

CHINA BALANCE SHEET

PUBLIC WELFARE

The direction that China and U.S.-China relations take will define the world's future. For the United States, a rising China increasingly affects American prosperity and security, calling for some clear-eyed thinking and tough economic, political, and security choices. As the twenty-first century unfurls, the stakes have never been higher for getting U.S. policy toward China right. By untangling the complex, sometimes contradictory, strands of this vast and dynamic country, *China: The Balance Sheet* lays the foundation for informed and effective U.S. policy toward China, the world's emerging superpower.

BACKGROUND

- According to the World Health Organization, **the average life expectancy of people in China has risen from 35 in the 1950s to just over 71 in 2003.** The mortality rate of Chinese infants declined from as high as 20 percent during periods in the twentieth century to 2.5 percent at present. However, China's health system faces some serious challenges.
- **China's State Council Development Research Center announced that the country's medical insurance system currently covers less than half of urban residents** (approximately 100 million people) and only 10 percent of the rural population.
- United Nations' data show **the average level of per-capita health spending in urban areas was more than twice the national average** and 3.5 times the average health spending level in rural areas.
- According to the United Nations Development Program, **only 44 percent of China's population had "sustainable access to improved sanitation" in 2002**, and some 23 percent of the population in 2002 did not have sustainable access to improved water resources.
- According to data from the Chinese Ministry of Labor and Social Security, in 2005, only 174 million people were covered by basic old-age pensions, and 137 million were covered by basic medical insurance.
- A recent report by China's national audit office shows that local Chinese officials misused USD 4 billion in social security funds that were meant to pay for pensions, medical insurance, and other welfare programs in 2006.

For further information, see Chapter 3:

"China's Domestic Transformation: Democratization or Disorder?"

China: The Balance Sheet: What the World Needs to Know Now about the Emerging Superpower

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CURRENT SITUATION

- **China's current health care and retirement systems do not provide a social safety net to replace the "iron rice bowls" that once guaranteed China's state-employed population with "cradle to grave" benefits**, including a modicum of preventative measures and health care treatment.
- Today, private spending on health care as a percentage of GDP represents almost twice as much as public spending on health care and medical expenses approached a record 11.8 percent of non-food household expenditures in 2006.
- **China's medical resources have been mostly allocated to benefit urban areas**, while the lack of funding in rural areas means poor and declining health services over time.
- With an ailing public health care system, China is increasingly vulnerable to the spread of infectious diseases. **There are some 200 new HIV infections a day in China, with a total official estimate of 650,000 HIV-positive persons in China at the end of 2005.** Data from the Ministry of Health show that the number of reported HIV/AIDS cases grew to 183,733 nationwide by the end of October 2006, up nearly 30 percent from 144,089 at the end of 2005.
- As of March 2007, the World Health Organization has reported 24 confirmed human cases of avian influenza, 15 of which have been fatal. In addition, tuberculosis is still a significant health threat in China, with over 1.5 million new cases and 270,000 deaths each year across the country.
- Meanwhile, chronic and non-communicable diseases are also a serious problem. **It is projected that China will lose \$558 billion over the next decade from premature deaths due to heart disease, stroke, and diabetes.**
- China's State Council has recently adopted a five-year health plan to further develop the country's public health system. The plan aims to establish a basic medical and healthcare network covering all urban and rural residents by the end of 2010.

"China's medical reform has been unsuccessful because it has become unbearably expensive to patients and many dare not go to the hospital when they fall ill."

-- China's State Council Development Research Center, 2005

In some provinces, such as Yunnan, Henan, and Xinjiang, HIV prevalence rates exceed 1 percent among pregnant women, and among persons who receive premarital and clinical HIV testing, meeting the United Nations criteria for a "generalized epidemic."

With the central government cutting back on financial support to localities, poorer and rural parts of China are particularly hard-pressed to subsidize decent education, health care, and other social benefits.

IMPLICATIONS

- The challenge of an aging population, as well as the increase in chronic and infectious diseases, threaten to overwhelm an already deficient social welfare system.
- On the other hand, **the government's steady retreat from provision and oversight of social welfare activities has opened up new demand and social space for alternative, private-sector services and organizations**, such as business, entrepreneurs, and non-governmental organizations (NGOs) to fill this need.
- **Health NGOs are one of the largest and fastest growing NGO sectors in China, ranging from small, unregistered self-help groups to larger NGOs carrying out education projects, legal aid, advocacy or research.** Some health NGOs focus on specific groups—women, HIV/AIDS or cancer patients, children, and persons with disabilities—while others undertake projects to improve rural health care service.
- This civil engagement has led to a greater pluralization of Chinese society, a trend that looks likely to continue.