



Can China Become the Global Leader?

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In the present paper it will be shown

- The merits and shortcomings of the Chinese economic model;
- Why GDP growth rates will slow down soon;
- Why China will be unable to take the USA's position in the world.

Scenarios for China's future

The positive scenarios

Longstanding high economic growth

China overtakes the USA

China becomes the world leader

The negative scenarios

Growth rate slows down

China faces a grave crisis

Various scenarios from democracy to China's collapse

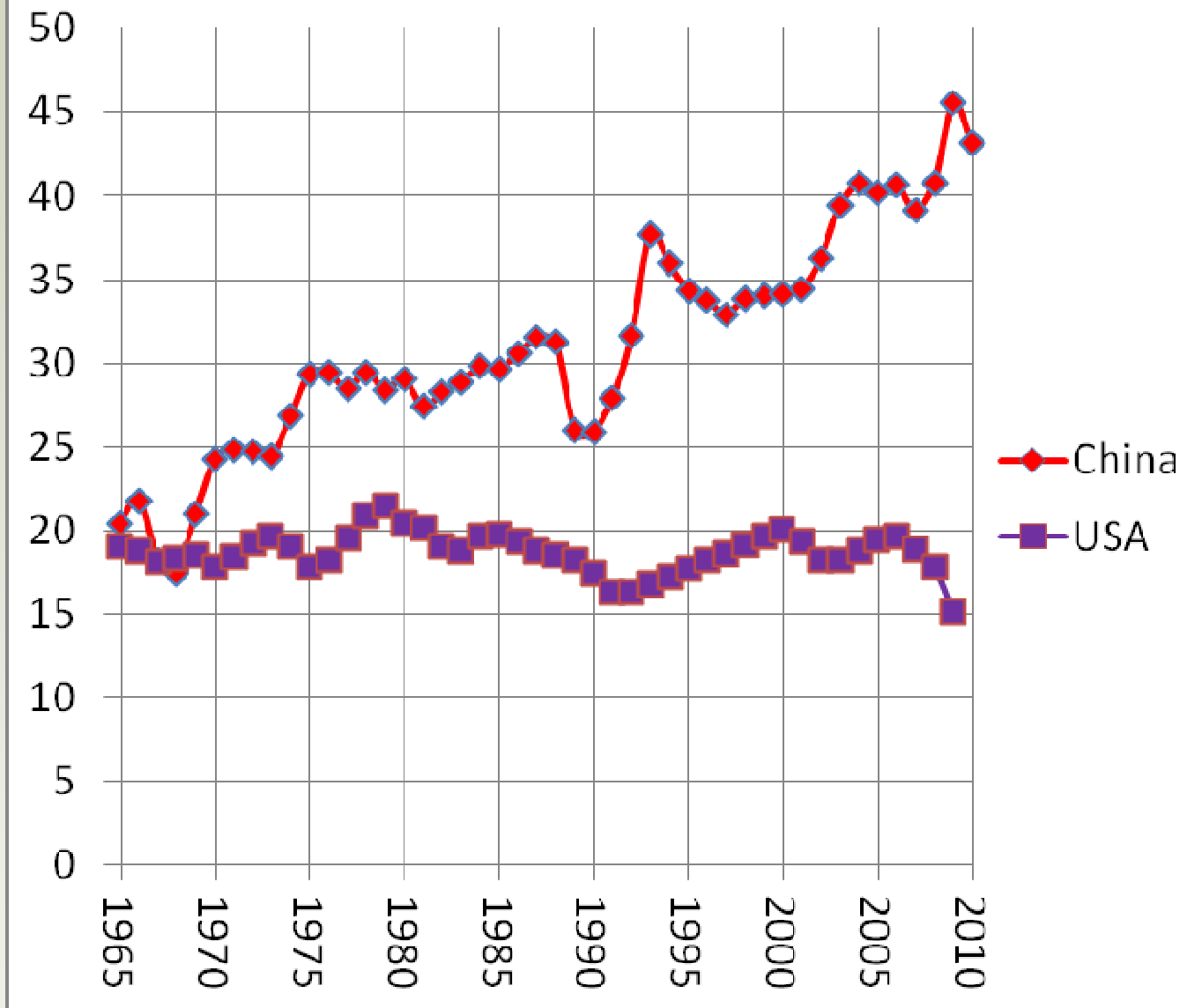
Why neither China no anybody else can take the USA place

- The USA *combines* the political, military, financial, monetary, economic, technological, innovative and ideological leadership functions. *Nobody in the world can put together so many leading functions as the USA.*
- Almost all these leadership aspects will be unapproachable for China.

