

GROWING ECONOMIC ACTIVITY OF CHINA

RASTÚCA EKONOMICKÁ AKTIVITA ČÍNY

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Abstract:

It has been shown on official data of the World Bank and the International Monetary Fund that China is marked the world's second largest economy. We can notice that Chinese products and its economic expansion is everywhere, it encroaches on our daily life. The aim of this study is to ascertain the factors which cause the economic increase of China. This study is written about the gross domestic product (GDP), the real growth of GDP, the regional disparities in China and their impact on society. Interesting information is about the role of the Special Economic Zones and about the Chinese Central Bank. The following questions are answered: Why is it good to have gold for China? Why China plans to increase its gold reserves in 2016? The study is concluded by looking at China's position in the world economy.

Keywords:

Chinese economy, population, crisis, gold, entrepreneurs

INTRODUCTION

In the beginning of the 21st century, the growth of the Chinese economy has become a symbol of success and threatens the economy in Europe, Asia and North America. They are afraid of Chinese competition, which in fact they can cope with. The Chinese economic growth achieved on average 9.5% per annum for more than 20 years. In the first quarter of 2010, economic growth was already 12%.

The Chinese economy also experienced more pronounced fluctuations. For example, in the first half of 2012, GDP growth was 11.8 %. In July 2012 (the beginning of the second half), growth was only 7.5 %. 2009 seen the weakest growth in Chinese economy, but we must realize that the global economy at that time had gone through a deep crisis. A decrease of 7.5% was mainly due to weakening exports and domestic consumption. The economic slowdown also raises concerns about job losses and increasing political tensions.

Experts have contributed to the geographical, economic, political, international and cultural situation in China. These include geographers (regional, economic, political, cultural geographers), economists, experts for international affairs, historians and others. These are some of them – geographers: Oakes (2010) working on issues related to regional and cultural development, culture industries,

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tourism and heritage, regional and place-based identities in China. Hsing (2012) in *The Great Urban Transformation* investigates what is happening in cities, the urban edges, and the rural fringe in order to explain these relations. Yeh (2012) is interested in questions of Chinese power, political economy, and cultural politics in the nature-society relationship and also issues of Tibet (*Tibetan pastoralism in neoliberalizing China: Continuity and change in Gouli*, 2011). Blij (2012) wrote a very interesting book (with serious issues and also with anecdotes from his own professional travels) *Why geography matters?* He demonstrates how we can understand global and regional challenges (e.g. China as a superpower, Islamic terrorism, climate changes etc.). He has a simple answer: by improving our understanding of the world's geography. Economical geographers Dunfort and Weidong (2013) paid attention to economic organisation, political system and cultural model and values which have shaped the geographical environment and the ways of life and work of Chinese people: enterprises, households and government organisations.

Economist Naughton (2004, 2006) analysed patterns of growth and development, population growth, one-child family policy, industrialization, foreign investment and focused on placing China's economy in advanced industrial countries. Other economist Guo in his book *How the Chinese Economy Works* (2009) answers the question: What are the driving forces – both endogenous and exogenous – for, and how have they influenced China's economic transformations during the past decades? *Cultural Influences on Economic Analysis* (2006) examines the influences of various cultural factors on economic analyses that could be misrepresented by existing economic theories. Lin (2011) in *Demystifying the Chinese Economy* provides insightful answers as to why China was so advanced in pre-modern times, what caused it to become so poor for almost two centuries, how it grew into a market economy, where its potential is for continuing dynamic growth and what further reforms are needed to complete the transition to a well-functioning, advanced market economy.

In *China's Rise*, Bergsten (2009) explained interesting thoughts about China's challenge to the global economic order, political reform and the future of the Chinese Communist Party, corruption, sustaining economic growth and energy implications of China's growth. In the book *China: The Balance Sheet: What the World Needs to Know Now About the Emerging Superpower* Bergsten (2007) and Bergsten et al. (2009) provide an indispensable survey of that country, mainly about data on China's society, foreign and domestic policy and national security.

Shirk is an expert on Chinese politics and author of several books and articles. She wrote the valuable book *China: Fragile Superpower* (2008) and she opened the black box of Chinese politics and found where the real danger lies. The book looks at e.g. China's economic miracle; Media and Internet; Taiwan; China's Weakness – America's Danger. In 1994 her book was published, *How China Opened Its Door*. It refers to the political success of the PRC's foreign trade and investment reforms. Perry and Selden (2010) are experts in the politics of China.

Providing a comprehensive introduction to Chinese foreign relations, professor of international affairs, Sutter shows Chinese leaders exerting a growing influence in world affairs but remaining far from dominant (2011).

Historian Wasserstorm (2010) in his book *China in the 21st Century* paid attention to the transformation from an impoverished, repressive state into an economic and political powerhouse, the building boom in Shanghai and the environmental fall-out of rapid Chinese industrialization in the 19th century.

