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ABSTRACT
China has emerged as the fastest-growing economy in the world. In this context, I discuss the antecedents, characteristics, and consequence of China’s rise in the world economy with reference to the “four W” framework (What, When, Where, and Why). This article provides insights into the role of exports and FDI in China’s rise. Theoretical as well as real-life factors contributing to this success are also listed. Comparative analysis with other emerging countries, such as India, is provided. In addition, directions for future research are outlined.

KEYWORDS
China; economic growth; export; foreign direct investment

I. Introduction
In recent years, developing countries have emerged as a significant source of outward Foreign Direct Investment (OFDI) and internationally successful multinational enterprises (Kim and Park 2015). For instance, in the past 20 years, China has emerged as the fastest-growing economy in the world (Paul 2015). Although the Chinese economy has long been recognized as one of the largest economies in the Asian continent, the country’s economic growth rates and remarkable exports helped it to rise to become a world power, receiving special attention from the international community (Paul and Mas 2016). China, with its giant dragon economy, has succeeded in sectors ranging from textiles to new technologies, while taking advantage of global outsourcing of manufacturing activities. China’s increasing contribution to international trade is astutely changing the scenario of supply and demand of manufactured goods, primary goods and services in the world (Lemoine and Ünal-Kesenci 2008).

Countries such as China and India have benefited from globalization and the World Trade Organization, exhibiting high-level export growth rates for many years (Grainger and Chatterjee 2007; Paul 2015; Paul and Gupta 2014). The political environment under which the economic reforms were initiated and implemented in China is unique and worth discussing (Khanna 2009a). For instance, China focused on FDI and manufacturing durable goods and exporting
them to the rest of the world. China implemented liberalization policies and opened up to the global market in the early 1980s. China has primarily been a command economy with a minuscule private sector, until the Chinese government acknowledged the importance of fostering home-grown capitalists just a few years ago (Yao 2006). Until recently, public enterprises accounted for more than half of China’s GDP and more than two-fifths of its exports (Greenaway, Mahabir, and Milner 2008). The government exerted state control to a large extent over macroeconomic processes in China, even during the period of liberalization. This policy restricted the growth of some newly privatized firms, despite the fact that the government was keen to implement economic reforms in the form of liberalization and privatization (Chen, Firth, and Rui 2006).

This article describes the achievements of China over the last two decades that facilitated its rise as the main hub for international business in the world. There have not been widely cited studies in reputed journals examining the factors that have contributed to this success in China. Therefore, I seek to contribute to fill this gap in the literature. The objective of this article is to highlight the determinants of China’s emergence as the fastest-growing economy and discuss the characteristic features of its economy, market, and business, exploring the consequences and implications for the rest of the world.

This article is divided into six sections. Section two analyzes the economic environment and policy in China, highlighting trade statistics and export strategies. The findings from this study are strongly grounded, based on the points discussed in this section. Section three deals with the answers for the basic question of why China has emerged as the fastest-growing economy in the world. Some synergies in the context of a changing business landscape in China, specifically with respect to globalization, are also discussed in the same section. Subsequently, section four deals with the findings of the study and discussion. The limitations of this study and directions for future research are given in section five. Last, the conclusions are reported in section six.

II. Economic environment and China’s rise: When and what?

According to Price Waterhouse Coopers’s forecast (PWC 2009), China is expected to surpass the United States as the single largest economy by 2050. Table 1 shows the economic growth rate of China in terms of GDP and compares it to those of other emerging economies, as well as to the United States, over the past 20 years. China has performed much better than the transition economies in Central and Eastern Europe during the last decade (Iyer and Masters 2000). Although both China and India are considered to be powerhouse economies in Asia, the Chinese economy is more developed than that of India (Chaudhuri 2012). For example, China has systematically moved ahead in creating a self-supporting industrial and innovation ecosystem (Chaudhuri 2012).
It is worth noting that the Chinese economy has recorded a remarkable growth rate, enjoying an average annual growth of 10% during the last two decades (calculated based on data detailed in Table 1), even though the growth rate has slowed down in the recent past. Paul and Mas (2016) compared growth rates of Brazil, Russia, India, and China (BRIC) with the United States and found that China and India have performed better than other compared countries. In this article, I compare China’s growth rate with that of India in particular (China’s main competitor in Asia) and the world average to get real insights. In comparison to average GDP growth in the world and in India, the statistics in Table 1 reflect that China has done an extraordinary job (see Figure 1). The average real GDP growth rate in China was much higher than that of India and the world average every year during 1993–2014. China represents about 20% of the world’s population, and over 12% of the world’s GDP in terms of purchasing power parity (PPP) (calculated using UNCTAD Statistics from the UNCTAD website (2015)). However, despite the remarkable growth, China faces many challenges in terms of poverty, unemployment, etc.

