

Business in the international environment

Business



An Overview of China's Economy Since 1978 after changing its market policies and reforms, China has become a market-based economy from its former centrally planned system. After revising the traditional system of business reforms, the country has experienced a steady economic growth and has come to play a major role in the global market by steering up the stiff competition in the market. In 2010, China was the world's largest exporter of products thus achieving a drastic economic and social development. Its gross domestic product GDP is growing at an average of 10 percent a year lifting a very huge number of Chinese inhabitants from poverty. This rapid economic growth China has moved to settle on a second place in the world after the United States in terms of the size of the economy. Due to its estimated population of 1.3 billion people, China remains as a developing nation because its income per capita is very low. Going with the current trends of economic and social development, China could be soon ending up being a developed state. The country has grown to be the largest exporter of the products in the world and has the second world largest economy. To achieve these remarkable results, this country carried out several reforms to shift from its former market structure to the current efficient market structure. The reforms began with ruling out traditional methods of farming and adopted the modern methods for high quality outputs that such higher prices in the market. Application of new technology in agriculture enabled the country to get very good revenues and at the same driving many farmers from poverty. Additionally, China diversified banking systems to enable the residents of the country to access their services and help them to invest. The move enabled many people to start their own businesses for their daily upkeep by easily accessing bank

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loans hence improving their living standards. These reforms have proved to be the core foundations for the development of China in both social and economic fronts (Morrison and Labonte 3). Additionally, other reforms have been very vital in positively influencing the economic and social status of China. For instance, formation of stock markets in the country has been very beneficial to the value of its currency. According to Morrison (5-9), China has been closely relating its currency with US dollar for several years but in 2005, it decided to revalue its currency by a marginal 2.1 percent against the American dollar and shifted to exchange rate system that compares a number of currencies. The results were overwhelmingly great because the Chinese currency had cumulatively appreciated by a massive 20 percent against the American dollar between mid 2005 and 2008 before experiencing a slight decline in between 2008 and 2009. When it comes to trade, China decided to allow foreign investment and trade on top of expanding and developing its private sector to make it competitive in the world market. This made the country to be the world biggest exporter of products and its purchasing power has increased considerably. Furthermore, the country has grown to be one of the world largest importers and this has propelled the Chinese economy to the second place after the United States. There is no doubt that the Chinese economic and social experts had done a fantastic work to come up with such brilliant reforms. However, rapid ascendance in terms of development comes along with several economic challenges among others as well which economists attribute to the incomplete changes in reforms. Morrison (27-33) claims that, even if China is the world-leading exporter and a second largest economy after America, its income per capita is below the world average due to numerous challenges.

One of the challenges the country is facing is the inability to sustain an adequate job growth for the increasing numbers of migrants and new job seekers. The rate of growth of job opportunities is lower than the rate of growth of job seekers thus making this group of people to languish in poverty and this maintains the dependency up in the ladder. This considerably high level of poverty has put China into the risk of economic crimes such as corruption, robbery among others. Another drawback of rapid economic growth is the country's hardship to prevent extensive environmental damage. The environment has deteriorated because there is excessive air and soil pollution from the industries. Excavations in several development sites have led to damage of biodiversity and excessive soil erosion resulting in the reduction of water table in China over the years and this has been a big blow to the Chinese environmental conservation. In general, the rapid growth in the Chinese economy has brought up several challenges that make the country to remain in the midst of developing nations. China needs to adjust its policies significantly for it to make the economy sustainable for the benefit of its citizens. The Chinese government has adopted a policy that stresses on the continued reforms in the economy to accelerate the growth. Moreover, the government needs to widen the market for its products because it relies heavily on exports and it can do this by focusing on the local market for its products where the demand is still low. On the other hand, for China to reduce adverse environmental impact it has shifted focus on less polluting sources of energy and use of current technology in several industries (Morrison 34-36). In conclusion, since changing its policies a few decades ago, China has experienced a record economic and social growth. The reforms that the country put in place have

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proved to be relatively good because they have brought huge economic achievements to the country. Despite a very smooth economic progress, there still emerged some challenges that drag the economic growth of the country. To fight these problems, the country has continued to restructure its policies to curb the challenges that arise with economic progress with a hope to be fully self sufficient in the future. Works Cited Morrison, Wayne and Labonte Marc. China's Currency: A Summary of the Economic Issues. 17 June 2009. Web. 28 Nov. 2013. < www.dtic.mil/cgi-bin/GetTRDoc?AD=ADA501405?>. Morrison, Wayne. China's Economic Conditions. 12 June 2006. Web. 28 Nov. 2013. . Morrison, Wayne. China's Economic Rise: History, Trends, Challenges, and Implications for the United States. 5 Sept. 2013. Web. 28 Nov. 2013. .