Fishman (2006) penned provocative, actual and dramatic descriptions about the transformation of China into an industrial superpower.

Gross Domestic Product and Special Economic Zones as Factors of Success

In 2011, according to the International Monetary Fund and the World Bank, the value of Chinese GDP was 7.2 billion USD. China ranked second place in the world after the U.S. (15.09 billion USD). GDP per capita in purchasing power, however, was only 8 442 USD, which is very low compared with other developed countries (Table 1). However, population plays a key role here. With 1.3 milliard people, China is the most populous country in the world, hence the population value of GDP per capita decreases.

Despite a low Chinese GDP per capita, a higher growth can be observed in the last three years 2009-2011 (7 100 USD; 7 800 USD; 8 382 USD).

In table 1, are the latest economic indicators and also the Human Development Index² (HDI) which ranks China among middle-developed countries, not between economically developed ones. It is an interesting position for China, when we realize that it is the second most advanced economy in the world, but the HDI ranks China in the second group of countries.

Table 1 Selected socio-economic indicators for the year 2011

Indicator / state	Number of pop. (mil.)	GDP (bil. USD)	* GDP per capita in PPP (USD)	Real growth GDP (%)	HDI
China	1 344	7.298	8 442	9.0	0.687
USA	310	15.094	48 441	1.7	0.910
Germany	85	3.570	39 413	3.0	0.947
Japan	127	5.869	34 277	-0.7	0.956
EU (27)	502	17.577	23 400	1.5	0.856

Source: World Bank (2012)

PPP – purchasing power parity;

*GDP per capita in purchasing power parity (actual amount in international dollars)

HDI – Human Development Index

Another reason for differences in GDP per capita is large regional differences (disparities). China is by area the fourth largest state in the world. However, its social-

2 HDI – Human Development Index is a comparative indication of poverty, literacy, education, life expectancy, birth and other factors in developed countries in the world by the United Nations (UN). This standard is used to measure the potential of social prosperity. When the index is closer to 1, the country is more advanced.

economic development cannot be seen and assessed seamlessly. The pace and quality of development of the various regions and provinces affect several factors.

Primarily, there are the natural conditions—relief, climate, waters, flora and fauna, soil, e.g. the fertile lowlands (Great China Lowland, East China and North China Lowland) and uplands (South China Upland, Manchurian Basin and Sichuan Basin) to the east of the country's highest concentration of population. Three-quarters of the total population of China lives here, while the area is only one-quarter of the country. On the other hand, northwest and southwest of China is a vast area, but the arid plateaus (Tibet), high mountains (Karakoram, Himalayas, Transhimalayas, Tian-Shan) and semi-deserts and desert regions (Taklamakan, Gobi) actually consists of uninhabited space.

Demographic development, ethnic and educational structure, the level of built infrastructure, political and economic status of the region within the country, foreign investment and even distance from the ports and cities have not only become a key factor in the import and export of raw materials and goods, but also in their processing directly at the port.

Economic sophistication of a particular region of China also depends on whether it falls into a special economic zone³ (SEZ). Park (2007) states that the government approved special economic zones e.g. a different foreign exchange regime, this results in a number of economic benefits and advantages. These are 10 of the most important:

- 1) The law allows you to open a separate bank, which is wholly foreign capital, respectively banks with foreign and Chinese capital.
- 2) Production of the SEZ is primarily intended for export, the price is determined by the prices on the international market.
- 3) In the SEZ, tax benefits apply with tax holidays for up to 5 years.
- 4) In the SEZ, greater independence on international trade activities applies.
- 5) The usage right on land is given up to 70 years.
- 6) Local authorities operate flexibly when deciding concessions for foreign investors. There are valid special exemptions from visa, customs and tax duties.
- 7) More than elsewhere, effort in the SEZ is being concentrated on science, research, innovations, and hi-tech.
- 8) SEZ has the right to trade on the stock market in Shanghai, in the Chinese currency.

3 Special economic zone (SEZ; also Exclusive economic zones) – were established on the basis of the Constitution of the year 1982 as having “political, economic and cultural characteristics.” There was the creation of areas of favourable economic, legal and political systems, which would favour foreign capital, but at the same time limiting its action only on the field, and thus prevent it from leaking into other uncontrolled parts of China. The SEZ will rigorously enforce Chinese laws but the mode in which the same manner adapted to the benefit of foreigners who come here; they bring capital primarily through Taiwan, Hong Kong, Singapore and Macao banks. Already in 1980, i.e. before the emergence of a new constitution, the PRC government has decided to set up four SEZs: Shenzhen, Zhuhai, Shantou and Xiamen.

9) Economic activities are primarily driven by market forces.

