Current usage of Economic Development in People's Republic of China

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Abstract

The article studies the formation and development of investment activity in People's Republic of China (PRC). Special focus will be on the main factors that contributed to the rapid and effective implementation of the investment potential in the country. The subject of the article is the investment activity of the PRC, including measures related to increasing the attractiveness of the Chinese economy in attracting and increasing the investment power of the country. The object of the article is to study the formation and development of investment activity of China. We used theoretical methods of scientific research, for instance - analysis and generalization, which solved the main tasks: analysis of the current state of investment activity of China; study of ways to attract foreign capital into the economy of China and its outflow from China; identification of factors that contribute to the rapid and, most importantly, effective development of investment activity of China. The article analyzes the current state and characteristics of China's investment activity, examines the main ways and means of attracting foreign capital to the PRC economy and its outflow, and identifies the factors that contribute to the rapid and, most importantly, effective development of China's investment activity.

Keywords: Efficiency, Demand, Supply, Investments, Direct Investments, Capital Investment, Income, Profit, Gross Domestic Product, Economic Growth, Market, Market Demand, Joint Stock Company, Free Trade, Stock Markets, Stock Exchange

1 Introduction

This year is the 40th since the beginning of economic reform in China, which has radically changed the country's social and economic development. The inefficient social and economic policy of Mao Zedong led the country to non-fulfillment of the main social and economic problems facing the society. Such an economic policy did not allow catching up on the level of socio-economic development of the country, did not ensure the growth of population living standards. In 1978, the Gross Domestic Product of the country was only 364.5 billion Yuan, about $58 billion (8). At the current rate, the national income was only 343 yuan per capita, the average income of peasants was only 134 yuan per person in a year (approximately $21 per person) (8). The 82% of the country's population lived in rural areas. China's foreign trade amounted to only $20.6 billion, and the main export items were minerals, agricultural products and consumer goods.

That is why, upon the initiative of Deng Xiaoping since the late 80's, China began to carry out economic reforms aimed at the gradual transition of the market economy (5). As a result, PRC has now reached one of the leading places in the world in terms of Gross Domestic Product, and the standard of living has significantly increased. In these circumstances, the Chinese leadership has resolutely embarked on a comprehensive economic reform, which consists in the transition from a planned to a market economy while maintaining the main advantages of a planned economy. An important characteristic feature of the economic reform was the usage of the production potential that was founded in the 50-70s. These are large enterprises of heavy and military industry, fuel and energy complex, transport, that is, the backbone of the public sector, ensuring the viability of China's economic potential in the years of economic reforms.

We mark that the economic efficiency of the reforms was influenced by the reduction of the Central government's influence on business and the increase in the importance of

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private capital. The government left only the main sectors of the economy, and entrusted everything else to small businesses. The Chinese government provided assistance to the business sector in matters of tax benefits, especially those who hired people with health problems and the unemployed. In addition, the government introduced a new provision in the tax collection system in mid-2013. Nowadays, entrepreneurs with an income per month of not more than twenty thousand Yuan, 100% exempt from taxes on both value and profit, which contributes to significant business assistance. Thus, the development of entrepreneurship in the country and stimulated economic growth, and created 70% of patent products, 85% of innovative technical achievements, 84% of all newly produced products, more than 57.5% of taxes to the budget and 71, 2% of exports (8). As a result, the total value of goods and services produced exceeded more than three trillion in 2007. This brought China to a leading position in the world, leaving behind the British, French, Italians and Canadians, North Korea's GDP reached 2.7 trillion dollars and more than 2,000 dollars per capita.

