China’s Influence on the Future of Global Business Culture in the 21st Century
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ABSTRACT

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. These changes led China’s economy to unprecedented growth for the following three decades; after 1979. Today, China enjoys being recognized as the second largest economy in the world. However, while China’s economy realized an average growth of 9.7% over three decades, questions arise as to whether China can continue its economic growth of the past three decades. Further, challenging the global economic culture of the 21st century is the growth that has been witnessed by the BRIC nations, including an impressive economic growth opportunity from South Africa. That is, the 21st century is witnessing a global change in economic power, from a decrease in the developed nations, and an increase from the developing, emerging, economies. China’s future challenges as surmounted by a shift in the demographics, and arguably, the increase in their middle class; to potentially the largest middle class in the world. China’s rise in Asia, to hegemonic status, and global economic prominence has brought additional challenges, or opportunities, that must be addressed. These challenges focus on the need to develop a sustainable infrastructure, controls, and effective global leadership to sustain economic growth. Researchers project that China’s economy will slow down at a rate of 5 or 6 to 8%; with a higher percentage between the current years until 2015. And from 2016 to 2025 China’s growth is projected to decline to the range of 5 to 7%. While these rates suggests decreases in comparison to China’s past economic growth, they are competitive on a global scale and focus on the development of the new challenges that China is beginning to face. This study will discuss China’s rise in Asia, its economic influence in different regions of the world, its changing structures, its aging and young’s population’s effect, the rise of China’s middle class and the overall prediction of China’s economy to the year 2025.

Key words: China in the 21st century, China and the global business culture, Global business culture

INTRODUCTION

Globalization has been instrumental in transforming not only global economies and the international dynamics of power, but also redefining international power. The Chinese Olympic Games was intended to showcase China’s economic development progress and world leader status; which ultimately helped to transform China’s image as a global economic power and influence on business culture in the twenty-first century (Salloum, 2004). China’s embrace of a market economy, economic growth and geopolitical influence has attracted the attention of foreign countries, but not without its internal challenges (Norris, 2011). Additionally, China has undertaken impressive efforts to enact laws and regulations, in environmental protection, anti-monopoly, property rights and labor laws that encourage corporate social responsibilities and are fueling FDI inflows (Norris, 2011). According to analysts, the decrease of the developed countries’ economic power shifts this power dynamic in the direction of the emerging economies, and political power will inevitably follow; dynamics of geopolitical events of the 21st century. Further, China a large developing country with an emerging economy, is, arguably, accepting the responsibility of encouraging other countries to help in creating a more effective trade and financial system for sustainable world development (Ying, 2010). And during a recent G20 Summit, China’s President Hu Jintao, spoke about China’s position relative to future world economic development and regional cooperation. China’s growing power has not challenged its local region, and has been more of a contributor in maintaining its existing order (Wang, 2011). China’s future growth will have implications for the rest of the world; already influencing the world economy through its booming exports, its demand for natural resources, its influence on global warming and so on. However, researchers argue that growth will slow from 6 to 8 percent over the next two decades (Perkins & Rawski, 2008). And the gap between Chinese and U.S. power is drastically narrowing (York, 2006). Additionally, China’s increasing presence and influence in Latin America, European Union, Eastern Asia, and Africa has now become a hot item of discussion and debate on a global level (Versi, 2006). In a recent World Economic Forum survey, participants identified the most significant global economic society and environment issues of the future: global power shifts; emerging economies and China; uncertain economic recovery; population growth and ageing; shortage of resources; and inequality (World Economic Forum, 2011). And Asia and other emerging markets will outstrip
the economic performance of Europe and North America (World Economic Forum, 2011). To this end, how China wields power in an integrated global community will determine in the end the character of its international influence (Kim, 2003); as it influences the future of global business culture in the 21st century.