10) In the framework of national planning is planning (including financial planning) to SEZ listed separately.

Since 1984 China has opened 14 coastal cities to foreign businesses and overseas investment (Dalian, Qinhuangdao, Tianjin, Yantai, Qingdao, Lianyungang, Nantong, Shanghai, Ningbo, Wenzhou, Fuzhou, Guangzhou, Zhanjiang and Beihai). At the beginning of 1985 the Chinese government decided to set up other SEZs in the coastal belt. It was the Chang Jiang River delta (Jang's Jiang) and the Pearl River delta cities and Xiamen – Zhangzhou – Quanzhou and Taiwan Straits, and Shandong and Liaodong Peninsula.

In the early nineties (in 1992) in Shanghai, a new SEZ was opened – Pudong. For foreign investors, more new cities also opened on the river Chang Jiang, the centre has become just SEZ Pudong. Here the Chinese government has allowed more applications of tariff and tax breaks for businesses, it has opened to foreign traders, and financial institutions were allowed to do business in the tertiary sector. According to the Shanghai Statistics, in 2011, Pudong GDP per capita reached nearly 17 thousand USD, while outside the SEZ, especially in the Western provinces, for example Xinjiang had a value of only 266 USD.

The Shanghai Stock Exchange was established and it has the right to control and approve which investments and banks with foreign funds are allowed to trade in the Chinese currency. By 2013, there were 86 financial institutions in Pudong, and 21 of them had the right to trade on the stock exchange in the Chinese currency. There are 109 branches of foreign trade from 28 Chinese provinces, cities and autonomous regions. There are 42 major Chinese enterprises. Here is concentrated a large number of projects funded from more than sixty countries and regions of the world. Pudong has become the most important and the largest special economic zone.

Since 1992 China has created 17 special economic zones, 33 economic and technological development zones, 53 industrial and hi-tech zones and all major cities of provinces and autonomous regions have the status of SEZ (Report on Chinese economic, social development plan, 2012). This resulted in the formation of coastal areas in the multi-layered system with a network of canals, which gradually got into the interior. These areas have played and still play an important role: they are the “window” in developing the foreign-oriented economy, in which there is a broad exchange of Chinese goods and products to import the latest technological equipment.

It is on the southern coast of China where new economic wealth is concentrated and the most modern technology is situated. From there also came the most influential politicians in the country. The first four SEZs, which focused on the export of Chinese products, are now foreign-oriented areas – using the experience of investing abroad, combining science, industry and commerce to assist in increasing production. China opens itself to multinational companies from Europe and America, for discussion, negotiating and investing purposes.

Figure 1 and 2 shows the values of the real GDP growth. When we follow the curve, we find that at the end of 2010 its decline. Despite the crisis, China reported

growth, while most Western countries were either in the red figures or GDP growth moved up to 3,5% (Lithuania).

Economic, political and social factors are the reasons for a decrease in GDP. Among them, for example, also is slowed building production, for which the Chinese government and its control of property prices are responsible. Other factors are the decline in domestic consumption, reduction of orders from abroad and thereby lower export⁴ as well as the efforts of the developed world to reduce their debt.

Graph 1 Development of Chinese real GDP growth in 2002-2012



Source: Trading Economics *China GDP Annual Growth Rate (2012)*

Graph 2 Real growth of GDP in China in 2008-2012 (%)



Source: Trading Economics, *China GDP Annual Growth Rate (2012)*

4 According to data from Eurostat, exports for 2010-11, we can see that the degree to which the Chinese export market was used varies greatly for each individual European country. Clearly Germany wins; huge growth of exports to China is also seen in Spain and Belgium. In contrast, in the case of France, Finland and Sweden, the growth reached the average value.

Role of Chinese Labour Force, Price and Language

Factors for the Chinese economic boom are mainly Chinese labour, price called “Chinese price” and language. Typical features of Chinese labour force, language and “Chinese price” could be called geocultural factors.

Employees are reliable, disciplined, are able to work hard, they can perfectly imitate the original. It is leading imitators, both manufacturers of shoes, clothes, electronics, toys, home furnishings and so on. The work force is cheaper than the European, American or Australian work forces. The hourly rate ranges from 25 to 75 USD cents. Chinese labour force (813 million inhabitants) produces the product cheaper and maybe even better than the European, American or Australian.

Although the working conditions are sometimes undignified and very few people in America, Europe and Australia would accept them voluntarily. This force is heavily involved in Chinese capitalism. As an example of difficult working and living conditions there are words of a young miner from northeast China: ... “High up on a steep heap, I search for usable pieces of coal. I have to jump away from falling rocks and avoid hot coal smoking from underneath. I have spent almost a half of my life, from the age of twelve to the age of twenty-two, in the dark coal mines in Chi-tchaj-che, where I have been carrying out one of the most dangerous jobs in the world. However, I cannot afford to buy coal, which I need especially in the winter months, when the temperature can fall to -28 °C. This is why I climb the heap with my wife after work to find coal. We survive on potatoes, maize mush and cabbage. We eat meat only twice a year.” (Larmer, 2006, p. 94). However, many Chinese also accept these conditions because they want to have a decent minimum.

