

# China unbalanced



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China “ Unbalanced” Continual economic growth for the past 30 years has allowed China to rise as an economic power. As the Chinese manufacturing industry continued to grow many of the people moved from rural areas into urban centers. The continued economic growth has taken China from a poor country to the 2nd largest economy in the world. Using many of the principals of capitalism China has overcome obscurity and increased exports to the point of drawing a large trade surplus with Europe and the United States. The growing wealth of China has drawn much criticism form the global leaders as trade deficits rise.

China has continued on policies of currency fixing and implementation of subsidies that are consistently controversial with the World Trade Organization (WTO). Continued pressure from global leaders for currency reform and trademark infringement violations have forced Chinese officials to take actions. China’s increased wealth did not immediate result in increased funding for social programs. Healthcare, publiceducation, workers benefits, and social security are all lacking or nonexistent. The government is faced with the difficult prospect of developing social programs, revising the work system, and ensuring employment remains low.

Health care for many years not an issue for the Chinese people as a program termed the “ iron rice bowl” ensured the people that health care would be available and at an affordable cost. The “ iron rice bowl” was no longer available to the majority of the Chinese’s and health care had become a concern to millions of people. Failed programs in the past had encourage improper diagnoses and the over subscribing of antibiotics. Restructuring

became a priority and the government has contributed large sums towards improving coverage and facilities.

Universal health care is expected to be a possibility in the coming years for all Chinese. The Chinese people have traditionally been a nation that saves the majority of their disposable income. The tendency to save large amounts of income has been a result of the people expecting little to no assistance from the government in retirement. Pensions and Social Security were almost completely non-existent for many workers. The government has gradually increased pensions for urban and rural workers consistently since 2005. The majority of the people still do not have pension coverage.

The move towards providing increased financial security for the people is expected to have a positive result on domestic consumption. Domestic consumption is the key to growth in China as the global economy has slowed. Rising unemployment has been an increased concern for the Chinese government. Students are graduating from college and are unable to find employment. As unemployment continues to remain stubbornly high the government has taken to stimulus to assist in creating jobs. With local governments having submitted for projects in the past the stimulus was implemented quickly.

Jobs were created and the infrastructure of China was improved. A continual effort has been made to improving the Chinese infrastructure in both the costal cities as well as the inland. Government infrastructure projects have become increasingly important in the fight against unemployment. New technology in construction equipment is commonly not used in favor of using manpower over machine power. Social programs have proven to be

expensive. Increased wages and the development of social programs all result in more expenses for businesses and government.

China has sustained growth for the last 30 years by providing the world with cheap manufacturing labor. Cheap labor is beginning to leave China. Manufacturing chases cheap labor. China is in danger of losing the primary reason why the country was able to rise out of poverty. Creating a new competitive edge is essential for China to continue growth and remain an economic power. The economy must evolve. The population has gradually increased their level of education. China must encourage higher education by building universities and attracting the world's top educators.

Without an educated population and a thriving middle class China will lose everything they have worked so hard to gain. Aggressive infrastructure developments continue but not in a sustainable way. China lacks quality engineers and regulations for construction projects. Low quality designs, engineering, and project management has made the Chinese infrastructure increasingly faulty. Buildings, roads, and bridges have half the life span as those within the US. A lack of codes and regulations on materials and design has led to increased failures.

Development of schools that promote architecture, engineering, and project management must be promoted throughout the country. China is cash rich and knowledge poor. Professionals in the applied sciences must be developed and be comparable to those of the developed nations. The Chinese economy must adapt in order to sustain growth. The years of hyper growth appear to have ended and are now pivoting to slower yet continued growth in the range of 7%-10%. As the economy advances from an emerging

economy into a fully developed economy the Chinese people must develop regulations and laws that support the new economy.

The Chinese have lacked a proper foundation in accounting standards and laws governing business practices. Accounting fraud or misuse of information is not uncommon. Without accepting International accounting standards (IAS) or generally excepted accounting standards (GAAP) China will not realize it's full potential and the international community will question earnings results. The laws that protect investors and businesses must be modern laws. Bankruptcy laws in particular are almost nonexistent. China has a bright future but like so many economies before them must except change and not rely solely on what has worked in the past.