

The People's Republic of China

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Managing in a Global Economy

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Origins

A notice in the British Museum in London explains that the “Chinese have created the single most extensive and enduring civilisation in the world. Their language, spoken and written in the same form for some 4,000 years, binds their vast country together and links the present with the past...” (Lacey, 2011) The dominant ruling form for many years was the dynasties. We have records showing that the the Hsia dynasty dates back to 2200 B.C. extending forward to the Ch'ing dynasty which ended in 1911 (Morrison & Conaway, 2006). A number of factors, both social and natural, applied a great deal of stress to the Chinese in the 19th and 20th centuries, including famines, civil unrest and military defeats (Agency, 2013).

The dynasties of China's history, often identified as Imperial China, comprise a rich heritage for the Chinese people. The first recorded dynasty, referred to as the Xia (or Hsia) dynasty, traces it's origins back to the 21st through the 16th centuries BC. This dynasty was followed by a succession of dynasties including the Shang, Zhou, Qin, Han, Sui, Tang, Song, Yuan, Ming and Qing (or Ch'ing), which ended in 1911. It was during the Yuan dynasty that trade along the Silk Road blossomed. Various canals were repaired, reuniting China in ways that benefited trade, both domestic and maritime (Guides, 2010).

The Yuan dynasty was represented by the descendants of Ghengis Khan. One cultural aspect of this time period which some believe was a reflection of the ethnic diversity represented in China, was a tolerance of different religions (Guides, 2010). This respect for diverging beliefs and even political styles can be seen in Chinese culture and politics today. While the official position of the Chinese government is atheism, the people enjoy religious freedom, with certain restrictions (Agency, 2013). Politically China has codified what they refer to as a constitutional principle of “One Country, Two Systems”, which can also be said “One China, Two Systems” (Various, 2013b). Under this principle, China remains a communist, socialist state, but allows provinces, such as Hong Kong,

Taiwan and Macau, to maintain their own capitalistic and democratic governments, operating with some degree of autonomy from the Chinese government, although this autonomy is only guaranteed for a predefined term of 50 years (Agency, 2013). These regions are sometimes referred to as Special Administrative Regions, or SARs.

The common form of government throughout China today is communism, with the exception of the Special Administrative Regions mentioned above. The contemporary autocratic, socialist system serves to ensure China's sovereignty by imposing government regulation on the daily activity of its citizens. The government, as described here, was established following World War II by MAO Zedong. Later leaders, notably DENG Xiaoping, began in the late 1970s to focus the country on market-oriented economics, which by 2000 had quadrupled China's national output. (Agency, 2013)

China's free market experiments, combined with increased outreach internationally beginning in the early 1990s, has produced an extremely powerful economic force globally. Chinese exports are the highest in the world (as of 2013) (Agency, 2013).

Some notable dates in recent Chinese history include 1945, when Japan was defeated in World War II. A civil war followed. In 1949 Mao Zedong establishes the People's Republic of China. Between 1966-76 China underwent a Cultural Revolution with immense casualties. In 2001 China joined the World Trade Organization. In 2003, China entered the realm of manned space flight with Shenzhou-V. Continuing discord led to anti-Chinese riots in Tibet in 2008. (Guides, 2010)

Social Views

While the official government religious position is atheism in China, there are many religions and philosophical persuasions (Agency, 2013). Confucianism, Taoism and Buddhism, sometimes referred to as the "three teachings" have dominated Chinese spiritual life for centuries. Confucianism is less a religion and more a moral code which provides ethical standards to be followed. Confucius, a Chinese scholar during feudal times,

set forth his philosophy regarding human relationships, in which he places the family as the most “basic unit of society”. This central role of family in society imposes certain mutual responsibilities on every member of a family (Morrison & Conaway, 2006). Despite the fact that Buddhism did not originate in China (it was imported from India), what is practiced today has nevertheless become quite distinctly Chinese, due in part to the influence of Confucianism and Taoism.

Following the death of Mao Zedong in 1982, many aspects of life in China became less repressive, including religion. While the Chinese are generally free to worship as they please, there are limitations. The practice of any religion that the Chinese government believes is a cult is still against the law. An example would be the Falun Gong movement (Guides, 2010). Islam and Christianity are practiced today in China, but with representatively small proportions.