Comparing the results of the socio-economic development of China and India, which were at the same level in the early 80s, China is already 5 times ahead of India (1; 7). Russian economy 25 years ago was larger in scale than the Chinese, and now the volume is only 1/7 of the Chinese. The Chinese model of a gradual transition to a market economy over 40 years led to an average annual GDP growth rate of 9.5% per year, GDP grew 225 times — 82.7 trillion Yuan in 2017, and China took 1st place in the world in terms of purchasing power parity and in 2nd place in the world at the exchange rate (8). Every year, China’s share in global GDP growth is 30%. The volume of foreign trade amounted to 4 trillion US dollars and exported ranked 1st in the world. The standard of living of the population, per capita GDP of China, was about $8,800. These economic indicators of the socio-economic development of China testify to the success of China in the world. The world economy from time to time falls into a strip of various financial and economic crises, but the Chinese economy is moving forward. In the monetary and financial sphere, China is becoming one of the main players on the international financial market, and the Chinese currency, the Yuan, has entered the IMF's mandatory reserve basket along with the US dollar, the euro, the British pound and the Japanese yen. In the socio-economic sphere, China has also achieved great success. Most of the population (58%) became urban residents, while in 1978 urbanization was only 18%. The standard of living of the population in the city and the countryside has noticeably increased not only in comparison with 1978 (2; 4). For many years, the Western media talked about difficulties in the Chinese economy, predicted the collapse of China. In 1982 were scheduled for 2000. indicators of the growth of gross output of industry and agriculture by 4 times compared with 1980, a significant part of economists and politicians did not believe these forecasts, but the PRC was able to achieve these indicators already in 1995 five years ahead of schedule. Shortly before the PRC's accession to the WTO, many Western experts were confident that China’s entry into the WTO would lead to China’s economic collapse, since the poor quality of Chinese products would not allow it to compete with similar products not only in the global market, but also in its market. But immediately after accession to the WTO, the volume of foreign trade increased from $509, 6 billion in 2001 to about $4, 000 billion in 2017, that is, 8 times more (8). Nowadays, the developed countries of the world are seriously afraid of Chinese expansion, and it is no coincidence that the United States has now launched a trade war with the PRC, the first to announce an increase in customs duties on various goods from China.

More than that, China realized that it could not carry out socio-economic reforms by isolating itself from the outside world. China began to consider openness to the economy as the main state development strategy, linked domestic economic reforms with external openness. The country based on the principles of openness began to actively unite in the international community, expanding the scale of external openness, seeking mutual benefits and mutual winnings, improving the high efficiency and openness of the economic system. China removed a number of investment restrictions and reduced duties on cars, airplanes and ships, that China exercised and continues to exercise significant lightweight access to the Chinese market, the service sector, and also protects the legitimate rights of foreign investors registered in China, the process of expanding access to foreign investors in China’s financial markets. Foreign businessmen were allowed to have a 51% share in shares of joint ventures, restrictions on investments in Chinese banks and financial companies managing financial assets would be lifted, and after three years foreign investors would be allowed to have up to 51% shares in joint ventures in life insurance and after five years, these restrictions will be lifted (2). This suggests that China supports globalization in a period of growing protectionism and develops free trade through a significant reduction in customs tariffs on cars and removes import tariffs on other types of products, encourages technological exchange between Chinese and foreign enterprises. The high degree of openness to the foreign market contributes to the rapid emergence of new industrial products in the consumer market, which remove high demand (3). The wide and effective use of direct imports of foreign advanced technology provides an opportunity to save on initial research and development process, quickly introduce modern technical advances, which contributes to the abrupt progress in technology and production structure of the economy. Acquisition of advanced foreign technology and technology, as well as the simultaneous use of its own scientific achievements contributes to the rapid development of innovative production in the country. Along with this, there is an increase in the scale of economic efficiency, which means that as a result of the progress in the technical equipment of enterprises, small and economically inefficient enterprises are leaching out of the cement, coal, petrochemical industry into large concerns. Thus, new types of production, which are based on new equipment, will develop at a high rate, which leads to the sustainable development of the national economy.

It is impossible not to reveal the achievements of China in the field of agriculture. Purposeful agrarian policy of China contributed to the increase in production in a short time, due to which it was possible to avoid threats in the field of food. In addition, a positive trend towards improving the efficiency of agriculture is associated with significant funding in agrarian science and technology, the introduction of advanced
technologies in production. With the increase in production costs, the price of products increases significantly, which further affects the population consuming such goods. Therefore, the attraction of foreign investors in the field of agriculture, increased the importance of this area, created the conditions for the development of agrarian science and the further introduction of innovations in production.

