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THE BIG BOOM OF CHINESE ECONOMY: HOW DID CHINA SUCCEED? AN ANALYSIS OF CHINESE GROWTH FOR 40 YEARS (1980-2020)

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Introduction

The economic history of China mentions all the developments and changes that took place in the economy of China from the foundation of the PRC i.e. People's Republic of China in 1949 until today. Since the 1980s, one of the fastest-growing economies in the world has been China. Based on the statistics of the government, China has experienced an annual growth rate of 10% between 1978 and 2017 (CRS, 2019). The rise of China to being a major economic power from a poor developing country in around 40 years has been phenomenal. As mentioned by the World Bank, China has “experienced the fastest sustained expansion by a major economy in history—and has lifted more than 800 million people out of poverty.” (CRS, 2019).

China has come out as a major economic power globally. For instance, it comes first when merchandise trade, foreign exchange reserves' holder, value-added manufacturing, and economic size on a PPP (Purchasing Power Parity) basis are considered. The emergence of China as a leading economy in the world is not a big surprise. The private sector has played a remarkable role in this transformation by attaining such a high growth rate.

As viewed by the Chinese government, a growing economy is necessary for maintaining social stability. However, a lot of economic challenges are faced by China by which further growth would be dampened which includes distortive policies of economy that have resulted in overdependence on exports and fixed investment for the growth of economy, growing pollution, widening gaps in income, a weak system of banking, support of government for firms owned by the state, and the comparative lack of law's rule in China.

These problems have been acknowledged by the Chinese government and they have decided to address them by applying policies that boost the market's role in the economy, make the spending of the consumer the economy's driving force, increase innovation, crackdown on corruption by government officials, expand the net coverage of social safety, and encourage the development of industries that may be less-polluting. The Chinese government's ability to make the proper implementation of all these reforms would help in the determination of whether China would be

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able to maintain its rapid rates of economic growth or the situation would get reversed.

History of Chinese Economy: How Was it Before 50 years and How is it Now?

Before 1979, a centrally planned economy system was adopted by China under the chairman Mao Zedong's leadership. A large amount of the economic output of the country was controlled and directed by the state by which resources were allocated throughout the country, prices were controlled, and the production goals were set. During the period of the 1950s, all the individual household farms of China were organized on the basis of state or public ownership into large communes (CRS, 2019).

During the period of the 1960s and the 1970s, large-scale investments in human and physical capital were started by the central government that supported the industrialization rapidly. The result was that by 1978, SOEs i.e. State-Owned Enterprises controlled by the Center produced more than three-fourths of the total industrial production. Foreign-invested enterprises and private firms were normally barred at that time.

The government of China was under continuous pressure of making its economy comparatively self-sufficient. Distortions were created in the economy by certain policies such as limiting foreign trade to getting those goods only that could not be obtained or made in China. Since the central government was responsible for running and managing most of the aspects of the economy, there were no mechanisms in the market that could do the allocation of resources efficiently, and therefore, the farmers, workers, and firms could not become more productive or be concerned about their production quality. The main reason was that their major focus was on the goals of production that were set by the government.

According to the statistics of the Chinese government, the real GDP of China grew from 1953 to 1978 at an annual average rate of 6.7%. According to economist Angus Maddison, the actual annual GDP growth of China during this period was around 4.4% (Herd & Dougherty, 2005). Additionally, the economy of China suffered from considerable economic downturns during Mao Zedong's leadership, including the period from 1958 to 1962 (known as Great Leap Forward) which faced an enormous famine leading to deaths of around 45 million people and the period between 1966 and 1976 (Cultural Revolution) which disrupted the economy due to a huge political chaos.

Between 1950 and 1978, the per capita GDP of China on the basis of Purchasing Power Parity (PPP) which is a specific measurement of living standards of a country doubled. A drop in living standards of China was

observed from 1958 to 1962 by 20.3% and they dropped from 1966 to 1968 by 9.6% as shown in Figure 1 below (CRS, 2019).

Additionally, the living standard of China paled in comparison to the living standards in the West, such as the US and Japan.