The cultural influence of these social views is well represented in Chinese custom and tradition. The hierarchical organization of society, which continues to position the family as the central unit and encourages respect and honor be given to elders and superiors, is in many ways a reflection of the ethical and religious history of China. Whether considering the way decisions are made or issues of equality, the Chinese people are spiritually driven by their historical roots. (Morrison & Conaway, 2006)

Politics

China is a communist state. There is a constitution, which was updated last in December, 1982. The function of the government has been divided into executive, legislative and judicial compartments. The unicameral legislative branch is referred to as the National People's Congress. Elections are instrumental in filling vacancies in the National People's Congress and executive branch, however, these elections occur within existing government groups. The people at large do not directly impact the outcome of elections. Terms for both executive and legislative positions last five years. (Agency, 2013)

The People's Liberation Army, China's military branch, is segmented into ground forces, Navy and Air Force. There is another branch known as the People's Armed Police and a separate Reserve Force. Recruits come from both volunteers and by compulsory military assignment. In recent years, women have been cleared for military service, including combat roles. Despite military expenditures of 4.3% GDP, placing it 21st globally, China has the largest military in the world. There are also an estimated 318,265,016 men and 300,323,611 women available and fit for military service. (Agency, 2013)

China includes various Special Administration Regions (SARs), which operate under the "one country, two systems" rule mentioned previously.

Hong Kong

Hong Kong was occupied by the United Kingdom in 1841, which was ceded by the Chinese government the following year. China and the UK signed an agreement on December 19, 1984, which paved the way to Hong Kong becoming a Special Administration Region of the People's Republic of China on July 1, 1997, more than a century and a half after being occupied. Part of this agreement ensured that Hong Kong would enjoy a high degree of autonomy in matters not related to foreign affairs and defense for the space of 50 years. Today Hong Kong is a limited democracy guided by a constitution which was approved by the National People's Congress in March of 1990. (Agency, 2013)

Macau

Macau was colonized by the Portuguese much earlier than the UK occupation of Hong Kong, around the 16th century, making it the "first European settlement in the Far East". In a move similar to what the UK had done three years earlier, Portugal signed an agreement on April 13, 1987 with China, which led to Macau becoming a Special Administration Region of the People's Republic of China on December 20, 1999. Similar wording ensured that the "one country, two systems" rule would apply to Macau, allowing the existing economic and political systems to remain in place for 50 years in all matters

not related to foreign affairs and defense. Today Macau is a limited democracy guided by a constitution which was approved by the National People's Congress in March of 1993.

(Agency, 2013)

Taiwan

Subsequent to a military defeat in 1895, China ceded control of Taiwan to Japan. Following World War II, the Chinese regained control over Taiwan, but a heavy Nationalist presence gradually led to the democratization of Taiwan, with a peaceful transfer of power from the Nationalist party to the Democratic Progressive party in 2000. While China considers Taiwan to be a province, there is continual tension and uncertainty about the exact nature of their relationship and Taiwan's ultimate status. Today Taiwan is a multi-party democracy guided by a constitution which was originally adopted in 1946, and which has been amended many times. (Agency, 2013)

Culture

The most noteworthy holiday in China is the Lunar New Year. It is customary to return to one's ancestral home to celebrate this holiday. This places an enormous strain on the transportation system throughout China, to the extent that some government officials have considered mandating staggered holiday travel. The exact day when the Lunar New Year is celebrated is based on the lunar calendar, which means that it falls on a different day each year. (Morrison & Conaway, 2006)

Government policies affect many aspects of life for Chinese citizens, including regulating the number of children couples can have. The "one-child policy", which officially translates to "family planning policy", restricts urban couples to having only one child. Exemptions from the policy include people living in rural areas, the Special Administrative Regions of Hong Kong and Macau, and foreigners living in China. A desire to have male offspring and the imposed limitation of one child has raised concerns about negative social consequences, such as forced abortions and female infanticide. (Various, 2013a)

One current side effect of the one child policy is a housing boom. The wide gender gap increases competition among marriage partners, with many men needing to buy a home before they can receive the blessing of the parents of a desired bride. At the present, this is driving the home prices up with huge demand, however, since every child stands to inherit from two grandparents, the market demand will eventually decline. (Guilford, 2013)

Interpersonal Tendencies

In business and social matters, the Chinese have some significant differences with their western counterparts. Some of those differences have been discussed in the section on Social Views. In terms of power distance, China has a relatively high index of 80, compared to an index of 40 for the United States. This would seem to be a reflection of the autocratic government. Blending business styles may at times run counter to expectations on both sides when considering common business interests between Chinese and western partners. Individualism index values are similarly different with China scoring a 20 compared to a 91 for the United States (Hofstede, Hofstede, & Minkov, 2010). The extremely collectivist and hierarchical structures that exist within Chinese businesses may seem counterintuitive and even counterproductive to western observers. From a Chinese perspective, seeing junior and younger members of a business team interrupt and speak over more senior or elder colleagues may appear disrespectful (Morrison & Conaway, 2006).

