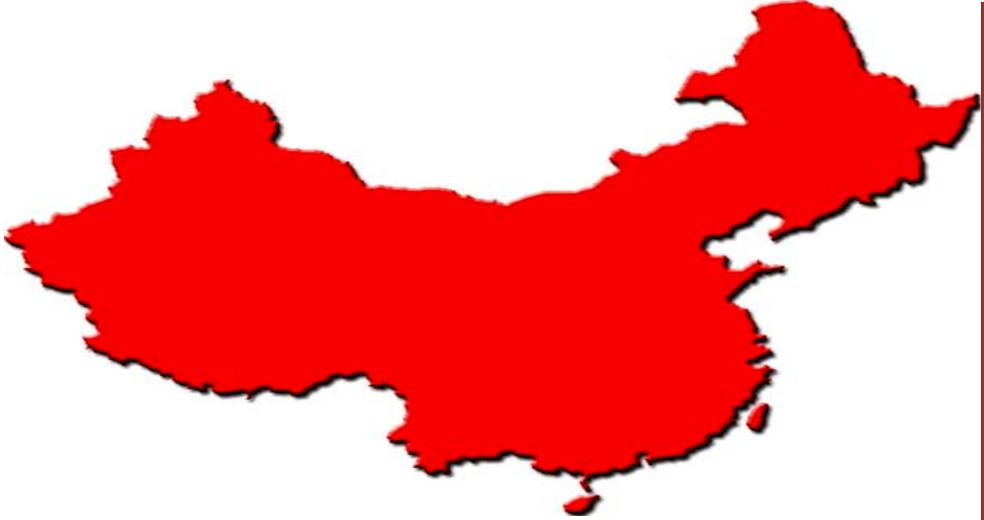
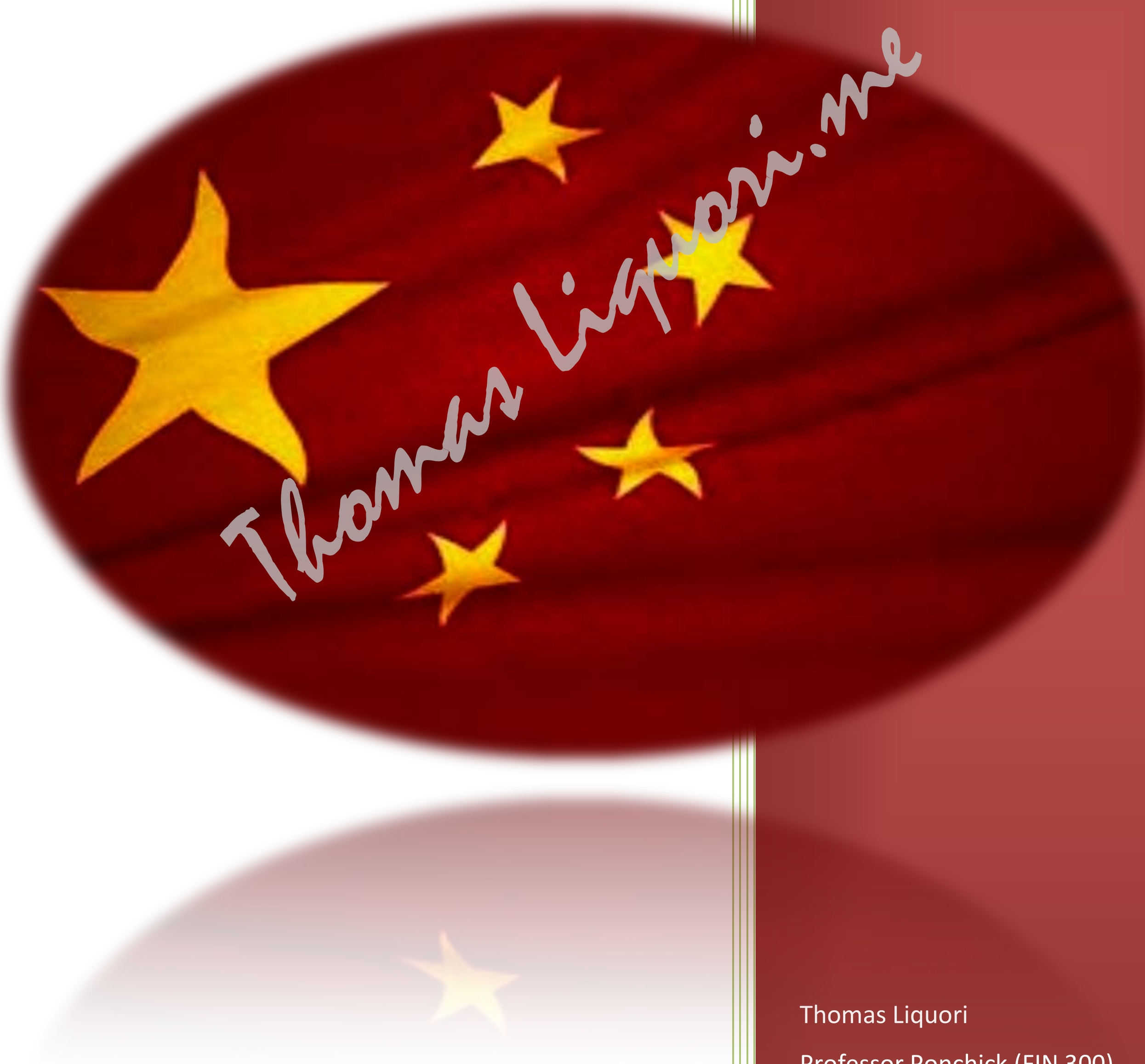


