

Chinese Economy in 2050 - The Key Challenges on the way to Grow

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Abstract: China attracts people with its geographic and economic diversity, an impressive heritage of over three thousand years old civilisation and the size of population which creates different opportunities for business. Understanding past and current reality of this country seems to be difficult as its economic and political system is somewhere in between bureaucratic and authoritarian one-party state and market orientated modern economy. The State centre within last three decades became one of the most important players in the world on political, economic and military scenes. It has the largest population, the most numerous army, nuclear weapons, large surplus in foreign trade balance, central bank reserves amounting 3,5 trillion USD and its national currency named yuan, which already has become a part of SDR. Nowadays China is on the way to become the world largest economy with independent impact on global political and economic affairs.

This country is also facing a list of problems, which seem to be very serious and which will be challenging authorities and society in coming years and decades. One of the most important is necessity to strength environmental regulations to improve quality of life and to decrease the level of destruction of nature, secondly to support human capital to facilitate transition to higher value-added economy, it means to increase internal consumption and the third to boost rural development, which is slow, ineffective and it creates significant differences in individual incomes between urban and country regions. The speed of economic growth seems to be essential for business, stock exchanges and foreign investors and therefore questions concerning the barriers on the road to grow seem to be essential for coming years. This article is a trial to indicate these key challenges and threats for China on the way to grow.

Keywords: China's economy, Chinese economic growth, society of China.

1. INTRODUCTION

China attracts people with its geographic and economic diversity, an impressive heritage of over three thousand years old civilisation and the size of population which creates different opportunities for business. My visits in different parts of China (Beijing, Xi'an, Shenzhen, Hong Kong) resulted in number of questions about the future of economy and society of that country in coming decades. The key question always was whether China in 2050 would be the largest economy in the world or inefficient demographic giant with deep financial and social problems? Understanding past and current reality of this country seems to be difficult as its economic and political system is somewhere in between bureaucratic and authoritarian one-party state and market orientated modern economy. The State centre within last three decades became one of the most important players in the world on political, economic and military scenes. It has the largest population, the most numerous army, nuclear weapons, large surplus in foreign trade balance, central bank reserves amounting 3,5 trillion

USD and its national currency named yuan, which already has become a part of SDR. Nowadays China is on the way to become the world largest economy with independent impact on global political and economic affairs. Although it is very powerful country and the biggest economic system in the world in most of dimensions, still it is not global leader in comparison to United States and its coalition of Western countries. China has become a member World Trade Organisation in 2001 and it has good bilateral agreements with many countries but it does not have strong political or economic international allies. Internally it remains a resilient authoritarian system of one party and limited number of rights to individuals. It means the system is not democratic and probably it needs to be defined again in near future.

This country is also facing a list of problems, which seem to be very serious and which will be challenging authorities and society in coming years and decades. One of the most important is necessity to strength environmental regulations to improve quality of life and to decrease the level of destruction of nature, secondly to support human capital to facilitate transition to higher value-added economy, it means to increase internal consumption and the third to boost rural development, which is slow, ineffective and it creates significant differences in individual incomes between urban and

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country regions.¹ Furthermore, in near future China needs broader and more explicit strategy regarding state-owned companies, which are less efficient and less profitable than those in private sector.² The key factor for development of Chinese economy in future will be undoubtedly domestic demand for goods and services. However, GDP growth in recent years was dropping down from two digits, in 2010. i.e. 10,5% to about 6,9% forecasting in 2017.³ The speed of economic growth seems to be essential for business, stock exchanges and foreign investors. Furthermore, Chinese demand for natural resources is beneficial not only for domestic market but for global economy, as well.

