

Comparison of canada's and china's global business environment

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China Country Report

Global Business Environment

Douglas College

Harmanpreet Singh (300290134)

Karanvir Singh (300)

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Executive Summary

China is emerging economy that is rapidly growing in the world now; this means that more opportunities are created for business persons from other countries like Canada who may wish to pursue opportunities outside Canada. This report examines the business and economic environment in China and its relation to Canada. The report is organized into three major sections; introduction, findings, conclusion, and recommendation. The introduction highlights the background of China's economic environment and the rationale of the report. The finding is the main body of the report where the policy and regulations, culture, and marketing issues in China are critically discussed. Conclusion and recommendation section provides an overview and summary of the whole report and suggestions regarding global business practices. Primary data used in the report are obtained from government websites, report, and article journals. A total of ten (10) resources were used to collect data used in the report.

China Country Report

Introduction

China is one of the emerging economies in the world that experience a high growth rate in terms of market opportunities and foreign investment. Even though China has the largest potential economic growth, there is need to consider the differences in the political and cultural environment because of the risks that they may pose to the foreign investors. After almost a century of reforms in the country, China's economy grew faster after 2005 (World Bank, 2017). This earned China a greater place in the global economic scale. By the end of 2005, China was perceived to be the second largest economy in the world after the United States. This is according to the World Bank (2017) that measured the economic growth of China in terms of purchasing power parity (PPP). The Chinese government has also tried to create a favorable and supportive environment for investors through different policies. The role of the government in the Chinese economy has been evident for many years. This report highlights business and economic environment in China; for instance, the culture, marketing, policy and regulations supporting the economic growth in the country.

Business and Economic Environment

China's economy is growing faster than any other economy in the world right now. The growth has become a threat to developed countries like the United States. However, there are many factors that can be related to this tremendous growth; for instance, political factors such as policies and regulations, cultural as well as marketing factors which are going to be discussed in detail in the following paragraphs of this report.

Background of China's Political System, Economy, and Demographic

According to the World Bank in China (2017), China has a population of over 1.3 billion, the most populous country in the world. This value is around 19.2% of the World's total population (OECD Report, 2014). The World Bank in China has estimated the country's GDP growth to be about 10% annually. The country's GDP in 2017 was 6.7% growth representing about \$11.2 trillion (Yong, 2017). According to the World Bank (2017), this is the fastest expansion that a major economy has incurred in history. With this fastest growing economy, China has managed to improve the socioeconomic status of its people. The estimation by the World Bank shows that the growing economy in China has lifted more than 800 million people from poverty to a better living condition.

According to the World Bank in China, China reached its millennium development goals (MDGs) in 2015. As a result, China's economy has contributed significantly to the realization of the MDGs globally. However, this does not mean that everyone in China is rich or out of poverty. The World Bank report (2017) shows that about 55 million people in China's rural areas were still languishing in poverty by 2015. China's economy has attracted most worlds' foreign direct investment in the recent years. China hosts more than 500 world class companies contributing to 27% of its value addition production (Fogel, 2010, p. 13).

Chinese political system is comprised of people's congress and political party systems. Each of the political systems accords to the country's multi-party cooperation as well as political consultation. The country has been under the

leadership of Chinese Communist Party (CCP) for many years (Bin, 2015). According to Bin (2015), the political system in China has ensured that only the ruling political party, CCP, is the only party in the government for many years. Even though there are other eight political parties, CCP has enjoyed dominance in the government. The rest of the political parties in China are controlled by the ruling party and they serve under its leadership.

Policy and Regulations

Chinese government under the leadership of CCP has engaged in different policy regulations and framework aimed at improving the economic reforms in China. According to Bin (2015), China started its policy transformation in 2013 which led to the creation of the Third Plenum of the 18th Central Committee of the CCP (Bin, 2015). This committee was mandated with the responsibility of making reforms that are far-reaching in the near future. Some of the trade regulations that have been undertaken in the past recent years include the import duties and taxes related to foreign investment and business, licensing control, customs and quarantine system, product standardization, free trade agreements aimed at expanding its domestic trade and attracting internal or foreign investors in the country. However, since China has been a member of the World Trade Organization (WTO), its policies have been driven towards realizing the WTO goals which include reducing the administrative barriers to international trade activities. A few of the policies and trade policies are discussed because it may not be possible to discuss all of them. Therefore, the Chinese government has gradually liberalized its foreign trading policies and regulations.