Capital Formation in China



Thomas Liquori
Professor Ponchick (FIN 300)
8/15/2009

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With an average annual growth rate in Gross Domestic Product (GDP) of 9.5 per cent, China has enjoyed the world's fastest sustained economic growth over the past quarter of a century (1979–2004). On a turnover of more than US$851 billion, it boasts the world's largest import/export trade. Spending over US$53 billion, it is the world's biggest utility of foreign direct investment. At around US$120 billion, it is the world's fourth largest economy after the US, Japan and the European Union. At over US$130 billion trade surplus with the US, it is second only to Japan as a creditor nation to the US. Yet China, for all its output, is still classified as a developing nation. With 1.3 billion people it has the world's largest population, giving its citizens a per capita income of nearly US$1000 (US–China Business Council 2003). Its overall Human Development Index (HDI) of 0.745 ranks it 94th, well below that of Thailand, but ahead of Vietnam and Indonesia (UNDP) 2004.

For the past 25 years, China has been in the midst of three economic transformations. It is simultaneously transforming from a planned economy to a market economy; from a subsistence peasant economy to a modern service economy; and from a domestic focus to an important international player. At its present rate of transformation, China should establish itself as the world's leading economy by 2050, by then affording its citizens one of the world's highest standards of living. Throwing aside its inwardly focused, planned economy shackles, China is emerging as a capitalist economy enjoying private ownership, free enterprise, and a strong commitment to international trade and finance. But, as always, as it integrates with and comes to dominate the world economy, China is doing it its way, on its own terms. On its way towards globalization, the post revolution Chinese economy has undergone three phases: 1949–1977, 1978–2000 and 2001–present.

The economic history of modern China began with the fall of the Qing Dynasty in 1911. Following the Qing, China underwent a period of instability and disrupted economic activity. Under the Nanjing decade (1927 CE-1937 CE), China advanced several industries, in particular those related to the military, in an effort to catch up with the west and prepare for war with Japan. The Second Sino-Japanese War (1937 CE-1945 CE) and the following Chinese civil war felled the Chinese republic and preparing for a Communist Party of China victory.

