

CHINA: DEVELOPMENT OF AN ECONOMIC GIANT

by Paul Guinness

THE 2009 World Population Data Sheet estimates China's population at 1,331.4 million (mid-2009). This is 19.6% of the world's total population. Thus, about one in every five people on Earth is Chinese. In successful economies there is a strong link between urbanisation and industrialisation. The urban population as a percentage of the total population has increased rapidly, from 10.6% in 1950 to 45.7% in 2008. The largest populations are in Shanghai (18.9 million), Beijing (17.0 million) and Shenzhen (14.2 million). This compares with a recent estimate of 7.7 million for London.

A newly industrialised country (NIC)

The rapid growth of many other economies in the 1960s and 1970s, as globalisation gained momentum, was of major concern to China. At that time China's economic links with much of the rest of the world were limited. This was deliberate

Newly industrialised countries:

countries that have undergone rapid and successful industrialisation since the 1960s.

Industrial revolution:

the transformation of a country from one dominated by the primary sector into an industrial nation with a wide manufacturing base.

Gross domestic product (GDP) per capita:

the total value of goods and services produced by a country in a year divided by the total population of the country.

Figure 1: Key terms



Figure 2: Central Beijing: MacDonald's (below) and the news being read (above)

Source: Paul Guinness

policy on the part of the Chinese government. China was concerned that its communist system of government and life in general could be adversely affected by greater contact with the outside world. However, in the late 1970s, China decided to end its relative economic isolation and try to imitate the export-led success of countries such as South Korea. In South Korea and other newly industrialised countries (NICs), economic growth and expanding trade links had resulted in rapidly rising living standards.

As China strengthened its links with the rest of the world, its economy grew rapidly (see Figure 2). Economic growth in China has brought more people out of poverty in a shorter time than in any other country in history. Figure 3 shows how

gross domestic product (GDP) per capita rose in China between 1980 and 2008. The GDP is a reasonable measure of the wealth of a country. The average figure for China of 22,698 yuan in 2008 hides a big gap between urban and rural areas. Incomes in urban areas are on average three times higher than in rural areas. This is creating a certain degree of tension and the Chinese government is looking at ways of narrowing the wealth gap between the countryside and the cities.

| Year | GDP per capita (yuan) |
|------|-----------------------|
| 1980 | 463 |
| 1990 | 1,644 |
| 2000 | 7,858 |
| 2008 | 22,698 |

Figure 3: Chinese GDP per capita, 1980–2008

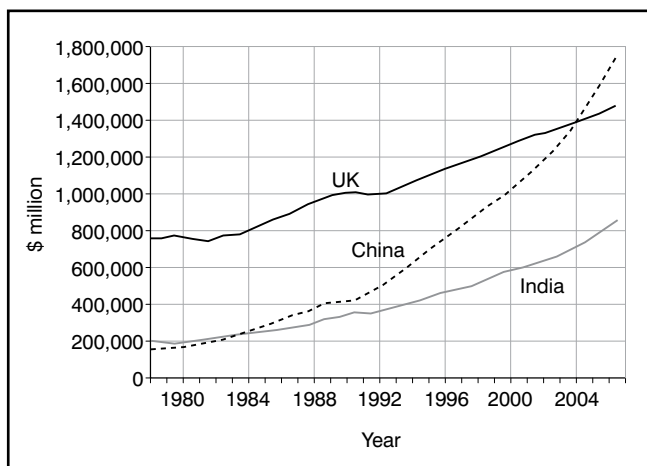


Figure 4: Total GDP for China, India and the UK, 1978–2006

The global economy has provided huge opportunities for Chinese companies. The economy has been growing at an average of 9.2% a year for three decades. This is very fast indeed. Figure 4 shows how China narrowed the gap with the UK, and then overtook the UK in terms of total GDP. However, GDP per capita in the UK is still much higher than in China. The graph also shows how India's total GDP changed over the same period. India is another country that is beginning to have a huge effect on the global economy. It is also classed as an NIC.

The Chinese economy has now reached such a size, and is continuing to grow so rapidly, that it is being called the 'new workshop of the world'. This was a phrase first applied to Britain during the height of its **industrial revolution** in the 19th century. The business magazine *Fortune* recently quoted Asia economist Jim Walker as saying about China, 'We're at the early stages of one of the greatest industrial revolutions in world history'.

The scale of Chinese industry and trade

The current scale of Chinese manufacturing is astounding. For example, China produces:

- half of the world's microwaves
- two-thirds of all shoes
- two-thirds of the world's

photocopiers

- half of the world's clothes
- one-third of all mobile phones.

Much of this production is for export all over the world. The value of China's international trade rose from \$1.13 billion in 1950 to \$2,561.6 billion in 2008 – a 2,266-fold increase. Many people see this as a good thing for much of the world. One of the main reasons why manufactured goods such as televisions, DVD players and digital cameras are so low in price in real terms (that is, accounting for inflation) compared with ten years ago is low-cost, huge-scale production in China. So it can be argued that in some ways at least the quality of life in the UK, USA and other countries has been improved by the low prices of Chinese goods. Also, as incomes rise in China and its middle class grows in number, China is importing more and more goods and services from other countries. In fact, many countries sell more to China than they buy from it.