In the business world the “Chinese price” presents the lowest production and selling price. This is the reason why here gets huge foreign capital and investment. Chinese price and Chinese labour is an impetus for global companies to relocate their production to China, thereby achieving significant savings.

Another geocultural factor that contributed to the growth of the Chinese economy is language. On the one hand, the Chinese (resp. Mandarin) language, on the other hand, it is English. More and more Europeans, Americans and Asians study Chinese language in the area of business, because they realize that language is a factor of understanding and the understanding of the customs, traditions and social norms of Chinese society, which is different in comparison with Western civilizations.

With the diversity of languages and Chinese dialects, is notable for the fact that Chinese have English as a second language for almost the same number of people (312 mil., it is 21% of Chinese population), as those for whom English is the first language in the USA (247.2 mil., it is 82.1% of the population), Canada (19.8 mil., i.e. 59.3% of the population) and the UK (44.9 mil., i.e. 74% of the population). It is only a matter of time when English will penetrate more into Chinese schools, the media and business, as it happened in non-English speaking European countries. Also, there is a high likelihood that employers, especially in those industries, which requires a highly skilled workforce, begin to motivate staff more and to improve their skills and language skills, because Chinese entrepreneurs are aware that knowledge of English is something like quality infrastructure.

Troubles and Measures

China is also facing problems, although economic indicators have shown mostly positive value. The problems include e.g. higher consumption of energy and raw materials needed for industrial production. This leads to price increases in the world market (growing demand). On the one hand prices rising could threaten the economy of China itself and on the other hand Chinese business partners. That is why China has established networks with African countries and Kazakhstan⁵, from where it wants to import mainly oil and gas. On the negative side, the Chinese economy has weakening exports, resulting from the crisis, especially in Europe. It is her largest trading partner.

In August 2012, export to the old continent declined by 12.7%. Chinese were disappointed by exports to Japan, which were down by 6.7%. Deliveries of goods to the U.S. on the contrary increased by 3% in August.

A negative outlook and another problem which China faces is the unexpected decline in imports, which suggests that the world's second largest economy is slowing down significantly. The main theme of the summit was the member countries of the Council for Asia-Pacific Economic Cooperation – APEC (Vladivostok, 8-9 October, 2012).

Also, the industrial production and the volume of investments are decreasing and inflation is growing. With the economic slowdown, the rate of unemployment rises and the risk of political tensions increase. And that's just during the politically difficult time when the ruling Communist Party (CP) tries to enforce order and after about ten years the CP is preparing for the transfer of power to the younger generation.

In June 2012, the Chinese Central Bank fought against a flagging economic growth by unexpectedly cutting interest rates. Other Chinese banks are trying to expand abroad, e.g. in the USA. Such banks, including the largest Chinese bank ICBC – Industrial and Commercial Bank of China, which took over control of the Bank of Asia (USA), based in New York. Another bank ABC – Agricultural Bank of China also opened a branch in the USA and Bank of China was authorized to open a branch in Chicago in September 2012. What is important for China? First, through these banks China expands to the foreign markets. This reduces dependency on the domestic market, where it sharpens competition and slowing growth. At the same time, through the banks located outside of China, it can also achieve 10% profits, which will then go directly back to China. Expanding Chinese banks is important

5 In July 2012, a meeting was held in Beijing with the Chinese President Hu-Jintao and five dozen African leaders. They agreed that China is to provide African countries, 20 billion USD over the next three years. Loans will be used primarily to improve the infrastructure for the development of small businesses and agriculture. The president called for closer international cooperation in foreign policy that “big player do not bully small country, strong do not dominate the weak and the rich do not oppress the poor. We continue to strengthen our friendship, to exclude external shocks and enhance mutual trust. “China is the biggest trading partner of African countries (Angola, South Africa, Sudan, Nigeria and Egypt). Last year trade between China and African countries, according to the Chinese Ministry of Commerce has 166 billion USD (Source: BBC).

for the United States. It is all about creating opportunities for American workers and businesses.

China also began to participate in the opening of new trade routes for the extraction of minerals (mainly oil and gas) in the Arctic. This shows the status of icebreaker Ice Dragon (Xue-lung), which was the first Chinese ship, to sail the route along the north coast of Russia and the North Pole (Pascal, 2012).