The Republic of China was a period of turmoil for China after the collapse of the Qing dynasty. From 1911 to 1927, China virtually disintegrated into regional warlords, fighting for authority and causing economic misery and contraction. After 1927, Chiang Kai-shek managed to reunify China and bring in the Nanjing decade, a period of relative prosperity despite civil war and Japanese aggression. In 1937, the Japanese invaded and literally laid China to waste in eight years of war. The era also saw the first boycott of Japanese products. Afterwards, the Chinese civil war further devastated China and led to the fall of the Republic in 1949 CE. The early republic was marked by frequent wars and factional struggles. From 1911 to 1927, famine, war and change of government were the norm in Chinese politics, with provinces periodically declaring "independence". The collapse of central authority caused the economic contraction that was in place since Qing to speed up, and was only reversed when Chiang reunified China in 1927 and proclaimed himself its leader.

Chinese domestic industries developed rapidly after the downfall of the Manchu Qing dynasty, despite turmoil in Chinese politics. Development of these industries peaked during World War I, which saw a great increase in demand for Chinese goods, which benefitted China's industries. In addition, imports to China fell drastically after total war broke out in Europe. For example, China's textile industry had 482 192 needle machines in 1913, while by 1918 (the end of the war) that number had gone up to 647 570. The number increased even faster to 1 248 282 by 1921. In addition, bread factories went up from 57 to 131. The May 4th movement, in which Chinese students called China's population to boycott foreign goods, also helped spur development. Foreign imports fell drastically from 1919-1921 and from 1925 to 1927.

Chinese industries continue to develop in the 1930s with the advent of the Nanking decade in the 1930s, when Chiang Kai-shek unified most of the country and brought political stability. China's industries developed and grew from 1927 to 1931. Though badly hit by the Great Depression from 1931 to 1935 and Japan's occupation of Manchuria in 1931, industrial output recovered by 1936. By 1936, industrial output had recovered and surpassed its previous peak in 1931 prior to the Great Depression's effects on China. This is best shown by the trends in Chinese GDP. In 1932, China's GDP peaked at 28.8 billion, before falling to 21.3 billion by 1934 and recovering to 23.7 billion by 1935.

The rural economy retained much of the characteristics of the Late Qing. While markets had been forming since the Song and Ming dynasties, Chinese agriculture by the Republic of China was almost completely geared towards producing cash crops for foreign consumption, and was thus subject of the international markets. Key exports included tea, silk, sugar canes, tobacco, cotton, corn and peanuts. The rural economy was hit hard by the Great Depression of the 1930s, in which an overproduction of agricultural goods lead to massive falling prices for China as well as an increase in foreign imports (as agricultural goods produced in western countries were "dumped" in China). In 1931, imports of rice in China amounted to 21 million bushels compared with 12 million in 1928. Other goods saw even more staggering increases. In 1932, 15 million bushels of grain were imported compared with 900,000 in 1928. This increased competition lead to a massive decline in Chinese agricultural prices (which were cheaper) and thus the income of rural famers. In 1932, agricultural prices were 41 percent of 1921 levels. Rural incomes had fallen to 57 percent of 1931 levels by 1934 in some areas.

Foreign direct investment in China soared during the Republic of China. Some 1.5 billion of investment was present in China by the beginning of the 20th century, with Russia, England and Germany being the largest investors. However, with the outbreak of WWI, investment from Germany and Russia stopped while England and Japan took a leading role. By 1930, foreign investment in China totaled 3.5 billion, with Japan leading (1.4 billion) and England at 1 billion. By 1948, however, the capital stock had halted with investment dropping to only 3 billion, with the US and Britain leading.

The new ruler of the People's Republic of China, Mao Zedong, initially promised to develop "a socialist alliance with petit-bourgeois, workers, and nationalist bourgeois", but enacted collectivization upon consolidation of the country. Collectivization resulted in the success of the first five-year plan, but Mao's second five-year plan, which included the Great Leap forward, did not meet with the same success. A new party faction who supported private plots eventually challenged Mao's economic policy. Unwilling to give up power, Mao launched the

Cultural Revolution, which led to the collapse of the Chinese economy.