Since beginning of the reforms in 1979, China has become one of the world's greatest economies. The development and progress was made approximately within last 35 years⁴, so it is the right time to ask the question where will be China in next 35 years in something like 2050? The answer need to be considered in different aspects – political, economic, social and technological, which seems to be the leading feature to achieve all international targets including military power. Although China is very large and powerful country in many dimensions it still remains only emerging economy and it is far away from being a leader. It must compete not only with North America and Europe but also with other high developed economies like South Korea and Japan. At least in technological aspect it is still behind high developed countries and needs bold structural reforms to be placed in the global mainstream. Apart from developed Western countries, China will have to compete with the second largest demographic giant – India. That country is currently one of the fastest growing economy. GDP growth in 2016 was 7,0 % and for the 2017 is expected at the level of 7,7%.⁵ It means that for global business India is an alternative for foreign investments inflow which have good reputation for outsource services and fast growing internal demand. Despite of many differences in way of economic development both countries China and India seem to have the real power in global economy and in coming decades they will enhance their position in the world.

Therefore, the research hypothesis for this publication is following: “In coming decades China will have been successively expanding its dominant role in the world, and by 2050 it will have become the main power in global economy. However, it will face several problems mainly due to ineffective state enterprises, backwardness of rural regions, political turbulences and the urban society will suffer a lot from polluted ecological system. On international scene, it will be mainly forced to compete in technological fields including military contest to have the global primacy.” The future depends on essential reforms, which must include a shift from autocratic to free market and democratic system, growth of internal consumption to increase the living standards of society, bold structural reforms of state companies, rural development and improvement of ecological standards for entire industry.

The research methods of the research project are statistical and description analysis of macroeconomic, social, demographic and international parameters allowing for objective presentation of China development in future. The basic parameters for these analyses will concern dynamic of economic growth, social development, engagement in world trade and rankings of international competition. It seems that this problem should be also contributed in future by detailed analysis of global impact of China on world.

2. A SHORT LESSON FROM THE PAST

The main difference between market economy and centrally planned economy is that the first one is based on real competition between suppliers of goods or services while the second one is based on political decisions regarding capital accumulation and distribution of goods. In China, there is a bureaucratic-authoritarian system based on centralized political management, different from democratic, liberal, free market systems in Western countries, however also totally different from typical communist models or other totalitarian systems like juntas, personal dictatorships or communist regimes like in North Korea. In the twentieth century China has evolved starting from Communist Party founded in 1921, based on Marxist-Leninist revolution, through establishment of the People's Republic of China on October 1st, 1949 till economic reforms which started in 1978. These reforms made China a globally unique system, which is from one side highly centralized economy, as a real power is based on General Secretary of the Communist Party, Chairman of the Central Military Commission and State President and from the other

¹Economic Outlook for Southeast Asia, China and India 2016. Enhancing Regional Ties, OECD Development Centre, OECD 2015, p. 15.

²<https://www.bloomberg.com/view/articles/2016-08-25/china-s-biggest-economic-challenge> (access 07.09.2016).

³Economic Outlook for Southeast Asia, op.cit. p.11.

⁴Reforms were initiated in late 1970s after the death of Mao Zedong.

⁵<http://www.bloomberg.com/news/articles/2016-08-31/india-s-growth-slows-more-than-estimated-adding-pressure-on-rbi> (07.09.2016).

side local governments enjoy a high level of autonomy especially in business field.⁶ In fact currently it is the transitional post-Communist system, which is transforming from central-planned economy to market-driven one. It is also undoubted fact that Hong Kong, which is now Special Administrative Region (SAR) played dominant role in transforming Chinese economy into more liberal economic system based on market rules. Hong Kong's economic achievements under British rules were undeniable. In the twentieth century, it became one of the most important financial and trading centers in the world and after connection to Mainland it served both as a gateway to China and China's window of the world.⁷ Hong Kong played very important role in transforming Chinese economy mainly thanks to its independence and openness of economy, connections with world business, proofed western patterns in business activity and direct foreign investments in Continental China.⁸

Since 1978 Chinese economy was completely closed for the foreign trade and investments. In the end of 1970s the total value of foreign trade accounted to 7 percent of Chinese national incomes. Deng's government elected in 1978 totally changed the country's policy and it has started to promote intensively the attractiveness of China. By 1987, the volume of foreign trade increased to 25 percent and by 1998 to 37 percent of gross domestic product. Thanks to the policy of open market, establishing special economic zones and promoting Chinese products and services in the world China became the one of the most important players in the global economy in the end of the twentieth century. The first, well-known Shenzhen Economic Zone, bordering Hong Kong was opened in 1987. It was very important place to connect former communist centrally planned economy with free and democratic world.⁹