Penetration of Chinese researchers in the Arctic regions⁶ of China will bring new knowledge about climate changes. This allows predicting the evolution of the weather and thus the impact on Chinese agriculture. Winther (2012) states that the country already asked for the observer's seat when it comes to grouping countries by agreement of the 90th last century Arctic governance.

Why Is It Good to Have Gold?

The most populous country stepped up their interest in the field of ferrous and precious metals. It is all about gold. According to tradition, gold is regarded in China as a safe investment, a good luck charm and colour of the Emperor. Since the Chinese market was liberalised, demand for gold has tripled.

China closed centuries of domination by the South Africans in gold mining. Bristow (2012) indicates that since 1905, South Africa is the largest producer of gold. However, the mining of the past 10 years has been reduced by half. The reason is increasing costs, stricter safety regulations and bearing fatigue.

It is in fact South Africa that has fallen behind China as regards gold mining. This is evidenced by data for the 2011 year, when gold production in South Africa was 272 tons, but in China it increased by 12% to a record 276 tons. Thus, China became the largest producer of the metal. Fig. 1 shows gold mines belonging to a Canadian mining company, China Gold International Resources Corp. Ltd., (CHGIR). In China the company has 56 gold mines (marked red) and outside of China 13 (marked yellow).

Furthermore China Gold International Resources Corp. Ltd. still operates another 15 companies focused on gold mining: (1) ELDORADO GOLD MINING MUNDORO; (2) CHINA GOLD; (3) TVI PACIFIC; (4) CONTINENTAL MINERALS; (5) INTER-CITIC MIN.; (6) MAJESTIC GOLD; (7) Tianshan Goldfields; (8) CHINA Goldmine; (9) LEYSHON RES.; (10) DRAGON MOUNTAIN; (11) Coins; (12) GOLD; (13) SILVER METALS, (14) Southwestern RES.; (15) Zijin Mining (GOLD Portal 24, 2012).

Growing demand for gold in China is mainly based on fears of economic development in the United States and Europe, the high inflation and the printing of new dollars (QE3). This also drives investors to gold, as evidenced by the fact that the liberalization of the domestic market ten years ago until now, the demand for gold in China almost tripled to 769.7 tons.

6 This is AMORA project (Advancing Modelling and Observing solar Radiation of Arctic Sea Ice). Its aim is to model and observe solar radiation in the Arctic, it also focuses on the development of measuring devices that contribute to a better understanding of solar effects on global warming.

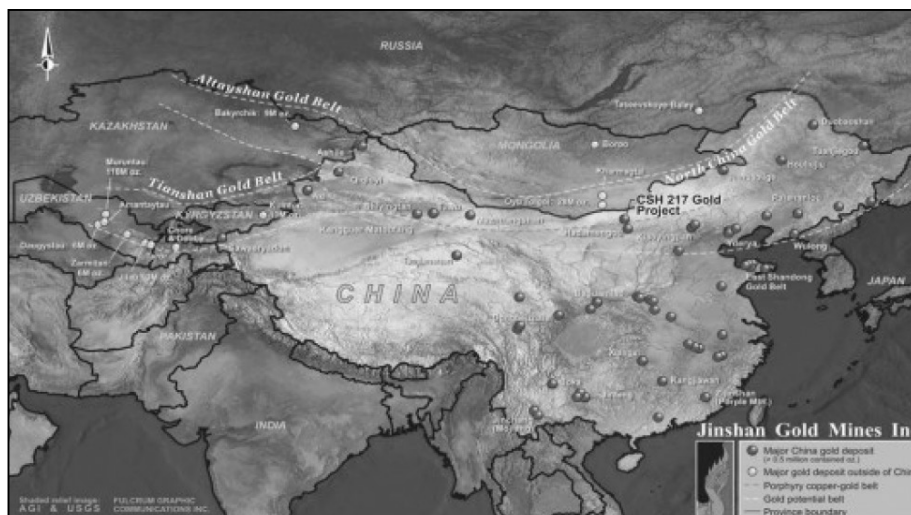


Figure 1 Gold mines in China and outside of China, which benefits China Gold International Resources Corp. Ltd.

Source: Gold Investing News (2012)

Here is an interesting look at the foreign exchange and gold reserves of China. In 2011, China had 3.236 billion USD of the foreign reserves. The value of these reserves is in paper money (USD). As a result of this printed money, China ranked first place in the world.

The Central Bank of China currently holds 1 054 tonnes of gold, and for China it means the 7th place in the world. However, the gold is only 1.6% of its exchange reserves, while gold is 70% of the USA reserves (8 133 t) and 66% (3 406 t) of Germany foreign currency reserves (Bocker, 2011). Hence, China plans to increase its gold reserves (by 2016) six times! Legislation restricts the export of gold that is extracted at home; therefore Chinese demand for gold is the main factor affecting the price.

