

In 1978, China had the only state-owned economy. State-owned businesses made up about 80 percent of the Chinese economy. The other 20 percent of China's enterprises are collectively owned. The transformation of China's state-owned enterprises as a company system is the key element to China's economic restructuring. Due to its taxes and fees, the state-ownership system that China exercised had limited its economic growth. As a resolution, China adopted a more pragmatic perspective on many of its political and socioeconomic issues. China also reduced the role of ideology in economic policy. The market-oriented improvements made in China have expanded over the past two decades. The changes have made a profound impact on not only the country, but the world. Currently, China has the third largest economy in the world after its reconstruction period.

China is one of the world's largest producers and consumers of agricultural products. There is approximately 40 percent of China's labor force engaged in agriculture, although only about fourteen percent of the land is suitable for cultivation. Agriculture contributes eleven percent of China's Gross Domestic Product (GDP). China is among the world's largest producers of rice, corn, wheat, soybeans, vegetables, tea, cotton, fibers and oil seeds. China increased its production with the use of improved plant stocks, fertilizers and technology. Incomes for Chinese farmers are increasing slower than incomes of urban residents, causing a discrepancy in the wealth between cities and the countryside. Farmers do not own the land they work, nor can they buy or sell the land they work, further contributing to this economic discrepancy.

Industry and production comprise of about 49 percent of China's GDP. Major industries are mining processing, ore processing, iron, steel, aluminum, coal, machinery, textiles, apparel,

armaments, petroleum, cement, chemicals, fertilizers, footwear, toys, electronics, automobiles, rail cars, locomotives, ships, aircraft, telecommunications equipment, commercial space launch vehicles and satellites. China is a preferred destination for many global manufacturers, due to its successes in exports.

Due to rapid economic growth, China's demand for energy is at an all-time high. China is the world's largest energy consumer and the third largest importer of crude oil. China is also the second largest energy producer in the world. China's consumptions of electricity are expected to increase about four percent annually in the year of 2030.

China is the world's largest producer and consumer of coal. Since China is scarce in oil and natural gas, coal continues to be a major energy source in China's booming economy. Despite China's domestic demands, coal continues to provide revenue from the exportation of goods. In 2002, China exported 83 million more tons of coal than it imported. China's dependence on coal as a power source has contributed significantly to China's emergence as the world's largest emitter of acid rain-causing sulfur dioxide and greenhouse gases, including carbon dioxide.

China is the largest distributor of cement. China manufactured about 1.3 billion metric tons of cement. China's cement production has grown ten percent annually over the past two decades. China has the largest steel industry in the world driven by rapid industrialization and many large scale infrastructure projects. In 2007, China accounted for about 36 percent of the world's steel production.

In an effort to become more competitive in the world economy, China joined the World Trade Organization (WTO) in 2001. China is currently the largest exporter of manufactured

goods. In 2007, China's exports totaled almost 1.2 trillion, an annual average increase of 26 percent since 2000. China's main exports are electrical goods, data processing equipment, apparel, textiles, iron, steel, optical equipment, and medical equipment. China's main partners on exports are the United States (17.7%), Hong Kong (13.3%), Japan (8.1%), South Korea (5.2%), and Germany (4.1%)

In 2007, China's imports totaled about 956 billion, an average annual increase of 25 percent since 2000. This increase is due to changes in China's economic system, allowing businesses to import goods from the international market. China's main imports are electrical components, machinery, oil fuels, mineral fuels, optical equipment, medical equipment, ores, plastic and organic chemicals. China's main partners on imports are Japan (13.3%), South Korea (9.9%), Taiwan (9.2%), United States (7.2%), and Germany (4.9%). China's official currency is the Chinese Yuan. Currently one Chinese Yuan equals six and a half U.S. Dollars.

A major part of the Chinese economy is trade (i.e. that does not include cash as income). China uses the barter system to gain access to resources in exchange for their own goods. Daewoo Motor Company of South Korea received machinery parts, corn and other agricultural products in exchange for five thousand cars. A Serbian state-owned oil company, signed a billion dollar deal with Sinochem of China to provide essential materials for the Serbian industrial base and populace.

China uses counter purchases to gain an advantage against other foreign markets. Canada's Northern Telecom delivered a five thousand-port program-controlled telephone switchboard system valued at \$12 million to Beijing Capital Iron and Steel in 1988. In exchange

for this commitment, Northern Telecom agreed to the counter purchase of \$8 million in various steel products.

China has a history of severely restricting trade rights with foreign markets. In China, foreign firms have no right to distribute products, except to those that are manufactured in China. They are also not allowed to own or manage a distribution network, whole sale outlet or warehouse. China has embargoed rare earth minerals that are crucial to manufacturing advanced products. Advance products include commercial applications, military applications, cell phones, large wind turbines, and guided missiles. China mines make up 95 percent of the world's rare earth minerals.

In 1982, a census was done to provide statistical data for China's working population. It also allowed the first reliable estimates on the labor forces size and its characteristics. China's estimated labor force was 546 million, over half of its population. Males accounted for slightly more than half of the labor force. The sample revealed that men occupy the vast majority of leadership positions. The labor force participation rates for citizens age fifteen and older were among the highest in the world. Three-fourths of the labor force work in agriculture. The mean number of workers was 33 years old and 75 percent of the work force was under 45 years of age. The working population had a low education level, less than 40 percent of the labor force had more than a primary school education and 30 percent were uneducated or semi-educated. The sample revealed the overall unemployment rate was about five percent. Of the 25 million unemployed, 12 million were men and 13 million were women. The unemployment rates were highest in the Northeast China regions and lowest in the Southern regions. Approximately all unemployed citizens in cities and towns were under the age of twenty. China's inflation rate is currently at five percent.

China is currently the leading producer and consumer of many technology products. China's rapid growth influences technology standards in domestic and global markets. Chinese companies are trying to create a successor to the DVD optical disk standard, called Enhanced Versatile Disk (EVD). EVD will have a better sound and quality than DVD. China has its own globally approved model for 3G internet connection, as the world's market for mobile communications. China is well positioned to take the lead in redefining the standards for 4G cellular phone technologies.

Developments in science and technology rapidly enhance the Chinese economy. In 2007, China produced nearly half the world's solar panels. Beijing has announced plans to build a solar street, where buildings, streetlights and other features will run entirely from the sun. Lenovo, a Chinese computer company, originally focused on an add on card, that enabled computers to input the Chinese language with a standard keyboard. Lenovo grew and forged partnership with companies like Hewlett-Packard to learn business tactics. Today, Lenovo is the leading computer brand in China. In 2006, China spent \$115 billion in research and development for future innovations.

Summary

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