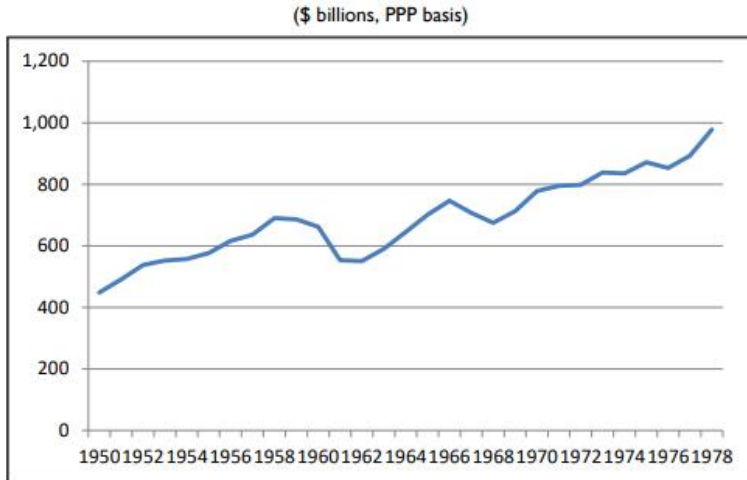


Figure 1 Per Capita GDP of China: 1950-1978

In 1978, it was decided by the Chinese government that it will not proceed according to the policies of the Soviet Union. It reformed its economy gradually according to the principles of free-market and opening investment and trade with the West. The main reason behind this decision was the hope that the living standards would rise and economic growth would increase considerably after adopting these reforms (Herd & Dougherty, 2005).

The Economic Reforms Introduction Period

Different economic reforms were introduced by China starting from 1979. The ownership and price incentives were started for farmers by the Central government that enabled them that they could sell their crops on the free market. Additionally, four special economic zones were established by the government along the coast mainly for importing high technological products into China, boosting exports, and attracting investment from foreigners (Cheung, 2018).

Additional reforms that came in stages were implemented to decentralize the economic policymaking in different sectors, specifically trade. The local and provincial governments got the economic control of different enterprises and they could operate on the principles of the free

market instead of the guidance of state planning. In addition to all this, businesses were started by the citizens of China themselves (Herd & Dougherty, 2005).

As a part of additional economic reforms, the cities and coastal regions were designated as development zones and open cities that provided them the opportunity to experiment with the reforms of the open-market freely and to offer trade incentives and tax so that foreign investors get attracted. Additionally, there was a wide elimination of state price controls. Another major key to the economic success of China was trade liberalization that encouraged FDI inflows and greater competition. The measured implementation of economic reforms by China tended to find out which policies were able to produce favorable economic outcomes so that other parts of the country could also experience the same implementation (Herd & Dougherty, 2005).

The Economic Reforms and Growth of China: 1979-Present

After the introduction of the economic reforms, there has been substantial faster growth in the economy of China during the pre-reform period. For most of the part, major economic disruptions were avoided by it. From 1979 to 2018, the annual real GDP of China averaged around 9.5%. This indicates that on average, its economy gets doubled every eight years in real terms.

The Beginning of Reform in 1978

It was decided by party leaders in 1978 that gradual program would be followed for the economic system's fundamental reform. The centrally planned system of an economy that was followed by Maoist did not produce sufficient economic growth and China fell way behind the West's industrialized nations and new Asia's industrial powers such as Hong Kong, Taiwan, Singapore, and Japan (Tisdell, 2008).

During the later 1970s, while Hong Kong and Japan were giving tough competition to European countries, the citizens of China were fighting for barely enough supplies of food, adequate housing, and proper clothing. They followed an incremental approach to the reform process. Initially, only a few localities adopted the new measures that were followed nationally only when they were proved successful (Tisdell, 2008).

By 1987, significant results had been obtained in increasing the supplies of consumer goods and food by which new options of dynamism in the economy got opened. However, on the other hand, new tensions and problems were also created by these reforms that lead to intense political struggles and questions over the future of the program.

The Period from 1979-81: Readjustment Period

The first initial years of the reform program were referred to as the 'period of readjustment' during which the economy was updated in such a way that key imbalances were corrected and a foundation was established that led to the establishment of a modernization drive. The re-adjustment process had the major goals of expanding exports rapidly and overcoming key problems in electric power, building materials, steel, iron, coal, communications, and transportation (HeinOnline.org, 1984).

The imbalances between the heavy and light industries were handled by the reduction of investment in heavy industry and enhancing the rate of growth of the light industry. There was stimulation in the production of agriculture in 1979 as there was an enhancement of more than 22 percent in the farm products' procurement prices (HeinOnline.org, 1984).

The main aim of the agricultural policy of China during the readjustment phase was to enhance the production of all of this sector's branches in order to support more incomes and employment. The policy also aimed to reduce the ever-increasing dependence of the country on agricultural imports from other countries, specifically edible oil, cotton, and sugar (CRS, 2019).

During the period of readjustment, the reform program's central policies were introduced experimentally. The *Contract* responsibility system which mainly aimed to enhance agricultural production was the most successful economic reform policy that was implemented by China in 1979 as a method for poor people in arid or mountainous areas to enhance their earnings (Hofman, 2018).

The establishment of service and industrial enterprises that were operated and owned collectively was supported by the government also as a method to soak up the rate of unemployment and increasing the light industrial products' supplies. The establishment of individual enterprises once again became a common sight that had disappeared earlier. There was a great easement in the procedures of foreign trade as it allowed administrative departments and individual enterprises outside the Foreign Trade's Ministry to be engaged with foreign firms directly. It was legalized to have a broad range of credit, trading, and cooperation arrangements with foreign firms so that China could enter the international trade's mainstream (Hofman, 2018).