**Global Business Culture Transformation**

The global business culture, post-WWII, was led, primarily by the U.S., and within a relatively short time, was joined by Western Europe and Japan. This global business cultural influence began to change during the latter part of the 20th century, where the 21st century’s global business culture has changed its dynamics, with the U.S., China/BRIC nations, and the European Union. Further, researchers argue that globalization, during the 20th Century may now be taken over by a more segmented regionalization, as witnessed by many regional trade agreements, EU, ASEAN, APAC, NAFTA, and so on, and many bilateral trade agreements. This has led to a global economic interrelationship.

Researchers argue that both China’s political and economic developments during the past three decades are of unprecedented, amazing, momentous and influential levels. China has embarked on an extraordinary transformation similar in scale to that of the Western Industrial Revolution. Perhaps, and arguably, the most intriguing of this transformation is the role of the Chinese central government; the Communist Party (McGregor, 2010). China’s central planning system, its political party, still depends on a successful free market system that has achieved such extraordinary historic growth. To this end, China’s economic growth is the most significant achievement that supports China’s political Communist Party. Researchers will argue that it is this significant achievement which gives China the power and recognition is now enjoys throughout the international environment (McGregor, 2010).

Globalization has been greatly instrumental in influencing not only global power dynamics but also the very definition of what power constitutes. As an example, China’s own perception and understanding have focused on an economic, scientific and technology perspective, as opposed to a military perspective. Many researchers and practitioners will argue that China’s focus is on soft versus hard power. Therefore, as China continues to be integrated and interrelated to the global community, how it exercises its power will determine the character of its global influence. Today, researchers and practitioners recognize China’s sovereignty and power base as more secure and accepted in the international community; more than in the past (Kim 2003).

**China’s Rise in Asia**

China’s growing power has thus far led the country to become less of a challenger to the status quo in Asia and more of a net contributor to regional order, and that the future trajectory of Chinese policy in the region will depend critically on how the U.S. conducts itself in Asia (Wang, 2011). In order to persuade the region of the peaceful nature of China’s rise (Wang, 2011), the Chinese government launched many bilateral trade agreements with countries not only within its region, but outside as well. However, China remains highly sensitive to America’s role and policy in the region. “China has thus adapted a moderate policy with the U.S.; resulting from China’s recognition that good relations with the U.S. are crucial to its domestic economic development and political stability. However, China still remains suspicious of the U.S., intentions (Wang, 2011).

China’s award of the Olympic Games in 2001 provided them with the vehicle to showcase their extraordinary economic growth and project to the world their country’s new status as a global leader. The recent Olympics in China helped to change China’s past global image, stemming from what many argue as the 1989 Tiananmen massacre, to a new image of China as a global economic power and influence on business culture in the twenty-first century (Salloum, 2004).

China’s economy will continue to lead the way to continued Asian economic growth. China’s GDP growth increased in 2010 to 10.3, up from 9.2 in the preceding year 2009. This increase in GDP was fueled by increases in many activities throughout different elements of China’s economy; that is, spread throughout all of China’s various economic activities, such as relaxed credit situations and a stimulus-package backed by the Chinese government that helped to increase the investment segment. Economic growth will decrease in 2011 to 9 percent, the end to spending created by stimulus ceases and tightening of policy leads to a slowdown in the investment in real estate. Business surveys and industrial production figures indicate that activity is already slowing. However, the strength in the growth of income will aid in supporting consumption, while the central government focuses on not allowing growth to slow down; while also remaining diligent on switching to a more supportive stance if required (Economist Intelligence Unit, 2011).
While China’s economy arguably suggests a slowdown, there are many potential risks that could result in some drastic outcomes. Inflation is a serious danger. In December 2010 year-to-year consumer price inflation decreased to 4.6%, but it is expected to accelerate to an average of 5% in 2011. The main reason for the recent rise in inflation could arguably be related to bad timing, which has provided double-digit food price increases. These pressures should relax conditions so they can return to normal, and core inflation (excluding food) stood at just 1.9% in December. But there are signs of overheating. Nominal wages per head increased by almost 18% in the third quarter of 2010, and it is possible that higher wage costs will filter through to the price of goods. The property market is also still a cause for concern. Although the official data show that real house prices increased by just 8.7% over the past two years, and 16% over the past five years, there has been a clear divergence between the growth in supply and demand for housing in the past year (see chart). With the exception of 2008, when house prices were weak, floor space sold tends to be close to the amount of floor space completed the year before. It would take a sales boom in 2011 (even as borrowing costs are rising) to match the new supply due to become available, suggesting that there is a risk of a fall in house prices next year. The surge in liquidity that occurred in 2009 and 2010 is also a real concern (Economist Intelligence Unit, 2011).

