

Introduction terms of
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Introduction

China has amazed the whole world at large because of the tremendous growth in its economy (Chow, 2005, p. 123). Although China has a very large population, the Chinese people have proved to the entire world that they can be very hard working. Recent research shows that it comes second after the super powers United States of America in terms of the economy defeating countries like Japan, Russia, India and other developed countries. In the past 30 years, that is from the year 1979 China's growth has been averaged to a rate of ten percent per annum, which shows a very great improvement(Mamdani, 2008, p.

1). China is also the largest exporter in the world exporting a wide variety of commodities such as agricultural commodities like rice , machinery, electronics, nuclear weapons and textiles just to mention but a few. Other than just exporting it is the second largest importer of goods majorly from Japan, Taiwan and South Korea (Martin, 2006, p. 1).

China's major imports include; oil, minerals, plastics, other machinery it lacks and many others. This therefore is enough evidence that China is good at trading with many trading partners all over the world (PTI, 2006, p. 12). This paper will therefore discuss the key factors that contributed to the rapid economic growth and how the rapid growth has affected other nations of the world (Xinyu, 2009, p. 1).

Reforms made by China

Three decades ago that is in the year 1978; China was ranked the tenth country from the top in terms of economy. At that time it had a Gross Domestic Product of US\$150 billion (Breslin, 2009, p. 1).

This was very low since it was only 6 percent of the Gross Domestic Product of the United States of America. However, in the year 1979 China made reforms in its economy and began to improve from that time at a rate of 10 percent per annum. The major goal of the Chinese Government was to make the economy independent and self-sufficient. Some of the reforms made included: The government wanted to encourage both imports and exports into and out of the country (Fogel, 2009, p.

1). . Therefore the government accorded farmers permission to sell their products to private merchandisers in the country. The prices of commodities were tremendously reduced so as to attract investors from foreign countries. The government also gave financial incentives so that the citizens could be able to make investments in foreign countries.

The government also made reforms in the cities and coastal parts of the country and assigned them to be developmental areas (Chow, 2005, p. 123).

Factors that contributed to China's rapid growth

The reforms made during that time by the government are the ones that influenced the economic development of the country (McDouglas, 2009, p.

2). Therefore the key factors that led to the rapid growth in China's economy after the reforms included the following;

Availability of cheap labor

China is highly populated. Therefore the presence of the large number of the human capital which was of high quality was a great advantage to the government. This is because the people were willing to work despite the low wage rate that they were being offered (Arora, 2005).

87). The government took this as an advantage and made great use of the available workforce to improve its economy.

Investment in Technology

The government made investments in the education system such that it involved technological training sessions. It emphasized on teaching of industrial method in schools. This was advantageous as it made the schools produce graduates who were endowed with technological knowledge. The resulting graduates therefore worked in the manufacturing sectors of the economy and thus led to the improvement of the quantity and quality of outputs (Grumbine, 2007, p. 1). Due to this the country was able to increase its exports and as a result improving the state's economy.

Reforms in the agricultural sector

Agriculture is among the top most sectors of China's economy. Research has indicated that the agricultural sector of China results to 60 percent of its Gross Domestic Product hence being a determining factor of the state's economy (Breslin, 2009, p. 1). China produces the highest quantity of rice in the world. It also produces other agricultural products such as wheat, cotton, maize and tobacco which is exported thus the government earning foreign exchange.

Foreign investment in technology

China has invested greatly in technology leading to production of high quality products.

In a bid to achieve this, it imported advanced machinery, plant and production facilities from trading with other countries (Martin, 2006, p. 1). The investment in these facilities advances the technology of the country hence improving the quality and quantity of products produced. China's commodities are among the top most sophisticated products in the world hence attracting investors from other countries. It is because of this that the total factor in productivity of China has grown by 4 percent per annum.

The government policies

The government implemented policies that were driven to achieving economic growth at a fast rate (Fogel, 2009, p. 1).

The government reallocated resources in different sectors of the state hence making them run well financially. After the allocation of resources the government privatized them so as to ensure efficient running and high productivity unlike when they were run by the state.

Domestic and International demand

This is also a factor that made China improve in terms of the economy. The large population it has also increases the demand for its products and in turn the supply (Grumbine, 2007, p. 1). The world at large has a great demand for China's products because of their affordability and quality hence making it produce more and more products.

Impacts of China's economic growth

The rapid growth in China's economy has led to so many implications both positive and negative (Omvedt, 2005, p. 50).

These effects have been felt by most countries of the world include Asia as a continent. However, the rapid economic development of China seems to have more positive implications compared to the negative ones (Song, 2010, p. 1). As a matter of fact the growth in China's economy led to availability of opportunities in trading system of the world. This comes about because of the availability of large markets for trading in a variety of commodities. The presence of human capital that is readily available and cheap is also a positive impact to the nations of the world (Humphrey, 2004, p.

23). This is because other countries that have manufacturing procedures that demand a large amount of labor move their processing procedures to do them in China where labor is cheap and available. Once this is done the resulting product have low prices hence attracting more consumers. The result of shifting manufacturing procedures to China has a negative impact in that it leads to loss of manufacturing jobs in the domestic countries.

It therefore a problem as such nations does not get the opportunity to grow in terms of technology. Due to the rapid economic growth, China has been able to take advantage in the trading market therefore making its imports expensive while the exports are cheaper. Most nations blame this on the currency policy of China (Taylor, 2007, p.

68). This has a negative impact on the other trading partners as they are disadvantaged and oppressed when it comes to earning their foreign

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exchange. Because of this the other trading partners of China have raised concerns through introduction of bills to address the issue of China's currency (Arora, 2005, p. 67). As China tries to grow economically, it is also competing to be the best in the world. This has led to it wanting to acquire the very large companies in the foreign countries.

It is thus threatening the developed countries like the United States of America which is the world's super power. Another impact as a result of the rapid economic growth of China has been brought about by the high demand it has for the raw materials it uses in processing. Energy is among the major raw materials or factors of production. The high demand it has for such commodities makes it able to dictate the prices of the commodities. Since it has a high demand then they are able to purchase them even at the highest cost since they greatly need them for production (Mamdani, 2008, p. 1). As a result, this affects the other countries that demand the same product but are not in a position to acquire them at that price.

China may also deplete the sources of the raw materials since they acquire in large quantities hence threatening their existence. Since China imports minerals and energy from Australia, the rapid development of its economy has a positive impact on the economy of Australia. This is because as the rate of production increases so does the demand for energy and minerals, thus increase in the quantities purchased. As it purchases more, Australia earns more foreign exchange which leads to tremendous growth in its Gross Domestic Product.

Conclusion

From the aforementioned factors of China's economic growth and their impacts it can be concluded that China has undergone a great revolution. This revolution can however be accounted on the reforms made by the government of China in the year 1978. However, there are problems that are rising to counteract the economic growth. Among these challenges we have lack of skilled labor and the increasing rates in labor, these are posing a great threat to the manufacturing sector as it depends on them.

This effect also will affect the other foreign countries that have invested in China and as a result posing a great danger in the world at large (Breslin, 2009, p. 1). China can therefore be said to be holding the economy of the whole world at large and therefore any arising issues of China become of concern to the whole world. Lastly, it can be said that the reforms that the Chinese government did are the major contributing factors to the current economic state of the country (Hertel, 2004, p.

84).

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