Some experts argue that China’s high economic growth rate is due to its ability to attract huge FDI, currently being the largest FDI recipient in the world (UNCTAD 2015). The country’s manufacturing sector has doubled its workforce share and tripled its output share, which has increasingly made China “the workshop of the world.” The country is also known as the “garage of the world” (Khanna 2009a; Paul 2013). For instance, American firms such as Apple and Nike assemble and manufacture their products in China, not only for sale in Asia, but also for reverse exports to the home country of the United States. Simultaneously, exports have played a significant role in China’s economic growth, following the reform and opening-up policy instituted in the early 1980s. China’s further economic growth depends, to a large extent, on inward FDI (Wei and Liu 2006; Zhang and Song 2002). Moreover, exports may also be a factor in China’s accelerated economic rise, as suggested by China’s entrance into the World Trade Organization (WTO) in 2001 (Paul 2015). China is typically considered to be an export-led economy par excellence (Bowles 2012).

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Source: UNCTAD Trade Statistics U.
Similarly, China has emerged as a major player in critical technologies (Zhou and Leydesdorff 2006). Heilmann (2008) examined the role of policy experimentation in China’s economic rise within the context of distinctive tools, processes, and effects of policy-related programs of its economic reform. He found that China’s experience attests to the potency of experimentation in bringing a transformative change, even in a rigid authoritarian, bureaucratic environment. Some experts note that, in China—“the fastest growing Asian economy”—there is an urgency to train larger numbers of leaders because the demand for talent has outstripped available indigenous human capital resources for several years (Shyamsunder et al. 2011; Van Velsor et al. 2013).

The following section describes China’s trade strategies, focusing on exports. This discussion emphasizes how China has achieved remarkable growth, focusing on the country’s dominance in the manufacturing sector and exports, within the context of specific strategies such as Exports to Everywhere (E to E) and Sales to Strangers (S to S).

III. The rise of China: Where and why?

I discuss the reasons for the rise of China with reference to the questions “Where?” and “Why?” in the following sub-sections.

Exports to everywhere (E-to-E) and sales to strangers (S-to-S) strategies

In this sub-section, we answer the question “Where?” with a response: Exports to Everywhere (E to E). We also discuss the strategies of Chinese firms briefly; namely, Sales to Strangers (S to S). China’s exports have
staggeringly grown during the past two decades (Khanna 2009b). Between 1993 and 2014, China’s exports have increased remarkably at an average annual growth rate of 17.1% (calculated based on data detailed in Table 2). This average is much higher than that of India and the world average. This can be considered as evidence to show that firms in China have succeeded in exporting products to every part of the world, with a bold strategy which can be named the Exports to Everywhere Strategy (because achieving an average 17.1% growth per annum is impossible without E-to-E strategy); and selling the products made in China to strangers (such rousing success can also be considered as success in sales to strangers (S-to-S Strategy)). This average growth rate is much higher than that of India and the world average, as shown in Table 2 and Figure 2. Chinese export growth has been much higher compared to other emerging countries (Khanna 2009b). China possesses unique features, such as cheap labor and heavily subsidized infrastructure. It is also worth noting that China’s rapid economic growth has largely been due to exports of labor-intensive commodities (Rodrik 2006; Yang 2012), suggesting that manufacturing growth will be sufficient to generate employment. Hence, we posit that:

H1: China’s rise has been precisely due to the high exports growth rate.