The Chinese leadership is taking the appropriate measure to relax the economy. In 2010 the government raised banks' reserve requirement ratios six times. In October and December interest rates were raised. Most recently, on February 8th China hiked the benchmark one-year lending rate by 25 basis points to 6.06% and the one-year deposit rate by the same increment, to 3%. Administrative measures, such as price controls on some basic items, subsidies and the release of stocks of food and fuel from government warehouses, are also being used to constrain prices. So far the authorities have been successful, at least in curbing bank credit, which should help to restrain inflation. But bank lending is not the only factor adding to the high levels of financing available in the economy. Firms have been active in the corporate bond market and have issued large amounts of equity. Retained earnings have also soared in 2010—corporate profits rose by 49% year on year in January-November. M2 as a percentage of GDP, which is a good measure of liquidity, rose from 152% in 2008 to 178% in 2009 and 191% in 2010 (Economist Intelligence Unit, 2011).

There is clearly some way to go in China’s tightening cycle. Capital requirements and interest rates will probably be raised again in the coming months, and the government is also likely to allow some appreciation in the exchange rate. Deposit interest rates, at 3%, are considerably negative in real terms, suggesting the degree of tightening that might still be needed. Our core forecast is that inflation will average 5% in 2011, but this could be too benign (a spike to perhaps above 7% is conceivable). In the event that inflation accelerates further, a more determined policy would result, with negative implications for economic growth. Raising interest rates, curbing loan expansion and tightening up on mortgages all run the risk of exposing state-owned banks to bad loans to local governments, property developers and state-owned enterprises. Such problems can be allowed to build up in the short term, but they risk creating the need for a larger rescue or recapitalization of state banks, which would impair public finances. A spike in inflation and a policy over-reaction could bring GDP growth down to unexpectedly low levels (bearing in mind that anything below 7% would be classed as low in the Chinese context, and 5% would be shockingly low) (Economist Intelligence Unit, 2011).

**China’s Path to Hegemonic Status**

Yan Xuetong (as cited in York, 2006) suggests that the gap between the Chinese and U.S. power is decreasing considerably. “Today, there is an ongoing debate in China about the country's increasing political power and its place in the global rankings of power. The clear suggestion is that China is on the path of the same historic rise as Britain, Germany, Japan and the United States. A recent poll of about 2,000 Chinese citizens, conducted for two U.S. think tanks, found that the Chinese are eagerly embracing their rush to greatness. Most expect China to become as powerful as the United States within a decade (York, 2006).

**Emerging Economies**

A bigger economic output means a larger voice for emerging economies and developing countries on the world stage. Chinese President Hu Jintao, attending the G20 Summit and the APEC Economic Leaders’ Meeting from Nov 11-14, spelled out China's stance on future world economic development and regional cooperation. His remarks represented a common stance by emerging economies and developing countries. Analysts said developed countries' decreasing economic power marks a power shift towards emerging economies. China, as a big developing country with an emerging economy, should take responsibility and urge other countries to help create a better trade and financial system for sustainable world development” (Ying, 2010).
China’s Future Growth to 2025

“How fast China grows in the next twenty years has implication for the rest of the world” (Perkins & Rawski, 2008, p. 34). China has been able to influence the world economy as a result of its strong exports, its natural resource demands, and its increasing influences on global warming and so on. “Productivity increases will remain important drivers of China’s growth but will not match the gains of last 30 years. Continuing reforms, particularly of China’s financial and legal systems, will be essential to maintain rapid economic growth. However, growth will slow from 6 to 8 percent over the next two decades” (Perkins & Rawski, 2008, p. 35).

