

China – the Country Who Beat the Capitalism

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Abstract

A great power is a rich and influential state. Among the major powers of the world, China is "an unusual pattern of power." This country stunned the world because, currently, the only communist country that has a functioning market economy. China's rapid industrialization and impressive for its extraordinary assertion that exporting country led to the characterization of China as "another Japan" or even "a super-Japan" My paper will analyze a China's macroeconomic global investors that countries will be present, the companies and relationships in which the US and Romania.

Key words: competitiveness, global governance, economic growth

J.E.L. classification: F02, F15, F36

1. Introduction

The world is becoming multipolar in circumstances increase the role of states in growing BRIC (Brasil, Russia, India and China), especially China and further transmission of economic power in the Atlantic Basin (United States and the developed EU) in the Asia-Pacific area (new center of gravity of the world economy mainly represented by APEC - Cooperation Initiative economic Asia-Pacific, which belong to most of the major world economies: the US, China, Japan, Russia) and in Asia, the center of gravity also, traveled from Japan to China and India.

My research objectives emphasize that differences in mentality, organization, policy and lifestyle of Chinese people and those in Europe and the US explain how did China, a country with over 1.3 billion people, most haunted poverty, the subject to a socialist regime, to reach the greatest force the world trade

The research results reveals that the rise of a new power poles will change the global dominance of the largest OECD economies and will lead to a change in global governance and competitiveness Internationale. The trend toward a multipolar world structure is proven by some changes with worldwide impact. The paper ends with some conclusions and personal views.

2. The China's economy booming

China ranks first among 22 emerging Asian countries (Bari I., 2012, p.98), for the probability of registering a stable and rapid economic growth over the next five years are over one billion (S Neagu., 2015, p. 125), the work hard, little money, and are taught not to live in debt from banks. Now, the Chinese products have studded world.

China became the largest exporter in the world, surpassing Germany. In the first half, the value of Chinese exports amounted to 521.7 billion dollars, slightly above the 521.6 billion dollars, the value of German exports, according to World Trade Organisation.

The differences of mentality, organization, policy and lifestyle of Chinese people and those in Europe and the US explain how he did China, a country with 1.3 billion people, mostly haunted by poverty, subjected to a regime socialist to reach the greatest force the world trade

A very high rate of saving Chinese, the opposite situation to that in the US, where high expenses are fueled by credit, is one of the main imbalances that led to the global financial crisis.

However, not all Chinese youth have inherited their parents' mentality to save 30% of revenues. They spend more, but their favorite environment is the Internet. Internet sales increased by almost 92% in the first quarter compared to the same period in 2015 to 8.26 billion dollars.

In China, the largest companies are state-controlled. The cheap labor has placed this country in an alternative position for the multinationals seeking to produce cheaper.

The World Investment Report 2016 shows that, while global FDI fell by 13.5% in 2016, China has attracted investment by 30% higher. The Asian giant has staked 111% higher amounts for purchases abroad.

The China's advantages in the context of wage increases, pushing some investors to relocate their factories are qualified labor force, a land size, infrastructure, supply chains and consumer market development. There are some examples of moving jobs in developed countries. A Coach Company, which produces luxurious suitcases, recently announced that the US will transfer some jobs in China, and other companies have made similar decisions. Some investors seeking very low production costs, could move jobs in less developed regions of China, and those who leave the country moves towards Indonesia, Vietnam, India or Bangladesh. For those, hoping that jobs in factories with better salaries will return to Europe and the US, there is a list of reasons to have doubts. They are qualified labor force in China, the country's size, infrastructure, supply chains and consumer market development. Much of the leading factories in China in manufacturing worked their whole life. In southern China, there is "an army" of qualified and experienced, learned of 20-30 years in the industry. Few regions in the world can offer such a level of expertise in every area of manufacturing. The country size is also an advantage. The wages in some factories in China have already reached levels comparable to Eastern Europe - EU countries like Romania and Bulgaria, but none of these countries has the manpower required for construction of factories that employ hundreds, thousands and even tens of thousands of people unlike southern China. In addition, even in 2020, China will be more than 20% of the working population of the globe.