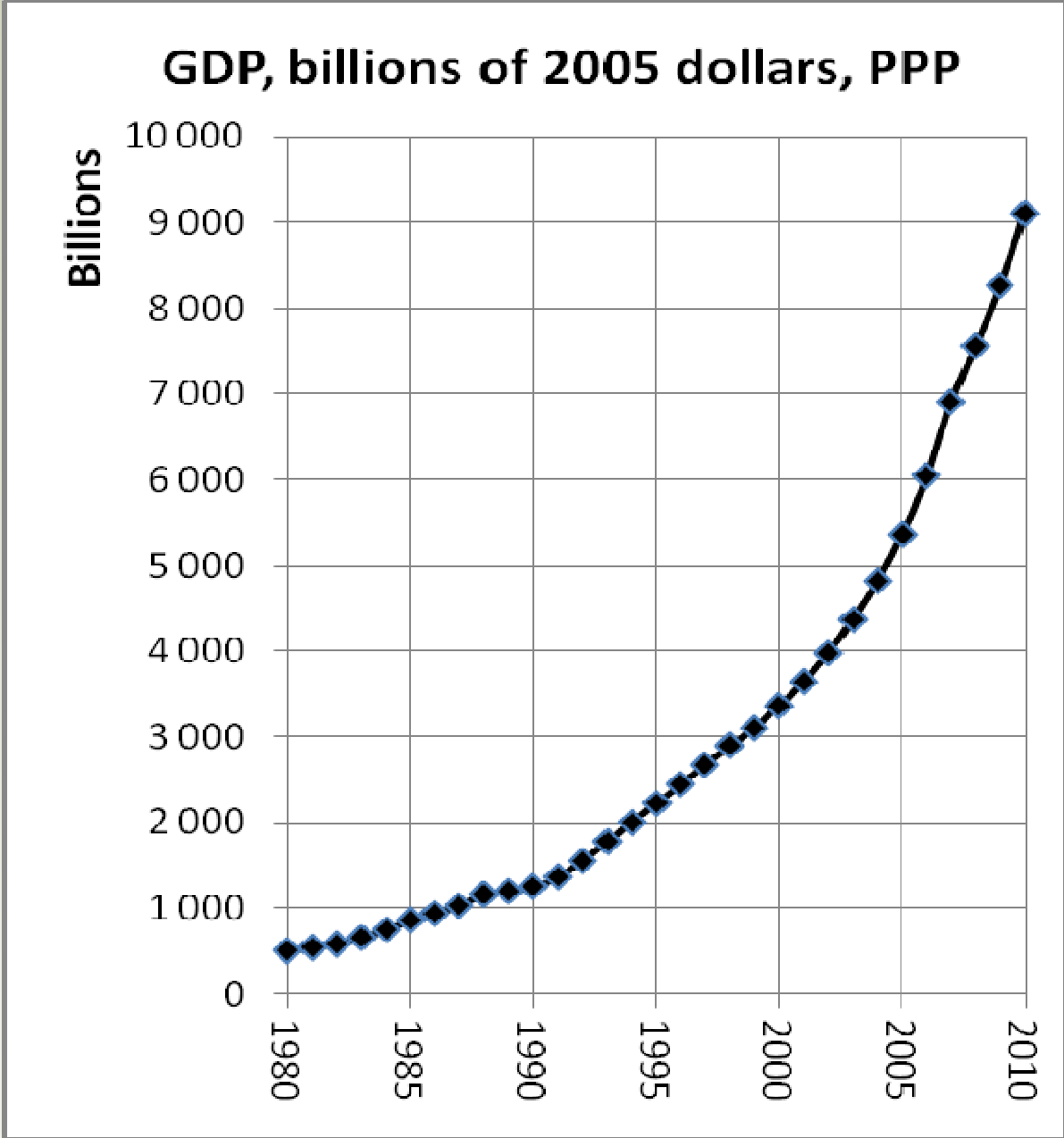
The East Asian economic model's fundamental features

- export-oriented economy;
- cheap labor force;
- mobilization of foreign investments;
- large investment ratio in GDP;
- an authoritarian state active participation in economic development;
- special economic zones.