Since 2004, inhabitants of China can buy and hold investment gold. The government and media campaign directly states at least 5% of their funds are held in gold and silver.

What is the advantage of gold versus paper money? If you want to know the answers to this question, we have to know more about gold. It is a unique, noble, precious metal, which when compared to other metals it's very resistant to water and air; in layman's terms gold does not corrode.

It does not react with the environment at the time, therefore, its properties do not change and there is less consumption or loss. It is soluble only in a concentrated mixture of nitric acid and hydrochloric acid (the Aqua regia) and the cyanide solution. It has a high gloss, thermal and electrical conductivity and malleability. Its density is also high (19.290 kg/m³), 3 times higher than water, 2.5 times higher than silver or

lead. High density of gold saves the enormous value to small volume. E.g. a cast of gold as big as a box of cards would weigh over 2 kg.

This precious metal is used in electric, mechanics in space, rockets, transportation (automotive, aviation, shipping), computer science, pharmacy, medicine, jewellery, finance and elsewhere. Pleased with its beauty, in the form of fascinating jewellery it demonstrates social status and wealth of its owner.

Gold cannot be printed like money, cannot be built like a house, retains its purchasing power is protected against inflationary impact and is purely an economic commodity. When gold is scarce, its price increases. Paper money eventually loses its value and has no major impact on inflation and currency depreciation. This is particularly true in times of crisis, when printing fiat money.

Gold is in fact the financial insurance. History has repeatedly shown that it is currently the best protection against financial catastrophe: before bank holidays (closure of all banks before the currency reform), before the bans, exchange raids, moratorium and insolvency of large borrowers, coups, civil wars and natural disasters.

In case of hyperinflation, crippling deflation or even collapse in the financial market, this precious metal provides safety and security. As was shown in history many monetary systems crashed. For those who owned gold, bankruptcy did not affect them. People traditionally and instinctively invest in gold.

Governments and central banks believe gold is its financial reserve to serve as an anchor in the event of a crisis, as a traditional fuse and checked for bad times. The International Monetary Fund (2012) pointed out the information that the central banks of emerging (economically developed) countries since 2010, continue to increase their gold reserves. The first time, after 20 years, banks bought more gold than they sold. Dutch Finance Minister Kees de Jager (2012) stated that “physical gold held by the Dutch Central Bank serves as the final reserve and anchor of trust in times of financial crisis.”

Gold is traded 24 hours a day. It's a universal global “currency” that can be sold anywhere and anytime in the world, because it is seen as a precious metal. It is exempt from income tax. Thousands of years show that it is one of the most reliable means to store values. So, who has the gold, always has money.

Its value expressed in purchasing power cannot be reduced to zero, while in the case of paper money it could happen. If you have dollars and euros to survive, it probably will not go without coverage gold because the world population, the economy and financial policy changes will strongly demand the replacement of worthless paper with something solid. The planned introduction of Eurodollars or Amero, at least partially, does not find support without gold cover. Gold remains true to its name.

Based on graph 3, it is shown that the price of gold over the last 20 years is increasing. In 1992, an ounce of gold in London (London Bullion Market) was selling for 256.86 Euros, but in December 2012, it was 1320.65 € per ounce. Price thus increased by 514%. However, the correct statement should be: Price of paper money declines. Gold maintains its purchasing power or even increases.

Graph 3 Development of gold prices in 1992-2012 by London Gold Fixing



Source: Gold Price, 20 Year Gold Price. (2012)

Any decline in the price of gold is a sort of gift. It offers the opportunity to purchase or buy gold. The Chinese, for whom the ownership of gold was illegal, now can buy gold on the Shanghai Gold Exchange. Some others also do so. The need to own gold in Asian countries (China, India, Arab countries, Russia) is deeply rooted in the human psyche, and finally this need to win.

According to Chang (2012a) Chinese buy thousands of gold bricks from Hong Kong, London, New York and Switzerland. China started in early 2012, gathering all of its elaborate gold reserves in small pound bricks to issue a new, gold-covered currency.

This currency is set to disrupt global trade and consequently there may be a collapse of the dollar. This ambitious plan has massive dimensions and shows how China is preparing for a new trading system and a new monetary system. Both systems – commercial and monetary – will be gold based; they will support the payments business and later as banking, especially new reserve banking system in which it will no longer include the yuan.

Conclusion

China has overcome all of the stages of economic development simultaneously and today it is regarded as the biggest market and as the customers of such companies as Microsoft, Toyota, Disney, Nokia, Citibank, Morgan Stanly, Deutsche Bank etc. It is the fastest changing economy in the world aided by the fact that China daily engages a host of European, Asian and American experts from the field of banking, manufacturing, IT or advertising.

