

THE DOMINANT POSITION OF CHINA IN THE GLOBAL ECONOMY

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After a few decades of transformation China is becoming a major contender for the number two position in the world. Is it really possible? Will China balance the power of the United States?

Today the United States supremacy is so great that it seems to be undeniable. The situation was similar at the end of the twentieth century when U.S. domination was obvious and any other reality was hard to imagine. Recently though, more and more often America's political decisions are criticised. A few decades ago, in Beijing a new idea was developed. The essence of that idea was to transform the People's Republic of China into a superpower. Since China was very vast and densely populated, but mostly a poor and backward country, it was a very daring vision. Years of consistent and painful reforms changed the way the world is looking at China, even though some of them were not accepted by international opinion¹.

The country runs its own policy of changes initiated by Deng Xiaoping, and the current state of the Chinese economy is so advanced, that China is seen as the main pretender to the number two position in the world

¹ E. Haliżak, *Changing the US-China forces and the transformation of the international order*, Warsaw 2005, p. 45–47.

economy. It has a potential to become a country with which the United States will have to reckon with. Today, we are rarely asking ourselves the question whether China will take the number two position. Much more often we are wondering when it will become number one.

Economic cooperation with Chinese businesses should be a basic strategy for every company trying to gain a position in international markets. Presently China is, after the United States, second best location for foreign investment for many companies from around the world. It is an important and creative environment for a wide spectrum of business sectors². It should be noted though that for a foreign entrepreneur, China is still a new market, requiring greater knowledge and understanding. Constantly changing legal regulations and new developing business practice, as well as social pressure, primarily associated with large disparities in incomes of specific groups and regions, are also causing problems. Cultural differences are also not without significance.

China aspires to be a superpower globally as well as regionally. With more than 1 billion 350 million people, China is an absolute leader in terms of its demographic position. Its central geopolitical location in Eastern Asia, and easy access to the main shipping routes are giving that country a privileged position. The economic development of China is currently pushing it to the forefront of world economies. China ranks third in the world in foreign trade, and in the currency sphere it is an unsurpassed world leader. In this regard, it has a significant impact on the global economic situation, the price of goods and raw materials, interest rates and money supply³. A few years ago China became a more popular location for foreign investments, which affects trade with many countries and the value of currencies. China also starts to act as an expert of capital, or even a creditor of the United States of America. We should keep in mind, however, that since China remains in the group of countries with low annual income per-capita, economic growth alone will not ensure the sustainable development of that country. In the political dimension,

² Ibidem, p. 57–58.

³ I. Topolski, *Regions in international relations*, Lublin 2009, p. 39.

China's supremacy both regional and global, is indisputable⁴. The main guarantee of that position is the status of a permanent member of the Security Council of the United Nations and participation in other international committees.

A few years ago, the Chinese economy was still mostly associated with cheap and technologically unsophisticated products. Today, that situation is changing rapidly. The main focus of the transformation is the development of agriculture. The rules that were responsible for economic stagnation are no longer valid and the Chinese economic activity and diligence, is giving significant results. In addition to the traditional crops China has developed a specialized production (vegetables, mushrooms, fruits and flowers)⁵. With the development of this industry, striving for food self-sufficiency was combined with the expansion into foreign markets. Today, China is the main supplier of vegetables in Japan and it's quickly gaining markets, in Europe and the United States, for their products and processed foods. If we consider additional information about irrigation programs that are providing water in water-deficient areas of the country, we can conclude that China's agriculture is flourishing. After a few years of economic growth, the Chinese economy is much more than just a consumer market. With more than 20% of the world's population and 12% of global GDP, China's share in global economic growth is really big, and in international economic exchange it's even bigger⁶.

