

CHINA'S CURRENT ECONOMIC CHALLENGES

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“China’s rise to international economic prominence began with socio-political, economic, and cultural reforms late 1978 and into 1979 under the leadership of Mao Zedong and Deng Xiaoping” (Torres, 2013). This economic growth led to an unprecedented growth for three decades with an average growth of 9.7%. Further, in 2012 researchers projected that China’s economy would slow down at a rate of 5 or 6 to 8%; with a higher percentage between the 2012 until 2015. And from 2016 to 2025 China’s growth is projected to continue to decline to the range of 5 to 7%; with a strong probability at the lower rates (Torres, 2013). The current economic growth rates are estimated to be approximately 6.8% by the end of 2015; while many leading economist arguing that China’s actual economic growth rate is in the low 6% for 2015. These projections, made three years ago, and before, have proven to be realistic. And the current future projections for China’s economic growth rate suggests that China’s economic growth rate will continue to decline in the next decade or two.

China’s current leadership argues that this decline is planned; since China has grown based on an export oriented economy, and is now transitioning into a consumer oriented economy. However, experts today posit that China’s economy has many challenges to overcome before it could transition into a consumer oriented economy. Additionally, researchers argue that the future economic growth rate projections may be overstated, given China’s current economic challenges.

Some of China’s current economic challenges that will impact future trends and projections relate to domestic, and foreign policy, as follows: a change in leadership style, and approach to domestic and global issues, by current President Xi Jinping; a strategic plan that targets corruption, at the highest levels of government, military and business; an overproduction of “ghost cities” that are not complete, or sold; extreme high debt at the municipality level; environmental protection issues; the South China Sea issues that have created disharmony among different countries within the region and beyond; a large wealth gap, with a small percentage, although high in absolute numbers, wealthy, and an unbalanced income with the remainder of the population; the challenges brought about by the pursuit of oil and gas; increasing military expenditures and foreign investments, while unemployment at home is rising, programs for the aging and infrastructure; the tensions between Hong Kong and Beijing, Taiwan and Beijing mainland China internal issues with Tibet and Xinjiang; high investments in China highways, but low revenues; struggling banks; stock market issues; currency issues; the impact of China’s slowing economy on the rest of the world; regional tensions; labor and transportation cost increases; slowing consumer spending; China’s slowing economy’ impact on the luxury market; foreign MNCs have become cautious about investing in China; China’s controls over the internet, with censorship at its highest and unprecedented; China’s education system; China’s gender imbalance; China’s poverty, while improving is still a major issue; a slowing Macau; banking issues; China’s debt at over 250% of GDP; manufacturing moving out of China; decreasing PMI index; new home prices decreasing; violation of international property rights; cyberattack issues, learning cross-cultural intelligence and learning to compromise on common ground, and so on.

While the above are challenges that many countries have, these are new challenges for China. China is also challenged to meet these challenges, while maintaining mutual respect, harmony, and favorable relationship with their foreign counterparts.