Establishing special economic zones, connecting Hong Kong to Mainland and transforming it into Special Administrative Region with wide autonomy (SAR), opening internal economy for direct foreign investments created a new economic system, which not only changed domestic market but accelerated the

development of China and growth of GDP. In a few years, Deng's officials started the structural reforms including agriculture, industry and state-owned enterprises, financial system, foreign trade and investment policy. By end of the twentieth century main sectors of Chinese economy had been changed. There were four main reasons, why Deng Xiaoping had decided to start reforms instead of central planned economy. The first was the fact that Cultural Revolution became very unpopular, secondly after years of experience in economic planning system both government officials and the society needed a change. The third reason was a fact that other parts of Asia – including Taiwan, Hong Kong and South Korea reported a significant growth of their economies demonstrated to China that a market economy worked better than a planned economy. Fourth, the Chinese people were ready for reforms and they had supported them very effectively.

The main task in agriculture transformation was to replace collectively owned land to individual households which were free to sell their output at market demanded prices after fulfilling obligations to deliver goods to state stocks at official prices. Formally between 1978 and 1983 the entire basis for agriculture economy were changed by adoption the idea of "household responsibility system", it means to return farms to the families.¹⁰ By the year 1984 majority of collectiveness were transferred to private farms. The restoration of family farms led to expend production and to raise efficiency. The rate of growth of agricultural output increased from 2.9 percent per annum from 1952 to 1978 to 7.6 percent from 1978 to 1984. Such significant growth was mainly attributed to improvement of effectiveness of agriculture households as well as the market regulations for a part of total output.¹¹ In addition increase farms activity led to increase in real rural income per capita amounting about 15 percent per year for the period 1978 – 1985.

Significant achievements have also been reported in industry sectors after the death of Mao.¹² In 1978 it had been started an experimental program with six pilot enterprises in Sichuan Province which had gained some autonomy regarding the use of retained profits,

⁶Kroeber Arthur, *China's Economy. What Everyone Needs to Know*, Oxford University Press, New York, United States 2016, p.4.

⁷Horlemann Ralf, *Hong Kong's Transition to Chinese Rule*, Routledge Curzon, Taylor&Francis Group, London and New York, 2003, p. 100.

⁸Pepper Suzanne, *Keeping Democracy at Bay. Hong Kong and the Challenge of Chinese Political Reform*, Rowman&Littlefield Publishers, Inc., Lanham Maryland, USA, Plymouth, UK, 2008, p.291

⁹G.C.Chow, *China's Economic Transformation*, Blackwell Publishing, USA, UK, Australia, 2007, p.54-55.

¹⁰Kroeber. A. op.cit p.28.

¹¹J.Riedel, J.Jin, J.Gao, *How China Grows. Investment, Finance and Reform*. Princeton University Press, New Jersey, USA, Woodstock UK, p.5.

¹²Officially the reforms of the state-owned enterprises were started by the Chinese People's Congress in September 1980, where vice president Yao Yilin, chairman of the State Planning Commission announced that experiments with state companies would be effected in the following two years.

production planning, sales of output experimentation with the new products and capital investment. Regardless to the autonomy system it had been introduced some economic rules, called "economic responsibility system" by assigning identifiable task to low level staff at enterprise paying them according to productivity, increasing the role of the markets, moving the enterprises under local control and adopting them to be collectively owned.¹³ For the purpose to strengthen the position of reforms of state enterprises in 1981 it has been established a Commission for Reconstructing the Economic System in the State Council, which was so important that it was above the State Planning Commission and the Prime Minister was personally responsible for it. Also the Twelfth Central Committee of the Communist Party on October 20th in 1984 introduced some important decisions which additionally supported the process of restructuring the enterprises including following aspects: 1/ autonomy in decisions regarding production, supply, marketing, investment and personnel; 2/ defining the scopes of planning; 3/ allowing prices to be more dependent on the forces of demand and supply rather than central control; 4/ improvement of banking and financial system; 5/ introducing the more flexible waging system; 6/ supporting development of private enterprises similarly to state ones and 7/ promoting foreign trade, investments and technological progress.¹⁴ Further important steps have been done in 1987, when all state enterprises signed "contract responsibility system" which forced them to the government fixed annual tax and allowed them to retain the remaining profits and in 1997 when the process of changing them into the shareholdings companies has been initiated.¹⁵