Currently China seems to accept U.S. actions and considers them to be an economic partner. Zbigniew Brzezinski wrote, that the goal of Chinese policy is to use America's power to peacefully deprive it of its hegemony⁷. In his view, China wants to reduce the U.S. influence in the Asian region to such an extent that the United States will need the People's Republic of China, first as an ally, and then as a global partner. China's view of the United States varies depending on events in the international arena. The

⁴ Ibidem, p. 44–45.

⁵ K. Iwańczuk, A. Ziętek, *China in international relations*, Lublin 2010, p. 65–66.

⁶ J. Fenby, *China. The fall and the rise of a great power*, Krakow 2009, p. 89–91.

⁷ Z. Brzeziński, *The Second Chance*, Warsaw 2008, p. 45.

Chinese authorities declare their readiness to develop bilateral cooperation but they also use every opportunity to reduce U.S. influence in the region⁸.

In 2002, China joined the World Trade Organization. The accession meant not only a big change in the policy and economic development of China, but also had an impact on international trade. Since 2002 the Supreme Court of China has issued over 1200 legal acts concerning such fundamental principles of the WTO as non-discrimination, transparency and uniformity of the legal system. These actions have reinforced the credibility of the Chinese legal system, what is reflected in the trust of foreign investors and economic development of the country⁹. China attaches a great importance to the multilateral trading system. It has granted special rights to Hong Kong and Macau, creating a new administrative zone with significant autonomy. China is also a party in the Free Trade Agreements (FTA). The most recent ones were the FTA with Chile (1 October 2006), and the agreement to establish an FTA with Pakistan (1 July 2007). In addition, China signed an agreement with the Association of South – East Asian Nations (ASEAN), to create a free trade area in services, which became active on 1 July 2007¹⁰. Further four tax-free contracts are being negotiated at the moment. The most important event of this period was the summit of BRICS (Brazil, Russia, India, China, South Africa), which took place on 14 April 2011, on the tropical island of Hainan, China. The Summit's main organizer and driving force behind it was China, and a preliminary outline of the activities was announced during that first meeting. Opening the BRICS summit, the Prime Minister of the Republic of China, pointed out that it's necessary to maintain peace in the world, aid the development of all countries of the world, support development of international exchange and cooperation and strengthen partnerships between the BRICS members¹¹. In 2011 China signed new treaties with other countries, regarding mainly economic and military cooperation. As

⁸ Ibidem, p. 94.

⁹ Z. Wiktor, *China on the path of socialist modernization*, Toruń 2008, p. 67–68.

¹⁰ Ibidem, p. 72–73.

¹¹ Z. Wiktor, M. Rakowski, *Development and the forecast for the future of China in a changing world*, Toruń 2012, p. 259.

a result the People's Republic of China is more independent militarily, especially in relations with the United States of America¹².

China's presence in Africa is visible to such an extent that some describe it as „China is buying Africa”. At the political level, the results of that close relationship are frequent China-Africa summits¹³. Especially worrying is the fact, that China has created its own network of countries that are indebted to its help and are otherwise governed by the most notorious dictatorships in the world (North Korea, Burma, Sudan, Belarus, Turkmenistan). China's support for them in the UN is bringing a lot of attention to the problem.

Due to changes in military and political doctrine, the Chinese defense policy is going through a deep transformation. So far, the main objective was to prepare the Chinese military for an invasion of Taiwan. However at present, China is pursuing armed conflicts away from its territory. Moreover, the Chinese armed forces have the task to protect waterways, which are used to transport resources from the Middle East and Africa¹⁴.

In addition to the desire to play a key role in the region, China's defense policy objectives in its relations with the countries of South-East Asia, are as follows:

- swift solution of the Taiwan problem;
- ensuring the safety of shipping through the straits of Malacca, regarding mainly the safety of imports of natural resources from Africa and oil from the Arab countries. Next to China's own natural resources and the ones imported from Russia, they are the source of economic development;
- improving poor relations with Japan, especially in the context of historical events;

¹² Ibidem, p. 146–147.

