services, etc.)

The above might use, for the most part, existing records at the production team, brigade or commune level in, say, one province as a pilot project.

 - (d) Economics of schistosomiasis control
8. Comparative economic systems with particular reference to the consequences of changes in those systems (e.g., Hungary, Yugoslavia)
9. Food security
10. International comparisons
 - (a) Price and quantity comparisons of the components of GDP; purchasing power parity
 - (b) Structural change in the process of industrialization



C. FICE MEMORANDUM

TO: Mr. E. Bevan Waide, VPD

FROM: Basil G. Kavalsky, DEDDR

SUBJECT: Research on Comparative Economic Systems

DATE: Oct. 5, 1981

1. My suggestion that we create within the DPS some capacity for analysing comparative economic systems has elicited considerable reaction, mostly supportive. I did not attempt to work through the idea however, and the reaction suggests that everyone sees something slightly different in it. I think therefore that it is time I disciplined myself to do some more systematic thinking about what the Bank might do in this area.
2. There has been for many years a sentiment within the Bank that we needed to take more explicit account of non-market approaches in our work on and advice to LDC's. Memoranda have surfaced at odd intervals from various quarters in the Bank, complaining about our failure to do so. In general, the argument has been couched in terms of our capacity to give a more varied platter of advice to mixed economies, especially with regard to problems such as they encounter in trying to improve the performance of public enterprises. There was a feeling that this would 'enrich' or 'broaden' the Bank's perspective. Whatever the merits of that argument, they are not what motivated my own interest. There is a significant new element in the fact that the number of active member countries with predominantly non-market systems is now quite large (18 was the figure mentioned at a recent meeting). These countries represent an important share of Bank lending and are spread across every one of the regions.
3. For much of the seventies, the study of socialist systems was seen as affecting only the Bank's EMENA region. Only in that region was there a quorum of such countries (Romania, Yugoslavia with caveats, Algeria and PDRY). Even this however did not constitute a sufficient critical mass for the region to be able to invest in broader studies of the functioning of non-market systems which could serve as back-up for the economic, sector and even project work which was being done. Some work was launched to look at the meaning of financial covenants in projects in Romania and Algeria, but there was little else of general significance. The DPS input into regional work consisted of the occasional comment on documents by Messrs. Avramovic and Balassa, and the annual debate with Mr. Edelman on the meaning of Romania's GNP level and growth rate. The lack of an intellectual framework has in my view, had quite serious consequences for the quality of the region's work on Romania, of which I have first-hand experience. Even when the issue arose of recruiting economists with backgrounds or expertise in the comparative systems field, the region felt constrained by the knowledge that it might prove difficult to place such a person in another assignment later. 1/

1/ Work on Yugoslavia however, has consistently been of very high quality. Perhaps the reason is that the neo-classical mindset is far more useful (though also deceptive) in the Yugoslavia case, and perhaps most of all that one has access to ideas and information.

4. The relative weight and significance of non-market systems is enormously altered as a consequence of China's joining the Bank. The issue is no longer one of broadening the Bank's perspective. This may be a useful by-product, but the problem is now the more fundamental one of our capacity to offer sensible advice to non-market LDC's on issues such as:

- (1) Trade Policy: How to use pricing and incentives policies within a socialist framework to signal planners and producers as to what to export and what to import.
- (2) Balancing consumption and investment: Fine-tuning the requirements of high investment for industrial modernization with the need to maintain an adequate and growing supply of wage-goods.
- (3) Agricultural productivity: Incentives for high rates of agricultural growth and how they can be delivered through the system. Balancing the transfer of labor from the agricultural to the industrial sector.
- (4) Technological change: Moving from the phase of capital-intensive production and export to technology-intensive activities.

5. The comparative advantage which the Bank will bring to these questions is the use of formal economic analysis and thinking to relate economic incentives to the engineering and physical models which dominate in centrally-planned systems. This will require an understanding of how prices are derived and used in such systems, how these prices relate to shadow prices (particularly the shadow price of foreign exchange), how the incentive system is or could be used to influence economic agents to achieve plan targets 'efficiently' and perhaps most important of all what is the time path or sequence which should be followed by centrally planned economies which want to 'reform' their system of pricing and incentives? The basis for understanding must derive from studying the experience of the centrally-planned economies themselves. The differences in approach provides scope for comparative research and analysis.

6. What kind of work program would provide the right underpinnings for addressing these questions? Let me separate my own suggestions into various phases. The first phase would obviously be exploratory, designed to get a better feel of what the issues are and a fuller understanding of the workings of CPE economies.