Research suggests that based on labor, human capital, and with total factor productivity (TFP) factor inputs at negative stages, China’s past GDP growth performance for the period between the years 1952 to 1978 was primarily sustained by the increases in capital and labor inputs. Further, China’s 1978 to 1979’s economic reform brought about dramatic changes, never before witnessed, in the three decades that followed, as a result of the key driver, productivity, that lead rapid growth by way of increased capital formation. To this end, TFP achieved an average annual growth rate of 3.8 percent between 1978 and 2005, with a slight decrease in the final 10 years. Moreover, the labor growth, as well as capital and education can, arguably, increase China’s GDP to a maximum 5 percent rate.

China’s real GDP growth increased to 10.3% in 2010, from 9.2% in the preceding year of 2009. Additionally, China’s 2011 GDP was projected to conclude at 9%. China’s economy did actually expand in 2011 by 9.2 percent based upon the previous year, and 8.9 percent every year in the fourth quarter (the National Bureau of Statistics as cited in http://www.chinadaily.com.cn/bizchina/2012-01/17/content_14460323.htm). However, China’s quarterly growth proceeded at the slowest pace in 10 quarters. After and economic growth of 10.4 percent in 2010, China projected their economic growth for 2011 at 8 percent. To this end, China’s economy grew by 2 percent in the final quarter on a quarterly basis (Jiantang as cited in http://www.chinadaily.com.cn/bizchina/2012-01/17/content_14460323.htm). However, China’s economy grew 9.1 percent on a year to year in the third quarter of 2011; in comparison to the 9.5 percent in the second quarter and a 9.7 percent in the first quarter (http://www.chinadaily.com.cn/bizchina/2012-01/17/content_14460323.htm).

According to Lu Zhongyuan, deputy director of the Development Research Center of the State Council, or China’s cabinet (as cited in http://www.chinadaily.com.cn/bizchina/2012-01/17/content_14460323.htm) China should no longer be obsessed with the rate of speed of their economy’s growth. To this end, he projected China’s GDP expansion would decrease in 2012 to approximately 8.5 percent. Additionally, a report released by the Center for Forecasting Science under the Chinese Academy of Sciences also predicted growth of 8.5 percent for the year 2012. Moreover, researchers argue that by adding TFP, to drive the economy forward, a growth rate of 6-8 percent, arguably, is projected with the higher range limit (6-8) to 2015, and the lower range limit (5-7) from 2016 to 2025. These projections assume China sustains a stable domestic and international political environment continues to pursue economic reform, and maintain a high rate of savings and investment, over the next two decades (http://www.chinadaily.com.cn/bizchina/2012-01/17/content_14460323.htm).

China’s Changing Structural Growth

China’s roadmap for economic growth favors quality, over speed. This shift comes as China adapts the economy’s changing structure. The Chinese argue that the US. Economy is based on consumption & credit => US consumers spending beyond their means (i.e.: buying on credit) => credit from China. In contrast, China’s economy is based on consumption and investment/trade => However, investment/trade is not sustainable, since U.S. consumers cannot sustain buying on credit => Therefore, China, requires a structural change.

Moreover, China has spent less on social services and programs (as a percentage of GDP) then the average of developing countries. Therefore, the U.S. projected decrease in consumption from China and China’s large percentage of credit to the U.S., and China’s need to increase social programs will require China to structurally change its economy.