China shows that economic development does not necessarily depend on a democratic form of government. The Chinese economy is a hybrid of state enterprises and large corporations and of private firms and poor areas (especially in the western, central and northern parts of the country). State enterprises draw on state funds the

size of which private companies in other parts of the world do not even dream of. The state remains the main shareholder.

The general opinion in the past was that it is the Chinese population which threatens its economic prosperity because it is difficult to feed and employ it and to prevent it from falling into chaos. At present, the Chinese labor force is the most important factor of Chinese economy and in its process of modernization.

The influence of rural-to-urban migration at the beginning of the third millennium was evident in the degree of urbanization and the growth of population density in coastal areas, e.g. Shanghai, Quingdao, Dalian, Quinhuangdao and Ningbo, where new industrial centers, growing ports and a high quality infrastructure appeared. There was a fivefold increase of urban population from 1949 (9.1 %; 49 mil.) to 2013 (41.8 %; 535.04 mil.). China had 34 cities with 1mil inhabitants in the year 2000, this rose to 102 cities with 1mil inhabitants in 2013. Two cities have more than 10 million inhabitants (Shanghai 15.7 mil. and Peking 11.1 mil.).

The important factor is a Chinese identity. Huntington (2007) defines this with regard to the racial competence: the Chinese are these who have the same “race, blood and culture”. By understanding cultural identity in this way it makes the expansion of economic relations easier. Simultaneously, this expansion is a key element for supporting the rapid economic development in China, as elsewhere. Economic development then becomes mainly a psychological impulse to the strengthening of cultural identity.

The early development of China's economy was financed by individual regions. Thus, local enterprises grew with the help of capital and funding provided by local credit systems. Provinces in the north-east are an exception to this because their economy developed with the help of capital from Russian and Japanese entrepreneurs. Hong Kong, Taiwan, Singapore and Macau-based companies invested in China and at the beginning of the new millennium, large investments from the USA and Europe flowed into China also due to its location in a relatively stable area.

The economic and financial crisis has not avoided China either, although regions which belong to the special economic zones (Shenzhen, Xiamen, Shantou, Zhuhai, Hainan) feel its impact more softly than regions which are out of them. One of the fall backs from the crisis was boosting domestic offer. However inhabitants must have enough finance so that they could spend more. Money is possible to gain by reducing costs in other areas, for example costs for energy are cut. Approximately one fifth of all costs incurred by Chinese are spent on the household. Adjusting to the social-economic situation forced inhabitants and politicians, to become experts on cost cutting by rethinking and revaluing priorities and to organizing values.

China took the most favoured position as the economic and political player in the world today. Europe and America are recovering from the effects of the economic crisis very slowly and with much difficulty. The EU threatened bankruptcies of countries – Greece, Italy, Portugal, Spain, Slovenia and Cyprus. It's also questionable whether the Euro zones most powerful economies – Germany and France will be able and willing to invest mainly in the saving of these countries.

The USA became the largest borrower in the global scale. Federal Reserved System (abbrev. FED) has proceeded to the third qualitative easing (QE3), which means printing new dollars. By artificially creating lots of paper and electronic money in the billions values should trigger hyperinflation, as compared to the amount of money, the amount of goods and services produced by the real economy remains at best the same, in the worst case even decreasing.

“Printing money” is not helping the economy, therefore, causes only future inflation, respectively hyperinflation, which is the de facto hidden taxation. This is the element that disrupts the economic and social environment. This system favours a narrow group to which the new money will get first, at the expense of everyone else. Positively QE3 may occur only in the coming months due to the fact that investors and traders will feel richer. Short term effects can increase investment and business activity and decrease unemployment. However, in the long term it’s a destructive step which widens the gap between rich and poor. If the amount of money in the world doubled overnight, people will be twice as rich, because there are only a limited number of goods and services. This would result in a doubling of prices.

In a global economy, there is thus a more pronounced shift of the field lines from west to east and it is clear that China will play a key role. Almost no state agitates global economic hierarchy like China. This is what drives the Chinese economy forward.

The World Bank and Forbes experts (e.g. Chang 2012b) predicted the Chinese economy will expand 8.4% in 2014. It means a recovery, which in the context of China means a pickup in growth rates.

Manufacturers and entrepreneurs still have high hopes vested in China. Today, there are well-established and global run brands operating from China. It is interesting that the initial entry into the Asian market has great growth due to the fact the comparative base is low. However, the mass shifting of productions to China has cost billions in losses to state budgets of national economies, led to a rise in unemployment and the consequent dissatisfaction of the domestic population.

As for gold it remains a true currency, just as it was, is and always will be. In the current economic and financial situation it is obvious that gold will be in recovery. Although it’s a painful and necessary process it will play a key role, as it has done through all the crises in the past.

However, as the situation develops further, it will depend on a number of political, economic and social factors. It will depend on the adoption of measures, new laws and declarations.