Share of investments in GDP, %



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The driving forces of the Chinese economic miracle

- China has a *multilevel system of growth driving forces*, where, as opposed to developed states, the dominant role belongs not to native private capital, but to state corporations, local authorities and foreign business.
- *The distinctive characteristic of the Chinese model* is that the provincial and local levels authorities severely compete for investments and high growth indicators.

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The driving forces of the Chinese economic miracle



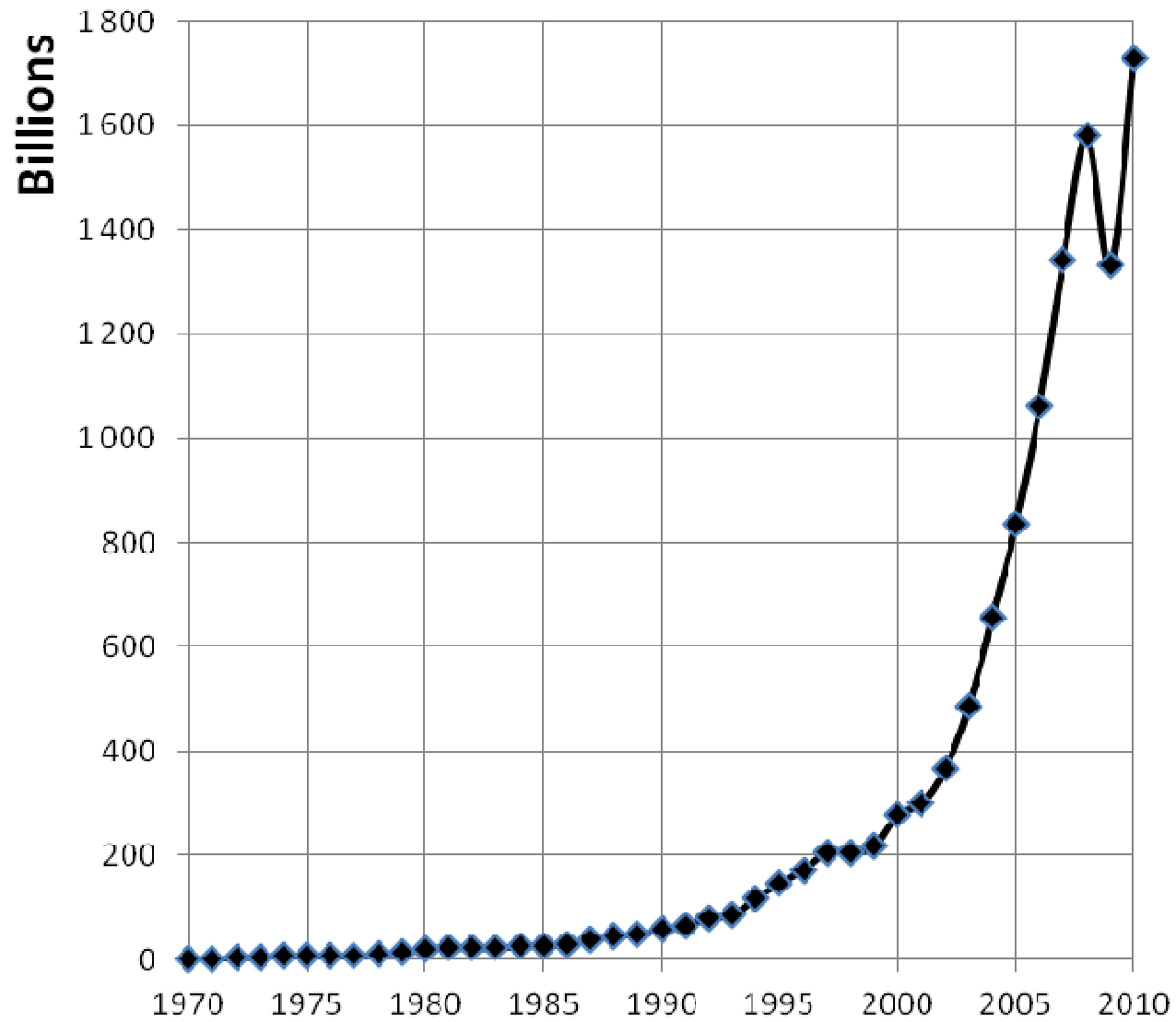
The present limitations of Chinese economy

Economy is based on extremely huge involved resources and capitals.