China’s Aging Population and Its Effects

Researchers argue that three decades ago China was challenged with too many children that required some sort of support. However, three decades later, resulting from China’s “one-child” policy, China’s problem of how to support a large population of children has reversed. In fact, China is now concerned with potentially having too few children that can support the speedy growth of their aging population (Keneda, 2006). With health care improvements that have led to improvements in longevity over the past few decades and decreases in fertility rates,
China’s new dilemma is that of having one of the fastest aging populations ever recorded. This is further complicated by increases in chronic diseases and disability within its population, especially in the aging sector.

Moreover, China had not prepared to meet the challenges that this rapidly aging population, with health care issues, has brought about. However, as a response to this growing dilemma, China is prepared today to accept these challenges, and has begun to develop comprehensive health care reforms. To this end, Chinese health leadership have developed and implemented, at its national level, different chronic disease prevention, and long-term care, programs for its elderly. As a result of these programs and China’s continued growing economy, however, China’s new challenge is that of allocating adequate funding to meet the new and increasing health care costs (http://www.prb.org/Articles/2006/ChinasConcernOverPopulationAgingandHealth.aspx).

China’s Young Population and Its Effects

Jun Ma, one of China’s leading voices (as cited in Morrow, 2010) argues that the biggest factor influencing China’s economic development in the upcoming few years will be its demographics. Ma argues that China’s working population will begin a protracted decline from 2014; pushing the government towards improving consumption and local wages. Further, Ma argues that China's labor force over the next four years will grow at 0.3% a year, but from 2014 until 2050 it will shrink by 250 million people, due to aging; driving Beijing's policies to shift from being an export, investment and government driven country to making itself more consumer-driven and thus more self-sustaining.

The shift in demographics is set to have a regional impact in Asia, as well. Furthermore, the number of people living in China's cities for the first time exceeded those living in the country's rural areas as of the end of 2011, according to the NBS. As China's working force shrinks and the country seeks to raise wages, it will have to look into higher-skilled service and manufacturing jobs. Therefore, lower-skilled labor-intensive manufacturing will begin to shift to nearby countries such as Bangladesh, Vietnam and India (Morrow, 2010). To this end, China has developed an aggressive higher education plan that focuses on educating its young population with higher education and varied degrees in preparation for future higher-skilled jobs, in lieu of low or semi-skilled jobs.

Research suggests that the current young Chinese population have different spending habits then the preceding generations, resulting from their receipt of extra spending money from their parents (Yi, 2006; China Daily, 2001). Traditionally, Chinese consumers tend to be thrifty and save a much higher percentage of their income then their Western counterparts. The influence of globalization, economic growth, and global flows, especially in the larger and more progressive eastern China cities, has caused Chinese consumers to begin embracing modern consumption values; especially the younger generation. Therefore, younger Chinese will be, arguably, less thrifty than the older generations. However, Western China lags in these changes. And, as the middle class grows and China’s income gap decreases, the effects of savings on their and the world’s economies and markets will be dramatic (Morrow, 2010).

The Rise of the World’s Largest Middle Class

Research suggests that the Chinese middle class will arguably extend to approximately 600 million people by 2025. This new middle class level will represent approximately 40 percent of China’s population during period, and is based on a projected 6.5 percent annual GDP rate (McKinsey as cited in Wang, 2010). McKinsey (as cited in Wang, 2010) also argues that even if economic growth slows, incomes in urban areas will increase faster than GDP because of higher labor productivity and rising educational levels.

However, such an increase in China’s middle class would arguably suggest China’s middle class will be able to increase consumption; that is, the Chinese will be able to afford to drive cars, own homes, and so on. This increase could arguably cause calamitous damage to the environmental system, the availability of urban housing, food, energy, and many other areas of increased consumption; especially since China has already surpassed the U.S. as the world’s largest energy consumer and polluter.

China and the U. S.

China represents both an opportunity and a threat to the U.S. in economic and security terms. For China to become an opportunity or challenge will depend greatly on the policy choices and internal dynamics of China and the U.S. in the upcoming years. Further, the U.S. influence over China should not be overstated. That is, U.S. policy can influence, good or bad, in shaping the decisions China makes about its future.
Furthermore, the U.S. has an overriding stake in pursuing a strategy that effectively integrates China into the global economic and security systems in a way that reinforces the American people’s long-term security, prosperity and peace. The U.S. and China should focus on mutual interest and benefits.