¹³ Since 2000, summits China – Africa have been held every three years. The third one, at the end of 2006, gathered 40 African countries in Beijing. 49 African countries participated in the fourth one, in October 2009, in Sharm El Sheikh in Egypt.

¹⁴ www.stosunkimiedzynarodowe.pl [acces: May 2012].

- settlement of disputes especially regarding the points on China's borders¹⁵.

In general, we can observe China's efforts to improve relations with its neighbours, in particular the Russian Federation and India. Relations with Russia are quite correct, but the process of rapprochement with India is much more difficult. Despite the declaration of friendship and „harmonious ocean” policy, Beijing's foreign policy is becoming more assertive and less flexible. The financial crisis that has diminished the position of the United States of America has left China feeling very secure and confident to forcefully express their own opinions and to take care of their interests¹⁶.

As a result of nationalist tendencies China put forward territorial claims against its neighbours on land and at sea. The dispute concerns the control of the Spratly and Paracel islands located on the South China Sea. Recently, the United States and the ASEAN member states rejected China's claims to sovereignty over 1.3 million square miles of the South China Sea¹⁷.

In accordance with the principle expressed by Admiral Alfred Thayer Mahan, growing in strength (and exporting a lot of goods) China, is expanding its navy. Today, it does not present a significant combat power and is more suitable to defend the borders, but Chinese planners have ambitious plans for its expansion. Investment in the development of a number of ports in Pakistan, Burma and Sri Lanka, will allow China, in the future, to open foreign naval bases. Such thinking is justified by China's dependence on the transport of goods and raw materials across the Indian Ocean, in particular through the dangerous waters of the Straits of Malacca¹⁸.

In the face of inadequate military cooperation between the United States and China, and the belief that the two countries are competitors, the forecasts for US-China rivalry in the sea are well-founded. Since China's expansion is causing concern, the US position is strong. Today

¹⁵ A. Brunet, *Chinas global hegemony. The economic imperialism of China*, Warsaw 2011, p. 33–34.

¹⁶ G. Sorman, *Year of Rooster. About China, revolution and democracy*, Warsaw 2006, p. 47–48.

¹⁷ Ibidem, p. 53–55.

¹⁸ www.stosunkimiedzynarodowe.pl [acces: April 2012].