Important part of Chinese transformations in the second part of XX century was a reform of financial system including changes in banking systems. In 1983 the People's Bank was transformed into a central bank and a significant number of specialized banks have been established.¹⁶ These specific banks became more and more important factor in China's economic development in the twentieth century and they progressed gradually. Giving by Chinese governments

more independence to the financial system in 1980s and 1990s including attraction of capital and increase in crediting¹⁷ economic development of the country has been significantly supported. However, in China both People's Central Bank as well as commercial banks closely cooperates with authorities of all levels, supporting development and fulfilling the assumptions of the Chinese political transformation. Despite of fact that banks were dependent on state policy they have introduced quite modern financial systems suitable for investments and foreign capital incomes.

There is no doubt about Chinese reforms in twentieth century - they were very successful and they drove China to the position of the most important player in the global economy. Harmonious development included reforms of the following aspects of Chinese economy: 1/ agriculture, 2/ state enterprises, 3/ banking and financial system, 4/ policy for the foreign investors, 5/ the non-state sectors and 6/ institutional infrastructure.¹⁸ The main effect of these reforms was a shift of China's economy from central planning to market-oriented. Since economic reforms started the gross domestic product in constant prices had a phenomenal rate of growth of 9,6% per year on average. China has enjoyed such high growth rates without the shocks including a sharp drop in GDP levels experienced in Eastern Europe or the financial crisis that affected some of its Asian neighbors. Starting the agrarian reforms in early 1980s (with the fall of the system of people's communes) China has started the process of transforming its all economy, process which effected in creating completely new economic reality. Important part of Chinese package of reforms was an open-door policy for the foreign investors. It was not only source of capital but mainly the source of the new and modern technologies necessary to change the industry, financial sector and other services.

China's economic growth in the twentieth century was so notable that it influenced significantly not only regional economy but also the world one. The share of China in the world trade increased from 0,6% in 1981 to 10,5% in 2005. The success of China transformations and other Asian countries seriously

¹³G.C.Chow, *China's Economic Transformation*, Blackwell Publishing, USA, UK, Australia, 2007, p.50-51.

¹⁴Op. cit. p.50-51

¹⁵Officially the process of changing the state-owned companies into shareholdings has been accepted in September 1997 by Jiang Zemin in the Fifteenth Communist Party Congress.

¹⁶Including following banks: Industrial and Commercial Bank of China, Agricultural Bank of China, People's Construction Bank of China.

¹⁷W.Jaworski, *Transformations In Chinese Ranking System. Chosen Aspects*, [in:] *China in Global World. Chinese Economic Forum Attempted Synthesis. Summary*, Fundacja Innowacja i Wyższa Szkoła Ekonomiczno-Społeczna, Warsaw 2008, p.35-36

¹⁸G.C.Chow, *China's Economic Transformation*, Blackwell Publishing, USA, UK, Australia, 2007, p.64.

Table 1: Gross Domestic Products by 10 Top Economies in the World in Millions of USD Dollars, in PPP and Per Capita in 2015

Country ranking	GDP Millions USD	Share of global DGP (%)	GDP PPP ranking	GDP per capita USD
1. United States	17 946 996	24,43	17 946 996 (2)	54 960
2. China	10 866 444	14,79	19 524 348 (1)	7 820
3. Japan	4 123 258	5,61	4 738 294 (3)	36 680
4. Germany	3 355 772	4,56	3 848 272 (5)	45 790
5. United Kingdom	2 848 755	3,87	2 691 809 (9)	43 340
6. France	2 421 682	3,29	2 650 823 (10)	40 580
7. India	2 073 543	2,82	7 982 528 (3)	1 590
8. Italy	1 814 763	2,47	2 182 580 (12)	32 790
9. Brazil	1 744 725	2,37	3 192 398 (7)	9 850
10. Canada	1 550 537	2,11	1588 596 (16)	47 500

Source: World Bank 2015:

<http://databank.worldbank.org/data/download/GDP.pdf> (21.02.2017).