The question of where can also be answered with the help of the findings of some previous studies. The main export partner countries of China have relatively high income per capita and a high degree of economic openness, which are beneficial to China’s exports. China has also succeeded in sales to countries with lower political risk (Chou, Chen, and Mai 2015). Sahoo (2013) found that China has captured a substantial amount of the market by flooding the market with products in South Asian countries including Bangladesh, Pakistan, and Sri Lanka. Similarly, Kim (2014) found that, contrary to our expectation, U.S. imports from China have no significant effect on the trade deficit in the U.S., even though there is a trade imbalance between the U.S. and China (U.S. imports from China exceed the exports from the U.S. to China).

Table 2. Export growth rates (percentage), from 1993–2014.

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<td>0.50</td>
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<td>27.8</td>
<td>6.8</td>
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<td>34.6</td>
<td>35.4</td>
<td>28.4</td>
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<td>−16.0</td>
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<td>India</td>
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<td>23.3</td>
<td>29.8</td>
<td>−15.4</td>
<td>37.3</td>
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Source: UNCTAD Trade Statistics.
In China, the accelerated export growth produced a net addition to employment opportunities. Since China’s imports have not been as liberalized as those of most other developing countries (Wei and Liu 2006; Yao 2006), gains in manufacturing employment in China were not offset by employment losses caused by a displacement of domestic industry due to import competition. In addition, China has succeeded in creating Chinese towns in almost every other country with the help of diaspora of Chinese origin in those countries.

The following section discusses the reasons for China’s rise in terms of FDI, agriculture, manufacturing, services, telecommunications, infrastructure, and population. Following this discussion, we identify the main drivers of economic growth in China in hopes of enlightening firms and government agencies in developing countries to critically examine their growth strategies and business policies.

**The rise of China: Why?**

Chinese growth relies on FDI and exports. China has emerged as an international hub for manufacturing activities, with its cheap labor and deregulation reforms instituted by the government during the last two decades. In this context, the following subsection describes the antecedents and characteristics of inward FDI in China and OFDI from China.

**Inward and outward FDI (FDI and OFDI)**

China outranks other developing countries in terms of inward FDI as well as outward FDI for several reasons. As per UNCTAD Statistics (2015), China
has recently been ranked as the largest recipient of FDI in the world. The country’s liberalized rule allows flexibility to implement policy to incentivize FDI from multinational enterprises (MNEs). The resultant heavy inflow of FDI enabled China to develop infrastructure, becoming the world’s leading manufacturer of many durable goods (Zhang and Felmingham 2001; Zhang and Song 2002). Additionally, China has gone global with a lot of OFDI with state-owned firms normally seeking to invest in markets with large sources of available natural resources (supply-side-argument) and private firms seeking to invest in order to extend their reach and global market share by taking advantage of previously untapped niches (demand-side-argument) (Kothari, Kotabe, and Murphy 2013; Ramasamy, Yeung, and Laforet 2012). Similarly, competition between domestic firms and foreign firms has become intensive and cutthroat. Knowledge is flowing and being sourced in many different directions (Li, Zhang, and Lyles 2013).

