

## **Rising China: Global Integration and Bottlenecks of Developments**

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**ABSTRACT:** This paper is to particularly articulate the Chinese aspiration of global integration and the strategies they followed to be a globally dominant power. How the economic and political reform activities paved the way for achieving economic efficiency as well as how it will succeed in the reduction of poverty. There are some bottlenecks of these massive developments and achievements, those have also been analyzed in this paper. As the strategies of Global integration, this paper went through the Chinese involvement with the World Trade Organization, its initiatives to liberalize the Chinese Private sector, and lastly its long-desired mindset to establish a socialist countryside.

**KEYWORDS:** *China, Private sectors, Liberalization, Countryside, poverty, bottlenecks, Global integration.*

### **1. INTRODUCTION**

In the last few decades China has been the fastest-growing economy with the net rate of gross GDP is 9.5% from 1980 to 2004 and 9% from 2005 till the next five years. Right now, China is the 2nd in the list of nominal GDPs (It is 3rd if the EU counted as a state) with an estimated size of \$1.85 trillion. And China confirms its leading position in the list of GDPs based on Purchase power parity with a net worth of 231, 22,027 million USD (IMF, 2017) Along with these achievements, Chinese society has undergone some significant structural changes. Changes were almost impossible without the far sighting reformative actions by the government. Those socio-economic and political reform activities influenced the process of attaining a high rate of GDP growth. At the same time, these actions also have created some sort of vulnerabilities. The remarkable success of China can be threatened by so many issues, how to face those, and what types of actions are needed to be taken, these are the burning questions that China is trying to solve over time.

#### **1.1. Literature Review**

In this paper, few books related to China and its gradual development were reviewed. The book was written by Shalendra D. Sharma named 'China and India in the Age of Globalization', where the writer praised China for its unrealistic achievements in the development process along with the reduction of poverty. Along with this book, a book named 'How Fast China Can Grow?' written by Harm Zebregs back in 2003 reviewed in this paper to discuss the numerical facts of Chinese development. Many reports, especially report from IMF were given a much important place in this paper.

## 1.2. Data Collection

This paper mainly followed quantitative research methods with all the numerical data from secondary sources like books, journals, reports, etc. The reports from IMF are given the most important in this paper. Other information was collected from the books and news media. But all of those are secondary sources of data.

## 1.3. Central Research questions:

1. Where did China focus to attain global integrations?
2. What are the bottlenecks of the Chinese pattern of Integration?

## 2. Chinese Pattern of Economic Integration:

China has been in the current stage which is much tougher to maintain. A closer look at China's economic structure can give a glimpse of how it has evolved itself. According to the report of 2006 from the 'National Bureau of Statistics of China, back in 1980, the Primary sector of the Chinese economy was 29.9% of its GDP, but it decreased to 12.6% right after 25 years. Again, the tertiary sector was 21.9% of the GDP, while it was increased to 9.9% later in 2005. The same changes took place for other sectors as well like Industry, Construction, etc. But, these types of unrealistic successes were not possible without some favoring initial conditions, like good human capita endowments, a large working force population, and obviously a large and diversified economic base (Sharma, 2009). These factors helped China to achieve a fast-forwarded advancement toward a market-based economy and a rapid integration in the global economic system. Back in 1978, almost 70% of the workers were employed in the primary sectors (E.g., agriculture, fisheries, and mining) but this sector was only 28% of total GDP. But the scenario has changed as the labor force transferred from agriculture to industry. Which paved the way for a much more efficient allocation of public resources (Zebregs, 2003). China has expanded its export base by taking the opportunities offered by the global economy. In this process, it has followed the footsteps of Japan, Taiwan, and South Korea. The unexpected growth of Chinese export was largely driven by its massive labor-intensive manufacturing sector which was fueled by unprecedented volumes of Foreign Direct Investment. In today's world, China is the world's biggest exporters of finished products and at the time it is a prominent exporter of agricultural raw materials. Nicholas Lardy talked about this in his book 'China: The Great New Economic Challenge' of 2005. According to Lardy, a total of US\$500 billion was invested inside China as the DI and this amount of money was directly responsible for the 1/4th of the Chinese manufactured production. USA invested nearly US\$100 billion, while UK's invested amount was not less than US\$75 billion. IT is popularly believed that China has become the world's factory (Zhang, 2006). China's impact on global politics has increased gradually, because of the openness of Chinese trade. China's share of merchandise exports increased massively, as it was US\$10 billion in the late 1970s and it became US\$326 billion in late 2002. In terms of trades based on Dollar terms, it stands in 3rd position only behind to USA and Germany. In the figure below, US-China trade relation in between the fiscal year of 1985 to 2006 has shown up, based on the data from the US Census Bureau, Foreign Trade statistics. US has the largest trading imbalance with China, in number it was US\$233 billion in 2006 and US\$262 billion in 2007. It is almost 30% of the total trade imbalance of the USA, worth US\$ 736.6 billion. China is also making its position stronger in terms of consuming industrial raw materials consumption and oil. It already knocked down the USA from the leading position of the biggest industrial raw materials consumers and passed Japan as the world's 2nd largest oil consumer. In this complex situation of interdependence and interconnection, China did not have any option but to builds its affiliation with World Trade Organization back in 2001. This was a tonic for China for its global economic integration.