<http://databank.worldbank.org/data/download/GNIPC.pdf> (21.02.2017).

http://databank.worldbank.org/data/download/GDP_PPP.pdf (21.02.2017).

changed the global economic balance and it created new economic leader in the world.¹⁹ China, with its fluent and dynamic growth is expected to be the biggest economy in the world about the middle of the twenty the first century.

3. CHALLENGES TO GROW IN 21ST CENTURY

After 30 years of continuous and unprecedented growth in the 21st century China became a real-world power. Critical reforms in this country changing economy from rural to urban, public to private, investment to consumption and manufacturing to services resulted in the second position in global GDP ranking with the value of 10 866 444 million USD in 2015. It seems to be undoubted that in coming years China will overtake United States and become the world's biggest economy. Currently it is one the first position in the GDP ranking per PPP measure (Table 1). Fast growing China is trying to catch standards of developed economies, however GDP per capita, as it is shown in Table 1 below placed this country still as an emerging market, the same as the second global giant India. The nominal value of 7200 USD per capita is far away from average of high income countries, which is 41 366 USD or even global average amounting 10 437 USD.²⁰ To be considered as "moderately prosperous

country" and to get closer to the most advanced economies China still needs to grow fast and to increase its GDP per capita significantly. The remarkable fact is that China is more egalitarian country in compare with other emerging markets, due to value of Gini factor.

Investments on internal market and growing demand from private consumption should be the main features for further development of country, however within last decade China suffered from declining dynamic of GDP and investment growth. These problems are illustrated in Figures 1 and 2. For three decades, since 70. China has reported stable GDP growth which was beneficial for the entire economy but that process was slowed down after 2007 and is still declining. According to official statistics GDP grew 6,7 in 2016 per cent which was the slowest rate for 26 years and targeted value in 2017 is 6,5 per cent. As it is reported by CNBC World Economic Service top leaders at the National People's Congress are tolerating slightly slower economic growth this year to give them more room to push through reforms to deal with a build-up in debt.²¹ In the last decade the economic growth was stimulated by investments but as it is illustrated in Table 2 they indicate continuous drop down since 2009. It also seems that growth cannot be driven by credit activity due to significant increase of

¹⁹R. Peerenboom, China Modernizes. Threat to the West or Model for the rest? Oxford University Press, New York 2007, p.287

²⁰<http://databank.worldbank.org/data/download/GNIPC.pdf> (24.09.2016), data for 2015.

²¹<http://www.cnbc.com/2017/03/04/china-sets-2017-economic-growth-target.html> (08.03.2017)

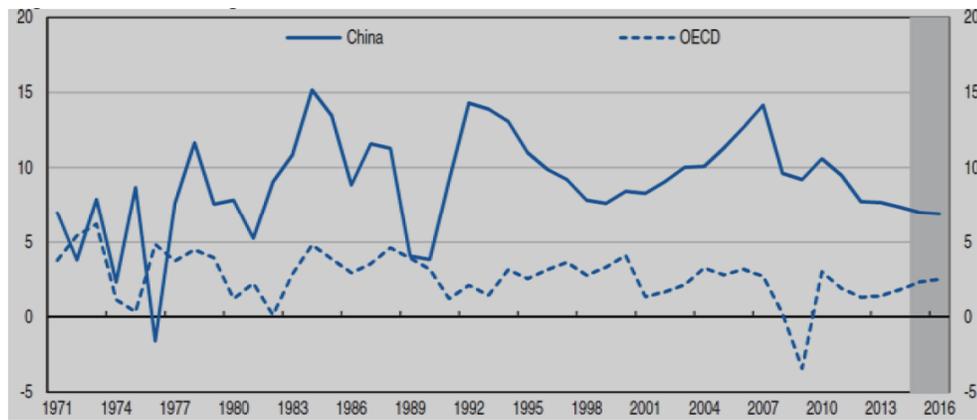


Figure 1: Real GDP growth China and OECD countries 1971- 2016.