Getting more in depth on the subject, the modern Chinese economy was established as a socialist planned economy in October 1949. Inward looking, the economy was all but closed to foreign trade and influence. Economic emphasis was placed on rapid industrial development in the hope of quickly matching the advanced economies of the UK and USA. Over the thirty years, nationalization and central planning progressively replaced private enterprise and free markets. Private firms were nationalized, banks were nationalized, household farms were collectivized and state-owned enterprises or SOEs came to dominate production. To protect its insular development strategy, central planning permeated all aspects of economic life. The government directed all business activity, including:

• A series of five-year plans were implemented, designed to guide and coordinate all economic development

• Foreign trade was all but outlawed apart from limited contact with other socialist countries—both import and export prices were fixed and foreign investment was disallowed

• Heavy industrial development was promoted through subsidized inputs, especially agricultural inputs, and cheap finance—at government direction the banks acted as conduits moving private savings into investment in industry at low fixed interest rates

• SOEs acted as production units rather than as business units—their task was to concentrate exclusively on filling their production quotas, freed from questions of cost efficiency and profitability and separated from the everyday business operations of planning and marketing which the government carried out for them

• Householder basic food, housing, education and health care were regulated through a strict system of household registration—school-leavers were allocated into jobs; once in a job a worker was basically tied to that job for life, with severe restrictions on labor mobility

• Macroeconomic policy was all but non-existent, conducted in the main through a rigid system of price–wage fixing, primarily the fixing of both agricultural prices and urban wages

• Wage differentials between skilled workers and unskilled workers were minimal, lowering worker incentives to gain skills

• Monetary policy had no meaning, due to fixed low interest rates; fiscal policy was simply heavy government spending supported through the directing of bank loans towards investment in heavy industry.

During these thirty years, China suffered less than two economically-devastating periods: the Great Leap Forward of 1958, a failed attempt to industrialize the countryside, and the Cultural Revolution of 1966–1976, a political move designed to redraw power to the Communist Party. Both pushed China's economy to the verge of economic and social collapse. The nation was also distracted by the Korean War (1950–1953) and the breakaway of Taiwan. The end result of these thirty years of 'modernization' was a failing domestic economy with limited connection to the outside world. While there was no inflation (prices were fixed) and no official unemployment (individuals were assigned jobs), China's economic growth was less than most other developing nations. It had developed a highly distorted economy burdened with an inefficient heavy industrial sector drawing labor and financial resources at the expense of the agricultural sector, the all but destroyed foreign trade sector, and the virtually nonexistent light manufacturing or service sectors. Severe shortage of basic foodstuffs, low worker motivation, and poor quality of goods and services ensued throughout the period.

Following Mao's death, one of the most senior officials who had advocated private plots in the early 1960s, Deng Xiaoping initiated gradual market reforms that abolished the communes and collectivized industries of Mao, replacing them with the free-market system. Deng's reforms vastly improved the standard of living of the Chinese people, the competitiveness of the Chinese economy, and caused China to become one of the fastest growing and most important economies in the world. It also led to one of the most rapid industrializations in world history. For this achievement he is sometimes known as "The Venerated Deng". As a result of Deng's reforms, China is widely regarded as a returning superpower.

In 1978 it began the official move from a socialist planned economy to a socialist market economy, freeing up the more obvious constraints on the economy, and moving from a sluggish Soviet-style centrally planned economy to a more market oriented economy, though still ensconced within a rigid political framework under Communist Party control. Over 23 years the planned economy was slowly dismantled with the gradual appearance of markets in agriculture, resources, labor, finance and technology. SOEs were given back their planning and marketing (business operations) functions, though their dominance was progressively cut back with the rise of private enterprise and freer markets. The state's fixed pricing system was dismantled. Import markets were progressively freed up, especially at the top quality consumer goods end. Given official priority, light industry and tertiary education soon supplanted primary industry and heavy industry as the main forces driving the economy.

Since 1979 the Chinese economy has been molded by two potentially opposing yet interrelated forces—economic experimentation and economic. Economic experimentation refers to the Chinese homegrown institutional reforms of the 1980s that lessened the central government's all-pervasive hold over economic activity. It found its expression in the gradual opening up of the nation to foreign trade and investment, the reform of land ownership, the abolition of fixed prices and the privatization of SOEs, among others. Economic convergence refers to the Chinese economy's institutional convergence and integration with the advanced economies, necessitated by China's accession to the World Trade Organization (WTO). Taken together these forces have underpinned and shaped China's more recent economic development.