Figure 5 shows how fast China's exports to the rest of the world have grown over the past decade. In 2000 the total value of China's exports was \$195 billion. By 2005, exports had risen to \$583 billion and by 2009 to \$1,435 billion.

Steel production is one indicator that is sometimes

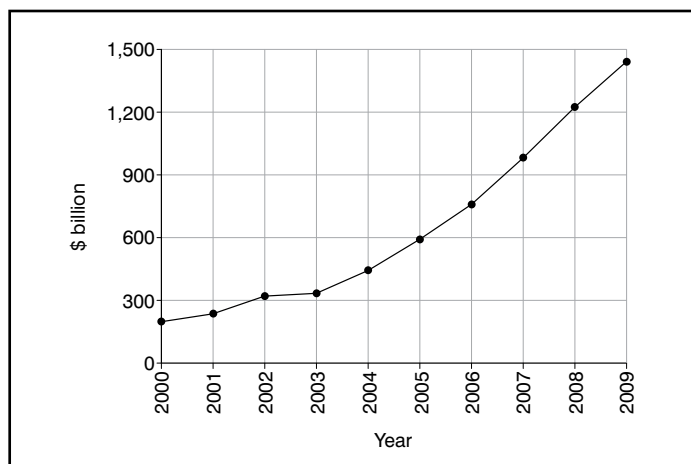


Figure 5: The total value of Chinese exports 2000–09

Source: www.indexmundi.com

| Rank (steel production) | Country | 2008 (million tonnes) |
|-------------------------|-------------|-----------------------|
| 1 | China | 1,327 |
| 2 | Japan | 119 |
| 3 | USA | 91 |
| 4 | Russia | 69 |
| 5 | India | 55 |
| 6 | South Korea | 54 |
| 7 | Germany | 46 |
| 8 | Ukraine | 37 |
| 9 | Brazil | 34 |
| 10 | Italy | 31 |

Figure 6: Top steel-producing countries, 2008 (million tonnes)

used to illustrate the growth of a country's economy. Cement production is another measure. Both indicators are measures of the rate of construction activity in a country. Figure 6 shows that steel production in 2008 was more than ten times greater in China than in Japan, the 2nd ranking country. The UK ranked 17th in 2008 with 13.5 million tonnes. Chinese cities and industrial areas have developed at such an astonishing rate in recent decades that it is difficult to comprehend. One of the best visual indicators we have had was the rapid rate of construction for the Olympic Games in 2009.

A recent newspaper article, entitled 'China's growing economic might is good for the UK', stressed:

- London's unique place at the centre of the global time zone as a big advantage for doing business
- the importance of English as the preferred language on the internet, which is good for UK businesses
- that China is on track to take over from Japan as the world's second largest economy in 2010
- that China could catch up to the USA as the world's largest economy more quickly than previously predicted – by 2027
- that China became the world's largest car market in 2009
- the emergence of a vast middle class in China which provides rapidly growing business opportunities for British firms – the biggest problem is simply grasping the scale of the opportunities
- the Maglev, the world's fastest railway, as an example of China's technological progress.

The use of media and technology has risen rapidly. Some of the figures are staggering compared with those for other countries. China has:

- 2,000 newspapers
- 287 TV channels
- 700 million mobile phone users
- 338 million internet users.

However, the Chinese government exercises a high degree of control over the media. For example, the Chinese government blocks access to many of the websites that are freely available in other countries.

As China's demand for raw materials continues to rise, there is huge concern about the impact this will have on the price of oil, metals, timber and other natural resources. For example, there are still only 20 cars per 1,000 people in China compared with 950 in the USA. As China closes the gap, the

