

CHINA IN THE WORLD ECONOMIC CROSS

Marius BĂCESCU¹, Florea DUMITRESCU²

Rezumat. Cea mai dinamică economie din lume din ultimele trei decenii a fost și încă este cea a Republicii Populare Chineze. În ultimele decenii, nici un alt stat nu a avut o atât de lungă perioadă de dezvoltare și o rată medie ca cea de aproximativ 10 la sută pe care le-a înregistrat China.

Ceea ce caracterizează această perioadă de dezvoltare, pe care faimoși analiști politici și economici ai lumii contemporane au numit-o surpriza secolului douăzeci, a fost stabilitatea politică și economică, fără urcușuri și coborâșuri. Creșterea sănătoasă și puternică a economiei chineze a creat fundalul pentru stabilirea prețului și a ratei de schimb a monedei naționale, Yuanul, ca o alternativă la USD și la alte monede străine convertibile, aspect benefic pentru economia și viața chineză.

Principiile reformei și celelalte politici de deschidere către lume au fost astfel gândite și formulate de către conducătorii chinezi pentru a permite Chinei trecerea de la economia socialistă excesiv centralizată la economia de piață socialistă cu specific chinez, conjunctură în care condițiile de trai din China s-au îmbunătățit constant, iar China a devenit una dintre cele mai mari puteri economice din lume. Pe parcursul a aproape trei decenii de reformă, în China, dintre cele 350 de milioane de persoane care trăiau în sărăcie, peste 250 de milioane au depășit acest statut umilitor și degradant. După vizita sa în China din 2005, Președintele Băncii Mondiale, le-a adresat țărilor în curs de dezvoltare recomandarea ca, dacă doresc să scape de sărăcie, să analizeze mai bine cum a procedat China în acest domeniu – precizând că nu dorește să spună că în China nu ar exista probleme, că totul ar fi perfect. Astfel, PIB-ul pe cap de locuitor al Chinei est, astăzi, jumătate din cel al României și de 30 de ori mai mic decât cel al SUA.

Abstract. In the last three decades the most dynamic economy in the whole world was and still holds the world record People's Republic of China. In the last decades, no other country had such a longer period and so high yearly average development rate of about 10 per cent, as China registered.

What characterizes this development period, which political and economic analysts, famous personalities of contemporary world define as the twentieth century surprise, was political and economic stability, a constant growth, no ups and downs.

Healthy and strong growth of Chinese economy created a background for setting up prices and national currency rate, Yuan as against USD and other convertible foreign currencies, aspects benefic for the economy and the Chinese life.

The reform principles and other policies opening to the world were thus thought and formulated by the Chinese leaders, so that allowed China passing from the excessively centralized socialist economy to the market socialist economy with Chinese specific, when Chinese living conditions have continuously improved and China has become one

¹Professor, Ph.D. Economist, Founding, Full Member of the Academy of Romanian Scientists, member of Romania-China Friendship Association (mariusbacescu@gmail.com).

²Ph.D. Economist, Vice president of General Economists Association, President of Romania-China Friendship Association.

of the greatest economic powers of the world. During almost three reform decades, in China out of those 350 million persons who were under poverty, over 250 millions exceeded this humiliating and degrading status. President of the World Bank, following his visit in China in 2005, addressed the developing countries the recommendation, that if they wanted to escape poverty to better analyze how acted China in this field – Telling you these we do not want to show that China has no problems, that everything is perfect here. Therefore, today China GDP per inhabitant is twice lower than Romania and 30 times lower than USA.

Keywords: market socialist economy, new development conception, economic restructuring, policy energy, commercial surplus, capital investments, macroeconomic control

1. China development strategy

China still has a long way to cross, if it wants to achieve modernization, that those 1.3 billion inhabitants should have a rich living standard. It is necessary that from one generation to other successive efforts should be made.

Development objective set up for the first two decades of this century consists in building up a society of a relatively high level in all the fields, needing to focus all the forces. **GDP will register a growth four times higher in 2020 in comparison with 2000**, reaching USD 4,000 billion and GDP per inhabitant will be USD 3,000 we shall direct all our efforts to economic development, firmly promoting the reform and opening.