Reform and Opening That Started From 1982

Promising results were obtained during the readjustment period which increased income substantially; raised the affordability and availability of

consumer goods, housing, and food; and all the sectors experienced a strong growth rate. These initial successes boost up the morale of the Chinese and there was a wide broadening of the reform program under the leadership of Deng Xiaoping (Mühlhahn, 2019).

The basic policy of China was defined as 'reform and opening' policy which means that it was open to foreign trade and was reforming its economic system. The adoption of the 'Contract Responsibility System' in agriculture was normally adopted as the entire nation's organizational practice. As 1984 was going to end, almost all the farm households came under the responsibility system. The administrative responsibilities of the communes were taken over by town governments and township and their economic roles were allocated to villages and townships (Mühlhahn, 2019).

During the period 1978 and 1984, the rate of growth of agriculture was around an annual rate of 9 percent. The labor productivity in the rural areas saw an impressive increase and their per capita income grew almost twice in a span of six years. It was at this time that the rural industry became one of the most extraordinary dynamic forces of the economy in China. The barriers imposed by the government on the rural businesses' establishment were dismantled because they were able to earn huge profits from this industry's high viability of economy.

For instance, the development of rural industries took place rapidly from various cooperatives, private investors, and local governments. It was observed between the 1980s and 1990s that there was an impressive growth rate of around 35 percent every year. By 1995, the rural industry created more than 125 million jobs which were the fastest developing area in the overall dynamic economy of China (Mühlhahn, 2019).

In 1984, the reforms were extended to the urban areas, where the initiation of a similar dynamic environment took place. All those policies became highly successful just because the historical sectors such as rural commerce and household farming were highly revived by them. The development of the Chinese economy on the historical benefits of the rural sector provided China the opportunity to grow faster and without any help from outside.

The economic reforms period saw ever-increasing importance of foreign trade in comparison to any other previous period. Before the period of introduction of economic reforms, there was rarely an increase of national income's 10 percent in the combined values of exports and imports. In 1980, the value was just 15 percent which rose to 21% in 1984 and 35% in 1986 (Mühlhahn, 2019).

One of the most significant points in the economic development of China was the development of economic zones in April 1984 which led to the modernization of the economy. All of these economic zones established in fourteen coastal cities including Guangzhou, Shanghai, Tianjin, and Dalian were major industrial and commercial centers. These zones were successful in creating productive exchanges between major economic networks of China and foreign firms with new technology (Xie & Pumain, 2018).

As reported by (Mühlhahn, 2019), 942 foreign investor deals amounting to \$6 billion were made by China between 1979 and 1984. Thus, China followed a strategy of incrementalism rather than a grand strategy and the policy resulted in an unprecedented growth of the economy. The reform policies were able to revive all the historical institutions which made use of the distinctive historical legacy of China such as investing in education and running a sophisticated economy of agriculture.

During the period of economic reforms, China amazed the world by achieving a rapid growth rate of the economy which almost doubled in some years. In 2006, the real GDP of China was over 13 times more than it was in 1978. As shown in Figure 2 below, the growth in real GDP of China from 1978 to 2006 has been extraordinary, which rose to US dollars 2.1 trillion from US dollars 157.7 billion (Tisdell, 2008).

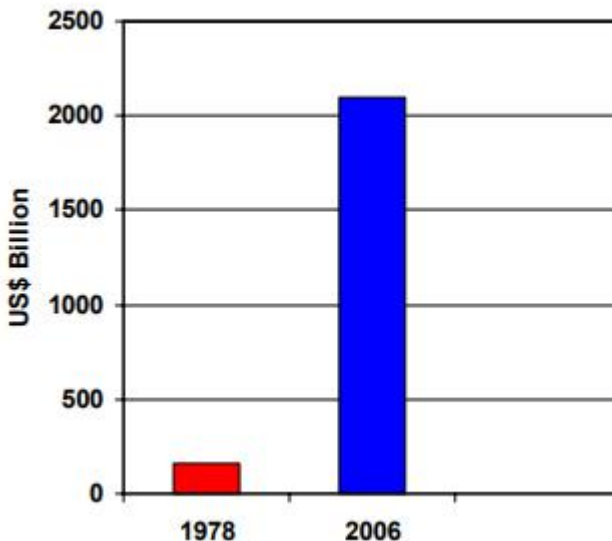


Figure 2. The real GDP of China in 1978 compared to that in 2006 based on the prices of the US in 2000 (Tisdell, 2008).

Industry: In 1985, around 17 percent of the total labor force was employed by the industry but around 50 percent of the GNP i.e. Gross National Product was produced by it. The industry became one of the fastest-growing sectors with providing around 11 percent annual growth rate in 1985. The technological levels were enhanced and many small enterprises and handicraft units were designed or installed in the 1980s (Wen, 2016).

