

China may emerge  
as the world's largest  
economy by 2020



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China may emerge as the world's largest economy by 2020 Since past many years, China has been showing marvelous economic growth. China is introducing more and more economy friendly policies to take the nation to be the world's largest economy by 2020. The implications of China emerging as the largest economy are discussed below.

**Impact on world trading system:** The main impact on the world trading system is that China will have more say in the system and WTO. " China has been a member of WTO since 11 December 2001." (WTO, 2011) Over years China had developed more say in the system. Therefore, by 2020 China will have greatest influence on the world trading system. China will be the largest exporter and importer of goods in the system. As of now the export market of China is focused on labor intensive products. But by 2020 it will consist of even hi-tech goods. As a result, the share of other major economies, mainly United States and Europe will considerably reduce.

**Impact on world monetary system:** China had already raised voice against Dollar being dominated in the world monetary system. The main reason for this uproar is that China holds the world's largest forex reserves. Moreover, China wants to increase the international role of its own currency, the Renminbi. The chance of Dollar getting replaced by Renminbi is very minimal. But the role of Dollar as a common settlement currency will significantly reduce. China will emerge as the largest consumers of many commodities and goods. Therefore, the chance of Yuan getting internationalized is practicable at least for settlement of the goods for which China is the largest consumer. (Kelly, 2009)

**Impact on the business strategies of Europe and US based multinationals:** China's emergence as the largest economy by 2020 will force many multinationals to rethink on their global strategies. The primary area to be focused is the

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pricing strategy. China will emerge as the largest consumers as well as one of the largest producers of goods and services. As always, China will produce and market goods at lowest cost compared to the international peers. This will force the European and US multinationals to reduce the price of their products to compete in the market. Secondly, China will become one of the largest markets for various goods and services. Therefore, multinational companies will have to invest more on their Chinese facilities in order to take advantage of the market before the competitors would. (Stepek, 2010)

Impact on global commodity prices: China is one of the largest consumers of many commodities including gold. By 2020, China's manufacturing sectors will more than double by size. This means that the demand for commodities like steel, copper, gold and many others would rise accordingly. Therefore, commodity prices will increase sharply by 2020. (Griswold, 2007)

Role of managers: It is up to the skill of the managers that how well they take advantage of the upcoming China situation. Managers who wish to capitalize on the situation will have to make many strategic moves. Many companies have already begun their efforts. For instance, IT companies have already started setting up their full fledged offices in China. Similarly some of the major automobile companies have set up their R&D facilities in China.

Managers should make China to be the production hub for their products.

Cost of production is very low at China. This way companies can increase their margins of global sales. (Education & Research Foundation, 2004)

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