It still remains:

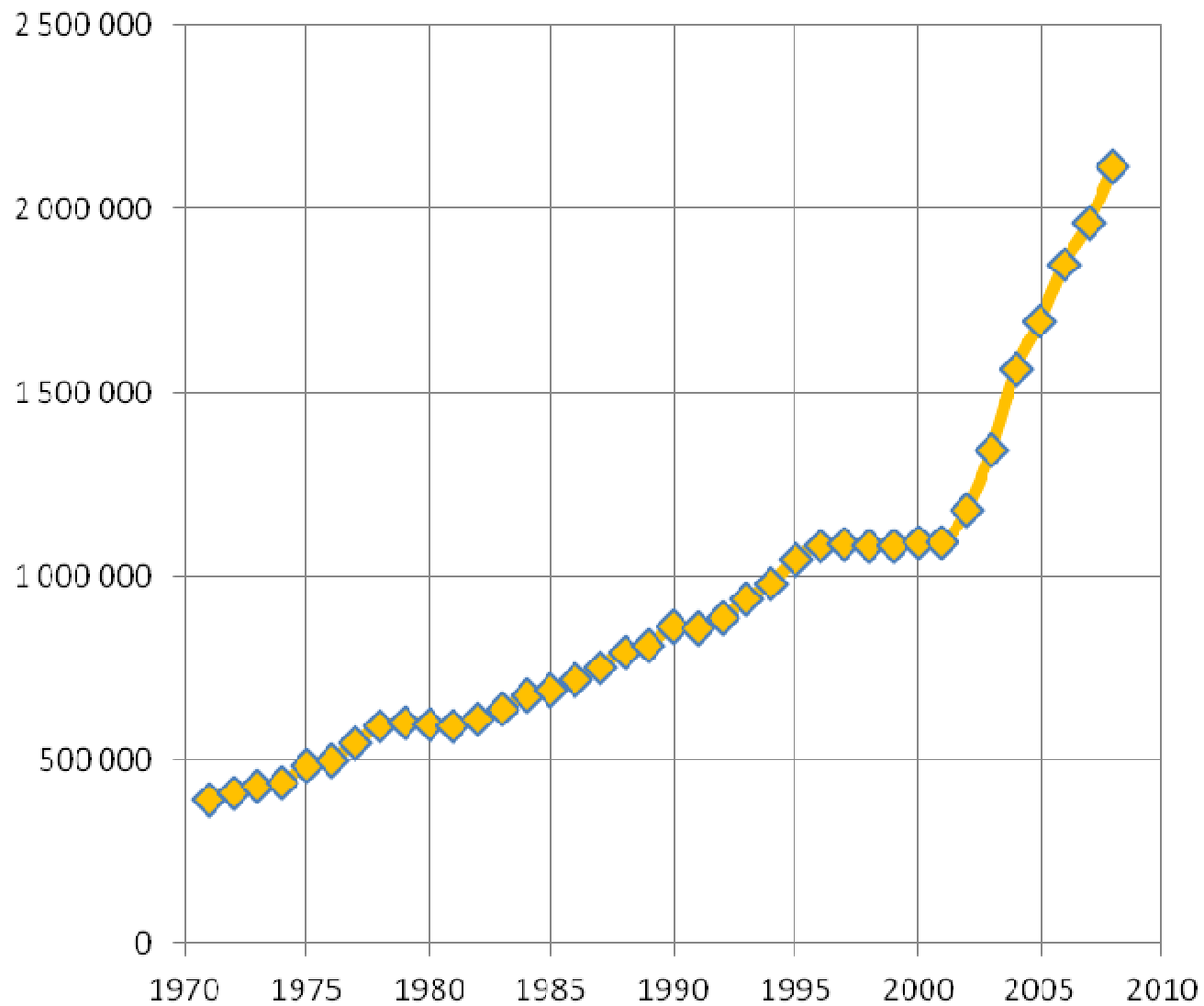
- too energy-intensive;
- extremely polluting;
- too much export-oriented.