China started its industrial revolution in 1978 under Deng Xiaoping's leadership. They started moving up the industrial ladder to financial capitalism from manufacturing, to a consumeristic state from a high-saving state, to production intensive to the capital from labor, to heavy from light industries, and to a dual system of ownership by both private and government in place of whole privatization.

China underwent its first industrial revolution from 1988-1998 that marked the mass production of light consumer goods across the urban and rural areas of China, depending mostly on imported machinery. It was during this period that China became the largest exporter and producer of toys, textiles, and furniture and the largest importer and producer of cotton (Wen, 2016).

The second industrial revolution in China started after 1998 and presented the mass production of things. Because of the huge expansion of the domestic market for transportation, machinery, and intermediate products and goods. The production and consumption of ships, bridges, tools, tunnels, highways, machine tools, cement, coal, chemical fibers, and steel, etc. saw a big surge. All in all, there was a huge construction of public roads covering more than 2.6 million miles, with around 70,000 miles of the area covered by express highways which are 46 percent more than that in the United States.

Figure 3 below shows the total energy output in the last 40 years in China. There was a considerable increase in the total energy output with a standard coal consumption of 627.7 million tons in 1978 to 35.9 billion tons in 2017.

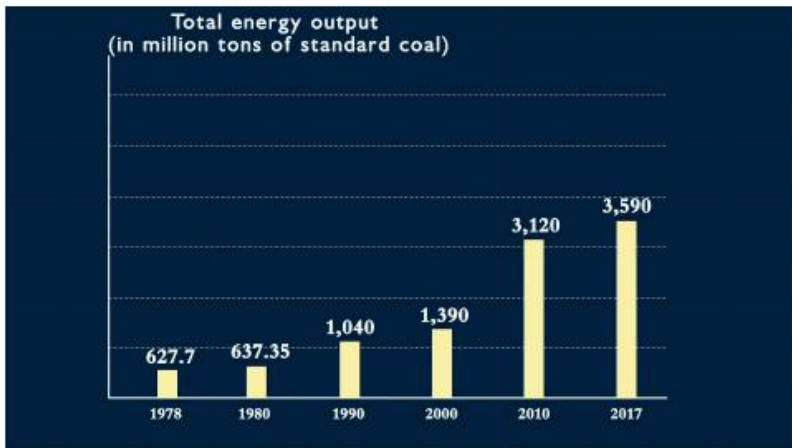


Figure 2. Total energy output (in million tons of standard coal) (NBS, 2018)

The Economy of China in The Year 1990-2000

The economy of China observed a continuous real growth of GDP by at least 5% after 1991. Deng Xiaoping, the leader of China in 1992 made several announcements designed to renovate the economic reform process. In 1992, the term "Socialist market economy" was used for the very first time by China during the 14th Congress of the Communist Party of China to establish the economic reforms' new goals (Pelkmans, 2018).

The introduction of new changes to the constitution was described in this concept and hence, the term 'socialist market economy' became the new term to define the new social and economic system of China. The socialist market economy of China overcame the opposite schemes of mere comparison between capitalism and socialism by providing an approach that was suitable/compatible for both (Pelkmans, 2018). Bolder and better reforms in the economic system and political system's continuity were announced as the official mark of the development plan to be followed in the 1990s for 10 years.

Till 1996, the economy of China continued to rise at a fast rate at around 9.5% along with low inflation. For the next three years, the country

suffered the Asian Financial Crisis and hence the economy was slowed down. There was a growth of 7.1% in 1999, 7.8% in 1998, and 8.9% in 1997 (CRS, 2019). There was a sharp drop in the inflation rate from 1995 to 1999 which was mainly due to strict monetary policies and effective measures by which food prices were controlled. A quick reversal of this ongoing course took place in the year 2000 and GDP saw an official growth of 8% that year.

Since the year 1979, the GDP of china had quadrupled in the year 2000. There was an exponential growth in per-capita GDP. 10 years were spent by China to lift the numbers from 468 Yuan to 1663 Yuan in 1980 and 1990 respectively. The same figures reached 50251 Yuan in 2015 and 59660 Yuan two years later (NBS, 2018). Figure 4 below shows the Per-Capita GDP of China (in Yuan) over a span of 40 years.