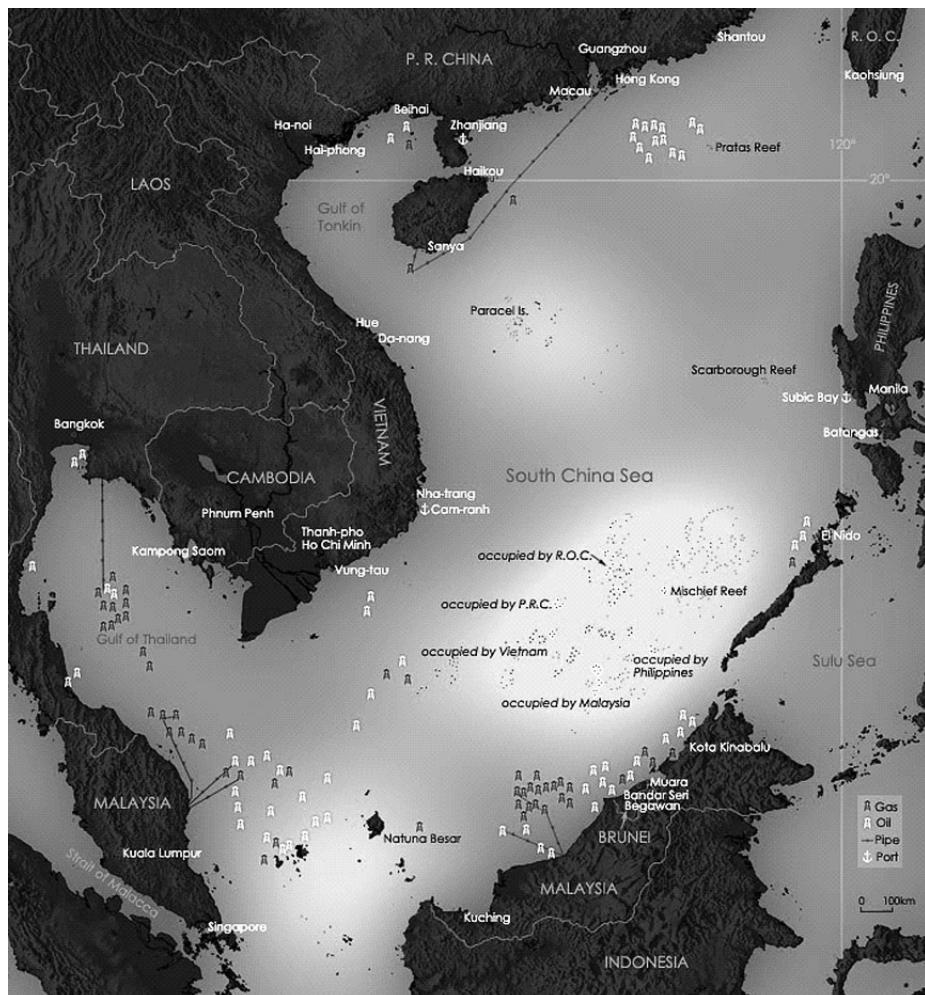


Fig.: Source: www.studiastrategiczne.pl

however, countries in the region still do not feel the need to create a coalition balancing the power of China¹⁹. They are looking rather anxiously at Beijing's actions, but any decision about the proceedings is being postponed for the near future. Despite the fact that China's economy is enormous, it is worth remembering that its double-digit economic growth is

¹⁹ www.studiastrategiczne.pl [acces: April 2012].

not that unique. Previously, a similar situation occurred in Japan, South Korea, Taiwan, and in certain periods of time in the Soviet Union. However, in the case of China, the scale of that phenomenon is important. The development of other economic powers was usually driven by immigrants (e.g. the United States)²⁰.

Meanwhile, the high density of population means, that in terms of manpower China is self-sufficient. Internal migration from rural areas to the cities is very common, and the number of people who have moved will soon reach 250 million migrants. China has also a huge potential for innovations and significant sums of money from reserves are being invested in nanotechnology²¹. It is also worth noting that, every year in China, 600,000 people graduate with a diploma in engineering.

China has chosen a completely different form of capitalism than the one in countries that have so far dominated the world economy. Therefore, globalization shaped by China will be different from the one created in Europe and the United States. Chinese capitalism is driven by the state. The ruling party controls the economy and has the tools to maintain its own domination²². 40% of China's gross domestic product is generated by state-owned enterprises. Because they are state-owned, they execute economic dealings of the state and the profits are not their only interest. Chinese companies need to enter into contracts is not dictated by an immediate economic profitability, so it can be a subject of long-term strategy of the Chinese authorities²³.

According to prof. Jeffrey Henderson, consequences of the Chinese style globalization are not unequivocally negative. China's impact on the economies of many other countries, stimulates their growth. For example, because China is becoming increasingly dependent on foreign food, it will import more of it, creating this way a source of income for a number of

²⁰ Ibidem.

²¹ In China, we can observe the biggest mass migration from the countryside to the cities (20 million people per year), in the modern world. By year 2020 migration will include an additional 300 million people who will need a place to live (cities), work and all kinds of services. Urbanization reaches dizzying pace (annual growth rate of 15%).

²² Z. Wiktor, *China on the path..*, p. 79–80.

²³ Z. Wiktor, *Development and the forecast...*, p. 372–373.

other countries. For instance, Argentina and Brazil are already supplying China in soya beans.