We shall create a **new development conception**, which requires that man should be priority for our attention, achieving a multidimensional and harmonious sustainable development.¹

This is the essence of China evolution strategy. China is a real continent with over 1.3 billion inhabitants, an area of 9.6 million km², a population of almost 65 times higher and an area over 40 times higher than Romania; it raises high problems in setting up the most adequate policies of future development.

The policies applied up to now could assure an exceptional economic dynamics and succeeded to obtain **remarkable results regarding poverty liquidation**. We can state that China developed quicker and quicker up to now, this being proved by that fact that it became one of the highest consumers of cement, concrete iron, oil and energy in the world, as well as high exporter of clothing, footwear, computers and other manufactured goods.

Its wide opening to the world can be reflected by means of direct foreign investments, reaching over USD 66 billion in 2005, namely over USD 50 per inhabitant. Direct massive investments received by China, the highest user of such

¹Speech of mr. HUO JINTAO, Chinese president, held in the Romanian Parliament, on June 11, 2004, Bucharest.

resources in the world, USA holding this supremacy up to now, are the result of trust in Chinese economy and future.

The stipulations of the eleventh National Economic Program (2006-2010) assure stable development, with GDP yearly average growth of 7.5 % and its double per inhabitant in 2010 as against 2000. Over 45 million jobs will be created, price stability will be kept as well as balance of cashing and payments in international economic relations.

Such forecast will rely on optimal industrial structure, on scientific research development and on continuous rapid development of reform in agriculture and rural area. **Economic restructuring** represents the crucial elements of reform policy and opening in the next years as well as in the following decades. The results obtained in 2006 and those outlined for 2007 pointed out this program realism.

2. Chinese economy achievements

In 2005, China **total volume of import and export** registered the record of the reform period, namely USD 1,422 billion of which USD 762 billion export and USD 660 billion import, as against only 20 billion export + import in 1978, starting year of the reform.

We should mention that in the relations with the other countries of the world, for over five decades China **relies on** those 5 principles of peaceful existence: “mutual respect of sovereignty and territorial integrity, mutual non-aggression and non-interference in domestic affairs, equity of rights, mutual advantage, peaceful coexistence”.

Yearly rate of inflation was under 2% in 2006, registering a slight growth at the end of this year due to higher consumer prices, especially for agricultural products. Central Bank governor Yi Gang declared in 2006 that estimates for 2007 an inflation under 3% (in USA in 2006 inflation was 2.5%) and GDP will grow by 8.5-10.5 %, although analysts in this field estimate that this growth will slightly decrease in 2007.

In a report issued in 2006, State information center in China forecast that Chinese currency (Yuan) could appreciate by 3-4 in 2007, in 2006 gaining 3.7%. According to the National Statistical Office, GDP reached in 2006 20,940 billion yuan, namely about USD 2.688 billion, at an average exchange rate of 7.8 yuan for one dollar. Practically, it is about the fourth successive year when China registers a two digit economic growth.

Economic growth of 10.7% in 2006 registered by China is the most powerful growth rate in the last 11 years. It is known that in 2005 China became the fourth economy in the world, when it outran United Kingdom. If we take into account

that in 2006 German GDP was USD 3,000 billion and GDP growth rate was 2.5%, there are real chances that in 2007 China outruns Germany and becomes **the third economic power of the world**.

This strong economic development determined an important growth of energy consumption becoming the second energy consumer in the world. Although it is the country holding one fifth of world population, today China consumes 10% of world oil. Thus, Calude Mandil, executive director of International Energy Agency (IEA) drew the attention of Chinese authorities that it is **necessary increase the energy policy efficiency** because “If nothing changes, China energy consumption will grow with over 50% during 2005-2030, prevailing fossil fuel. Energy dependence will reach the level of 80%”¹.

On the other side, IEA praised China because it set up several ambitious objectives for energy consumption. Chinese government set up as objective in the five year plan 2006-2010 to reduce with 4% yearly the energy consumption per GDP unit, but recognized that for 2006 to respect this objective failed. This failure is not amazing, if we take into account that **China has a wide network of electric stations based on coal** having a low efficiency level.