The China's infrastructure - ports, railroads, and airports - especially in the south, is as good as anywhere in the world. China offers to investors and well-developed supply chains, developed in the industrial production 20-30 years (Brăileanu T., 2013, p. 211). Even if businesses foreign investors often have an important role, as witnessed certain components German, Japanese, or Korean in an iPhone, for example, a replication supply chains in China seems unlikely anywhere in the world. Finally, the consumption growth is another reason to keep capacities in Asian state. Southern China was traditionally relied on to deliver the goods to ports around the world. The authorities are now building a railway network to help transport to areas such as the north and center of the country and Chinese factories will thus be closer to the consumers

In early January, the authorities in the city of Shenzhen, in southern China, where wages have always been the highest in the country, announced raising the minimum wage by 16% in February to 1,500 yuan (about 180 euro). In Beijing, the capital, the minimum wage increased by 8.6% to 1,260 yuan (about 150 euro). For comparison, in Romania the minimum wage is about 160 euros.

After not only opened the doors to foreign investment, but they also awarded and multiple facilities beyond the attractiveness cheap and diligence of local labor, China has turned the page lately. A Chinese-style do: slowly, generally without brutality, but the firm and, as is easily seen, according to a long-term strategy. (Institutul de Economie Mondială, 2015, p. 111)

In a second phase, complained that their by their home countries, to support China's initiatives or even not to the core. Google's departure from China - the reason for censorship by the authorities access to some programs that transnational companies - occasioned highlighting new phase in which they came, in fact, China's relations with foreign investors.

In the new phase, to be accepted in China, a foreign investors are required not only "fidelity" towards China, and considering the economic conditions harsher than before.

Already in 2009, in all sectors, the foreign investors are no longer exempt for three years from payment of taxes on income and receive no pay only 50% of these tax another two years. In special areas, the level of fees has increased from 15% to 25% annually. Official and unofficial, a domestically-owned firms began to be advantaged tax or other instruments. The authorities are very scrupulous in collecting taxes from multinational going to tax evasion but with local firms.

Moreover, the latter receive low interest loans from state-controlled banks, especially if they act in certain sectors of interest or, in general, if purchasing green equipment. The Chinese companies are allowed, foreign not allowed to sell carbon emission certificates abroad.

The public projects are excluded segments open to general economic (and therefore foreign) government procurement, but the public projects represent half of total government procurement.

The contracts involving state secrets or trade secrets are reserved for Chinese companies and duly authorized legal authorities to exclude companies with foreign shareholding, even if the companies were established in China and carries out all operations in the country.

Under a new law, a dismissal of an employee became very difficult and expensive and there are enough regulations that might be considered discrimination between local and foreign firms; and the attitude of the authorities - even if not officially supported - is encouraging wage protest movements in foreign companies, which is also a change from so far. (Brăileanu T., 2013, p. 101)

This has contributed - along with the temporal effects of the invasion of foreign investment in abundant supply line jobs - the quadrupling of wages in the manufacturing sector in China in the past decade.

China has become selective and demanding (Bari I. 2012, p. 252), no longer looking for any foreign investor and try, by changing the conditions of access and operation to ensure that the country chooses as much as possible of the fact it offers a host of foreign investments. The selectivity sector is laid, now on view.

All high tech sectors are generally viewfinder and as such maintains facilities for foreign investment and the rest go on second. China's five-year plan showing directions. And it must be taken seriously, because in China the things are taken seriously.