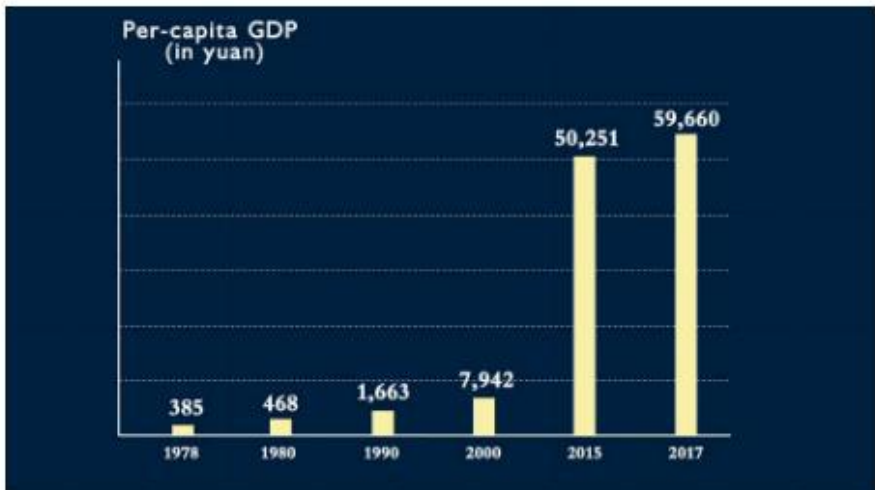


Figure 3 Per-Capita GDP of China in the last 40 years (NBS, 2018)

China was affected by the financial crisis of Asia at the margin, mainly because of a drop in the number of its exports and direct foreign investments. However, enormous reserves were present with China, its currency was not convertible freely and capital inflows allowed investments in the long-term. Due to these reasons, it was not affected much by the regional crisis and it remained stable (Hofman, 2018).

Nevertheless, it was facing the problem of slow growth and unemployment was rising because of the internal problems. The SOEs i.e. State-owned enterprises started massive layoffs in order to reform them

and there was a huge burden on the financial system due to enormous bad loans (Hofman, 2018).

In spite of the impressive economic development of China during the last 20 years, it was facing some major hurdles in the form of modernizing the system of banking and reforming the sector of the state. At that time, losses were reported by around half of the SOEs of China. In the 15th Congress of the Communist Party of China in 1997, it was decided by the President that most of the SOEs needed to be closed, or sold, or merged (Faison, 1997). After 3 years of hard effort, it was claimed by China that most of their SOEs were profitable and supporting the economy.

The GDP growth of China based on the 1990 international dollar is shown in Figure 5 below:

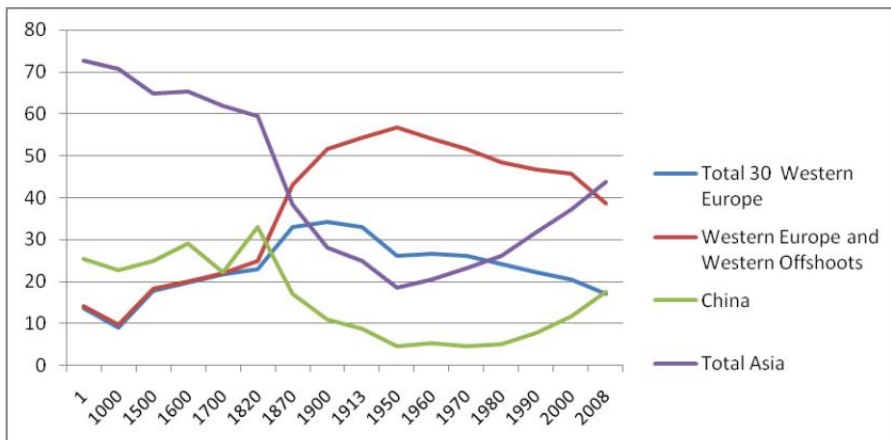


Figure 4 GDP of China based on International Dollar, the share of world total (%) (Yang, 2010)

As shown in Figure 5 above, in 1950, China was at a record low level of 4.6%. Consequently, after 30 years of varied economic fluctuations, China started rapid economic growth and development in 1980, resulting in an increase in its world total's GDP share from 5.2% in 1980 to around 9% in 1990 and 17.5% in the year 2008.

The Chinese Economy in the 2000s

In 2003, the third plenum of the Chinese Communist Party took place which proposed several amendments to the constitution of the state. Out of these proposals, one of the most important was to ensure protection for the rights of private property. It was also indicated by different legislators that new emphasis would be placed on some specific aspects of the economic policy held by the government, including steps taken to stop unemployment to re-balance the distribution of income between rural and urban regions and to maintain the growth of economy while the social equity gets improved and the environment is protected (Dong, 2013).

In March 2004, the amendments were approved by the Congress of the National People. In October 2005, the 11th economic program was approved by the Fifth Plenum which was meant to build a "socialist harmonious society" as they were going to have an equal distribution of social security, medical care, and education. The plan resulted in an increase of 45% in GDP and a reduction of 20% in the intensity of energy by 2010 (Harjani, 2015).

During the time duration of 1990-2004, the economy of China observed an annual average growth rate of 10% every year which is the highest ever growth rate in the world. In 2003, the GDP of China grew 10.0% while in 2004, it was 10.1%, and in 2005, it was even more at 10.4% in spite of various attempts by the government to slow down the economy.

