

CHINA VS WORLD: OPPORTUNITY OR THREAT?

A. OROS¹ I. TACHE²

Abstract: *This paper is aimed at analyzing some key issues posed by China's economic rise. First, we examine what are the opportunities and threats of Chinese evolution in present and recent future. Then, we address the question of what could Chinese government do in order to benefit from this opportunities and prevent the imminent threats.*

Key words: *China, economic superpower, global economy.*

1. Introduction

For the Western world, China has always represented a mystery. From explorers like Marco Polo, who returned home with plenty of amazing stories about the great richness of this mysterious country, to the economic and political analysts, who are unable to understand a society that does not fit the Western model of liberty and wealth, they all considered Chinese culture impossible to understand.

The curiosity made China's evolution to become one of the most popular subjects around the globe. This is the reason why most of the Chinese studies are written not inside, but outside China. Every day, new articles, documentaries, scientific papers and books are printed all around the world. And the opinions are far from similar...

2. Objectives

The purpose of this article is to lay out a number of issues presented by China's rise. Too little is known about China's impact on global world, this is why there is a lot of enthusiasm about its evolution, but also a lot of fears and scepticism. In this

paper we present in a more analytical framework what are the opportunities and threats of China's evolution in the present and near future.

3. Chinese evolution - opportunities and threats

3.1 Opportunities

Generally, scholars' opinions are divided into two main groups. On the one hand, there are the enthusiasts, the ones that noticed the opportunities offered by the Chinese market. Over the last 30 years, China emerged from an underdeveloped country to a new economic superpower. Growth has averaged 10 percent, the most impressive record in history.

In 1978-2009, China's GDP rose 18.6 times [2], and the country became the third world economic power, succeeding United States and Japan [3]. Moreover, according to data published in 16th August 2010, Chinese economy surpassed Japan's and so China became the second largest economy in the world [4]. With such a performance, it is estimated that China should overtake

¹ PhD Student, Faculty of Economic Sciences, *Lucian Blaga* University of Sibiu.

² Dept. of Economic Sciences and Business Administration, *Transilvania* University of Braşov.

the United States as the world's biggest economy by 2020 [5].

Moreover, through its participation in the global order, China has brought hundreds of millions of Chinese out of poverty and managed to integrate itself into the global economy.

Continued economic development could accelerate domestic demand for products such as durable goods and services, which will enable economies of scale and will increase international competitiveness for Chinese companies. This will also lead to a more balanced pattern of development, lowering the exports rate and reducing external imbalances.

3.2 Threats

As opposed to the enthusiasts, who see China's rise as a major opportunity for the world, the sceptics are worried about the amazing rise of Chinese economy in the last three decades. Extremely cheap labour force and very low prices, so called "Chinese prices" led to an invasion of Chinese products into the Western market. Even though the salaries are considerably smaller in countries such as Nicaragua, Bangladesh, Pakistan or Cambodia [6], none of these countries cannot compete with the Chinese products. This is the result of a better educated Chinese labour force, on the one hand, but on the other hand is also about inhuman working conditions. Due to high unemployment and fearing not to lose their job, Chinese workers are obliged to accept the most dangerous, oppressive and unimaginable working conditions on the planet. The practical result is that, from an economic point of view, national and multinational companies which exploit Chinese workers benefit from an important cost advantage, an advantage that leads to unfair competition.

The lack of environmental regulations is another important advantage for the Chinese economy. Rapid economic growth

made China the most polluted country in the world. 16 out of 20 most polluted cities are in China [6]. In this country, the companies are not constrained to invest in expensive technologies to protect the environment. The result is that they save huge amounts of money, obtaining an unfair competitive advantage.

There are also voices who claim that the Chinese economic boom is unsustainable on the long run. At the press conference following the close of the annual meeting of China's legislature in March 2007, Premier Wen Jiabao made an astonishing statement, saying: „ *China's economic growth is unsteady, unbalanced, uncoordinated and unsustainable*”. And this is remarkable for two reasons: first, because China had a growth pace averaging 10 percent for three decades and second because he was in charge of the economy for previous 5 years. The interpretation has to be made starting from the source of growth. It is true that China experienced superheated growth between 2003 and the first half of 2008. But this rapid growth was based on an extremely unbalanced pattern of development. Investment as a share of GDP was sustained at over 40 percent, while household consumption fell to only 36 percent of GDP (the remainder went to government consumption and net exports). [1]. The high rate of investment has been driven partly by the state banks offering low interest rates, as well as there being low prices for complementary factors of production to physical capital such as land and energy. At the same time, there have been high levels of precautionary savings by households in China, resulting from a weakening of the social safety net relating to provision of education, health care and retirement [7].

