

China: Current Position and Opportunities

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Abstract

This paper is intended to present the current situation, but also the perspective of China's economy, taking into account the different trends of the world scene. We will analyze the contribution to global growth, according to the main regions of the world, to identify the place occupied by China and to present a series of relevant indicators (Real Gross Domestic Product, Consumer Price Index), then identify areas where China excels, being a competitive, representative market. At the same time, we want to retain various opportunities and risks for the Chinese state, considering both domestic issues (policy decisions, tax measures, etc.), as well as aspects of the international market (price depression, changes in global demand).

Key words: China, global growth, industrial revolution, competitiveness

J.E.L. classification: O10, O11, O14

1. Introduction

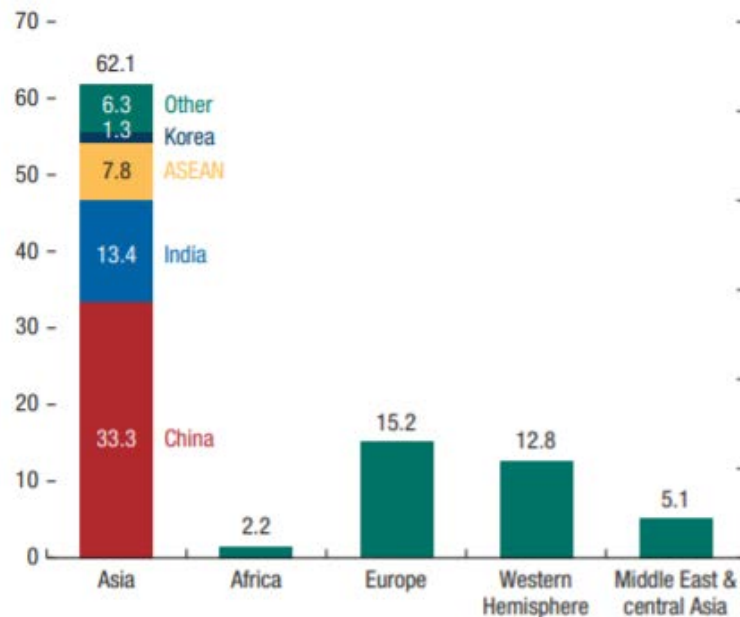
Currently, the world economy is characterized by rising trade, alongside policies that are still acomodative, in contradiction with an increase in financial volatility in the first half of this year. In Asian countries, it is expected to grow significantly this year, accounting for about 75% of global growth. Of course, although the perspectives of the specialists seem to be extremely favorable, it also matters what decisions will be made during the year, given that any measure of protectionist nature inevitably leads to geopolitical tensions, trade wars, between the countries directly involved, as well as for third parties (for example, the US has published a list of more than 1300 Chinese origin products, which will require an additional customs tariff, China also requiring a higher duty for 128 US goods imported). The global market is characterized by competition, global value chains and, therefore, it is very important that economic agents, diverse businesses have access without any problems at all. Consolidation of relations between traders can only be achieved in the case of a free economy, an open market, and nevertheless under the protectionist, economic isolation. Also, we must not forget that the Chinese state is confronted with the phenomenon of aging population, and so the government needs to be prepared with various structural reforms to support trade, the labor market, etc. The phenomenon of aging will affect economic growth, additional tax burden will be imposed by the government, and the medium and long time horizon will be major challenges for this economy.

2. Current context and China's place in the global economy

International Monetary Fund specialists predict that the 2018 and 2019 will bring an increase of 5.6% for Asia, at the same time with a low inflation. At the same time, they believe that global economic growth and fiscal stimulus supported by the United States may be factors conducive to Asian prosperity, both for exports and Asia's investments. For domestic consumers, the government may be helping them by adopting fiscal measures (the IMF, April 2018). China, it seems, will exceed this year's average for Asian countries, so the forecast for it is over 6 percent and a half.

In the following, we will present contributions to global growth according to the main regions of the world:

Figure no. 1. Contribution to Global Growth by Region (Percent, 2017 estimates)



Source: International Monetary Fund, Regional Economic Outlook: Asia Pacific- Good Times, Uncertain Times: A Time to Prepare, World Economic and Financial Surveys, april 2018, p. 4