On the other hand, Chinese export has some negative impact. For countries where car production is an important sector of industry, it is difficult to come to terms with the fact that China will soon become a major producer in the world. Similar concerns apply to clothing export, which caused the collapse of the textile industry in, for example, Sri Lanka²⁴. The same is true with electronics, and countries like Malaysia are now in serious trouble because of Chinese competition. Plants in Mexico that were established after the creation of the American free-trade zone are experiencing difficulties as well. It is now much more profitable to import products from China by sea than to transport them across the border into the United States²⁵. It is worth pointing out that Chinese economic growth is not accompanied by political reform.

The reform program is meant to solve many problems and contradictions that have originated in the previous period. A particular challenge is the growing inequality of social and regional development, and high dependence on the global demand and foreign technology. Development plans for the next decade involve the transition from an economy based on labour and energy consuming industries, to an economy based on innovation and production of highly advanced products. There are also plans to significantly increase domestic consumption and reduce reliance on global demand²⁶.

China's growth prospects depend on multiple factors both internal and external. As a part of the "good neighbour" and "strategic partnership" policy, China is seeking to extend their sphere of influence on many continents and create favorable conditions for economic cooperation with various countries. The spectacular economic success in recent decades means that the Chinese model of development is widely studied. It has also become very attractive for many less-developed countries that would like to repeat the Chinese success. In view of the failure of the free –

²⁴ Ibidem, p. 383.

²⁵ Ibidem, p. 198.

²⁶ H. Hangbo, *The reality and prospects of economic development in China*, [in]: *China in Global World*, Warsaw 2008, p. 87–88.

market model based on the Washington Consensus, for some countries the Chinese model, referred to as, the Beijing Consensus, seems more efficient.

Many research centers in the world are conducting a study on the subject of China's position in the global economy and its growing influence. Potential economic growth prospects are also being researched, as well as outlook, as to the size of national income by 2050. In 2007, a much faster than expected, China overtook, the third largest world economy, Germany, and in 2010 the second one, Japan, taking second place after the United States.

Numerous estimates suggest that in the third decade of this century China will overtake the United States and become the largest economy in the world²⁷.

The direction of reforms was determined by the subsequent plans for development approved by the Communist Party, giving that process their own pace, and taking into account specific characteristics of the country, such as demographics, the situation in the rural areas, urbanization and development of production for export. Market reforms were introduced gradually and consistently and a state savings allowed for substantial investments (accelerated industrialization, infrastructure development, urbanization). The opening to foreign direct investments and technology created the conditions for the expansion of Chinese goods on global markets²⁸. Open markets and the high competitiveness of Chinese goods provided an increased export surplus and allowed for the implementation of the ambitious development programs.

The opposition that is a main force of transformation in a democratic society is absent in the Chinese working class. The few independent trade unions are severely repressed. Since the middle class is not seeking political reforms, mainly because maintaining the status quo is beneficial for their interests, it's unlikely that any change will be initiated by civil society²⁹. In the case of democratization that group could lose its economic

²⁷ Ibidem, p. 91.

²⁸ K. Starzyk, *Foreign economic policy in the process of market transformation. The case of China*, Warsaw 2009, p. 37–39.

²⁹ Ibidem, p. 48–50.

position. According to Professor J. Henderson, one of the signs of the new era of globalization are the changes in the Indian Ocean area³⁰. Many investments in ports in countries such as Cambodia and Pakistan (near the border with Iran) are an indication that China is preparing for the import of crude oil from Sudan and Iran. The reasons for that activity are clear: China fears the threat of a naval blockade³¹.

China's economic growth rate is impressive but it also arises the questions of how long the process will take and what limitations this huge market will encounter? It's worth pointing out that there are certain issues that may cause problems in the further development of China. The first serious threat is the energy resources. In such a rapidly growing economy they might not be sufficient and there is a fear that they won't be able to keep up with the increasing needs. The Twelfth Five-Year Plan listed clean energy as one of the key industries. The sector is expected to introduce incentives and other instruments aimed at stimulating investment. The vast majority of energy in China (90%) is produced from coal and other fossil fuels³². By 2020 China intends to increase production of energy from non-fossil fuels and obtain 15% of the total annual energy consumption from this source, thereby creating favorable conditions for investment in the renewable energy sector.