## 3. Central Research findings:

### 3.1. World Trade Organization in Chinese Integration:

China formally joined the World Trade Organization on 11th December of 2001, before that approval of WTO Ministerial Conference in Doha on 10th November of the previous year. GATT, generally known as the agreement on Trade and tariffs, was signed by China back in 1948. After a blow of confusion in 1949, China wished to resume its membership in GATT, and in 2001 this process saw its termination. But China was given an injunction of opening its trade regime, by weakening and reducing various trade barriers imposed especially by the USA. China had a better chance to use the WTO's dispute mitigating mechanism to ensure its trade security. China's joining decision was much appreciated by the world powers as it will plot a ground for better North-South relations. Previously Chinese authority had direct or indirect control over the foreign traders inside China's territory, but after the joining of WTO, it must change its traditional attitudes. It had to ensure a better trading environment for the traders from the WTO countries and it must be non-discriminatory for all the members. At the same time, China must abide by the rules and norms set by the WTO as it is a stakeholder of WTO. Therefore, China revised many of its rules and regulations that contradict that of WTO, even some were abolished. China has introduced many new regulations just to keep itself transparent to the WTO. For example, back on 1st January of 2002, China cut import tariffs for more than five thousand goods. Even the average rate of tariffs was decreased to 12% from 15% in just one year. Four years later, the rate was 9.9%. Besides, it has introduced new regulations on anti-subsidy and antidumping. Not only these, but China also must bring some changes at the institutional level to ensure proper communication between the government and business entity. But also, to ensure transparency. Under the conditions of WTO, China must clear out the open accessibility for the non-Chinese product in the Chinese market. The United States Trade Representative (USTR) had long claimed that there is a high probability of counterfeiting and piracy of intellectual property in China. Mr. Lieberthal (1995) termed this as 'fragmented authoritarianism. Some specific and subtle commitments were promised by China to WTO. Noteworthy among those are-

- 1) Showing transparency and predictability of China's business environment, especially of its trade regime.
- 2) Implementation of Trade-Related Aspects of Intellectual property from the date of accession.
- 3) Gradually eliminating trade barriers and expand markets for non-Chinese products.
- 4) Allowing foreign companies for starting joint ventures inside China without restrictions.
- 5) Providing permission to foreign financial institutions to provide service in China without restrictions. From the very 1st day of membership of WTO, China is dedicated to these commitments (Sharma, 2009).

