

## **Overview China**

The People's Republic of China is the second largest economy in the world after the U.S with a GDP of \$7.1 trillion (2007) when measured on a purchasing power parity (PPP) basis. It is the third largest in the world after the U.S and Japan with a nominal GDP of US\$3.5 trillion (2007) when measured in exchange-rate terms. China has been the fastest-growing major nation for the past quarter of a century with an average annual GDP growth rate above 10%. China's per capita income has grown at an average annual rate of more than 8% over the last three decades drastically reducing poverty, but this rapid growth has been accompanied by rising income inequalities.

China's economy during the last quarter century has changed from a centrally planned system that was largely closed to international trade to a more market-oriented economy that has a rapidly growing private sector and is a major player in the global economy. The government has emphasized the importance of raising personal income and consumption and introducing new management systems to help increase productivity. As its role in world trade has steadily grown, its importance to the international economy has also increased apace. China's foreign trade has grown faster than its GDP for the past 25 years. China's growth comes both from huge state investment in infrastructure and heavy industry and from private sector expansion in light industry instead of just exports, whose role in the economy appears to have been significantly overestimated.

The restructuring of the economy and resulting efficiency gains have contributed to a more than tenfold increase in GDP since 1978. Annual inflows of foreign direct investment in 2007 rose to \$75 billion. By the end of 2007, more than 5,000 domestic Chinese enterprises had established direct investments in 172 countries and regions around the world.

The changes introduced since 1993 have brought output and prices acceleration, investment increase, and economic expansion, all of these fuelled by the introduction of Special Economic

Zones (SEZs) and the influx of foreign capital. These areas have become the axis of development for the country.

As of 2005, 70% of China 's GDP is in the denominated non-public [private] sector. The smaller public sector is dominated by about 160 large state-owned enterprises under central government concentrated mostly in utilities, heavy industries, and energy resources.

Current GDP per capita reached a peak growth of 175% in the 90's. Prosperity still remains concentrated in the coastal and southern provinces (Pan-Pearl River Delta, Beijing, Shanghai) and efforts have been made in recent years to expand the prosperity to the inner provinces and the industrial Northeast rust belt.

China ranks third worldwide in factory output, with main industries covering iron and steel, coal, machinery, armament, textiles and apparel, petroleum, cement, chemicals, footwear, toys, food processing, automobiles, consumer electronics, telecommunications and information technology.

Regarding services, China ranks seventh worldwide. High power and telecom density ensure this sector remains on high-growth trajectory in the long-term.

Regarding environmental issues, China has strengthened its environmental legislation and made remarkable progress in alleviating environmental deterioration. During the 10th 5-Year Plan, the PRC plans to reduce total emissions by 10%. Beijing in particular has invested heavily in pollution control as part of its successful campaign to win the competition to host the 2008 Olympic Games. China is an active participant in the climate change talks and other multilateral environmental negotiations.

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