Import Duties and Taxes related to Foreign Trade and Business

The WTO set its tariff rates in 2015 which was 9.9%, which was lower from 15.3%. China has progressively applied this rate in most of its favored nation (MFN) tariffs since 2015. HKTDC Report (2017) highlights how China has progressively improved in its tariff policies. For instance, apart from applying the 9.9% rate recommended by the WTO, China has also created a 9.0% tariff rate on non-agricultural products produced locally (HKTDC Report, 2017). According to the HKTDC Report (2017), expanding the domestic consumer demand is critical to achieving economic growth as well as restructuring the country's economy. The government of China has also lowered the import consumption tax from 30% to 15% which took effect as from October 2016 (HKTDC Report, 2017). Furthermore, the corporate income tax has also decreased from 30% to 25% for both domestic and foreign corporations operating in China (HKTDC Report, 2017). All these changes are aimed at improving global business and economic growth in China.

Product Standardization

Imported products require thorough inspection no matter how trusted the source may be especially on consumable products like foods. China adopted the inspection protocol on products imported in the country. All the imported and exported products are listed in the "Catalogue of Import and Export Commodities Subject to Inspection and Quarantine" (HKTDC Report, 2017). Products that have passed through the inspection process are therefore certified by the "China Certification and Accreditation Administration" on quality standards (HKTDC Report, 2017). China's product standard policy requires that all exported and imported products to go through the

inspection and get certified before they can be taken to consumers. This system was introduced in 2002 but has been effective to date. It is compulsory for all products to go through the inspection process and be certified.

The Relationship between China and Canadian Government on Healthcare Projects

China's relationship with Canadian government has existed since 1995 when the two countries signed a memorandum of understanding for health cooperation. This has been enhanced by different interrelation policies between Canada and China (Government of Canada, 2016). Various action plans were created since 1995 that have enhanced the relationship between the two countries up to date. For example, in 2007, the two countries jointly created a Canada-China Joint Committee on Health that has been meeting annually since then (Government of Canada, 2016). This committee was established with the aim of improving collaborative work plans between the two countries on health issues.

The most recent is the 2014-2016 Action plans that were created with the aim of improving cooperative work in various areas; for instance, infectious diseases, chronic disease, and also a response to health emergencies (Government of Canada, 2016). The action plan was also created with the aim of improving surveillance and improving early detection mechanisms, promotes e-health services, improve in information gathering in the health sector, and improve risk assessment strategies. The two countries have also engaged in different collaborative projects in the past recent years. For

example, cooperation during the 2009 influenza A(H1N1) outbreak and in 2013-2014 influenza A(H7N9) pandemic outbreaks (Government of Canada, 2016). The countries have also cooperated in different health aspects of development including laboratories, hospital system, and e-health management, public health, chronic disease control and prevention (Canadian Government, 2016).

Trading Partners and Trade Agreements in China

China has been able to establish a good trade relationship with many countries across the world. However, the main trade partners include United States, Japan, Korea, and Germany. HKTDC Report (2017) highlights the trade agreements that have been able to affect Chinese's economic growth and trade activities. The trade agreements in China include the 14 free trade agreements (FTAs) and other 9 FTAs (HKTDC Report, 2017). According to HKTDC Report (2017), China signed the 14 agreements with different international organizations such as WTO as well as independent countries. The regional agreements have also affected the trading activities in China. For example, Regional Comprehensive Economic Partnership (RCEP), Gulf Cooperation Council which includes countries like Norway, Japan, Korea, Sri-Lanka as well as the Maldives have influenced the trading activities in China (HKTDC Report, 2017).

Exports and Imports in China

China's key imports include mechanical, electrical as well as high tech goods. Most corporations dealing with these products like the Chinese market because of its biggest consumption rate of these commodities. The

Chinese market is the largest market of commodities or products such as crude oil, copper, and aluminum (Fogel, 2010). Most of the countries or partners associated with the importation of these products include Japan, Australia, United