Since the beginning of the “go global” policy in China, which was initiated to promote overseas investments, China’s OFDI increased nearly 20 times in the past 10 years (Wei 2010). This has prompted an increasing number of researchers to investigate different dimensions of this phenomenon. Early studies focused on the regulatory framework, growth, and pattern of Chinese OFDI (Cai 1999; Taylor 2002; Wu and Chen 2001); however, even more recent studies have focused on the determinants of Chinese OFDI at a macro level, from the perspective of both home country (Liu, Buck, and Shu 2005; Morck, Yeung, and Zhao 2008; Tolentino 2010) and host country (e.g., Buckley et al. 2007; Cheung and Qian 2009). Some scholars (Child and Rodrigues 2005; Deng 2004, 2007, 2009; Rui and Yip 2008) examined the motivations and rationale (antecedents) for OFDI from Chinese firms and found that Chinese firms use cross-border acquisitions and seek technology to acquire strategic capabilities to offset their competitive disadvantage. Deng (2009) proposed a model of resource-driven motivation behind overseas acquisitions by Chinese firms. Chou, Chen, and Mai (2015) discovered a substitutive relationship between China’s OFDI and exports. Amighini and Franco (2013) discuss Chinese automotive OFDI, noting that the key driver is the size of the host market’s economy. They discovered that market-seeking investments normally target lower-income countries. For the period 1989–2001, Canada and the United States’ OFDI and export performances, particularly to China and India, were different, as predicted by Ghosh and Wang’s model (2011). Canada, as compared to the United States, is lagging in its investments in China compared to the United States’ FDI, which is more diversified. Hence, the United States is making the most from fast-growing countries such as China and India.

The following sub-section discusses China’s rise and growth in the manufacturing sector. It describes the reasons that have facilitated China’s dominance in this sector.
Manufacturing
China has witnessed the highest grow rate in the manufacturing sector, overtaking the United States as the leading producer of manufactured goods (IMF 2014). China is currently seen as a world leader of manufacturing, known for low-priced, quality products (Saran and Guo 2005). In line with the growth of the manufacturing industry, the country’s per capita income almost doubled within 10 years, and the sector is now the main pillar of China’s national economy and also the highest employment generator (Greenaway, Mahabir, and Milner 2008). Multinational enterprises in China positively affect local Chinese firms’ exports through various spillover channels, and inward FDI brings significant, indirect spillovers (Buck et al. 2007). The manufacturing sector in other developing countries, such as India, Brazil, and Russia, could be vastly improved. Researchers have also investigated the view that China, Brazil, India, and South Africa (collectively CBIS) pose a threat to a developed world. Montalbano and Nency’s (2012) research partially mitigates this pessimistic view, with the relevant exception of China.

The following subsection describes China’s rise in the services sector. It is worth noting that China is actively trying to gain ground in this arena in the next few years.

Services
The wealth of a nation lies ultimately in the quality of the thought process of its population, which, in turn, is based on education. Market size is nothing but the sum total of levels of education and income level multiplied by the population size. China’s achievements in the field of technology and the availability of highly skilled manpower were the factors that accelerated the growth of service sectors in the country. China is also making valiant efforts to achieve progress in the service sector. According to the National Bureau of Statistics (NBS) of China, the service sector’s contribution to China’s GDP was 46.1% in 2013, surpassing the industrial sector’s contribution. Aiming for further growth in the services sector, China plans to improve in five areas, including call centers and home Internet access to foreign investors (Amiti and Freund 2010).

A brief discussion of China’s achievements in the telecom and infrastructure sector is presented in the following section. As detailed in the following, China has been trying for the top position in the global telecom market.

Telecommunications and infrastructure
Since the 1990s, China has invested heavily in telecom infrastructure, which is the reason why the Chinese telecom sector has prospered within a short period of time. Regarding subscribers, China has the world’s largest fixed-line and mobile network industry. In terms of telephone density, China has 20 connections per 100 persons (Paul and Mas 2016). The
following subsection provides an analysis of China’s infrastructure. As discussed, differences in infrastructure have allowed China to lead the global manufacturing sector.

China has a relatively superior infrastructure, including electricity, roads, ports, and airways, compared to other emerging countries (Paul and Mas 2016). Realizing the importance of infrastructure in fostering economic growth, Chinese policy makers have heavily invested in basic infrastructure facilities in recent years (Khanna 2009b). While China’s highway network amounts to 1.4 million km, India’s merely comprises 0.2 million km. The amount China has defrayed on highways represents 2–2.5% of its GDP (Khanna 2009b), which is relatively high compared to other emerging countries.

The next subsection highlights the crucial role played by a large population in China’s rise. The subsection also details the population-control policies that China has implemented, highlighting the challenges that further population growth could present in the near future.