Export, blns of \$



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Energy use (kt of oil equivalent)

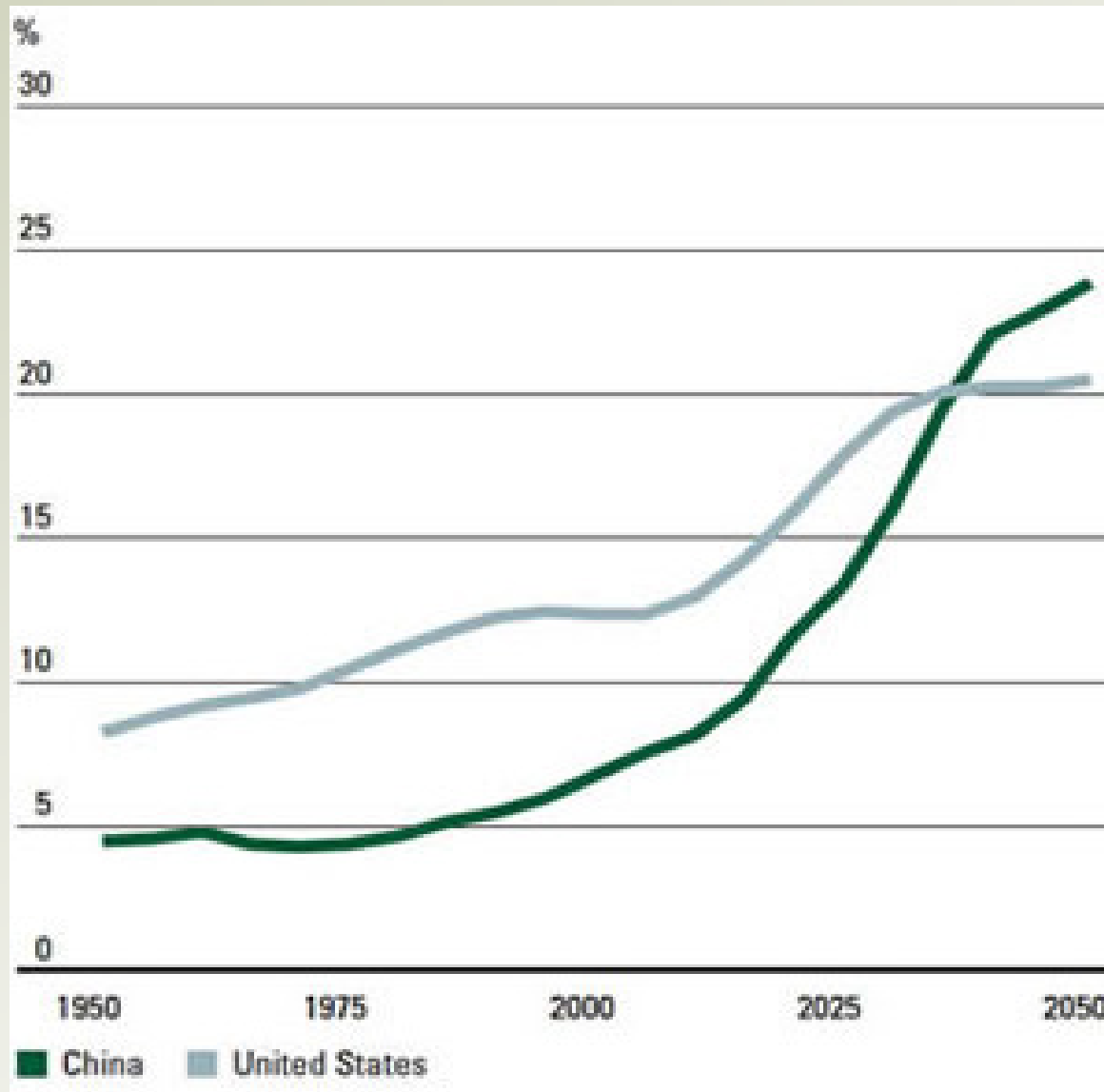


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The forthcoming limitations of Chinese economy

1. Energy resources and raw materials scarcity.
2. The coming labor shortage and its increasing cost.
3. The obstacles for export growth and the risk of capital inflow reduction.
4. The decline of investment return.
5. Necessity to solve the problem of environment.
6. The increasing social expenses.