In 2006, the total trade of China reached more than US dollars 1.77 trillion which made China the third-largest trading nation in the world after Germany and the US. In January 2009, the World Bank confirmed that in the financial year 2007, the growth of China happened at 13 percent in place of 11.9 percent (NBS, 2009). For 2007, the GDP of China stood at US dollars 3.4 trillion while that of Germany was US dollars 3.3 trillion which made China the third-largest economy in the world by GDP.

On the basis of this data, the fastest growth of China was recorded in the year 2007 since 1994 when the growth of GDP was by 13.1%. After the introduction of various reforms, it is evident from the Chinese economy that there are significant improvements in economic and social indicators, but it is also evident that there is a rising inequality between the poorly developed inland regions and coastal regions that are highly developed.

As estimated by the United Nations in 2007, more than 130 million people are put up in rural areas in China and they still live in poverty with having just \$1 per day (BBC, 2007). Around 35% of the total population of China lives on just \$2 per day (BBC, 2007).

The annual GDP growth of China between the years 1979 and 2018 is shown in Figure 6 below. The annual real growth of GDP averaged 9.5%

from 1979 to 2018. This clearly shows that after every eight years, China has been successful in doubling its economy size (CRS, 2019).

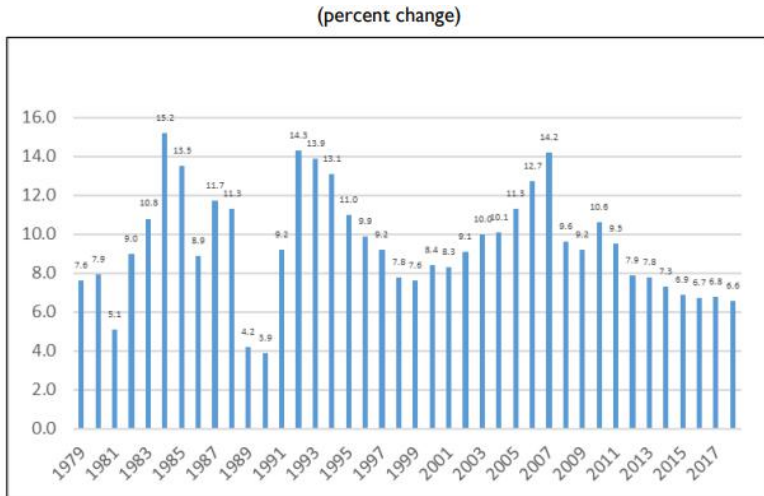


Figure 5 The Annual Real GDP growth of China:1979-2018 (CRS, 2019)

To deal with the financial crisis of 2008-2009 globally, the Economic stimulus plan was launched by China. The prime concentration of the plan was on lowering the taxes (commodities and real estate), doing more and more infrastructure development (like ports, roads, and rail network), easing the restrictions of credit for SMEs and mortgages, and enhancing the affordable housing (Barboza, 2008).

The regional and local infrastructure and economies were majorly affected by the 2008's natural disasters such as the 2008 South China floods, Sichuan Earthquake, and the Chinese Winter Storms. However, the economic growth of the nation was mildly affected by these disasters. There was a significant impact of the financial crisis of 2008-2009 on the economy of China due to the economy's export-oriented nature which was dependent majorly on international trade.

The slowdown of the global economy in 2008 had a major impact on the economy of China and it was reported by the media of China in early 2009 that around 20 million migrant workers had lost their jobs and had come back home due to the financial crisis. In the 2008's fourth quarter, the growth of real GDP had reduced to 6.8% in comparison to the corresponding ones from the previous year. The response of the Chinese government by implementing an economic stimulus package of US dollars

586 billion helped China to counter the sharp global fall's effects in demand for products of China (CRS, 2019).

From 2008 to 2010, the real GDP growth of China was 9.7%. But, for the next 6 years consecutively, the GDP growth rate declined which fell to 6.7% in 2016 in comparison to 10.6% in 2010. As shown in Figure 7 below, there was an increment in the real GDP in the year 2017 and it rose to 6.8% but again slowed down in 2018 to 6.6% (CRS, 2019).

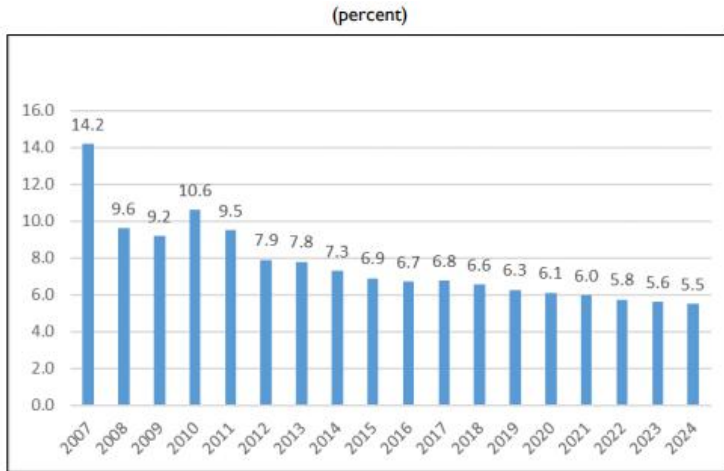


Figure 6 Real annual growth of GDP in China from 2007-2019 and projections to 2024.