Currently there is a tendency to increase efficiency in the field of agricultural production. Due to the increasing influence of the authorities on the development of agriculture, the use of new technologies in agricultural production, the establishment of fixed prices for agricultural products, financing in agricultural production, the attraction of external loans for this sphere, increased soil productivity through the construction of auxiliary facilities, tillage household The volumes of grain production increased, a fixed price was set for producers whose level exceeded the average world level. Also within the framework of the program, 19 new projects were launched and launched since 2002, which are aimed at creating and introducing new technologies for growing crops. The level of effectiveness of scientific advances in this area has risen to 42% by now versus 20% taken into account at the end of the 20th century. Political banks have been created - a specialized structure for exercising control over agricultural activities. One of these banks pursued a strict agricultural control policy, namely, in the area of agricultural procurement (9). Efficiency in agriculture is proved by another fact, that with a share of 22% of the world’s population, the country has only 7% of the world’s arable land. Sown areas in this country amount to about 130 million hectares, an average of only 100 acres of sown areas per capita in China (9). As part of ongoing programs to improve the agro-industrial complex (agribusiness), 19 projects have been developed and launched to create and introduce new technologies in the cultivation of agriculture (9).

China is continuously expanding new areas of market openness. Rapid development of innovation in the economy occurs due to the openness of the market, development and reform. An active socio-economic policy adheres to openness to international capital and advanced technologies, while creating a fair, favorable investment environment. In addition, it expands the channels, improves the quality, and accelerates the process of attracting technology, thereby directing foreign investment in the most key sectors and regions. He attaches great importance to foreign investments, the key to which is cooperation with foreign countries. It is important to achieve the main goal as the introduction of high-tech products throughout China. The development of innovation activities in China continues to create the necessary conditions for attracting an increasing number of foreign entrepreneurs who will find new motivation for successful economic activity in the country. Various enterprises are attracted attracting foreign investment, expanding cooperation with foreign partners. China supports and develops cooperation in the field of projects that contribute to improving people's welfare. For example, the implementation of the project “One Belt and One Road” will provide benefits not only to Chinese enterprises, but also including the territories along which this route passes, attracting a large amount of additional investment and creating new jobs for those living in these territories. This means a fundamental turn in the foreign economic activity of the PRC leadership, aimed at cooperation with the countries of Central and Western Asia, Eastern Europe and Russia located between China and Western Europe, which once again proves its openness to the outside world. Previously, China focused on the development of the eastern regions of the country, on the economies of developed countries - the USA, Japan, the Republic of Korea and the ASEAN countries, and now on the development of the western and internal regions of China, on developing countries to the west of China and countries with economies in transition, where there is a huge market, a place for investment and trade and economic objects. In other words, with the help of such projects, China is building a path to Europe (3; 6). The project is aimed at the development of economically backward regions of China through the creation in these territories of large infrastructure projects that can quickly raise the level of social and economic development of these territories. Every year, more and more China pays attention to innovation, as an important direction of sustainable development. All this testifies to the fact that the PRC does not stop there. Having achieved considerable heights in development, the country sets itself ever new, more ambitious tasks. China reaffirmed its commitment to adhere to reform and openness, as well as expand openness, which has become and is becoming a significant support for the development of globalization and free trade. China as the second world economy has become one of the pillars of the global world. China promotes liberal trade and broad cooperation consistently eastern version of globalization. It will continue to accelerate construction in all aspects of public life, with an emphasis on improving people’s well-being, laying a solid foundation for people’s well-being on the principles of social harmony. China, as a country that has recently emerged from the category of developing states, is well aware of many of the problems of its neighbors, who are also striving to reach a new level of socio-economic development. The Chinese economy is a bright, classic example for developing countries. Its economy proves that the openness of the economy is the key to the development of the country's welfare. Another important thing to note is that in an era of globalization, financial crises occur more often. To be less dependent on global financial crises, it is necessary to have a positive balance of payments in foreign trade, which is ensured by creating and expanding the openness of the economy, which China seeks. In economic theory, it has long been proven that the openness of the economy, the expansion of technical innovations is the source of achieving socio-economic stability. The expedient application of economic theory, of all the principles of economics in practice on the part of China serves as a vivid example for all those countries that are also striving to improve the welfare of their country.

References