**Population and low-cost labor**

China has been the world’s most populous country. As mentioned earlier, China’s manufacturing sector is booming due to its large population and resultant low-cost labor due to the excess supply of a labor force, to the extent that some have called it the “the workshop or garage of the world” (Khanna 2009b; Paul 2013). Nevertheless, whether the strengths outweigh the weaknesses is still up for debate. China’s population is 1.36 billion, making it the most populous country in the world (United States Census Bureau). In this context, it makes sense to note that China’s family planning policy, known as the one-child policy, has proven effective. The country’s population annual growth rate has been approximately 12–13 million persons, and the country is expected to sustain this growth rate until reaching 1.6 billion in the next century (UNCTAD 2013).

**IV. Findings and discussion**

In reviewing existing literature on the emergence of China in the world economy, we have identified the determinants of the country’s growth and rise. These factors can be summarized as: (1) high demand for Chinese exports; (2) FDI in the industrial sector; and (3) price competitiveness (cost factor). These key factors are summed up in Table 3, and depicted as a theoretical framework in both Table 3 and Figure 3.

China has been a major contributor to the global business and world economy, which indirectly turns economic gravity towards Asia. Chinese firms are playing a significant role in making the twenty-first century primarily about Asia. When countries with the population size of China unleash their creative energies, as they have done during the past two and half
decades, they are bound to have resounding worldwide impact. It is important to note that the economy of China has grown at an average of 10% over the past 20 years (see Table 1). China’s integration into the global market and incentives for FDI have allowed it to rise as the “manufacturing hub of the world.” The forecast detailed in Table 4 provides further evidence of China’s emergence, showing that China will surpass the United States as the largest economy by 2050.

In a nutshell, one could infer that China’s rise in the world economy is based on several factors. Earlier, Paul and Ichinoise (2014) found that Brazil, Russia, China, and India (BRIC) have relatively better outlook in the post-global recession phase for the next 30 years. Regarding China, the country’s unique labor force gives the economy a competitive advantage, as it has both an abundance of unskilled labors that can be employed at a low cost and a skilled workforce that has been significantly growing, particularly in the technology field, allowing an increase in exportation of high-technology products (Greenaway, Mahabir, and Milner 2008). Hence, we posit:

H2: A nation’s low-cost and skilled labor force contributes significantly to its competitive advantage.

Table 3. Key theoretical factors contributing to the rise of China.

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<th>China’s economic growth and rise is a function of their exports (E), foreign direct investment (FDI), Low Cost Labor (LCL)</th>
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<td>Hence,</td>
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<td>Growth in China = f (E, FDI, LCL)</td>
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Figure 3. Main reasons for the rise of China.
Chinese acceptance of inward FDI has also proven to be another important factor, increasing the adoption of new, foreign technology (Rodrik 2006; Yao 2006). This inward FDI generates productivity spillovers, especially in R&D, which contribute to the nation’s economy (Wei and Liu 2006). Zhang and Felmingham (2001) and Zhang and Song (2002) provide further evidence of inward FDI’s importance in the Chinese economy. At the time of the latter’s study, 44% of China’s exports were from foreign affiliates, showing the direct relation between FDI and exports, which can be explained by an increase in technology, manufacturing, and improved marketing and distribution methods. The authors mention that the increase in economic growth is among the top reasons the Chinese government strives to attract inward FDI. Kshetri (2011) notes that a shift towards increasing inward FDI and China’s strong governmental control over the economy allowed the country to minimize the effects of the global economic recession that began in 2007. Therefore, we posit:

H3: Increase in inward FDI leads to higher economic growth in a developing country.

According to Kwan and Cotsomitis (1991), China’s export growth is directly related to an increase in per capita income, highlighting the role of exports for a country’s rise in the world of business and global economy. Chinese export growth is also linked to the opening of the economy in the late 1970s for FDI. China’s entrance into WTO in 2001 further opened the country’s economy, increasing exports even more (Yao 2006). After entering the WTO, domestic value-added exports (exports that include some domestic content prior to resale) from China grew from 50–60% (Koopman, Wang, and Wei 2008). Paul (2015), in his empirical study, found that China has achieved remarkable success in exports both in the pre-WTO period (1991–2001) as well as post-WTO period (2002–2013), which implies that China’s exports growth rate was

Table 4. Projected relative size of economies in 2007 and 2050 (US = 100).