Infrastructure

Not only is China the most populated country in the world, but they produce and consume the most power. Electricity production in 2011 was estimated at 4.604 trillion kWh, with electricity consumption estimated at 4.693 trillion kWh in the same year. They also lead the world in both wired and wireless telephone communications with an estimated combined coverage of approximately 1.153 billion phones (859 million mobile phones) as of 2009. Transportation infrastructure is growing rapidly, putting them #15 in the world for

number of airports and number two and three globally for roadways and railways respectively. (Agency, 2013)

Internet users in China were estimated to be at 389 million in 2009, making it the top country in the world. (Agency, 2013). Despite the high number of internet and mobile users, there are difficulties in typing in the Chinese language which aren't present in other languages with a more limited character set. Since no keyboard could contain all Chinese symbols, typing is done phonetically and software then presents possible ideogram matches. This difficulty has caused many to use voice messaging in place of texting for communication whenever possible. (Liu, 2012)

Environment

China is globally considered an emerging economy, which has shielded it to some extent from international agreements aimed at reducing greenhouse gases and other forms of environmental pollution. Rapid growth, combined with less international scrutiny have produced a number of environmental dangers, such as air pollution in urban areas and acid rain resulting from extensive use of coal. Extensive deforestation and other erosion have resulted in the loss of about 20% of agricultural land since 1949. Vanishing species due to these and other environmental issues has increased trade in endangered species. (Agency, 2013)

Economy

In terms of GDP, China is the largest single economy in the world today. The governments efforts to provide a market-oriented economy have provided for diversification and growth for many years. Currently Chinese exports are the highest in the world, due in part to their management of the Chinese currency, the Yuan, which makes their products more appealing to global trading partners, such as the United States of America. (Agency, 2013)

There is concern that the domestic trend toward high savings and low consumption increases China's economic risk. If the high export revenue they currently enjoy were to decline, domestic consumption is not enough to maintain the economy at present levels. The economy would likely contract, reducing the number of jobs, which would further lower consumption. Several government programs have been considered to increase domestic consumption as a result. (Agency, 2013)

Every year brings the migration of millions of young workers to China's urban areas. This large influx of workers places increased demands on transportation and other infrastructure. There is also a rather large income gap between the wealthy and the working class. This gap is further exaggerated by the relatively high prices on some luxury items, such as consumer electronics and housing. (Xiaoyuan, 2012)

Unemployment Rate

Unemployment was estimated to be 6.5% in 2011 according to the CIA World Factbook 2013. Other sources, such as tradingeconomics.com, put that number much lower at around 4.1%. Without a clearer view into the nature of the social programs available to unemployed workers and the mechanics of determining the number of unemployed, it's difficult to have a clear view into the actual state of unemployment in China. Regardless of the actual number, it has not had much fluctuation over the past decade, which makes sense due to strong economic growth over that period.

Currency

The national currency is the Renminbi, whose base unit is the Yuan. The Chinese government is suspected of manipulating their currency to favor trade with certain global partners, such as the United States. Growing pressure from outside China has pushed them to allow their currency to appreciate more naturally, which it is believed would provide for a more level economic playing field. Political dialogue is ongoing regarding the global valuation of Chinese currency. (Agency, 2013)

China's Present and Future

Napoleon is rumored to have said of China “Ici repose un géant endormi, laissez le dormir, car quand il s'éveillera, il étonnera le monde”, which translates to “here lies a sleeping giant (lion in other versions), let him sleep, for when he wakes up, he will shock the world” (Francois, 2007). In a relatively short period of time, China has risen to become a powerful, and in many cases skillful, global power. Economically they occupy an increasingly dominant world position in terms of exports of raw materials and finished goods. Militarily they have more manpower than any other single nation in the world, while their sophistication in weaponry and training are advancing almost as fast as their economy. In many ways they have shocked the world.

Rapid growth combined with China's massive population have pushed many natural resources to their limits. These include fresh water, arable land and even the air they breathe. The words of Ralph Waldo Emerson come to mind in his warning about exhausting a single resource through overuse “much like those Savoyards, who, getting their livelihood by carving shepherds, shepherdesses, and smoking Dutchmen, for all Europe, went out one day to the mountain to find stock, and discovered that they had whittled up the last of their pine-trees.” (Boorstin, 1966) Despite the vast land and resources available to them, reckless use and misuse can lead to shortages, and eventually economic and social pitfalls.

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