The big business opportunities exist also in the energy sector. Over the next 10 years, China intends to invest 11.1 trillion RMB in the energy sector, of which 5.3 trillion RMB in the period 2011-2015. 2.75 trillion RMB of this amount will be invested in the construction of power plants, and 2.55 trillion RMB in the construction of power grids. New technologies, such as nuclear power and „smart grid”, which are being currently developed, are also promising³³. According to the forecasts of the Bank of China, in the next five years there will be double-digit growth in the renewable energy market, with the exception of hydropower since that sector is already well developed. Based on the example of the largest hydroelectric

³⁰ www.mojeopinie.pl [acces: April 2012].

³¹ Ibidem.

³² A. Brunet, *Chinas global...*, p. 57–58.

³³ Ibidem, p. 62–64.



Fig.: Three Gorges Dam is a dam on the Yangtze River in the central province of China – Hubei. With its total cost of US\$37 billion, it is the single most expensive construction project in the world. The dam accumulates the water for the world's largest hydroelectric power plant.

complex on the Yangtze River, is a conclusion that China's investments in that sector are very advanced³⁴.

The liquid and gaseous fuels are also problematic. However, the Chinese government is quick to respond to that issue, and today they are shareholders of many companies that are exploiting deposits in Siberia and other regions of the world (e.g. Saudi Arabia)³⁵. Sub-Saharan Africa, has become an attractive target of the Chinese go-out policy. It aims to secure the resource base that would be relatively constant and independent of other countries.

The policy of diversification of supply of raw materials contributed to a significant increase in the presence of China in many African countries, mainly in South Africa, Nigeria, Angola, Sudan and Zambia. While searching for a supply of mineral resources in Africa, China is not only involved in their extraction, but also in the execution of development-oriented projects like the construction of roads, rail, ports, irrigation system and the development of energy networks and water supplies. The Chinese also build trade schools (agricultural and engineering) and universities, mainly polytechnics, and they cooperate in the construction of medical centers and hospitals³⁶. The investments and development aid are positively rated by the people of these countries. Economic cooperation contributes to the development of agriculture and industry, and exports of goods and food to China is credited by them to some extent. Chinese direct investments in Africa in 2009, exceeded US\$9. 3 billion. China is also Africa's largest trading partner (ahead of the EU and the U.S.), and the mutual exchange exceeded US\$120 billion – in the last decade it has increased more than 10-fold.

It seems, however, that China's activity is in fact a self-promotion, aimed to create the image of a responsible global state, the promotion of sustainable development and, above all, the leader of the developing countries. This problem is in fact essential, as China becomes the second after the United States of America, fuel consumer in the world. Economic and

³⁴ www.globaleconomy.pl/content/view/99/17/.04.2012 [acces: April 2012].

³⁵ www.rp.pl/artykuł/3,286387.html,04,2012 [acces: April 2012].

³⁶ B. Liberska, *The Latin America relations with India and China*, Warsaw 2009, p. 34–36.

political relations of these two powers, are starting to be the subject of numerous and specialized analyzes and the economic situation gets complicated³⁷.

China has a large surplus of trade with the United States. Last year, China's export amounted to about US\$130 billion, and import to about US\$24 billion, and the U.S. deficit reached almost US\$105 billion. Hardly anyone believes in the effectiveness of U.S. efforts to reduce the deficit. Chinese consumer goods are much cheaper and their quality is improving constantly³⁸. A State, which is still associated with the exploitation of workers and copying of foreign solutions, is building systematically the basis of a modern economy. Just the statistics of patent applications are significant. As the British „The Economist” noted, just in the last year, Chinese inventors have outperformed foreign firms in terms of patents granted in China. In terms of the number of applications they have been dominating for three or four years, and since the preparation of the application is a process that takes time, it can be expected that in 2012, China will become the factory of innovative, flooding the world with new technologies with a passion, just as, a decade ago they did with cheap toys.