Source: OECD Economic Surveys, OECD March 2015, p.9.

<http://www.oecd.org/eco/surveys/China-2015-overview.pdf> (accessed 15.01.2017).

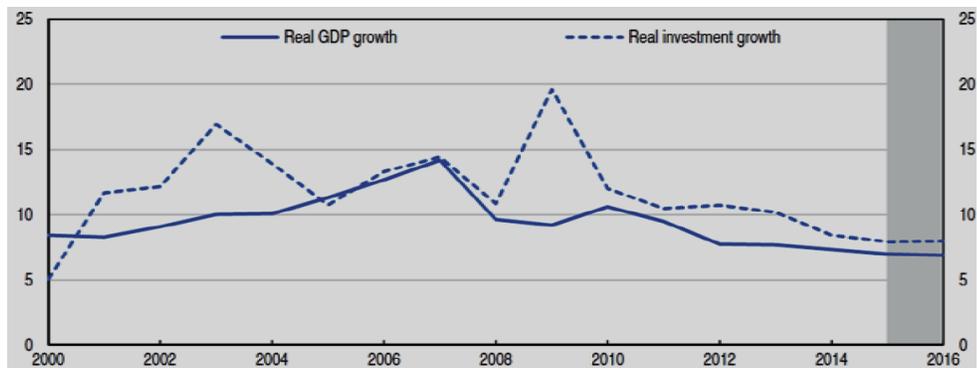


Figure 2: Real Investment growth in China in 2000-2016.

Source: OECD Economic Surveys, OECD March 2015, p.10.

<http://www.oecd.org/eco/surveys/China-2015-overview.pdf>, (accessed 15.01.2017).

public debt, which has reached 250 % GDP in 2015.²² Chinese debt burden originated from loans granted from state-owned banks to government-owned business and finally resulted in the highest debt accumulation between all G-20 members. As China is central planned economy, the real consequence of debt concentration is limited power from government to stimulate economic growth. Therefore, to keep economic progress country needs: to phase out the governmental support for state-owned enterprises to let all firms compete on the same level regarding finance, regulation, taxation and public procurement, to speed up the urbanisation process which is an important way to boost domestic demand through consumption and investment in urban constructions, strengthen market mechanism and increase fiscal transparency.²³ Apart

from all these essential reforms China should put much more attention to structural reforms giving farmers the proper rights to become the owners of the lands and make the trade the produced goods available for them. Even with all these reforms still there is a constant debate between economists whether China is falling into the “middle income trap” which effects in problem “of getting old before it gets rich” or not.²⁴ It looks that coming 10 years will answer this question.

Declining GDP growth and decreasing value of investments are not the only problems which China must face in coming years. Among these most important problems we can distinguish at least three major fields: environment (ecology), human capital and rural development. Rapid industrial development with lax ecology regulations nowadays have effected in

²²<https://www.theguardian.com/business/2016/jun/16/chinas-debt-is-250-of-gdp-and-could-be-fatal-says-government-expert> (08.03.2017)

²³ OECD Economic Surveys, OECD March 2015, p.10

²⁴<http://thediplomat.com/2016/08/four-considerations-on-the-chinese-economy/> (10.03.2017).

serious environmental degradations in China. Within last three decades, various forms of pollution have increased in China, caused widespread environmental and health problems. Most of Chinese large cities suffered from poor air quality and pollution reached the dangerous levels for health. In January 2013 in Beijing the level of particulates in air reached 800 micrograms per cubic meter exceeding more than 30 times the maximum level considered safe by the World Health Organisation. The day was called *airpocalypse*.²⁵ Environmental damage in China has not attracted only this country but also has serious worldwide consequences and it is causing global problems. Therefore, radical legal and business regulations protecting environment are requested in coming years to stop destructing the nature and to improve the standard of living. In recent years China, has introduced some reforms including Environmental Tax Law, which proposes fines for water, noise and waste polluters as well as extended liability for persons responsible for nature protection but it seems not to be enough for real and effective nature protection. Ecological and environmental degradation caused by continuously increasing economy will be one of the most challenging problems in coming years for China.

