

# Example of chinas business environment essay

[Sociology](#), [Population](#)



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## **Introduction**

The current world economic stage has been undergoing changes at a mammoth scale. Different countries and economic blocks have been shifting in the manner in which they do business. The G-7 nations still plays a vital role in determining the world trend of economics by negotiating and deciding on several trade agreements that have far reaching implications . The European Union has since proceeded and formed a trading block of 17 nations and in the process employed the use of a single currency. Other nations in different regions have coalesced in order to enjoy increased trade in reduced tariff. In these mode of unionized and reorganization of different economies the BRIC group has emerged. The acronym has been used in world economics to refer to the four great nations of Brazil, Russia, India and China. The idea was created by the Goldman Sachs economist Jim O'Neill to refer to the recent shift in world economics. The concept simply refers to the nations that are now considered as the drivers of world business in the 21st century. Different experts and scholars have argued that the BRIC nations have a very bright future with the possibility of surpassing the greatest economies within a short period of time. Companies and businesses have taken interest the rise of the BRIC nations in order to take advantage of business opportunities in this nation. Marketing in these nations needs to evaluate the economic cultural and social opportunities and implications of doing business one of the BRIC nations, China. The first part of this paper provides an economic profile of China, utilizing the seven criteria developed by Colellas. The second part evaluates the social and cultural environment of marketing in China.

## **Economic profile of China**

The People's Republic of China is by far the fastest growing economy in the world. Over past three decade, the country has grown both socially and economically at an impressive rate . Since 1978 poverty levels in the country have plummeted, industrialisation has immensely increased and there is evidence of massive investment in nearly every sector of the economy. The manufacturing industry is the leading sector of this economy to the point of China being referred to as the factory of the world . Almost every part of the globe has Chinese products on sale. Multinational firms are setting up their production centres in Asia especially China. This investment has seen the economy of China develop at a double digit rate, a feat attained by a handful of nations.

However, the definition of the economic state of China is a rather loose designation. This is due to the fact that, while the nation has exhibited extremely impeccable economic growth figures, the economic condition as per capita definition is still under the developed the nations. However, the per capita index of the nation is way below the average of most developed nations . Still, in terms growth in the per capita index, China has the highest growth projections than any other nation. In fact, according to Tseng & Zebregs, (2002) China is expected to experience robust growth over the next few years surpassing that of the United States by 2020. Therefore the Chinese economy can be defined as a transitional one.

## **Type of government**

China still remains to be socialist state. China is a single party state without the possibility of the existence of other political entities to fight the ruling party. In fact, over the past fifty years, the People Republic has basically been led by a single party with a near iron grip on the leadership of the country. However, the form of leadership that China has adopted has not gone without its fare share of hurdles. Today, China is ranked as a low performing nation when it comes to freedom of expression.

The Chinese government does not condone any efforts to undermine or question its integrity. Similarly, China has refused to grant some semi-independent territories their independence. Regions such a Taiwan and Tibet are Chinese territories however efforts to delink themselves from China have come at a steep cost . Human rights abuses on the side of China have also brought much attention to the poor political state of the nation. During the opening ceremony of the 2008 Olympic Games in China, several heads of state steered clear of the pomp and glamour as protest against the Human rights records of China. The government of China has also restricted communication around the internet. Numerous social websites have been restricted in China due to the idea that ' enemies' of the Peoples Republic may use the sites to drive a revolution of some sort.

## **Trade and Capital Flows**

According to The World Bank, (2011) China does not have an exclusive agreement of trade with any trading block. However, there have been efforts by the nation to increase trade with other nations and trading blocs such as

the European Union. Chinas biggest trading partner is the United States yet it is not a member of the BRIC. India, by virtue of location has China as its biggest trade partner. Thus, the Chinese economy can be viewed as free trading zone. Different companies and nations are making effort to do business with China. Due to this trade the Peoples Republic has surpassed that of Japan and is now ranked second to the United States.

## **The Commanding Heights**

The different factions that define the commanding heights of the Chinese economy are quite impressive. China has heavily invested in the transport and communication sectors and has been leading in developing rail and road networks at a mammoth scale . Chinas' road network is only second US. Other infrastructure projects have been commissioned and this provides China with the business edge it needs to grow. In terms of energy, China has natural gas reserves; however, the huge population is the greatest challenge that the government has to deal. Consuming fossil fuels at increasing rates and with the constant fear of global warming, China is now under pressure to reduce its CO2 emissions.

## **Services provided by the state through taxation**

The Peoples Republic of China has taken effort to provide essential services to its citizenry. For instance, security and healthcare is very much provided and controlled by the central government. The government has diversified its educational controls to regional governments with the central government playing a supervisory role. Other services such as transport and communication are very much controlled by the central government.

The Chinese nation has come under heavy criticism due their institutions such as courts and anti corruption units. China has been criticized as been with one of the nation with biggest rich-poor gap. Similar criticisms have been directed at the massive counterfeiting that has gripped the Chinese economy. Numerous western products have been emulated in China and the Chinese government seems to provide safe haven for the practice .

