CHINA’S ‘ECONOMIC MIRACLE’

BACKGROUND

Despite the setback which was the Great Leap Forward\textsuperscript{1}, China would eventually find a quick rebound under the leadership of Deng Xiaoping\textsuperscript{2}, who revolutionized the Chinese economy by passing landmark liberal reforms\textsuperscript{3}. Today, though the Chinese Communist Party remains the governing entity, the PRC shows a very capitalistic market system. For many years this system was allowed to liberalize, leading to an exodus of the rural populace from their villages to the industrialized cities. The increased labor, cheap costs, and rising foreign investment allowed for China to go from one of the poorest countries to having an economy the size of which only the United States can compare\textsuperscript{4}.

This “Chinese miracle” has made them a major international player, with so many firms across the globe doing business with and within China, the world is relying on a strong Chinese economy. China’s ascension into the WTO\textsuperscript{5} in particular allowed them access to new investors and markets, leading to more growth and furthered the economic ties between China and Western countries. But much like how recessions in the United States triggered a worldwide domino effect, notably in 2000 and 2007\textsuperscript{6}, the global market could in a similar way be affected by economic events in China should anything go awry. China’s newfound position as a regional hegemon has shown itself with their assertiveness in the South and East China Seas\textsuperscript{7}.

But because of globalization and economic ties, it is likely no country, whether it be the U.S., China or Japan, would not risk any confrontation for fear of economic repercussions. Additionally, President Trump’s protectionist policies\textsuperscript{8} have put China into a position where they can maneuver themselves into a more prominent global position in the world economy as the United States turns inward. Yet despite the need to maintain a strong China to keep a strong global economy, Chinese markets have seen a record low growth rate in recent years even with geopolitical peace in the region.
In addition to low growth rates, the increased quality of life in China had led to rising wages\(^9\) which had made many businesses outsource to places with less high labor costs like Southeast Asia. Decreasing Chinese competitiveness as well as a rapidly ageing workforce\(^10\) and mounting debt three times GDP have led some experts to say that the Chinese economic is over—some even saying that there is worse yet to come. The impact of a Chinese recession would be a shock across the globe. In an interview with the Financial Times, George Soros has said that the Chinese government has been taking the right steps to combat a recession, but doubts the policies will do anything other than simply postpone the inevitable.

\(^1\)The Great Leap Forward was a set of policies instituted by Mao Zedong in 1957 to try and move China from a rural agrarian society to a modern industrial one. The campaign resulted in widespread famine, with only minimal progress.

\(^2\)Deng Xiaoping (1904 –1997) was a Chinese politician. Born to a peasant family during the Qing era, he would eventually join the Communist Party and maneuvered his way to the party leadership after Mao’s death in 1976. He is remembered primarily for his reforms that advanced China economically.

\(^3\)The liberal reforms of Xiaoping were coined “Socialism with Chinese Characteristics”, and included policies aimed at opening China to the global market, promoting some private ownership and modernization of industry and agriculture.

\(^4\)According to the IMF, the Chinese GDP (gross domestic product) in April 2017 is USD $11 trillion, second after the United States’ $19 trillion.

\(^5\)Founded in 1995 as successor to the GATT, the World Trade Organization is an intergovernmental organization that is meant to ease international trade by regulating trade uniformly across member countries and establishing procedures for arbitration, and so on.

\(^6\)In 2000, the United States experienced a period of slight economic downturn caused by the dot-com bubble collapse. This was followed by the much bigger Great Recession in 2007, which hit much harder and had greater global impact, causing recessions in many other countries with ties to the United States.

\(^7\)China had historically laid claim to numerous islands off their coast in the Pacific, many of which have other claimants; only recently has China become militarily assertive of their claims. Japan and the U.S. have responded with show of force, saying that China would use presence on these islands to impose barriers against trade.

\(^8\)President Donald Trump’s statements on NAFTA, his pressures on China, and his promise to put “America first” has many saying that the United States may become more inward looking and take a more passive approach to global economics.

\(^9\)The wages in China have risen exponentially, which means that businesses can no longer operate at the same costs as before; many of these businesses have moved to places that still have cheap labor such as Vietnam or Cambodia.

\(^10\)The one-child policy of China had the unintended—yet predictable—repercussion of a population that is at retirement or rapidly approaching retirement without a large enough younger population that will be able to sustain the Chinese security net.
what are the implications of China’s rising role in the world economy given its mounting problems? Express your thoughts and contribute to discussion with your fellow peers!

MY THOUGHTS ON CHINA
(room to write your thoughts)

This lesson plan is meant as an aid for the Faculty Sponsor, President or Vice-President to lead their respective SWAC chapter in the discussion of this two weeks’ focus: the Chinese Economy.

Kahoot! Introductory Quiz

Kahoot! is an online Quiz platform. This small ten-question quiz is to test the student’s prior knowledge of China and introduce them to the discussion to come. The quiz will require the proctor to have a Kahoot account in order to start. Students will use an electronic device in order to answer. The link is below; click START NOW and select Classic mode. After the Game PIN is generated, students will be able to join the session by accessing kahoot.it on their computer or mobile device. Begin the quiz once all students have joined! This activity shouldn’t take more than 15 minutes.

LINK: https://goo.gl/RE1keJ
Lesson Handout

Now is when the handouts should be passed out to students. It is split into two sections, one which covers the history of the Chinese economy and a second which covers the implications of current events on its economy and the world. It is recommended that the handout be read aloud as a group instead of individually. Take some time after the document has been read to cover the material with the students and make sure that it’s been generally understood. Ask questions to students; get them to summarize what they’ve read and make sure that the students are engaged and understanding. The reading shouldn’t take more than 15 minutes.

Video Resources

We have three video resources below that will go over in more detail the current event portion of the handout and expand upon it. Following each link, we’ve included a description of the video and possible questions that you can ask students to see what they’ve taken away from watching the clips. Each video clip is between 1 and 3 minutes; coupled with questions, this segment shouldn’t take more than 15 minutes.

HOW CHINA BECAME THE WORLD’S SECOND LARGEST ECONOMY

LINK: https://goo.gl/FbSuxS

This is a short minute-long video by CNNMoney that quickly summarizes the manner of China’s miraculous economic growth. This very short video is meant more for informative purposes than discussion.

WHY IS CHINA’S ECONOMY SLOWING DOWN?

LINK: https://goo.gl/FbSuxS

Another short clip, this video highlights the problems facing the Chinese economy today, namely slower growth than ever before in the last few decades, pointing out the problems of ageing population, market bubbles and mounting debt.

 ›Do any of these problems have an international remedy or must China’s problems be solved internally?
IS THIS THE END OF THE CHINESE ECONOMIC BOOM?

LINK:https://goo.gl/TzHmiR

In this video by Sky News, we similarly get a picture of the current economic situation in China but also get commentary from the narrator including a segment which mentions the need for democratization in order to prevent further economic hardships.

Do you think that the narrator is right in his assessment of needing democracy for further economic growth?

DISCUSSION

What are the implications of China’s rising role in the world economy given its mounting problems? What are the impacts that a Chinese economic crisis might present to the United States? In this way is President Trump right to isolate the country from China? Why or why not? Are his actions actually going to help the United States should anything go wrong or is this just a way to exacerbate a bad situation? This shouldn’t take more than 10 minutes – total estimated meeting time: no more than 1 hour.

BIBLIOGRAPHY