As mentioned by the National Bureau of Statistics, the decline is due to cooling demand at both abroad and home. In the final quarter of the year in 2018, the economic slowdown reached 6.4%. The last quarter of 2018 showed a major slowdown in retail sales, property sales, and industrial production. The sales of the car were particularly poor which was the first annual drop in the last 20 years and there is a continuous rise in the rates of unemployment.

In the year 2019, the economic slowdown reached 6.3% and it was argued by many economists that actual growth is much lesser than these figures mentioned officially (Preen, 2019). This was the slowest growth rate of China since 1990 and the slowdown was felt throughout the nation in 2019. From factories to tech companies, workers were laid off. There was a price hike in every commodity, but the salaries of people were not increasing. With the economy slowing down whole through the world, fewer customers are interested in buying the Chinese products (Fifield, 2019). As mentioned by the (IMF, 2019), the rank of China based on per

capita income was 73rd (by GDP per capita) in 2019. In 2019, the GDP of China was 99 trillion Yuan (IMF, 2019).

It is warned by many economists that the economic growth of China would slow down further if punitive economic measures are continued to be imposed by China and the United States against each other. The OECD i.e. Organization for Economic and Cooperation Development predicts that due to increasing in tariffs on all the trades between China and the US, the real GDP of China could reduce further in 2021-2022 by 1.1% concerning the baseline economic projections of the OECD (CRS, 2019).

The Merchandise Trade Patterns of China

The investment liberalization, trade, and economic reforms have helped in the transformation of China into a major power of trading. The merchandise exports of China rose to 2.5 trillion US dollars in 2018 from 14 billion US dollars in 1979 while the growth in merchandise imports reached \$2.1 trillion from \$18 billion (CRS, 2019). The rapid growth in trade flows of China has made it an important partner of trading for a lot of countries. In 2013, China became the largest partner of trading for around 130 countries. From 2000 to 2008, there was annual growth of 24.2% and 25.1% respectively in the merchandise imports and exports of China (CRS, 2019).

However, because of the global financial crisis' impact, the imports and exports of China fell respectively by 11.2% and 15.9% (CRS, 2019). Recovery in the trade of China took place in the years 2011 and 2010, with the growth of import averaging 31.9% and that of export averaging 25.8%. After that time, its trade growth rate fell sharply. Between 2012 and 2014, the imports and exports witnessed an average annual growth rate of 4.1% and 7.2% respectively.

Later on, in 2015 and 2016, again the imports and exports fell by 11.6% and 4.2 % respectively which indicated a slow-moving economy worldwide and a decrease in the prices of commodities such as ores and oil. However, there was again a rise of 17.4% and 6.7% in imports and exports of China respectively in the year 2017 and in 2018 they rose by 17.8% and 9.3% respectively (CRS, 2019).

In the year 2009, Germany was overtaken by China to become the largest exporter of merchandise in the world and second-largest importer after the United States. 2012 was a remarkable year for China as it became the largest trading economy of the World in both exports as well as imports. The share of China in global merchandise exports rose from 2.0% to 14.1%

in 1990 and 2015 respectively. However, it dropped to 13.4% and 13.2% in the years 2016 and 2017 respectively. Figure 8 below shows the Global Merchandise trade of China from 1979-2019.

(\$ billions)

Year	Exports	Imports	Trade Balance
1979	13.7	15.7	-2.0
1980	18.1	19.5	-1.4
1985	27.3	42.5	-15.3
1990	62.9	53.9	9.0
1995	148.8	132.1	16.7
2000	249.2	225.1	24.1
2001	266.2	243.6	22.6
2002	325.6	295.2	30.4
2003	438.4	412.8	25.6
2004	593.4	561.4	32.0
2005	762.0	660.1	101.9
2006	969.1	791.5	177.6
2007	1,218.0	955.8	262.2
2008	1,428.9	1,131.5	297.4
2009	1,202.0	1,003.9	198.2
2010	1,578.4	1,393.9	184.5
2011	1,899.3	1,741.4	157.9
2012	2,050.1	1,817.3	232.8
2013	2,210.7	1,949.3	261.4
2014	2,343.2	1,963.1	380.1
2015	2,280.5	1,601.8	678.8
2016	2,135.3	1,524.7	610.6
2017	2,279.2	1,790.0	489.2
2018	2,491.4	2,109.0	382.4

Figure 7. Global Merchandise Trade of China from 1979-2018 (CRS, 2019)

The graph for the merchandise trade of China from the years 2000-2018 is plotted in Figure 9 below. It is clear from the graph that trade fell in the years 2015 and 2016 but rose again in the years 2017 and 2018.