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SUMMARY

Úroveň čínskeho hospodárstva a predovšetkým jeho pozitívne ukazovatele v posledných štyroch rokoch neprekvapujú iba samotných Číňanov, ale aj okolitý svet. Tempo ekonomického rastu tejto najľudnatejšej krajiny sveta bolo v r. 2009 – 2013 výrazne vyššie (12,2 % – 7,7 %) ako rast rozvinutých ekonomík (USA, Japonsko, krajín EÚ).

Podiel a vplyv na ekonomickej aktivite a teda aj na spoločensko-ekonomickej situácii má niekoľko kľúčových faktorov. Ide o predovšetkým o faktory demografické, prírodné, politické, ekonomické a sociálne.

V rámci demografických faktorov je to počet obyvateľov Číny (1,3 mld., 1. miesto) a z toho vyplývajúca najpočetnejšia pracovná sila na svete. Tá je zamestnaná na jednej strane v štátnych inštitúciách a podnikoch a na druhej strane v súkromných firmách, tak domácich ako i zahraničných.

Potom sú to priaznivé prírodné podmienky vo východnej časti krajiny, kde sa nachádzajú nielen úrodné nížiny, mohutné ústia riek a priaznivé klimatické podmienky, ale táto časť je už obmývaná Východočínskym a Juhočínskym morom s množstvom dôležitých prístavov. Práve v JV časti Číny vznikli špeciálne ekonomické zóny, ktoré sa výrazne podieľajú na ekonomickej aktivite Číny. V nich sa nachádzajú okrem domácich hlavne zahraničné firmy, ktoré sú daňovo zvýhodnené a zamestnávajú čínsku pracovnú silu. Takže tu, na juhovýchode, sa zároveň koncentruje najviac čínskej populácie. Tiež treba zdôrazniť, že Čína je krajina kontrastov a existujú v nej značné rozdiely medzi životom na vidieku a na pobreží. Pobrežné mestá v posledných 25 rokoch zaznamenali doslova ekonomický boom a z rybárskych mestečiek sa stali veľkomestá západného štýlu (Šanghai a i.). Čínsky vidiek je chudobný (800 mil. obyv.), zatiaľ čo obyvatelia miest (500 mil.) sú bohatí. Dramaticky sa teda roztvárajú nožnice medzi chudobnými a bohatými.

K ekonomickému rastu Číny prispieva aj tzv. čínska cena. Predstavuje najnižšiu výrobnú cenu produktov a výrobkov vo svete. A toto je jeden z dôvodov prečo sa do Číny sťahuje mnoho zahraničných firiem. Na druhej strane Čína otvára pobočky svojich bánk v zahraničí, čím Čína expanduje na zahraničných trhoch.

Čínska vláda si uvedomuje, že bez kvalifikovanej pracovnej sily by nedosiahla ekonomický rast. Preto umožňuje zriadiť prestížne čínske platené univerzity. Na druhej strane posiela študovať vybraných študentov do USA a Európy. Po návrate tieto tzv. „morské korytnačky“ – Číňania, ktorí majú diplomy z prestížnych zámorských univerzít (Harvard, Stanford, UCLA, MIT, Oxford, Cambridge a pod.), resp. majú pracovné skúsenosti z medzinárodných finančných inštitúcií, významných nadnárodných koncernov (Microsoft, HP, Sony, Google a i.), prinášajú odborné, technologické i manažérsko-marketingové poznatky a skúsenosti do Číny. Aj takouto cestou sa Čína derie dopredu.

Keď koncom r. 2013 došlo k spomaleniu ekonomického rastu Číny a to hlavne znížením exportu, čínski lídri schválili stimuly na podporu ekonomiky. Išlo predovšetkým o dva najvýznamnejšie faktory rastu: 1. rast založili na domácej spotrebe a 2. na výdavkoch na stavbu infraštruktúry (stavba diaľnic, železníc a pod.).

Každá vláda a centrálna banka si uvedomuje, aké dôležité je mať svoje rezervy nielen v peniazoch (v bankovkách), ale hlavne v zlate. Zlato je univerzálne platidlo, s ktorým sa dá obchodovať kedykoľvek a kdekoľvek na svete. Nepodlieha inflácii, zatiaľ čo bankovky podliehajú. Jeho hodnota nebude redukovaná na nulu, či dokonca na mínus, čo sa u bankoviek môže stať. Keďže Čína má v zlate iba 1,2 % (1054 t) svojich rezerv, zvyšok je v bankovkách, uvedomuje si funkciu a hodnotu fyzického zlata. Preto sa čínski lídri rozhodli, že do r. 2016 zvýšia svoje zlaté rezervy 6-násobne. Dôkazom, že to myslia vážne, je otvorenie 56 baní na zlato.