Thus, China consumes 0.94 tons equivalent oil per USD 1000 GDP, while in the country having the highest energy efficiency in the world, Japan, there are consumed 0.11 tons equivalent oil per USD 1000 GDP (about 8.5 times less). It is normal that Chinese authorities should take serious measures further to increase the efficiency of energy policies.

European economies being more developed, cannot register rates as Chinese economy. Thus, in 2006 according to France Bank, economic growth of France was 2.2% and German government announced an economic growth of 2.4%, being equal to GDP growth of 2.6%. Per total European Union countries, in 2006 economic growth was about 2.5%, which according to European Commission officials was the best growth rate since 2000 up to now.

Economic growth in EU countries and especially in Germany relied mainly on export growth. A main factor contributing to economic growth in China will be exports. For instance, for 2007, only exports of textiles will grow with 15% and external sales will reach USD 161 billion (€ 121 billion).

According to the statements of deputy direction of Foreign Trade Chamber of Textiles in China, mr. Cao Xinyu, national industry will benefit of some **technological improvements** and some **agreements signed in 2005 with the European union and with the United States of America** to solve commercial

¹ Speech of mr. Calude Mondel, executive director of International Energy Agency in financial seminar organized east of Beijing, Tianjin in 2005.

conflicts in the sector, not leading to progressive growths of sales on these markets.

For China this traditional production sector is a main source of economic growth.

Total textile production of China was in 2006 USD 312.5 billion (€ 235 billion), of which about 45%, namely USD 140 billion (€ 105 billion) were directed to export. Chinese textiles, with their quality and price, have become a threat over North American and European textiles.

The restrictions imposed to Chinese textiles exports on these markets brought losses of about USD 30 billion.

Nevertheless, in 2006 China registered a **record commercial surplus** of USD 177.5 billion, exceeding by 74% that in 2005.

Industrial production increased in 2006 by 16.6%, and **inflation** increased by 1.5% in 2006 as against 1.8% in 2005. If in 2005 retail sales increased by 12.9%, in 2006 they increased by 13.7%.

If Chinese government proposed a **growth of capital investments**, in 2005 they increased with 25.7% and in 2006 by 24%.

Director of National Statistical Office in China, Mr. Xie Fuzhan showed that “even if economic growth rate is very powerful, it is however a relatively stable one and growth quality improved”.

He also recognizes that Chinese economy **still registers some long term unbalances** which worry the authorities from Beijing, such as lots of liquidities in the banking system and unbalance of payments or irrational relation between investments and consumption.

He also recognizes the **absence of a social solid system** determines Chinese families to save more and more money and, thus, there are necessary several measures to impel the household consumption.

If in 2005 these savings amounted to yuan 14.104 billion, in 2006 they increased to yuan 16.158 billion (about USD 2072 billion).

Economic growth of those 41 European countries in 2006 was 3.2% and in 2007 it will decrease to 2.7%. In a report of Standard Evaluation Agency & Poor's it was declared that **the most vulnerable countries** are those whose high deficits of current account are fed by the explosion of internal credits and consumption, especially if most of credits from retail trade are granted in foreign currency, such as Romania and Hungary case.

An unusual thing is that for 2007 there are no negative forecast for any European country.

Even if economic growth rate of China registers a slight slow, experts in economic forecast appreciate that it will be between eight and ten per cent. At the beginning of 2006, **Chinese government proposed to limit GDP growth rate to 8%**, which could not be done being registered a much higher growth.

To fulfill this objective, the executive took several administrative and fiscal measures, at the same time with two increases of reference interest and three increases of bank compulsory reserves level, **thus strengthening the macroeconomic control**, especially to limit the expansion of the credit which feeds the investments.

This policy had results, being confirmed by the fact that **to the end of 2006 a decrease of macroeconomic indicators took place**, in the fourth quarter GDP increasing by 10.4%, as compared to 11.5% in the second quarter.

