

How China became a Global Superpower?

The 18th and the 19th Century was regarded as the British Century, the 20th the American Century and the present 21st the **Chinese Century**. The sheer economic and geopolitical dominance shown by the **People's Republic Of China** has led to the assertion that the Chinese economy would soon surpass the US Economy to be the largest in the World. With programs like the **Belt and Road initiative**, China is outplaying US in major global affairs. It is already a force to reckon with in the East Asia corridor, and has great allies in whole of the African continent, thanks to its surplus investment in the continent. China was among the first to rise off from the **Covid19 pandemic** and get its economy back into tracks. China's rapid rise in the field of defence and technology is something the whole world is now talking about.

Many Experts argue that it was China which co-founded the **Asian Infrastructure Investment Bank** and the **New Development Bank** to counter the World Bank and the **International Monetary Fund** in the field of development and finance. The start of cordial relations of the Chinese with the Taliban, as the US army retreats from the country is a showcase of how China is slowly trying to get its hold in the Middle East. China was poor, ungoverned and closed from foreign trade in the 1950s, so how did it manage to become the global Superpower it is today in mere 70 years? Remember China is what it is today because of its economic reforms back in 1979. There have been certain phases to its development and to understand China's rise to power, we must turn to the pages of history, the moments where it all started.

China in the pre-reform era



The Chinese revolution took place in the year 1949, when the Chinese communist leader **Mao Zedong** declared the country as a communist. Under Mao's leadership China brought in the Soviet-style economic policies, where the country was mostly closed off to foreign trade and investments. Mao mostly maintained a centrally organized and planned economy. The state controlled almost all of the country's economic output, setting production goals and prices. The goal was to make China's economy self-sufficient. Due to blockade in foreign trade and investments and a centrally controlled market, the economy of the country suffered.

The economy suffered severe downturns between 1958 to 1962, when a **famine** struck the country taking lives of about 45 Million. This was the time when the Chinese living standards fell by **20.3%**. This period is often considered the rock bottom of the Chinese economy.

The dawn of reforms

Beginning in 1979, shortly after the death of Mao Zedong, the Chinese government under the new leadership of **Deng Xiaoping** announced several economic reforms. The doors of the country were finally opened to Foreign trade and investments. The government established Special Economic Zones along the coasts to attract foreign investments, exports and imports of high technology products into the country. Additional reforms were made to

decentralize economic policymakers, as a result the economic control of various sectors were now under the control of local governments and provinces. A free market principle was implemented, encouraging citizens to start their own businesses.

Removal of trade barriers and liberalizing of trade turned out to be a huge success, as the Chinese economy flourished during this period. Since the introduction of the reform in 1979, China became the fastest growing economy in the world with an average rise of 9.8% of its GDP each year. A 9.8% rise ensured that **China doubled the size of its economy every 8 years**. China was one of the quickest to bounce back from the 2008 Financial crisis, when 20 Million of its migrant workers had to return home due to job losses. Since 2010, the country's rate of GDP growth has been consistently declining and according to IMF's 2019 report it would keep declining to 5.5% in 2024. The growing trade tensions between US and China has also affected the Chinese economy drastically. But despite all these factors China is all set to surpass the US in 2028 as the largest economy in the World.

Cause of the Chinese Rise

China's emergence as an economic superpower has to be hugely credited to its large economic policies. However, Economists around the world credit the Chinese rise to power into two factors: **large scale investment and high rate of productivity**. China has historically been known for maintaining a higher rate of savings. The large level of domestic savings has allowed China support high levels of investments back into its economy. To put in perspective, China's gross domestic savings exceed its investments which enables it to be a large global lender.

China's decentralized economic model helped various private enterprises to flourish in the country, without the interference of the government. These private enterprises worked in intense competitive markets and brought about large scale foreign investments into the Chinese shores. With investments came new

technologies, with new technologies came a boost in efficiency. According to the IMF, China is the world's largest manufacturer with 49.2% higher gross value to that of the US. China's high end investment in Research and Development, advanced levels of manufacturing, government policies to promote innovation and a high population of graduates in science, technology and engineering were the key reasons behind China's dominance in manufacturing goods. With that being said, US is not too far behind and is all set to surpass China as the next manufacturing hub of the world by 2025.

What halts China's progress to the top?



As mentioned earlier, since 2010 China has seen a rapid decline in its GDP growth and is expected to stay this way for another five years and so. So is this it for China? Is the country running out of ideas on sustaining its growth? There are several reasons for the economic slowdown, we are witnessing in China, here we will talk about the major ones...

Demographic challenges

China's economic dominance has been a result of its **large working population**. However there is a rising concern over the population of China aging faster than any country in the world. It is estimated that by 2050, the proportion of the Chinese population over retirement age would be **39%** of the total population. An aging population would hinder the economic growth of the country, also creating social problems. China's rapid aging population is a surprise for many, considering it being at a relatively early stage of its development.

Experts like **Brendan O'Reilly**, **Ryan Hass** and American Economist **Scott Rozelle** believe that the rising aging population of China would lead to an economic chaos in the country. They also believe that China may risk itself falling into the **middle income trap** due to its rural-urban divide in education and structural development.

Rising Debt

China's policy of increased lending has been practiced to fulfill its desire of increasing its economic growth as fast as possible. But as China's growth keeps slowing, Experts worry that many of these debts may result into defaults, which could trigger a financial crisis in the country. China's financial system is mostly controlled by the state, hence a series of bad loans and defaults would greatly hamper the government's economic model.

China's debt to GDP ratio increased by 178% in 2010 to 275% in 2020. This debt went even worse in 2020's second and third quarter, when the debt to GDP ratio approached 335%.

Totalitarian Government

According to American strategist and historian **Edward Luttwak**, China will not be burdened by its huge economic or population problems, but will rather fail in the strategic front because the Ruler of the country makes all the decisions and he doesn't have anybody to correct him. The present leader of China **Xi Jinping**, is an ambitious man whose sole ambition is to make China the greatest power in the World as a process to bring back the country's past glory.