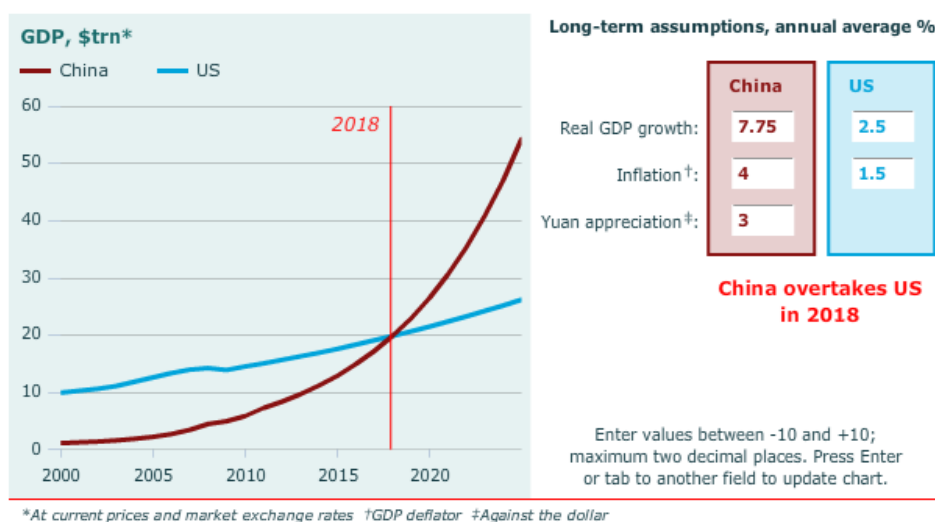
China ranks first among 22 emerging Asian countries (Bari I. 2012, p. 144) on the probability of recording fast and stable economic growth in the next five years.

In the past 30 years, the Chinese economy has advanced on average by 10% per year by modernizing state-owned companies and attract foreign investment. Among economies with a Gross Domestic Product of over 1,000 billion dollars, India had last year's second pace of economic growth after China, with an advance of 8.2% in the fourth quarter. The Organisation for Economic Cooperation and Development expects, for this year, a growth of 2.6% in the US, 2% in the euro area and fell by 0.9% in Japan. (Brăileanu T., 2013, p. 103)

3. China will overtake the US by 2020

The below chart can illustrate how they will evolve largest economies of the world, namely China and the United States. We can also see from the chart that will be the moment when China's economy will surpass the US in terms of absolute GDP.