Between 1979 and 2000, China underwent remarkable economic transformation. Agricultural employment fell from 71 per cent of the workforce to 50 per cent, while agriculture's contribution to GDP dropped from 41 to 18 per cent. Industry's share of GDP rose from 43 to 52 per cent. The contribution to gross industrial output by SOEs fell from 78 to 28 per cent, the slack picked up by the rapidly growing light manufacturing and services sectors. China doubled the size of its economy in the 1980s then doubled it again in the 1990s, despite the Asian financial crisis. The successful change in China's economy has been impressive, all the more so given the persisting problems faced by Russia and the east European nations who started from a much higher economic and industrial base. Compared to Russia, reasons for China's relative success is twofold.

Firstly, the Chinese reforms were piecemeal, though continuous, rather than the all-at-once Soviet reforms. Secondly, China was able to release its excess agricultural workers into industry, construction, transportation and commerce. In this way, it followed the path of Japan (1950s) and mirrored Vietnam (1990s) in fuelling growth by freeing up agricultural labor for use elsewhere, which Russia with a small agricultural base of 19 per cent could not do. Russia, in developing its light industry and services sector, had to draw its labor from heavy industry thereby shrinking that sector—a form of robbing Peter to pay Paul.

With its accession to the WTO in December 2001, the Chinese economy has entered its third phase of modernization: integration into the global economy. WTO requirements and China's new leadership appear to be moving China ever closer to a free and full capitalist economy. Given that the new phase has just begun and does not as yet have a history, perhaps the best ways to analyze it is through a discussion of both the present state of the Chinese economy and the problems and issues that it faces.

China first applied to join the General Agreement on Tariffs and Trade (GATT) in July 1986. It took fifteen years—until December 2001—to be accepted into GATT's replacement, the WTO. In 1986, when it first applied to the world 'club', China's exports stood at less than 10 per cent of its GDP and contributed just over 1 per cent to world exports. Today, just after entry, those figures stand at 20 per cent and 3 per cent respectively. China pushed hard for entry during those fifteen years. It understood that it had to be admitted into the club if it wanted to run the club—in the longer run. To this end, China is playing off short-term pain for long-term gain, hoping that within the next two decades it will dominate world trade, and the financial flows that underpin it, much as the US and Japan do now.

Entry into the WTO is quickly giving China the world as its market and the world's best practice as its productive benchmark. Moreover, it is reinforcing three aspects of the rapidly globalizing Chinese economy. Firstly, it is promoting stability in China's external economic relationships—reducing disruptions to trade by reducing unpredictable policy shifts; increasing foreign direct investment (FDI) into exports and domestic production; upgrading management skills, technology and market information; and giving greater access to global production and distribution networks. Secondly, it is increasing competition and speeding up economic reform through the restructuring of industry and the modernization of corporate structures.

Thirdly, it is generating longer-term growth from gains in productive efficiency and improvements in resource allocation. The short run pain of domestic bankruptcies and rising unemployment will give way to long run increases in FDI and the development of strong internationally-viable manufacturing and service sectors with their attendant boost to employment. With much at stake, interpretation of WTO rules has become a legal battlefield between nations. Whether WTO rules are eventually interpreted as supporting economic 'catch-up' (China's position) or as imposing immediate unprotected free trade and institutional reform (the West's position) still remains to be thrashed out, and compromised over, between the players.

While China has been enjoying official average annual GDP growth of over 9 per cent for the past two decades, the true growth figure may be 2–3 per cent lower because of the difficulty involved in accurately measuring this rapidly shifting quasi-market economy and because of the acknowledged tendency for provincial bureaucrats to overstate the figures they supply to the central government. Either set of figures though is still impressive, given the problems that have beset many nations over the past two decades. Impressive or not, official or not, accurate or not, the figures, however, belie the true nature of the Chinese economy. Of the three non-government sectors of spending in the economy, consumer demand is weak, with a populace choosing to save rather than spend, investment continues to be channeled into inefficient areas, and trade still contributes a small proportion to GDP.