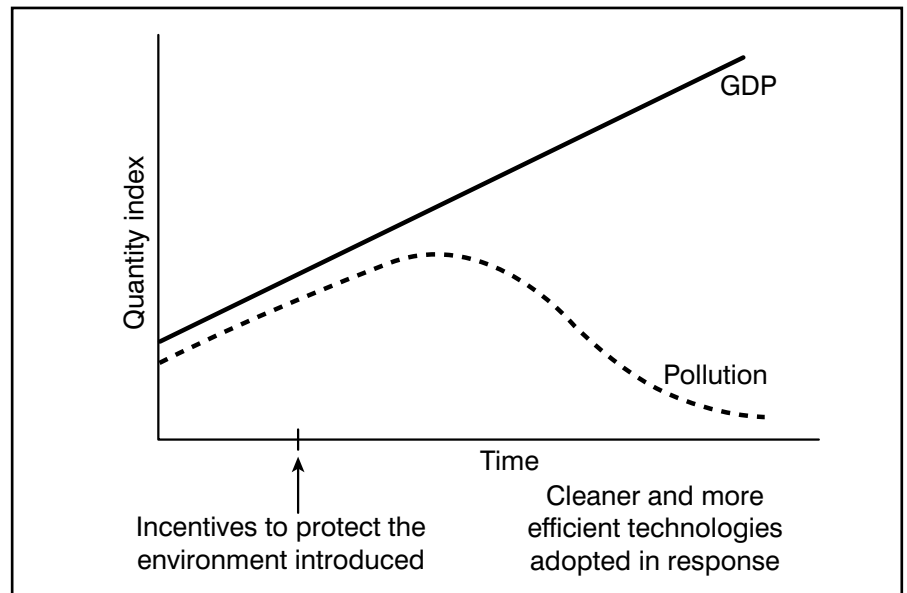


Figure 7: The relationship between GDP and pollution

resource and environmental impacts will be considerable.

Development and the environment

Development and the environment are rarely compatible. As countries industrialise and have an increasing impact on their environments, public concern grows about the externalities of economic growth and governments are forced to take action. Pollution in China is still increasing, but it is hoped that concerted action will cause pollution levels to fall in the future. The scale of pollution in China has a global impact. China is already the world's second biggest producer of greenhouse gases, due largely to the burning of fossil fuels in industry and energy production. China and other major greenhouse gas emitters are coming under strong pressure to reduce their emissions. All countries agree that this is necessary, but at the recent Climate Change Conference in Copenhagen (December 2009) they found it difficult to agree exactly how this should be done.

After suffering a series of environmental problems due

to deforestation, the Chinese government has acted to protect its own forests. However, one major side-effect of this welcome policy has been to increase demand for imported forest products. The conservation group WWF estimates that China imports more than 100 million cubic metres of wood a year, with over a quarter of this total illegally felled in eastern Russia, Brazil, South-east Asia and Africa.

Take a look at the BBC website (www.bbc.co.uk/topics/china) for information about the latest economic, social and environmental issues in China.

Activities

- 1 (a) What is the population of China?
 (b) Describe the change in China's urban population between 1950 and 2008.
 (c) Which are China's three largest cities and what are their populations?
 (d) On an outline map of China, show the locations of these three cities and use a graphical technique to illustrate their populations.
 (e) Explain why there is a strong link between urbanisation and industrialisation in successful economies.

- 2 (a) What is a newly industrialised country?
 (b) Name two newly industrialised countries other than China.

- 3 (a) What do you understand by the term 'industrial revolution'?
 (b) When did Britain go through its industrial revolution?

4 Define *gross domestic product*.

- 5 (a) Use a graphical technique to show the data presented in Figure 3.
 (b) Explain why you used this technique.

- 6 (a) Describe the trends shown in Figure 4.
 (b) Suggest reasons for the differences in the trends for the three countries.

7 By how much did the value of China's international trade increase between 1950 and 2008?

8 Make a survey of the products in your household that were made in China.

9 (a) Suggest why so many newspapers are published in China.

| Perspective | Positive consequences | Negative consequences |
|---------------|---|--|
| Economic | A high level of foreign direct investment; huge increase in employment opportunities in manufacturing and in services; increasing GDP and rising average wages; large surplus in trade balance; greater influence in global and regional economic forums. | Rising wages and other costs, causing some companies to look for locations that are lower cost than China; the appreciating value of the currency, increasing the cost of living for the lower-paid in particular; international concerns over the safety of some Chinese-made products affecting demand for some companies. |
| Social | Economic growth making more money available to spend on education, health, housing and social services; improving working conditions including longer holidays; rising incomes providing increased personal mobility; more Chinese travelling abroad for tourism. | The world's largest ever rural-urban migration; ageing populations in peripheral rural areas; increasing regional inequality; rapidly expanding cities with social/cultural issues; concerns over working conditions in some regions/companies; the erosion of traditional values. |
| Political | China's influence at the UN and around the world generally is increasing; rising international profile helped to secure the 2008 Olympic Games; economic growth has allowed higher military/defence spending. | With rising affluence and awareness of freedoms in democratic countries there could be increasing pressure on the Chinese government for democratic reform; neighbouring countries concerned about Chinese military strength; China's large trade surplus is straining relationships with the USA and the EU. |
| Environmental | As national income rises, China will have more money to invest in environmental improvement, as more developed countries have done in the past. | Air, water and land pollution from rapidly increasing number of factories and power stations; the large and increasing demand for raw materials which is damaging the environment in China and many other countries; concerns over the impact of major projects such as the Three Gorges Dam. |

Figure 8: Rapid economic growth has resulted in a range of positive and negative consequences

- (b) What do you think will happen to the number of mobile phone and internet users in China in the next ten years or so?
 (c) Why does the Chinese government exercise such strong control over the media?

10 Look at Figure 8. Work in pairs to discuss the positive and negative consequences of economic growth shown in the table.

- (a) Which do you think are the most important positive aspects to rapid economic growth? Put them in order.
 (b) Which negative aspects of growth do you think are most worrying for China? Justify your selections.