From a political perspective, China is still a totalitarian power, despite reforms in recent years. There are voices, especially

from the United States, which draw attention over the threat that China represents for the world peace. While the United States decided to sanction or isolate regimes from Cuba, Venezuela, Iran, Angola, Burma or Sudan, China took the economic opportunity to invest and trade with these countries, but also to establish political bonds with their governments. China is one of the few advocates of Iran, to whom it delivers weapons and nuclear technologies for oil and natural gas. Chinese government refused to sustain sanctions imposed by American and European leaders in order to stop its nuclear program. In case of an armed attack, it is expected that China to sustain Iran by offering armed troupes and nuclear protection. North Korea is another country sustained, at least unofficially, by China. North Korea receives a third of its food and more than two thirds of its fuel from China [8]. Still, its position is two folded: one the one hand, it is interested in sustaining Pyongyang government, because China remains concerned that Korean reunification could bring United States forces closer to its border. On the other hand, it supports United States in fighting against North Korea's nuclear problem. China – Venezuela relationship is also controversial. Venezuela is one of the biggest exporters of oil in the world, and China did not hesitated in offering guns against oil, even if the United States imposed an embargo to Venezuela.

Some specialists draw attention on practices of violation of human rights and on the extreme level of repression in this country. In China there are executed more people than anywhere in the world [9]. Torture, lack of trial's transparency, lawyer's intimidation and excessively long periods of detention are usual practices of the Chinese government. The government controls everything is publishing, from books and newspapers to Internet articles.

If we talk about newspapers, exceeding the bounds of permissible coverage has resulted in confiscation of publications, closure of the paper, sacking of editors, or arrests. In case of Internet articles, Chinese government regularly blocks sites, holds servers and Internet companies responsible for content published on their sites and prosecutes individuals who post articles that criticize the government. Only in 2005, 32 journalists had been arrested [10], 15 for Internet posts. Sites with information about “Tibet”, “Taiwan”, “equality”, “democracy” or “Chinese dissidents” had been blocked by Chinese authorities [10].

4. Future perspective

All these issues reveal that China's attitude toward its global economic and social responsibilities has not kept pace with the breathtaking ascent of its security and economic impact on the rest of the world. Today we do not talk about *whether* China will exert influence on the international system, but *how*. But two questions arise. Can China's growth rate still be among the highest in the world? And can it maintain this rapid growth without harming the world, the environment or its own society? The answer depends on China's ability to eliminate a number of inefficient and even harmful policies.

First, a more balanced pattern of growth has to be promoted, by encouraging domestic consumption. This will create an incentive for local companies and will boost international competitiveness.

Second, the Chinese government should focus on improving social security and working conditions. A low social safety net and inhuman working conditions could lead to insecurity, health problems and a decrease in household consumption.

Pollution is another issue that has to be addressed in the near future, as it poses

serious health risks to the population, and this could undermine worker productivity. Chinese government should adopt a green growth model that taps into new global markets in green technologies while at the same time solving many of China's own pressing environmental concerns.

China has become an important player in critical issues such as North Korea, Iran or Sudan, and should use its influence in promoting non-proliferation and a stable world, free of nuclear weapons.

Finally, the problem of human rights has to be solved in order to become a truly democratic power, even if is a "democracy with Chinese characteristics".

5. Conclusion

Not long ago it was common to discuss China's emergence as one of the world's major powers as a future prospect. Today, we talk about China as a new economic superpower, competing on the global market with the United States or the European Union.

As shown in this article, China's evolution raises a lot of opportunities, but also a lot of threats. On one hand, it is the country with the most impressive growth rate in the world. On the other hand, it still faces problems of a low-income country: social insecurity, pollution, reduced consumption or violation of human rights.

In order to maintain its development pattern and not being stuck in the "middle-income trap", China should eliminate its inefficient policies.

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