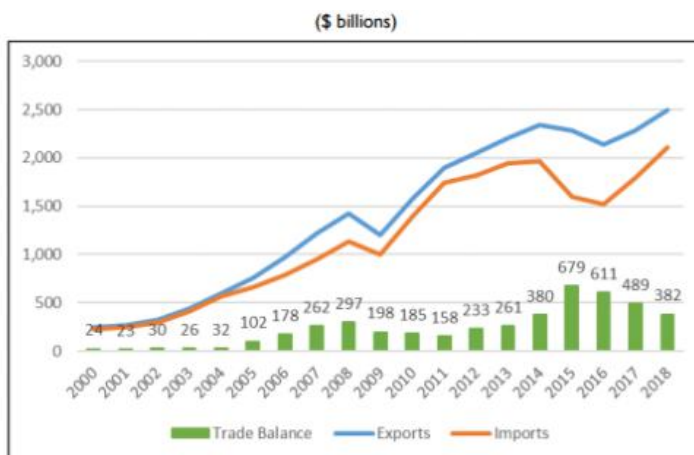


Figure 8 Merchandise Trade of China:2000-2018

In 2018, China earned a maximum from its largest trading partners. These include the EU28 (European Union's 20 countries) nations, the ASEAN (Association of South East Asian Nations) 10 nations, the United States, Taiwan, Hong Kong, South Korea, and Japan. The top three import markets of China were South Korea, ASEAN, and EU28 while the top three markets of exports were EU28, United States, and ASEAN. Figure 10 below shows the major merchandise partners for the trading of China in 2018 (CRS, 2019).

(\$ billions)

Country	Total Trade	Chinese Exports	Chinese Imports	China's Trade Balance
European Union	681	408	273	135
United States	631	477	154	323
ASEAN	575	318	257	61
Japan	327	147	180	-33
South Korea	313	109	204	-95
Hong Kong	310	302	8	294
Taiwan	225	48	177	-129

Figure 9 Major merchandise trading partners of China in 2018 (CRS, 2019)

The Future of the Chinese Economy

The Chinese economy is undergoing a downward trend since the last 10 years, declining from a peak of 14.23 percent in 2007 to 6.3 % in 2019. The growth in the last year was the lowest ever recorded after 1990 when a major setback was faced by the economy. And while there is a slowing down of the real GDP, it has been estimated by IMF that the growth would be reduced to 5.5% by 2024.

Many economists have warned that the economic growth of China would slow down further if punitive economic measures are continued to be imposed by China and the United States against each other. The OECD i.e. Organization for Economics and Cooperation Development predicts that due to increasing tariffs on all the trades between China and the US, the real GDP of China could reduce further in 2021-2022 by 1.1% concerning the baseline economic projections of the OECD (CRS, 2019).

Conclusion

Based on the study conducted above, it can now be concluded that China has been one of the fastest-growing economies in the world since the 1980s. Based on the statistics of the government, China has experienced an annual growth rate of 10% between 1978 and 2017. The rise of China to be a major economic power from a poor developing country in around 40 years has been phenomenal. From 1979, China started introducing different economic reforms. The ownership and price incentives were started for farmers by the Central government that enabled them that they could sell their crops on the free market. After the introduction of the economic reforms, there has been substantial faster growth in the economy of China during the pre-reform period. During the 'period of readjustment', the economy was updated in such a way that key imbalances were corrected and a foundation was established that led to the establishment of a modernization drive. The economy of China observed a continuous real growth of GDP by at least 5% after 1991.

In 1950, China was at a record low level of 4.6%. Consequently, after 30 years of varied economic fluctuations, China started rapid economic growth and development in 1980, resulting in an increase in its world total's GDP share from 5.2% in 1980 to around 9% in 1990 and 17.5% in the year 2008. From 2008 to 2010, the real GDP growth of China was 9.7%. But, for the next 6 years consecutively, the GDP growth rate declined which fell to 6.7% in 2016 in comparison to 10.6% in 2010. There was an increment in the real GDP in the year 2017 and it rose to 6.8% but again slowed down in 2018 to 6.6%. In the year 2019, the economic slowdown in China reached 6.3%.

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After the pandemic of covid-19 like all the world China also effected negatively in economy. China announced to the world that after 28 years of time they decreased their future prediction of economic growth. The covid-19 pandemic effected very bad all the economy of the world. During this period China expressed that with the hard discipline that they applied they were avoided the pandemic more quickly than the west countries. But despite this, China announced that the economic growth will be near to 2% for the first quarter of 2020. This was planned as 6% before. The country changed its plan for the year 2020 to 6,2% yearly growth (BigPara,2020). The global pandemic conditions effected China's economy negatively, but time will be the real evidence of how the country will have its economic growth. Will the pandemic conditions effect Chine's big boom in economy or not? This will the question of the 2020s.

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