Almost constant economic growth rate in China of over 10% yearly gave the possibility to Hong Kong and Taiwan barons to take advantage completely, following the **investments made in Chinese real estate and stock market sector**. Thus, if in 2006 stock market index in Hong Kong increased by 43% and that in Taiwan with 20%, the main Chinese stock market index (Shanghai Composite Index) doubled its value.

Consequently, **rich barons appear on Chinese market**, such as those mentioned in the Forbes magazine: Li Ka Shing in Hong Kong, who increased his fortune from USD 18.8 billion in 2005 to USD 22 billion in 2006, Lee Shau Kee, also in Hong Kong, with a fortune of USD 16.5 billion, Raymond, Thomas and Walter Kwork brothers, who run the firm Sun Hung Kai Properties on real estate development in Hong Kong and have together a fortune of USD 14 billion etc.

Very rich businessmen appeared in Continental China, such as Wong Kwong-Yu, with a fortune of USD 2.3 billion and who is president of the firm on electronic products GOME Electrical Applications Holding or Zhang Yin, the richest woman in China, who runs the company Nine Dragons Paper Co., having a fortune estimated to USD 1.5 billion and holding the fifth place in the top of the richest Chinese businessmen.

We mentioned these aspects to show that in China, under the conditions of market economy with Chinese features, **some persons getting richer based on initiative, innovation of efforts and honest work does not worry the authorities**.

When richness is done through corruption, theft and other dishonest ways the authorities do not forgive, going to capital punishment.

In the process of economic development of China benefic results are for all the Chinese. Thus income of residents in rural area increased from 6,860 yuan in

2001 to 10,493 yuan per person in 2005, namely with 9.6 % yearly and in rural area from 2,366 to 3,255 yuan, with an average yearly increase of 5.3 %.

Important growth of income is reflected in **higher and higher volume of population savings in the bank deposits**, in better living, health, education, culture and tourism conditions etc., in lower number of poor, as we showed before in gradual reduction of development differences between regions, between urban and rural area.

3. Future of Romanian Chinese economic relations

Chinese leadership considers Romania as a good friend and partner of China in Central and Eastern Europe, wishing to act for the enlargement of economic and commercial cooperation, deeper bilateral exchanges in the fields such as cultural, educational and tourism, to intensify the consultations and coordination of positions in international problems, such as human rights protection, UNO reform, fight against terrorism and others.

It was stated by the president Hu Jintao on the occasion of president Traian Băsescu visit in China in 2006 who at his turn stated: “You remarked that in the last years European Union adopted measures to protect EU market against some products from China. That is why, I shall suggest businessmen, companies from China to do direct investments in Romania, which become investments in the EU, these companies being able to dispatch products on European market without customs duties”.

Commercial relations cannot be satisfactory. Out of commercial deficit of about € 15 billion, registered in Romania in 2006, some is determined by the deficit in the relation with China, which is today very high.

Let us hope that in the next future Romanian Chinese commercial relations should reach the deserved level because development rate, both in Romania and in China will be high enough.

Economic exchanges balance needs high efforts from Romania, covering with exports to China only 10-15 % of imports. Balance process can be achieved based on the higher offer of products from Romanian economy and their competition.

Thus resulted from the debates we had in February 2007 at the headquarters of Academy of Romanian Scientists from the topic “Suggestions for a strategy of Romania integration in the European Union” to increase the competition needs to point out the development and modernization of industrial sectors and of other branches with technical progress.

“**Reindustrialization of the country** should be done in the interest of Romania, carefully taking over the advice of international financial bodies and pushing over

competitive sectors”. In this context, **partnership agreed at high level between Romania and China** should go down at the level of firms introducing within a cooperation in production the high technologies turning in account Chinese and Romanian experience of the last decades.

It is also valid in the infrastructure development, respectively of energy production and transport based on recovered resources, in agriculture modernization and in other fields where cooperation is benefic for the two countries.

The development of economic collaboration relations between Romania and China needs a steady concern from Romanian authorities up to the level of the prime minister and president of the country, through adequate policies and mechanisms.

China example can be an inspiration model, taking in account that since 1978, this country has obtained remarkable results regarding poverty liquidation and economy regress.