China and Latin America

“Latin America, a thriving region of more than 600 million people, has a promising decade ahead. It is a leading global trader of agro-products with major reserves of raw materials and immense rainforests, which are vital for the global climate and hold potential for renewable energies. Major global environment and sports events are to take place in the region in the coming years, and most countries are on the front line in attracting private investment. They offer remarkable opportunities for a growing number of modern industries to develop, while innovative reforms are being promoted to foster economic growth and improve the quality of life for the majority” (World Economic Forum, 2011).

Total trade between China and Latin America reached $140 billion in 2008. Further, Latin America is also a potential arena for strengthening Chinese foreign policy goals: by developing strategic alliances, as part of China’s global positioning, as it emerges as a superpower. And, Argentina, Brazil and Mexico are key targets for Chinese strategic partnerships, because of the value of trade and their regional influence. Moreover, China has also linked trade incentives and aid to Central America and the Caribbean countries. However, most Latin American countries prefer security ties to the U.S. because they are politically important and because they don’t trust China’s long-term political ambitions. To this end, in 2010, China became the third-largest buyer of Latin American assets; as the region’s M&A's double.

China and the E.U.

The EU-China strategic partnership, declared in 2003, suggests both sides are gaining global influence as a new kind of superpower seeking to avoid conflicts that characterized the Cold War. EU-China relations are shifting the meaning of security in an emerging arena of global symbolic politics through various councils and policies focused on mutual interest and benefits. However, EU-China relations are unlikely to construct a shared sense of a Eurasian self.

China and India

China and India have experienced dramatic economic growth in recent years. And their continued accession into world class competitor status is viewed as a threat to the Southeast Asian economies. While much attention had been directed at the emerging economies of the BRIC nations, it is China, India and Brazil that have emerged as major players.

China’s ability to attract FDI has also had a positive effect on the flow of foreign investment into Southeast Asia; due to the “China plus One” strategy in which investors seek to invest in China and other countries in the region, in order to reduce political risk. The same is true of India.

China and Africa

“China’s increasing presence and influence in Africa has now become a hot item of discussion and debate on a global level. In less than 10 years China’s investments and trade with Africa have registered what can only be described as stunning growth. The pace with Chinese involvement is also accelerating (Versi, 2006).

Africa is growing into an important destination for China's foreign direct investment (FDI). China is Africa's third largest trade partner, following the United States and France. Under the principle of no political strings attached, China's trade with the continent has no hidden ideological agenda. China and Africa share the view that countries should not meddle in each other's affairs. They have acknowledged that they can achieve common development only through cooperation based on mutual trust and mutual benefit. And China is ambitious to move its trade with Africa to top US$100 billion by 2010” (China Daily, 2004), becoming arguably the largest investor in Africa.

Global Economic Culture

The World Economic Forum, on a recent 2011 survey, asked its participating members, 561, from business, academia, international organizations/NGO, governments, and other categories, to identify the global economic society and environment in the future. The highlights of the survey identified the following: (1) global power shifts;
emerging economies and China; (2) uncertain economic recovery; (3) population growth and ageing; (4) shortage of resources; and (5) inequality (World Economic Forum, 2011).

“As economic power moves from the developed world to the emerging economies, political power will inevitably follow. How this dynamic plays out will be at the crux of geopolitical events as we head further into the 21st century. Asia and other emerging markets will outstrip the economic performance of Europe and North America where stubborn unemployment and political gridlock will make policy reforms harder” (World Economic Forum, 2011b). “The most important global trend is the competition amongst industrialized countries and emerging economies to ensure diversification and security supplies of energy products, services and technologies” (World Economic Forum, 2011).

REFERENCES