## **Market**

The business environments in this economy are quite free. Dynamism has been demonstrated in the manner in which the nation has attracted commerce. For instance, China has free trade regions that are tax free and enjoyed lowered energy costs. Brazil has lowered it tariffs on manufacturing businesses and have lowered trade tariffs.

For these reasons, China's absorbing foreign direct investment (FDI) has been increasing at a colossal rate. Over the past few years, several multinational firms have set up shop in China due to its low energy and labor costs. However, China, as a country has taken dedicated measures towards ensuring that that the investment terrain is good for FDI. Several firms have since taken advantage of these incentives and heavily invested in China . However, marketing in China is perhaps one of the most difficult things to do. This is due to two main reasons. First, China is one of the most reserved cultures in the world. The Chinese population is very concerned about their culture thus several companies have to adhere to these issues. Secondly, China has many investments in different industries. Each firm is adopting a rather aggressive investment strategy and therefore the competition in very

stiff. Thus it is very important to review the social and cultural perspective of the Chinese business environment before developing a marketing strategy.

## **Social and cultural environment**

The social and cultural environment in the Chinese nation has been under continual evolution. This can be attributed to the mushrooming middle class. According to Li, (2010) China is the best illustration of the rise of the middle class among emerging economies such as the BRIC. LI further argues that as of 1991, the Chinese population that lived below \$1. 25 per a day was about 41%. Statistics further estimate that 12% of the population could not afford proper health care, financial services, insurance and other aspects of the well-off citizens.

Evidence have since pointed out that the numbers of the poor has be at a constant decline. As of 2002 the percentage of citizens living under the \$1. 25 mark had decline to 12% and eventually reducing to less than 2% of the entire population by 2007. The sharpest growth according to Li has been for the citizens earning between \$4 and \$10 bracket per day. This group as of 1991 was about 10% of the population. Over the past decade this population grew to about one third of the Chinese population and as of 2007, this bracket made nearly 45% of the entire population . In summary, the livelihood of the Chinese has been on a phenomenal growth with impressive results.

There is also a shift of culture and social definitions brought about by social networking. Globalization has introduced new technologies and procedures such as social marketing to meet new business requirements. China has

experience a monumental rise in the use of computers and the internet. Advertisement firms have used several media for their marketing. The most common media used has been the internet. The middle class population is highly reliant on personal computers and other IT utility products. This has made the internet the most reliable means of passing marketing messages. It is no wonder that Chinese internet firms such as Baidu, RenRen, HeXun and Taomee have seen its capitalization increasing enormously (Li, 2010). Some of these firms have even gone as far as listing overseas in the New York Securities Exchange. These tech firms are the leading advertisers especially via the internet.

### **Implication of social and cultural shift**

As China's economy grows, the middle class plays a major role in shifting the strategy of the Chinese Republic from an export-led economy, to a domestic consumption-led economy. As per capita earning of the Chinese population improves, so does the purchasing power of the entire population. This is suggested by evidence that indicate that the consumption of the goods termed as ordinary durables increased (Li, 2010). Ordinary durable goods include things such refrigerators, television set, washing machines, cookers and other basic requirement. Chinese consumption of these goods rose enormously as a strong middle emerged. Consequently, production of these goods improved with a surety based on internal consumption.

The social implication of this shift is rather evident. As the middle class population continues to rise, China the consumption of luxury goods has arisen . The middles class population in China has started to purchase goods



such as cars, computers, pianos and other luxury goods. The positive and consistent growth of the population provides some sought of social safety. This social safety moves the population from a saving society to a spending one. This new wave of spending is giving the Chinese middle class population a new feeling of self-worth. Today China is a lucrative market for luxury goods such as ornaments, rare metals and other foods such as the shark fins.

Spotlight is now fully focused on the middle class mushrooming out of China and the rest of emerging economies. Experts estimate that in the next fifteen years, this middleclass population will be about eight hundred million people . Due to this sheer size, this middle class has been termed as the next engine of the world economy. The middle class has been deemed to be the next consumers of health care, insurance, consumer products, financial services and other factors that run the economy (Li, 2010).

Furthermore, there is a cultural shift in the nation. There is evidence of huge migration to urban centers as middle class populations now prefer to live in urban centers. This is a shift from more common traditional village settlement in which people live as a community. This new way of living is now enhancing personal privacy and space. This indicates that the more affluent a person gets the more exclusive the residence one tries to acquire and thus the more the privacy. This new spending population has also introduced new services in the economy. Today China is a country led by a robust industry and a spending population.

## Conclusion

Conversely, as China rejoices of its economic growth the happiness of their 'paradise', this has come at a grave cost to the environment. China is by far the biggest polluter of the environment. The Chinese air space is one of the foggiest air space due to pollutants from its buzzing industries and highways. If these matters are not addressed, China might see its strides towards a paradise regressed if the environment leads to losses of life from diseases and ill health.

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