U.S. industry also needs the cooperation of the Chinese producers and their high-tech goods. Since the specialists and the costs of production are low in China, more and more American products are made there³⁹. China is now a country that buys large quantities of U.S. government securities, issued to cover the giant U.S. deficit. The Chinese economy can't function without the U.S. as a market for their goods. Trying to keep this market, China consciously takes on part of the U.S. debt⁴⁰. It's difficult to say at what point in the future, relation between the two countries will stabilize. One thing is certain though, they are now competitors and in the future they will be rivals. Reality requires for mutual relations be friendly and developmental.

So what is the future of that relationship and how will it affect the development of the Chinese economy? International observers have some

³⁷ Ibidem.

³⁸ „The Economist”, Top events In 2010, March 2012.

³⁹ www.chinygospodarka.pl [acces: March 2012].

⁴⁰ Ibidem.

concerns about the Chinese economy. They believe that China encounters some internal problems, which may result in the phenomenon of “over-heating” in some areas of the economy. An increase in wages leads to increased costs and it can reduce the speed of economic growth.

China is currently facing some difficult economic challenges. Due to rising production costs in China, some ASEAN countries (Indonesia and Taiwan) became more competitive. To regain superiority China, would have to apply a combination of the following solutions:

- lower the margins;
- increase the productivity;
- directly subsidize the industry⁴¹.

The Chinese government takes into account the fact that its main customers are the developed countries such as the United States and the European Union countries. This forces the need to change the foundation on which China's economic growth was built. It was clearly visible, in the U.S. economy, which is China's biggest creditor, during the financial crisis in 2011. The Chinese government in its Twelfth Plan for economic development, redefines the existing activities in an attempt to increase private consumption. It has a huge impact on the Five-Year Plan implemented by China. It confirms good results of foreign and economic policy cultivated by Beijing⁴².

Chinese stock exchanges in Hong Kong and Shanghai, are some of the biggest in the world, occupying respectively sixth and seventh position in terms of market capitalization (in the first half of 2010). The New York Stock Exchange is the largest stock exchange in the world by a wide margin over the others, and market capitalization equal US\$12 trillion. For comparison, the market capitalization of stock markets in Hong Kong and Shanghai amounts to US\$2.2 trillion and US\$2.05 trillion⁴³.

A number of the state-owned companies that are listed on the stock exchange, has grown steadily in the last decade, and in June 2011 reached the level of 2229. In addition to the presence on the domestic stock mar-

⁴¹ Ibidem.

⁴² Z. Wiktor, M. Rakowski, *Development and the forecast...*, p. 184–185.

⁴³ Ibidem, p. 202.

kets, many Chinese companies are offering their securities (Initial Public Offering – IPO) in the U.S. market. However, the accounting issues have limited the demand for securities of Chinese companies, and in the next few years the number of listings on foreign markets may be reduced. As a result of these issues, the Chinese companies will increasingly seek capital on national exchanges⁴⁴.

In 2002, China introduced a Qualified Foreign Institutional Investor (QFII) system, which allows institutional investors to make purchases on the Chinese equity and debt markets. According to the QFII system, more than 100 foreign investors gained access to those markets. They are mainly banks, trust companies, companies dealing in securities, property funds guaranteed by the state and pension funds. Institutions that receive approval in accordance with the QFII system may invest in the Chinese stock and bond market. The size of the investment is specified for each institution separately⁴⁵.