<table>
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<tr>
<th>Country (indices with U.S. = 100)</th>
<th>GDP at market exchange rates in US$ terms</th>
<th>GDP in PPP terms</th>
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<td>Russia</td>
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<td>17</td>
</tr>
</tbody>
</table>

Source: Pricewaterhouse Coopers estimates (using UN population projections), 2009.
not dependent upon the accession to WTO. Amiti and Freund (2010) attribute China’s exports success to the wide range of new export goods, as well as a reduction of prices. They found that, as technical knowledge increases, exports tend to move from labor-intensive industries such as agriculture and textile to knowledge-intensive industries such as electronics and machinery. Filatotchev et al. (2009) studied the exports of high-tech products and services in emerging economies, such as China and India, which are currently highly sought out for R&D outsourcing, arguing that entrepreneurial management skills are vital for successful R&D exports. These skills include managerial experience in international trade with MNEs.

China’s rise may pose some challenges to dominant countries such as the U.S., as success in international trade gives a country and firms from that country controllable market access in different regions in the world. Therefore, it is advisable, from the point of view of policy makers and MNEs from countries such as the U.S., to monitor every action and decision taken by their competitors from this “dragon economy.” China appears to have the potential to increase its exports and OFDI in the years to come, even to destinations like developed countries, with lower level of political risk.

V. Limitations and directions for future research

It makes sense to note that this study was conducted using a literature review and secondary data—mainly GDP and export growth as indicators of the rise of China. While these indicators are strong enough, the scope of research based on just two variables may not be regarded as an international benchmark study. The use of other indicators, such as alternate measures of emergence, market potential, and corporate performance (including cross-country and time series data on inward and outward foreign direct investment, FDI confidence index, Market Potential Index, stock market indices, unemployment rate, etc.), may help for accurate analysis in future research. In addition, an econometric analysis was not carried out in this article. It should have been possible to estimate the significance of the determinants of China’s rise using econometric modeling. Also, I relied on the findings from previous studies (literature review) on the subject to find the micro level information to assess China’s rise and formulate my propositions. Future researchers can take into account these limitations when designing their studies.

There are possibilities of exploring the determinants of China’s rise empirically with the help of tools such as multiple regression, granger causality, vector auto-regression, etc. There is also potential to research the destinations of Chinese exports using different theoretical frameworks such as a Cultural, Administrative, Geographical and Economic (CAGE) distance calculator, institutional theory, dynamic capability theory of multinational enterprises, etc., as well as the trend and pattern analysis of composition of
their exports. Future research could also replicate existing research in the context of other developing economies, and investigate whether firms and governments in other countries could follow a path similar to China’s, relying on Export to Everywhere (E-to-E) and Sales to Strangers (S-to-S). I also call for researchers to use hypotheses put forward in this study as their testable hypotheses in future studies.

VI. Conclusion

China followed public-sector-led development strategies prior to its liberalization and institution of market-oriented economic reforms. Thereafter, China implemented the liberalization of its economy, which appears to have helped it to attract foreign direct investment, strengthening its economy to a great extent. China welcomed FDI and private investment during the last two decades, which, in turn, facilitated success in the exports and manufacturing sectors. My findings corroborate the perspectives and observations of other studies (Saran and Guo 2005; Khanna 2009a, 2009b; Amiti and Freund 2010; Paul and Mas 2016). Based on my findings, I infer that it would be useful for firms interested in doing international trade with China to closely study its path towards rapid rise, understand those strategies that are both feasible and possible to implement, and manage their business scientifically, systematically, and successfully. On the other hand, at the macro level, policies such as a focus on exports could help developing countries to gain a competitive edge in the world economy. It also makes sense to analyze the impact of China’s rise on other countries scientifically and study the consequences on firms and people from both developed as well as developing countries in detail.

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