Elderly Percent of the Population in China and the USA,* 1950–2050



***Elderly is defines as age 65 and older. Source: UN Population Division (2009)**

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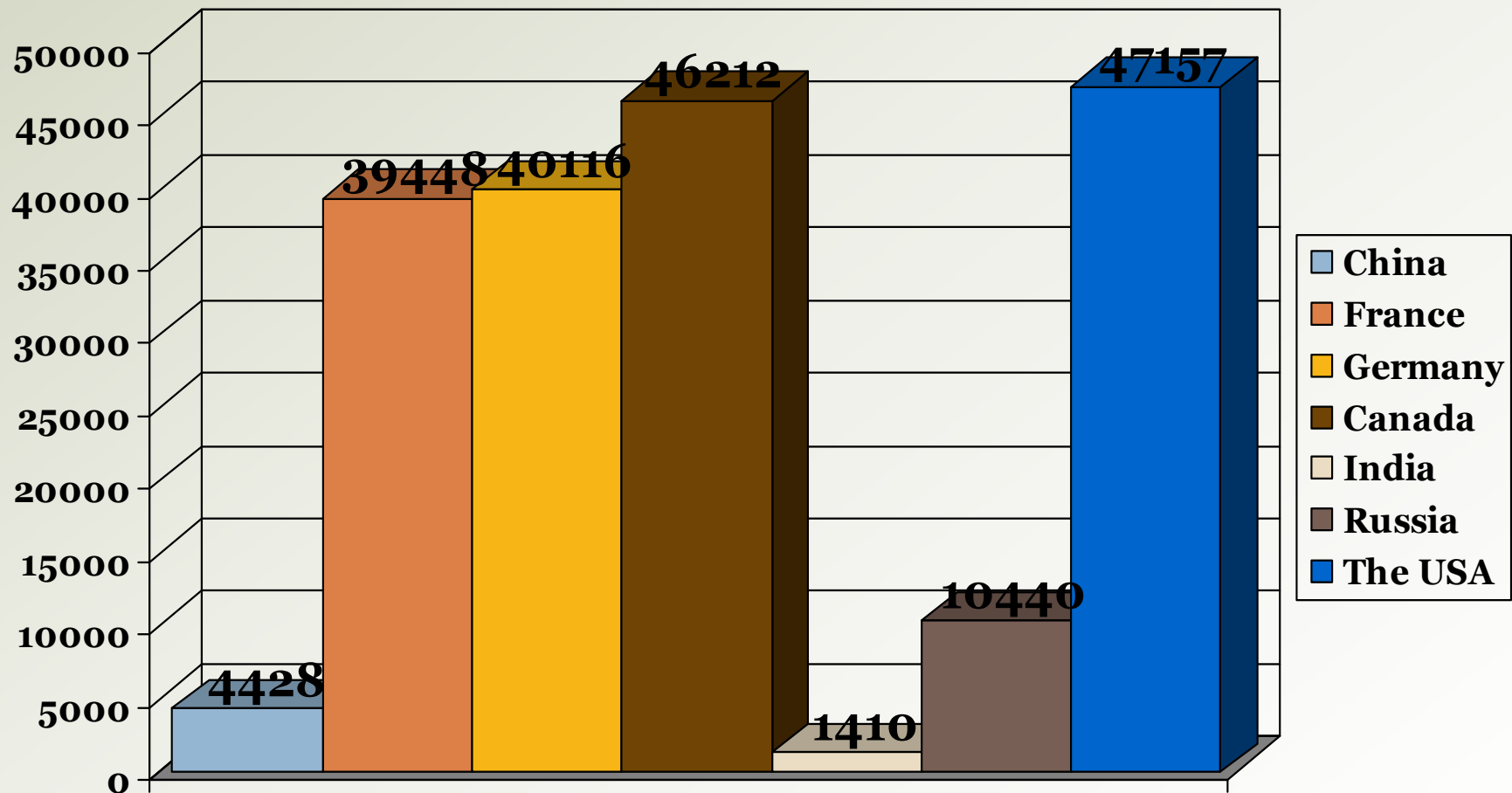
China development prognosis

- The double-digit average annual growth rate will not be achieved.
- *A significant growth rate deceleration to 6–7 % in the next four years.*
- After 2016, the growth rate will decrease more – to about 4–6 %.
- In the 2020s China will encounter serious difficulties and crisis.

Three reasons why China cannot become the World System full-fledged leader

- The Chinese industry is in many respects depend on import capital and technologies.
- The planet's main polluter cannot be the world leader.
- The developing country cannot be the world leader.

GDP per capita (current US \$) 2010 (World Bank)



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Five comparisons between present China and the USA in the 1900s

1. Labor productivity in the USA was the highest in the world; labor productivity in China is low.
2. The USA had labor shortage – the case opposite to the Chinese one.
3. The USA was an innovative leader, there are no spheres where China takes the lead in innovations.

Five comparisons between present China and the USA in the 1900s

4. The wages in the USA were significantly higher than in Europe. Low wages is the fundamental aspect of the Chinese economic.
5. The USA economy has never been export-oriented.



**Thank you
for attention!**

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