The much-touted growth in output is coming almost entirely from the government's huge, and probably unsustainable, pump-priming of the economy. Overall domestic consumer demand is weak because of rising unemployment, mounting unpaid wages and pensions, and cheaper imports under WTO. There is an expectation that entry into the WTO will boost aggregate demand through increased foreign direct investment and exports (over imports). This, however, will exacerbate China's noticeable and growing disparity in the annual per capita disposable incomes of urban communities and rural communities, currently 8500 Yuan (US$1024) and 2622 Yuan (US$317) respectively. The coastal communities are booming. The inland rural communities are languishing. 97 per cent of foreign direct investment (FDI) takes place along the coast while all international trade passes through coastal cities. Alarmingly, the World Bank recently estimated that 30 per cent of China’s population lives below the poverty line of US$1 per day. This is down from the 60 per cent estimated in 1978.

Officially, China’s unemployment rate stands at 4.4 per cent. Unofficially, the rate may be as high as 9 per cent in urban areas and 30 per cent in rural areas—either unemployed or underemployed. Official unemployment narrowly includes only those over 18 whose job have disappeared, hold urban household registration, have not found new work, and are registered with the local labor department. Rising unemployment is being fuelled by China’s increasing population, falling consumer demand, increasing privatization, failing SOEs, continuing agricultural reforms and increasing imports. There appears to be a floating population, estimated to be growing at 5 per cent per annum of dispossessed rural workers trying to move into the cities. Access to global markets will drive employment in export oriented industries but rationalize employment in import competing industries. China is said to need 7–8 per cent annual GDP growth to create enough jobs to absorb the unemployed. It needs to create 12–15 million new jobs each year just to keep up with the growth in population.

Experts predict the country's economy to grow 7.8% this year, compared with his previous forecast of 7.2% a few months ago. Expert prognosis for next year is even rosier, with an expectation of 9% growth, compared with his earlier forecast of 8.5%. If the rest of the world pulls out of its slump next year, China could even be looking at double-digit growth again. Many other economists are sounding bullish about China, where GDP growth bottomed out in the first quarter at 6.1%. Last month the World Bank upped its estimate for Chinese economic growth in 2009 to 7.2%, having forecast in March only 6.5% growth. A few days later the Organization for Economic Cooperation & Development weighed in with a prediction of 7.7%, vs. an earlier figure of 6.3%. Credit Suisse (CS) is calling for 8% growth this year and 9% in 2010.

For the moment, Chinas exports continue to contract, although at a slower rate. On July 10, Xinhua News Agency reported a 21.4% decline in exports during June from a year earlier, continuing an eight-month slump. However, exports grew 7.5% from May, and some believe things have turned a corner. Experts note that the export component of China’s Purchasing Managers Index in May was above 50 for the first time in a year, signaling an expansion rather than a contraction in new export orders. What's surprising and encouraging about the strength of China's recovery is that so much of it seems to be fueled by Chinese consumers. To be sure, the $586 billion economic stimulus package unveiled by the government last November has helped prime the pump, as has a nearly $1.3 trillion expansion in credit since the beginning of the year.

Over a quarter of a century, China has emerged from its self imposed economic cocoon. The initial slow, tentative steps to economic reform have quickened pace and have now given way to the sweeping reform necessitated by China's accession to the WTO. Within another quarter of a century, probably less, China will be poised to take over the mantle of the world's largest economy from the US. By that time, it will enjoy both the world's largest domestic market and the world's largest international market. It will have a substantial middle class, blessed with a high disposable income and among the best educated in the world.