Phase I (till end-Dec. 1982)

- (a) Review of how the Bank has looked at non-market systems in the context of its economic and sector work. What are the issues which we have tended to focus on? How have we analyzed them? What are the policy prescriptions we have arrived at? How has the dialogue on the basis of our analysis, proceeded?

- (b) Paper for the WDR on agriculture in the CPE's. How does one explain the difference between poor agricultural performance in some of these countries and high growth rates in others? What are the incentive systems in operation and are they effective? Is the agricultural problem simply that so much of the productive labor force has been withdrawn from the sector? In what terms is CPE agriculture less efficient (if it is), in the allocative sense, or, as is usually implied, the X-efficiency sense?
- (c) Research project comparing pricing systems in different CPE's of which one should certainly be Hungary. To what extent have the CPE's tried to bring relative prices in line with world prices for producer goods? Are domestic prices of retail goods set at levels which clear markets? How are services and utilities priced? How flexible are relative prices in response to changes in supply?
7. A second phase would permit us to get deeper into substantive issues and turn attention to the developing country CPE's.

Phase II

- (a) Study of developing country CPE's with a view to setting out a taxonomy of systems and a better understanding of why there are variations from country to country, how performance has compared over time, and how the relative weight of various issues affects different countries at different stages of the growth process?
- (b) Research project to look at intra-enterprise incentives and their impact. It would be particularly interesting to compare similar enterprises operating under different incentive systems. It might for example be possible to identify enterprises in two or three countries which use the same technology to produce the same product with the same scale of operations, given the specialization in the production of plants in different lines which occurs among the COMECON countries.
- (c) Follow-up on the study prepared for WDR on agriculture.
8. Subsequent activities would take two major directions. The first would be the attempt to integrate the pricing studies carried out in 5c with the enterprise incentive issues in 6b with the objective of providing planners with a model of how to align prices and incentives so as to achieve physical targets without sacrificing efficiency. A second major direction would be the attempt to draw lessons for LDC's in general. This would start taking us into various micro-directions such as human resource issues, regional planning, employment policies, etc.
9. This is all still at a very preliminary stage of thinking. It is too early to think about logistics. The important thing is to arrive at general agreement on what the phase one tasks ought to be and to set things in motion. Perhaps this memorandum might serve as the basis for a follow-up meeting on this subject.

cc: Messrs. Stoutjesdijk, Selowsky, Nankani, DED Division Chiefs
Messrs. B. King, Duloy, Lamb, Baneth, Chernick
Dubey, Khalilzadeh-Shirazi, Schrenk

July 24, 1981

Mr. Huan Xiang
Vice President
The Chinese Academy of Social
Sciences
5 Jianguomen Nei Dajie
Beijing, China

Dear Mr. Huan Xiang,

Thank you for your letter of June 30, 1981 and the follow-up letter of Wang Ping of July 1981.

I am very pleased that we are making progress towards our common objective of developing a program of collaborative research between your Institute and the World Bank. We have a great deal to learn about each other, and I am therefore grateful that you have agreed to receive a small Bank mission in October. This mission will visit your institution, as well as other research institutes, and discuss with your officials concrete steps for the coming months to initiate our program of collaborative research. Mr. Ben King, who will head the 2-3 person mission, is away from Washington until August 15, but he will write to you as soon as he returns regarding the composition of the mission, a proposed itinerary and specific questions to be discussed. In general, we are agreeable to the suggestions made by officials of the Institute of Economic Research in their discussion with Mr. Lim.

The three topics mentioned in your letter as possible areas for beginning our collaborative research program seem quite appropriate. They are certainly areas in which Bank staff are interested and have had considerable experience in several countries. During our meeting last December, we also discussed the possibility of collaborative research based on rural commune and production team data. I hope Mr. King's mission will also have the opportunity of further exploring this possibility, as well as other topics of mutual interest.

A visit to the World Bank by some scholars from your Institute would be most useful, as it would allow them to familiarize themselves with Bank research and to discuss in more concrete terms procedures for initiating collaborative

Mr. Huan Xiang

- 2 -

July 24, 1981

research, including your proposal on macro-modelling. When Mr. King and his team visit Hanoi in October, they will be able to discuss this idea in greater detail with your colleagues, including training, size of the delegation, financial arrangements and related matters.

I myself plan to visit Beijing next May with the academic group organized by the Brookings Institution, and I hope to see you then.