Figure no. 1 China vs US GDP

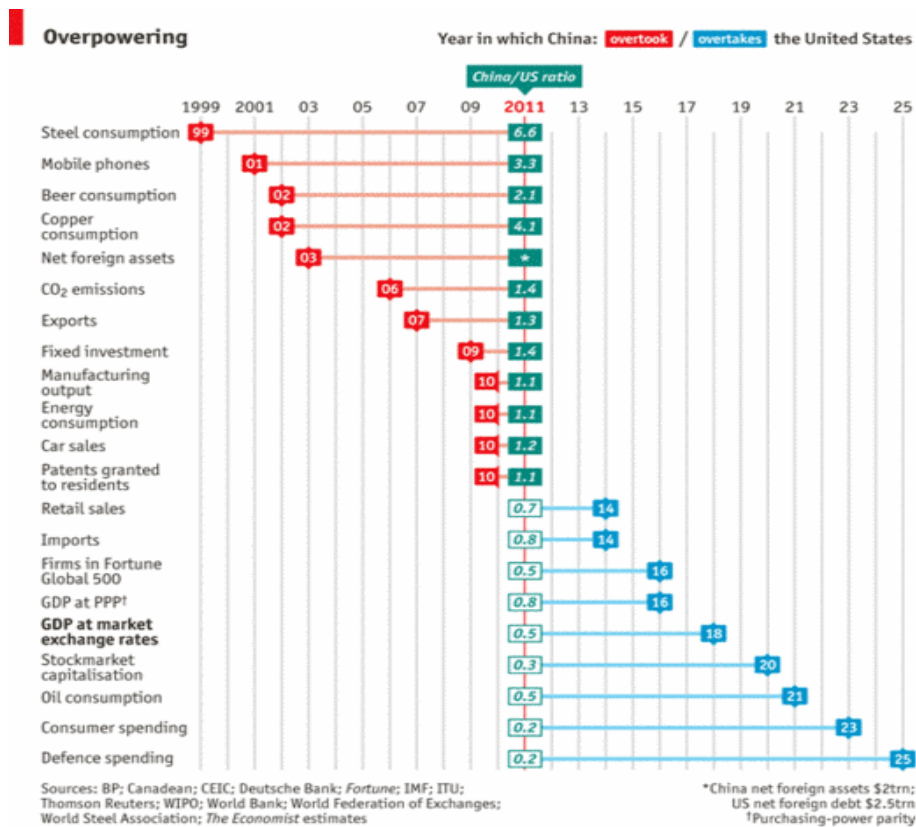


Source: www.xe.com

Thus, on have an average annual increase in GDP of 7.75% for China and 2.5 for the United States and an inflation rate of 4% in China and 1.5% in America in 2018 will be the the largest economy in the world will be Asian state. A number of analysts have pointed out that China's economy has already overtaken the United States in more than half of a series of indicators such as industrial production, but also some criteria related to consumption (Neguț S., 2015, p. 101)

Also, in the below chart, we can see that when China will overtake America economically on each floor separately. For example, in 2016, will become the largest importer in the world and will be the largest retail sales.

Figure no. 2 The years in China exceeds US in various fields



Source: www.xe.com

China reduced its economic growth target set for this year to 7.5%, announced last month Chinese Premier Wen Jiabao, as Beijing authorities trying to rebalance the second largest economy in the world. If China really will record an increase of 7.5% would be the lowest rate observed since 1990. In comparison, in 2015, China's GDP grew 9.2%, after an advance 10.4% in 2014, China has seen three decades of rapid economic growth, mainly thanks to exports, but slowing global economy and rising wages within China raise questions about the continuation of this trend. Recently, the World Bank president said China's economic strategy is unsustainable and urged officials in Beijing to adopt several reforms for a free market economy. (Institutul de Economie Mondială, 2015, p. 234)

4. China and her economic influence in BRICS

China wants to seize the trampoline offered by the group BRICS countries to increase their economic influence in the world. On the occasion of the summit of leaders from New Delhi the countries that form the so-called BRICS group (Brazil, Russia, India, China, South Africa), China Development Bank will propose to its partners in yuan loans. Is a first, because, until now, the institution has provided loans exclusively in dollars.

Is further evidence of Beijing's determination to internationalize its currency (Neguț S., 2015, p. 101). China wants to determine BRICS countries to use the yuan (or renminbi) in their transactions trade, as it does, in fact, on an experimental basis, with other Asian countries, Japan and Singapore.

According to Morgan Stanley estimates, these transactions currently represent 13% of Chinese trade in Asia. A British bank HSBC According to experts, this figure can climb to 50% from 2015.

The yuan's internationalization strategy is an extension of China's trade policy, which relies increasingly on emerging markets. If 51% of company bosses installed in China declares himself "optimistic" in increasing their turnover this year when it comes to development, 76% of them prefer the East Asia and South Asia indicates 75% East. Only 40% choose Western Europe, according to a latest study on the subject conducted by Pricewaterhouse Coopers (PwC).

In terms of expansion of industrial capacity, the majority of businessmen installed in China called Russia (87%), Brazil (83%) and India (73%). In their eyes, the BRICS, which will provide 37% of world growth in 2016, they wind astern. (Institutul de Economie Mondială, 2015, p. 245)

5. Conclusions

One of the most important changes is the multiplication of economic power and transition to a polycentric system - the rise of new centers of power. Also, there is increasing competition between centers of power to regional or global domination, plus setting up new groups of powers marked influence on the dynamics of the economy and world politics (BRIC).

The end of the work can be concluded that this country, China, is in an uptrend; my opinion is that, in future, will overtake the US in economic; this statement may seem more realistic in light of all the information presented in the paper, suggesting, on the one hand, what and great analysts and professors predict that the country will surpass the US in the future, the world leader in economic and on the other hand, the rule in the near future the Chinese Yuan's, which is also in an uptrend, becoming stronger and taking momentum against the Euro and against the Japanese Yen.

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