The last five years are particularly noteworthy in the history of the People's Republic of China. In 2008 China was the host of the Olympic Games, and in 2010 it organized the World Expo exhibition in Shanghai. Over the last five years it has been involved in the reconstruction of the towns destroyed during the earthquake, which took place in May 2008 (8 on the Richter scale) in the province of Sichuan. The Years 2008 – 2009 revealed the strength of relationships existing in the global economy. The financial turmoil, which began in developed countries, has spread rapidly throughout the world. The Chinese government implemented a program worth 4 trillion RMB (US\$586 billion), and thanks to that action China's economy remained stable⁴⁶.

In 2010, China became the second largest economy in the world. Chinese companies have prospered during this period and currently 61 of them are ranked in the Global Fortune 500. At the same time wage increases have resulted in increased inflationary pressure. Since the second

⁴⁴ Ibidem, p. 231–232.

⁴⁵ www.mojeopinie.pl [acces: April 2012].

⁴⁶ Ibidem.

half of 2010, reforms of the currency developed by the Chinese authorities, has resulted in increased freedom of turnover of the Chinese yuan⁴⁷.

SUMMARY

The socio-political, economic and international situation of China, indicates that, led by the Communist Party of China, this most populous nation in the world, was able to unleash great power that is the source of a dynamic development in all spheres of the economy. China was able to strengthen its position in the world and to show that it's more than just an addition to the capitalist economy. It leads an independent policy and doesn't accept the hegemonic purpose of global imperialism. China also formulates different values and objectives of domestic policy. Thanks to the huge foreign reserves, China has become one of the major international financial institutions in the fight against the crisis.

A development plan for 2011-2015 is being executed at the moment. As a result of the new economic and social policy in China, all the citizens are the beneficiaries of the social and economic transformation⁴⁸.

A model of development adopted by China, has transformed the economy of that poor agricultural country (80% of the population) to the second largest economic power in the world. More than 400 million people have escaped poverty and the living conditions of the majority of the population have improved significantly.

China's development objectives remain unchanged. The first goal is to maintain high economic growth, second, to pull hundreds of millions of people away from poverty, to relocate them from rural areas to the cities, and to improve the quality of their lives, and the third one is to secure political and social stability. Huge investments and strategy of maximizing export created a basis for rapid economic growth that was noted in recent decades. The process of economic transformation was carried out under the guidance of the Chinese Communist Party, as part of a specific model

⁴⁷ Ibidem.

⁴⁸ Z. Wiktor, M. Rakowski, *Development and the forecast...*, p. 474–475.

of state capitalism or – how the Chinese define it “Social Market Economy Model”. That concept of modernization assumes economic reforms without democratic ones, where the state plays a key role in setting the direction of the transformation⁴⁹.

China's further rapid growth is highly dependent on two factors. An evolutionary change in its model of development should be accompanied by a harmonious development of the global economy. External factors have a significant impact on the conditions of development, and the various political and economic tensions in relations to other countries may have a negative impact on the introduction of the reforms. Further high economic growth depends on many internal and external factors.

As a result of the creation of a speculative market for real estate and securities, insolvency of the debtors, and an increase in inflation, the Chinese economy may suffer from various internal threats . Even a small sign of economic instability may cause a loss of confidence in the government's economic policy. To sustain a further dynamic growth China needs to face many risks and social problems like building new cities and the creation of workplaces for millions of people migrating from rural areas. Rural development and improvement of living conditions for people employed in agriculture, reduction of growing disparities between regions, urban and rural areas, social groups, more equal distribution of benefits of economic growth and the development of basic social services for the majority of the population, are also crucial. China also needs to take decisive steps in the fight against environmental pollution, corruption and social inequality.

China follows the path of rapid growth based on exports and investment, which results in a lack of balance in various areas. Currently, China's economy seems to resemble the symbol of the Chinese fauna – Panda. Its size and the magnitude of structural weakness severely limits its adaptability to the changing economic environment and makes it difficult to increase the impact on further environmental circles. China is also partially a dragon, whose high-flying we fear and Panda at the same time, whose heaviness makes it impossible to leave old habits.

⁴⁹ H. Hangbo, *The reality and prospects...*, p. 56.