With best regards,

Sincerely yours,

Hollis B. Chenery
Vice President
Development Policy

cc - Mr. Wang Ping, Deputy Director, Foreign Affairs Bureau
The Chinese Academy of Social Sciences

cc - Messrs. ~~Lim~~
Westphal
Koch-Weser
Lim

HBC:EL:jm

ROUTING SLIP		DATE: August 7, 1981
NAME		ROOM NO.
Messrs. Koch Weser		
Ed Lim		
✓ Ben King		
Larry Westphal		
Sherman Robinson		
APPROPRIATE DISPOSITION	NOTE AND RETURN	
APPROVAL	NOTE AND SEND ON	
CLEARANCE	PER OUR CONVERSATION	
COMMENT	PER YOUR REQUEST	
FOR ACTION	PREPARE REPLY	
INFORMATION	RECOMMENDATION	
INITIAL	SIGNATURE	
NOTE AND FILE	URGENT	
REMARKS:		
<p>A rough translation of the incoming. A full translation by LSD will follow later.</p>		
FROM: J111	ROOM NO.:	EXTENSION:

中国社会科学院

THE CHINESE ACADEMY OF SOCIAL SCIENCES

中国 北京 建国门内大街五号

5, Jianguomen Nei Da Jie, Beijing, China

AUG - 8 1981

AUG - 8 1981

HOLLIS B. CHENERY 先生：

宦乡付院长六月三十日给您的信谅悉。

宦付院长在信中曾就我院和贵行进行合作研究事提出了我们的初步设想，并表示希望贵行能于今年底或明年初派团来华具体商谈此事。最近，贵行林重根先生于访华时又就此事与我院经济研究所交换了意见。根据林先生的建议，我们现在同意邀请贵银行于今年十月间派一由二至三人组成的代表团来华访问三周。届时，我院经济研究所可与贵代表团具体商谈有关事宜，并将为贵团安排一些学术访问活动。贵团在华的食宿、交通费用当由我院负担。

希尽早告知贵代表团的成员名单、学术简历、访问要求以及抵离日期和航班。

顺致良好的祝愿。

中国社会科学院外事局

付局长 王平

王平

一九八一年七月廿二日

抄送：林重根先生

Rough translation:

In his recent visit to China, Mr. Lim exchanged views with the Economic Research Institute of our Academy. We agreed to invite a World Bank mission of 2-3 members to visit China in October this year for three weeks. The Institute will discuss with your mission on the concrete matters relating to collaborative research. We will also arrange a program for academic visits for your mission. Our academy will be responsible for your mission's board, lodging and transportation expenses.

Please advise us the names of the members of your mission, their c.v.s, their requests for visits, and their arrival and departure dates and flights.

(signed) Wang Ping
Deputy Director, Foreign Affairs
The Chinese Academy of
Social Sciences

Dated July 22, 1981

Dupes

The Chinese Academy of Social Sciences
5, Jianguomen Nei Da Jie, Beijing, China

*CC: B. King, /main
King, (A) Stutzgerdy (ear)
Circulate to divisions*

July , 1981

Mr. Hollis B. Chenery
Vice President
World Bank

Dear Mr. Chenery:

I believe you have by now received a letter of June 30, 1981 from our Vice President, Mr. Huan Xiang.

In his letter, Mr. Huan proposed an initial plan for a collaborative research program between the Chinese Academy of Social Sciences and the Bank, and hoped that the Bank will send a mission at the end of this year or early next year to discuss this program in detail. During a recent mission to China, Mr. Lim exchanged views with the Institute of Economic Research of the CASS on this matter. At Mr. Lim's suggestion, we agreed to invite the Bank to send a 2- to 3-member mission to China in October for about three weeks. At that time, our Institute of Economic Research can discuss the relevant details with the Bank mission and arrange some activities with other educational institutions. All the mission's accommodation and transportation expenses incurred in China will be borne by the CASS.

We would appreciate your letting us have the names of the mission members, a brief resume for each of them, and any specific questions they may have. Also, we would appreciate knowing the dates of their arrival/ departure and flights as early as possible.