What can we see in the figure above? First, the fact that Asian countries bring over six tenths of the world total! More specifically, we find that Asia has a contribution of 62.1% of the world total, followed by Europe (15.2%), Western Hemisphere (12.8%), Middle East and Central Asia (5.1 %) and Africa (2.2%). Reported to the main Asian economies, the ranking includes China's participation with one-third (33.3%), India (13.4%), ASEAN (7.8%), Korea (1.3%) and the rest of the economies (6,3%). So things are clear. The crisis has come to a halt, but the Chinese state has maintained. Indeed, it has also been affected, but to a small extent, continuing to be an important point on the world trade map. Regarding the future contribution to China's growth, although as mentioned above, it is very important and the recovery of the trade partners, by the fiscal stimuli undertaken, the specialists specify that the most important factors will be the consumption and the investments, for the year 2017, and for 2018 (the situation is not different from other Asian economies). Gross domestic product growth was almost 7 percent in 2017, with a more favorable trend than previous forecasts, both in terms of increased demand from external trade partners and domestic policy decisions.

Table no. 1. China- Real GDP and consumer prices, 2017-2019 (estimates and projections; y-o-y percent change)

	2017	2018	2019
Real GDP			
- China	6.9	6.6	6.4
- Asia	5.7	5.6	5.6
Consumer prices			
- China	1.6	2.5	2.6
- Asia	2.1	2.9	2.9

Source: Data processed by the author on the basis of information provided by the IMF

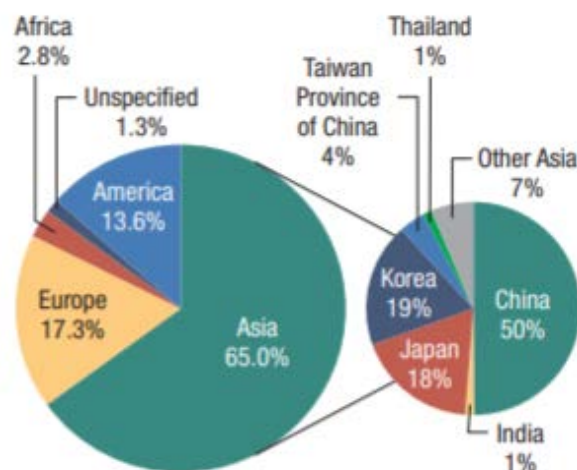
From the table above, we notice that for the period 2017-2019, China is generally following the Asian trend, so gross domestic product may be slightly lower than the previous one, and consumer prices are rising.

IMF specialists believe the Chinese state is in a risky situation because the government can resort to unsustainable policies in order to change the economy from a fast-growing economy into a one with a qualitative growth. (IMF, April 2018) And what would that mean? Imbalances!! That is, high risks associated with the financing process, which could cause bottlenecks in the operating cycle, attracting the need for capital injections; and all this, as part of the general economic imbalance (ie a value imbalance, a material imbalance, an imbalance of the labor force, etc.).

Also, chances for China can come from the IT and technology field. We know that Asian states are promoted in many areas of digital innovation, so that a careful, prompt and thoughtful orientation is imperative in this fourth industrial revolution (see ADB & WEF, 2017). The best results in this area were related to robotics, 3D printers, artificial intelligence, and cryptography. The economy, at present, is becoming more and more digitized, more and more activities have surpassed the physical nature. Statistically, in 2016, China represents almost one-third of the total robot market offer (see also McKinsey, 2017). In the next place, we find Korea (14%), Japan with a lesser percentage, and the United States two percent less. So China brings three times more robots to the world market than the US, and electronic commerce accounts for nearly half of all Chinese economy transactions.

We continue to present industrial robots deliveries in the year 2017, both globally and in relation to the most important Asian economies, in order to identify the place occupied by China:

Figure no. 2. Estimated Number of Industrial Robots Delivered, 2017 (Percent of total)



Source: International Monetary Fund, Regional Economic Outlook: Asia Pacific- Good Times, Uncertain Times: A Time to Prepare, World Economic and Financial Surveys, april 2018, p. 27

For the year 2017, the International Monetary Fund estimated that Asia provided 65% of the required industrial robots, followed by Europe and America, with 17.3% and 13.6%, respectively. The Asian side is made up, as I said above, with 50% of China, followed by Japan and Korea by 18% and 19%, respectively.

3. Conclusions

Considering what is mentioned in this paper, we can conclude that China occupies an important place in the global economy, being one of the driving forces of trade. The 2017 year saw a 30% contribution from China, both in global growth and in industrial robot deliveries. And potential and opportunity are on the side of China, but there must be attention and coordination, so factors such as the phenomenon of aging the population or the desire to pass to an economy with a qualitative growth not to have negative consequences.

Also, given that there are still global protectionist trends, governors need to pay more attention to trade policy, which must be progressive. In fact, trade can only be successful in free, fair trade.

4. References

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