### 3.2. Liberalizing Private Sectors in Chinese Integration:

Global integration is not possible without the emergence of Private sectors at the same time the shrinkage of state-controlled sectors. China's home non-public quarter or the "nonstate area" includes the township.

and village firms (TVEs), small-scale family organizations or family corporations with fewer than eight personnel, non-public businesses with eight or greater personnel, state-owned companies that have been privatized, publicly listed joint inventory corporations, and firms owned either exclusively or thru joint venture preparations with the aid of buyers from Hong Kong, Macau, and Taiwan. Even though the appropriate length of the private sector is doubtful, Tsai (2007) estimates that there are extra than 29 million private organizations that employ over 200 million humans and generate about two-thirds of China's commercial output. In keeping with Li (2006), the proportion of non-state organizations in China's business output has risen from 35 percent in 1985 to sixty-seven percentage

in 2003, while the proportion of country establishments fell from 65 percentage in 1985 to 33 percent in 2003 (additionally OECD 2005, 34–36). Arguably, the personal zone must turn out to be the primary road of employment in China. Expanding this quarter might help boom activity opportunities. But regardless of its developing importance, the non-public region faces constraints. Dickson (2003) shows that during the Jiang Zemin years, the numbers of Hong Zibenjia (or “pink capitalists,” this is, private entrepreneurs) who were participants of the Chinese Communist birthday party (CCP) grew rapidly, with extra than one third being senior celebration individuals.<sup>7</sup> although the controversy regarding what is the appropriate dating between the CCP and “market socialism with Chinese language characteristics” will no question maintain, it is also clear that this more and more close relationship between the birthday party and the private quarter isn't always conducive to long-time period increase due to the fact it is based on personal connections and favoritism rather than individual business enterprise and initiative. Furthermore, such cronyism fosters corruption. No longer surprisingly, in step with Transparency worldwide (2007), China now ranks the various “maximum corrupt” nations inside the world in which to do commercial enterprise. Also, as Tsai (2002) points out, in her aptly titled e-book back-Alley banking, personal entrepreneurs in China have long been denied access to official resources of credit. This is due to the fact the legally mounted kingdom banks’ fundamental precedence is to serve the nation-owned companies. In reality, installed banks are not allowed to assist the non-public region, and most personal financing stays illegal in China. Beneath those situations, private entrepreneurs have advanced innovative ways to raise capital to fund their organizations, inclusive of a type of casual financing mechanisms including rotating credit score institutions, borrowing from a circle of relatives and buddies, and creating “backdoor” relations with national banks, the SOEs, and even “disguised” personal banks. Of direction, such casual structures have inherent limits. China must increase a well-defined gadget of personal assets rights and formal monetary institutions that serve each public and private hobbies to preserve sustained boom rates. Expanding the private area and permitting a larger role for marketplace forces in guiding funding selections is important if China is to maintain high boom prices over the subsequent numerous years.

In the figure, the Investment-to-GDP ratio has been shown. Expanding the private sectors and allowing the larger role for market forces in guiding investment decisions critical if China is to sustain high growth rates. China’s economic growth is devoted to expanding a significant share of GDP for the establishments of factories, equipment, and buildings. The rate of such investments is more than 40% of its total GDP. In this graph, there is a comparison between the states based on their investments to GDP ratio. It shows that China invests much higher than its neighbors. This graph shows data from the source IMF.

Although China’s exports have jumped more than tenfold over the past two decades, the composition of its exports has not changed as rapidly as it should have. Although there has been a decline in the share of agriculture and primary manufactures such as textiles and apparel, the share of hard manufactures such as consumer electronics, appliances, machinery, computers, and telecommunications has not grown as fast (Sharma, 2009). In fact, a few years back, Mayer and Wood (2001) pointed out that China’s export performance in skill-intensive products was below the level that would be expected based on the country’s factor endowments. To maintain the current momentum of the Chinese economy it must move its value chain up. And it needs to promote knowledge and service-based industries, for example, software development, pharmaceuticals.