RESEARCH PAPER STATEMENT

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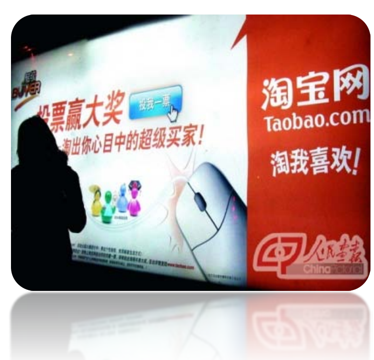
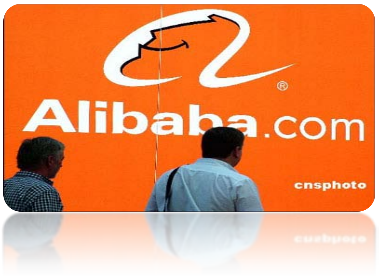
From the late 1970’s to recently China has become one of the fastest emerging financial powerhouses. China hosts the world’s largest import and export trade among countries and is the world’s biggest country of foreign direct investment. China is the fourth largest economy, around U.S. $120 billion, fourth behind, the number one U.S, Japan, and the E.U. Still with all of this financial success for the past quarter of a century, China, is still labeled today as a developing nation. Over the past quarter of a century, China has gone through three economic rebuilding phases. Over time, China has been transforming into a colossus global market economy, a modern service economy, as well as an international team player among allies.

Experts believe that China will emerge to be the leading super global power by the year 2050 through their strong will of international import and export, and the dominating foreign direct investment flowing into the country, China will have the largest financial economy, as well as the corner stone for world trade. On top of the country’s ability for world domination in an economic sense, China will also have the upper hand when it comes to the virtual reality world as well.

In 1999, eachnet.com was created as China’s first online auction marketplace, and by 2003 eachnet.com had become very successful and held the majority of consumers of online auctions in China. So successful, that EBay decided to purchase eachnet.com for $180 million dollars in that year. During that same year, a new dawn of an online China emerged on the internet auction scene, Taobao.com. In all respect to the company, Taobao.com is a subsidiary of the largest import/export website in the world, which ranks number one





among e-commerce and trading online according to Alexa.com, is Taobao's parent company, Alibaba.com. This dominant internet giant was created in 1999 to connect foreign buyers with exporters in China and other manufacturing countries. The company is based out of Hangzhou, China, is privately owned, and employees over thirteen hundred people worldwide.

In the first year that China's Alibaba.com announced its new consumer to consumer online market site, Taobao.com had risen to becoming the market leader of consumer to consumer transactions over the internet. In 2004, Alibaba.com announced that it would invest RMB350 million, ($42 million) which quadrupled the amount of investing to start the site one year prior of only RMB100 million ($10 million). These investments would be a positive strategic move by the Chinese giant. Most of the funds went to expanding the site, creating a new easy to use payment system, enhancement in customer service, and a new improvement in their security system.

China, with all its greatness that it has been pouring out over the years, is still in the primary stage of socialism. China needs to establish the system of a socialist market economy in order to raise the level of marketisation. Being modern, China should go through the channels of commercialization and marketisation. China will have to compete with neighboring provinces so their country will be able to accept advanced technologies, improve the quality of products, as well as services and management, so they can survive the little competition that is trying to keep up with the dominating giant. China's social forces have been and will develop faster for modernization then the rest of the world in the future to come.

A basic structure of China's social makeup consists of communist and capitalist class systems. When trying to enter China as a competitor to the foreign country, there are social advantages and disadvantages. The advantages allows for increase market share and competition. With increasing economic structure for potential profitability is possible. Brand recognition and increasing market share could make any company a dominate force in China's market. The current laws help build on China's infrastructure and strengthen the economy.

The disadvantages in China are the communist versus the capitalist aspect. For capitalism, open competition is limited by the ideologies by communism. China's government regulations limit ownership companies and create special economic zones. With increasing GDP, (Gross Domestic Product) the potential of profit has increased and some decreasing government regulations are opening the market share at a leisurely pace. With the increasing economy China, and their less strict government regulations, foreign companies believe that the potential for profitability in China is real and within grasps.