Best regards,

Sincerely,

Wang Ping
Deputy Director
Foreign Affairs Bureau
The Chinese Academy of Social Sciences

cc: Mr. Edwin Lim

-Translation copy

中 国 社 会 科 学 院

THE CHINESE ACADEMY OF SOCIAL SCIENCES

中国 北京 建国门内大街五号

5, Jianguomen Nei Da Jie, Beijing, China

HOLLIS B. CHENERY 先生:

宦乡付院长六月三十日给您的信谅悉。

宦付院长在信中曾就我院和贵行进行合作研究事提出了我们的初步设想,并表示希望贵行能于今年底或明年初派团来华具体商谈此事。最近贵行林重根先生于访华时又就此事与我院经济研究所交换了意见。根据林先生的建议,我们现在同意邀请贵银行于今年十月间派一由二至三人组成的代表团来华访问三周。届时,我院经济研究所可与贵代表团具体商谈有关事宜,并将为贵团安排一些学术访问活动。贵团在华的食宿、交通费用当由我院负担。

希尽早告知贵代表团的成员名单、学术简历、访问要求以及抵离华日期和航班。

顺致良好的祝愿

中国社会科学院外事局

付局长 王平

一九八一年七月 日

抄送: 林重根先生

APR 27 1981

OFFICE MEMORANDUM cc: B. King

TO: Mr. Hollis B. Chenery, VP, Development Policy

FROM: Shu-Chin Yang, PPR
1234

SUBJECT: Possible Research work for Professor Yuan-Zhang Liu

DATE: April 27, 1981

China Research File

Following your suggestion, I contacted Professor Liu during my recent visit to Beijing.

According to Professor Liu the input-output work in China has been postponed to 1983. For the immediate use, they were to blow up the 1974 I-O table for checking consistencies of the 1981 annual plan and thereby helping fixing the final output targets.

He is planning to visit Romania in May with Professor Cheng Xi-Kang to study Romania's input-output work, Japan during July - September to prepare a paper on industrial structure of Japan for the UN Regional Development Center and West Germany thereafter on operations research. He therefore proposes to come to the Bank during December 1981 - May 1982 for a period of six months. He promised to send you his research proposal shortly.

Attached is his reply to your letter which he asked me to hand-carry to you.

cc: Messrs. S. Acharaya, VPD
S. Robinson, DEDND
E. Lim, AEADF

/qdb

Ben

You should include Liu in your summer trip.

HBC

中国科学院系统科学研究所
ACADEMIA SINICA
INSTITUTE OF SYSTEMS SCIENCE
BEIJING 100080, PEOPLE'S REPUBLIC OF CHINA

March 30, 1981

Dear Dr. Chenery,

Thank you very much for your kind letter and sending me three papers and four draft chapters of a book on planning, models and development policy. They are of great help to me.

Regarding my possible research work at the World Bank, I am thinking to spend six months or so from December 1981 to May 1982 on the subject of forming development strategies through input-output analysis. As you certainly know; China is now undergoing re-adjustment and restructuring her economy, of which the change of industrial structure is considered to be urgent and important. So, your work of comparative studies is most enlightening, and I wish to do my work in collaboration with your colleagues with a hope that some result may be reached in order to make appropriate recommendations concerning current and future government policies in promoting industrial development of China.

Please inform me if you have any suggestion on my proposal, and kindly convey my sincere appreciation to Dr. Sherman Robinson for his generosity of showing me the drafts of his book.

With best regards,

Sincerely yours

Yuan-Zhang Liu
Professor
Institute of Systems Science
Academia Sinica

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Huan Xiang, Vice President
Chinese Academy of Social Sciences
5, Jianguomen Nei Dajie
Peking, China

JUL 21 1981

June 30, 1981

Mr. Hollis Chenery

Dear Mr. Chenery:

As you will have realized by now, I have already replied on May 8 to your letter of April 24.

With regard to our Academy and the World Bank doing collaborative research, our initial intentions are to select two topics to begin this collaborative research with the Bank and then to gradually expand the scope of the research later. These two topics are item 8 (comparative economic systems) and item 10 B (structural change in the process of industrialization) in the list of collaborative topics attached to your letter.

We are also interested in item 1 on the list (macroeconomic models), and we hope that when it is convenient for the World Bank we may send two or three scholars to the United States to become acquainted with the necessary statistical data and related matters in this area.

As for your sending a delegation to China to discuss collaborative research between us, I hope you will understand that because our Academy's foreign-affairs activity plans for this summer are already full it would really be difficult for us to receive them. We would welcome a visit by your delegation at a suitable time late this year or early next year.

RECEIVED
DELEGATION

JUL 21 1981

Control No.: E-81/82

We look forward to learning your views on the aforementioned initial intentions, as well as the Bank's proposals on the mode of future collaboration, financial arrangements, and other concrete issues.

With best regards,

Huan Xiang, Vice President
Chinese Academy of Social Sciences