### 3.3. Socialist Peripheral Area as a Factor of Integration:

Here, the peripheral area of the country represented the producing landmass of agricultural products. Since the contribution of agricultural products to GDP has been decreased to 11.8% in 2006 while it

was more than 27% in 1990. It is the logical consequence of gradually decreased numbers of people involved in this sector, in 1985, the total number of deployed in the agricultural sector was 62%, but it was somewhere near to 45% in 2005. But historically this peripheral territory is very important for the Chinese economy, because of its ability to providing industrial raw materials to ensure millions of people's living hood. But, by the passage of time this countryside started to face pressure as a result of relaxed labor movement laws, many of the laborers left the countryside to the urban areas to find employment. That number was an estimated 200millions. This big group of people has generated substantial income for the rural areas as well by sending money back to the aged and elderly family members. Sometimes they go to the rural areas and use their accumulated knowledge and skill, experience to set up new industries and factories. According to official accounts, returning workers have set up about 1/5th of the country's rural enterprises (China National Bureau of Statistics 2004). But the process was never so easy to have for those floating migrant workers to the cities because they do not have a residence permit in the cities, which forces them to live illegally in the cities. Thus, they miss out on the basic social services. Because most of those services only for the legal and registered urban people. Along with this, they are the victim of payment delays and unfair wage structure of payment, sometimes the working conditions are not good as well. Mining workers and construction workers are the most vulnerable to risky working conditions. In order to solve these problems, the Chinese government issued a No.1 document, where the government's increased income in the rural areas is the top priority. For example, reduction of agricultural taxes in 31 Chinese provinces. Back in 2006, the Chinese president of that time 'Hu-Jintao' announced that that was the time was to create a 'New Socialist Countryside. And later on, this declaration got official recognition when it was included in the government's 11th five years plan. This plan was solely motivated to help out a rural living 800 million people. Along with a reduced tax burden, the government ensured more financial support to the farmers and countryside living people. The government has imposed a wage structure supervision system to ensure the transparency of wage payment. Employers with faulty history must put sufficient money in the fund before starting their business or service project. The government even had introduced to plan to provide legal aid to the migrant workers whenever they need it in case of violation of their rights.

#### **3.4. Influences of Integration in Economic Growth and Reduction of Poverty:**

How influential the reform activities are can be easily understood when the World Bank has listed in 'lower-middle-income country' from the list of 'Low income 'country. The Chinese economy has been experiencing massive up-moving gestures. China's per capita income was US\$1071 back in 1978, but in 2017 it has touched the barriers of US\$8000. This increased per capita income helped Chinese people to have a better life standard. China was at the top of the list in terms of poverty on eve of its reform activities (Chen, 2001). The number was somewhere near 53% in 1981 but it was brought down to astonishing 8% only. Poor people's number was at least 450million by the time beginning. These achievements were accelerated by the fall of communism but, as a matter of fact, in the first phase of the 21st-century poverty reduction flows faced slowed down environment. At the same time, income inequality started to bloom slightly as the outcome of capitalism and this situation is known as the Chinese paradox to historic analysts. According to some of the prominent academicians, this paradox is an outcome of Deng Xiaoping's policy of 'Letting some get rich first and rest will follow.

#### **3.5. Bottlenecks of Chinese Global Integration:**



China is on the cusp of being the largest economy in the world, following more than three decades of rapid industrialization and modernization. Yet China's economic miracle has imposed tremendous social costs. One-third of China's major rivers and 60 percent of its underground water supplies are polluted due to poor environmental regulation and unbridled industrialization. Such environmental issues pose a severe and sustained danger to the Chinese people's health and well-being. Along with these, the price hike of the commodities is also a problem. China's political system is another unavoidable now, where China is known as a one-party state and it is not that easy for other individuals or parties to stand against the Chinese Communist Party. The political spectrum is not open for all, which can be articulated as the bottlenecks for Chinese development. The Chinese language is also not like English, vastly used worldwide. It would face hurdles to compete with English in the way of being global economic and political power.

#### **4. CONCLUSIONS**

In today's world, China has been treated as a threat to the hegemony of the USA as a regime, because of its ability to gaining success after reform activities. Even there are some bottlenecks of development, but still China has credibly proved its potential of being global power in terms of economy and politics. But, for the assurance of global dominance, it must ensure no violations of Human rights inside its own territory over the Whighurs ethnic Muslims. It must open up the working places and scopes for social workers and journals etc. It will enhance the possibilities appreciation by world communities of Chinese influence.

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