

Comparison of developed economies and china economics essay

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When the financial crisis hit world's economies a few years ago, the impact level of these crises was higher in developed economies than for developing ones, therefore emerging economy like China and India started recovering at a much faster rate as compared to the developed economies. However it is considered by many economists to be " the worst financial crisis since the Great Depression of the 1930s". " Bank solvency, shattered investor confidence and declines in credit availability had a collision on global stock markets, where securities suffered large losses during 2008 and early 2009. Economies worldwide slowed during this period as credit tightened and international trade declined. - Economist, 2010

China a developing country is ruled by a communist party who control and make the economic climate very favourable for domestic industries, by following ' protectionism'. Foreign trade is the main vehicle of growth for china, the low cost of production contributes to rapid growth, making it all the rage. The cheap labour, a good infrastructure, advanced technology, high productivity, favourable government policies and undervalued exchange rate helps them maintain the low cost of production. In the past few years China has seen a rise in living standards, an increase of consumer durables, especially among the urban population, the continuous FDI inflows has helped them boost foreign exchange reserves to record heights, rapid growth of the services sector resulted in heavy GDP growth rates which were officially recorded at 11. 4% in 2007. In 2008 the global economic crisis began to reduce China's growth rate. The preliminary estimate for real GDP growth was 9% which improved to almost 10% by the end of the year. An economist said " China's statistics are notoriously dodgy. But the claim that recovery is fake does not stand

when so many numbers are pointing sharply upwards". Car sales improved by 53% in 2009, Industrial profits increased by 70% in November as compared to the last year. The most recent trade figures show exports up by 18%, year on year, and imports up by unbelievable 56%. Excessive lending, Overinvestment, Overvalued share and the rising house prices are some more factors that have played a significant role in China's growth. Extraordinary high saving and an undervalued exchange rate have fuelled rapid export growth and the world's biggest current account surplus.

India's industrial production was 11% higher in March 2010 than a year before, manufacturing expanded by 16% in the year, growth in electricity production was more reserved 6.7%. " The United Nations World Investment Report calculates that there are now around 21,500 multinationals based in the emerging world. The best of these are from India, China and Brazil. The number of companies from Brazil, India, China and Russia on the Financial Times 500 lists have increased from 15 to 62 in 2006-2008. At the same time Western multinationals are investing ever bigger hopes in emerging markets. They regard them as sources of economic growth and high-quality brainpower, both of which they desperately need. Multinationals expect about 70% of the world's growth over the next few years to come from emerging markets, with 40% coming from just two countries, China and India. The world's biggest multinationals are becoming increasingly happy to do their research and development in emerging markets. Companies in the Fortune 500 list have 98 R&D facilities in China and 63 in India". - Economist, 2010" The financial crisis of 2007-present is a crisis triggered by a liquidity shortfall in the United States banking system and the bursting of '

the United States housing bubble' which peaked in approximately 2005-2006" which caused the values of securities and real estate pricing to drop , Thereafter, damaging and collapsing financial institutions globally, the bailout of banks by national governments and downturns in stock markets around the world. " The unemployment rate in America was unchanged at 10% as recorded in the year 2009. Firms, excluding farms, cut 85, 000 workers from their payrolls. Revised figures showed that firms had added 4, 000 workers in November, the first increase in almost two years. The stock of consumer credit, which includes credit-card debt and bank overdrafts, dropped for the tenth consecutive month in December, by a record \$17. 5 billion. American retail sales rose by 1. 6% during the month of March, and were 7. 6% higher than a year earlier. Consumer prices in America rose by 0. 1% during the month of March, and the annual inflation rate was 2. 3%. Core inflation, which excludes food and fuel prices, was 1. 1%. Other Developing countries also saw an increase where, Industrial production in Britain rose by 0. 4% in November, largely because of a flow in the output of oil and gas firms, the euro area's unemployment rate rose to 10% in November, up from 8% a year earlier. Based on the harmonised figures computed by Euro stat, the rate in Germany, the currency zone's largest country, was unchanged, at 7. 6%. Jobless rates in the three next-largest countries all moved up a notch: from 9. 9% to 10% in France; from 8. 2% to 8. 3% in Italy; and from 19. 3% to 19. 4% in Spain. The rate in Ireland, which had shown signs of stabilising, jumped from 12. 5% to 12. 9%. As an economist said " The American recession is over". In the summer of 2009 real GDP and industrial production hit bottom and resumed growth, and

expansion in both measures strengthened as the year ended. Industrial production has continued to grow in early 2010 as, in all likelihood, has output. By the end of the current quarter the American economy may have returned to its pre-recession peak in real GDP." - Economist, 2010." Until now it had been widely assumed that globalisation was driven by the West and imposed on the rest". This is changing fast. Emerging-market champions such as India's in steel and Mexico's in cement are gobbling up Western companies. And consumers in developing countries are getting richer faster than their equivalents in the West. In some cases the traditional global supply chain is even being reversed. However " Even China's strongest suit, its booming economy, has been damned. Rather than cheering some analysts say China's prosperity comes at the expense of the rest of the world and claim that, anyway, its heading for crash", but America is a developed country, however China is still a developing country whose GDP per person is less than one-tenth of America's. It has ample room to play catch up with rich economies by adding to its capital stock, importing foreign technology and boosting productivity by shifting labour from farms to factories. The emerging world will undoubtedly make a growing contribution to breakthrough innovations. America then Japan now BRIC (Brazil, Russia, India and China). Well, as developing countries enjoying the growth because of huge population, but serving the material desires of such huge no. is not going to be easy. We have limited resources and if growth is not based on effective and efficient use of resources then BRIC are now where America and Japan were in 1960s and after few decades these economies will be

facing same challenges what developed countries are facing now " over consumerism".