Alpha, which is an online economic information center, questioned, just two years ago, if China would grow old before it would grow rich. Richard Shaw, the author of the article, goes on to state that China faces some enormous developing demographic problems: two few women of marriageable age, too many old people and too little retirement protection for most people. With the population skyrocketing, in 2008, to over one billion people, and with a limitation to one child a family the population is at a huge unbalance. Currently the male dominance is at an all time high resulting from the murders of any child who is not born male. Even though it might not seem like such a big issue now, what happens forty years down the road? When Chinese men no longer have the opportunity to marry because most of the population of the women are married and with child? Will China be able to reproduce enough female babies to build the population to a balance, or will the population grow old, without care, and suddenly, once again without economic prosperity.

Another issue that concerns many a company is being able to adapt, and understand a country where culture is looked at through different views. A nice gesture here can take offense to many there in China which has to be examined carefully. China, unlike the United States, is more family oriented. They believe that family comes first, and that honor for your family must be kept as honor and nothing else. If you so dare to dishonor the family one can even be disowned. Also, unlike the United States where the elderly are usually pushed aside, a lack of space, and mostly frowned upon. The elderly in China are considered wise, and intelligent, and are most likely the head of the family.

The population growth rate in the country helps us determine how much potential China will have as an explosive market to both the host country, as well as foreign countries wishing to tap into the potentially profitable market. The approximate number is estimated at 0.606% for population growth in 2007 for the country. The religion factor helps us understand the diversity of religion within the country. It is estimated that the Taoist, Buddhist, Muslim ratio is 10% to 20% and the Christian religion is estimated at 30% to 40%. The remainder is unofficially estimated to be atheist. Literacy within the country helps us determine what kind of advertising is needed. The estimated age of population age 15 and over can read and write, which breaks down to 92.9% male and 78.8% female. As of 2005 electricity production in the country was 2.5

trillion KWH. There are approximately 400 million television viewers as of 1997 and as of 2006 there are 137 million internet users.

Asia has developed into a global force on the international commercial, political and cultural network. Experts predict that 95 percent of all South Korean households will be wired for broadband Internet by the year 2010. Ninety-four percent of Japanese homes will have broadband access, with Hong Kong, Singapore and Australia expected to be nearly 80 percent wired. By 2010, China will have replaced the US as the largest Internet market in the world.

Another point that can be analyzed in the capital formation of China is the financial environment hosted in the country's fifty major cities. The Governor of the People's Bank of China Zhou Xiaochuan stated, "China has vividly compared their financial environment with their ecological environment in major Chinese cities. Financial ecological environment refers to economic and legal systems, social credibility and cultural environment in a city. According to a report on financial ecological environment assessment among major Chinese cities compiled recently by Chinese Academy of Social Sciences, Shanghai has ranked first among the top 50 cities in China in its financial environment." The Governor goes on to state that, by the end of 2006 total capital assets in foreign banks in Shanghai reached over fifty billion dollars, accounting for 55% of foreign banking assets all over China.

China's foreign financial assets increased 33% year-on-year to reach $1.63 trillion by the end of 2006, according to a statement released on May 25 by the regulator Safe (State Administration of Foreign Exchange). FX Week reports foreign financial liabilities rose by 21% year-on-year to reach $964.5 billion, the regulator found. Foreign reserves reached $1.07 trillion, the largest in the world for any country, and accounted for 66% of total financial assets. According to a survey conducted by People's Bank of China, during the transitional period, 70%-80% of bad loans were due to government administrative intervention. Whether market economy is dominant or not, the key is to see if the government has stopped direct intervention in and withdraw from business or financial affairs. It is reported that the Financial Institute of Chinese Academy of Social Sciences will continue to follow the financial environment in various cities and will compile a report on financial ecological environment assessment every year till such concept of financial ecology is wiped out in China.

In conclusion, China undoubtedly is a rising force in all aspects of economic growth. Whether it is their dominant trade market or their impressive hold on the global internet market, China has come a long way in their efforts for capital formation. The question is, will China, especially the PRC Government (People’s Republic of China) be able to overcome the scrutiny of still being categorized as a developing country? Only time will tell if the global dominating giant will overcome all skeptics and flourish through their massive channels of wealth through foreign investment and their global dominating import/export trade economy, which expands to the online market with no light at the end of the road that China will loosen their grasp as becoming the world’s leader in economic wealth and value.

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