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China's Expansion in International Business

The Geopolitical Impact on the World
Economy

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macmillan

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Introduction

China is a sleeping giant. Let her sleep, for when she wakes she will move the world.

Napoleon Bonaparte. [Landau, E., 2006]

Introduction

Lately, numerous different theories, expert opinions and views on the Chinese economy and its position in the world economy have been presented. It is logical because China has become one of the leaders of the world economy in a relatively short period of time, and there is every indication that it will become a new hegemon. Much less known are the circumstances that have got China to such an admirable developmental trajectory. It is, however, a logical consequence of China pushing forward long-term strategic initiatives through trial and error and with the presence of lucky coincidences. This effectively combined the natural comparative advantages and national specifics of China which attracted a large amount of foreign investment with new opportunities that emerged on international markets.

In many cases, the Chinese government was forced to *sacrifice* the living standard of some demographic groups and regions, and even make various serious macroeconomic decisions which, for example, reduced

the final consumption or have had a negative impact on the living conditions of the population. Most of these measures would be absolutely *unfeasible* in the European Union or the United States and, therefore, when they were successfully implemented in China, it was possible just because the historical transformation of this economy was accepted by the whole society and the set targets were adopted by the vast majority of China's population.

An indisputable advantage of the strategic measures taken was the willingness of the population to cope with a number of unfavourable consequences of economic reforms and the implementation of huge projects whose subsequent impacts were painful, but later they showed their positive influence on improving the overall living conditions in this country and its subsequent expansion. National paternalism and humility, which are immanent to Chinese *Neo-Confucianism*, were essential in this case. Therefore, the impact of this philosophy of life has turned out to be more remarkable and well timed than in all other Asian economies at the turn of the millennium. Its effectiveness in the second decade of this century, characterised by a fast-growing capital accumulation, boom in social freedoms, enormous urbanisation, modernisation, a massive increase of the domestic consumption, and a rapid upsurge in education and culture, would drop significantly under other conditions, and we can only speculate whether the necessary long-term growth rate would be achieved. Z. Weiwei (2017) described these developments briefly: "It is undeniable that China's success over the past three decades is inseparable from the organic combination of these factors. Chinese cultural heritages, socialist traditions as well as useful elements from the West and other civilizations."

It is clear that China's ability to link its own advantages with a tremendous effort to return to its historical positions in a relatively short period of time, along with the changes that have taken place in the rest of the world economy, has created a decisive algorithm for its economic success and the progressive consolidation of the global dominance of this country. China's *economic satellites*—Hong Kong, Singapore, Macao and Taiwan (the Greater China region)—are all pieces of this jigsaw puzzle, although there is an ongoing and unresolved political antagonism in the case of Taiwan. Mainland China has defined new roles in the interna-

tional promotion of the entire group, using their specific comparative advantages. Therefore, this fact cannot be overlooked when assessing its geopolitical implications.

The aim of the authors was to *capture* the overall development of the Chinese economy, to identify its key stages and to draw attention to its unique features which, in the authors' view, were characteristic for China's economic success and are historically unrepeatable, but above all to highlight the geopolitical impacts of the whole process on the world and its European integration grouping. For this reason, their research was centred around the overall development of the Chinese economy and the analysis of its main backbones, domestic economic reforms and their impact on inward and outward of foreign direct investment (FDI), foreign trade and the structure and the development of its energy sector. The need to explore the most important strategic elements of economic reforms in this country has necessitated to also cover education, urbanisation and the changes in the economic life that have become *conditio sine qua non* of the success of this economic renaissance.

The members of the team had to cope with many obstacles while writing this book: the inconsistency of the data used, the differences in official statistics or their incompleteness and the fact that such a large and important economy, as China undoubtedly is, only provides information about its developmental or strategic priorities with great caution. Understanding its domestic conditions is also difficult, and, for example, the comparison of time series data with the opinions or assessments of renowned experts and think tanks could often be only interpreted generally. Over time, authors have come to the conclusion that most of the critical attitudes towards developments in this country and its future status in the world do not reflect the actual economic atmosphere in China.

An important finding was that a number of frequently cited experts, whose statements have a large impact, for example, on the international stock exchanges and commodity markets, use a simplified *American* way of interpreting economic indicators when formulating their opinions and forecasts, and they also tend to overlook China's uniqueness. Our ambition is also to convince readers that one of the most certain variables in the world economy is the dynamics of the economy, and that other territories of the world have to cope with its growing international influence. There is little chance of repeating the Chinese success.

The goal of other economies, however, must be to implement such economic and social reforms that will enable the activation of their own comparative advantages and the restoration of their positions of attractive economic and trading partners with long-term, firm positions in the world markets. Only in this way, it will be possible to limit the negative consequences of the emergence of a new *hegemon* for the economic interests and positions of the developed market economies (DMEs). The authors would like to express their gratitude for the support of the PhD students of our department, especially Michaela Královičová, PhD, who has done long-term research at the university in Fudan.

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