Family planning was introduced by Chinese government in 1971 and as it is stated in different reports it has strongly affected the population. In some regions, the number of reported male births far exceeded the number of female births, by a ratio of as much as 5 to 1 in some cases. The "one child policy" has seriously affected the sex ratio and the total birth rate.²⁶ In the 1970s the fertility rate plunged from 5.8 to 2.4 partly due to governmental policy and partially thanks to normal impact of lower childhood mortality. In years 1960-2015 the average annual demographic growth was 1.4% and for the future 2015-2030 is expected at level of -0,2%.²⁷ For China it means that in the next decades the population will be decreasing and aging, causing growth of public expenses. Also, the structure of working population, which grew rapidly in past will start to decrease. Urban people are very active at age of mid-forties reaching 82% of labour force and in following years the labour force participation rate is declining to the level of 30% at age

of 60.²⁸ To grow stable in future China needs economy based on knowledge and high technologies and therefore the human capital well educated. The graduates and labour force people should be well prepared for new knowledge-based industries. Human capital improvement and long term involvement in labour force looks to be the next critical challenges for China to grow in future.

Rural regions of China are significantly less developed in compare to urban parts of the country and there are big income and educational gaps between these different parts of country. The rapid growth of the largest cities caused the internal migrations and created the special group of people called *dagongmei*, who created the cheapest and the poorest educated work force.²⁹ To grow in the future China will need the better-quality employees, who will be able to support industry. Now, most of these even with high education do not fulfil the requirements of high tech sectors of economy. To improve the human capital there will be requested long term investments in education systems as well as better collaboration between business and universities. Rural regions probably will never be able to compete with much better developed and fast growing urban parts of country but to improve the productivity in agriculture the significant investments should also be done including both mechanisation and education. Progress in rural parts of China seems to be crucial for sustainable growth in coming decades.

4. CHINA IN THE MIDDLE OF THE 21ST. CENTURY

Describing China in 2050 seems to be a challenging task for economists and politicians as the changes may concern different areas of country's activity. If we try to judge global situation we should look at least at three main fields: demography, which determines the power of entire population, economy which is crucial for growth and development and politics, which are responsible for global position of country. Figures presented in the Table 2 and Figure 3 indicate that the world population is permanently growing – in 1960 the global number of inhabitants was 3018,3 million, in 2015 7349,5 and predicted value for 2060 is 10 184,3. In 2050 world population is projected to grow to 8 900 million. The average annual population growth rate for 2000-2050 will slow down and it will be 0,77% and it

²⁵Kroeber Arthur, *China's Economy. What Everyone Needs to Know*, Oxford University Press, New York, United States 2016, p.155.

²⁶Chow Gregory C., *China's Economic Transformation*, Blackwell Publishing, Malden USA, Oxford UK, Carlton Australia, 2007, p. 199-200.

²⁷The EU in the World 2016, Luxembourg: Publications Office of the European Union, 2016, p.22

²⁸Kroeber A. op.cit. 167.

²⁹Gacek L. *China at the Beginning of the 21st Century*, Jagiellonian University Press, Cracow 2014, p.17

Table 2: Population in Selected Countries and Annual Growth Rate in Years 1960, 2015, 2060

Country/Region	Population (million)			Average annual growth rate (%)	Average annual growth rate (%)
	1960	2015	2060	1960-2015	2015-2060
Brazil	72,5	207,8	236,0	1,9	0,3
China	644,5	1376,0	1276,8	1,4	-0,2
India	449,7	1311,1	1745,2	2,0	0,6
Indonesia	87,8	257,6	326,0	2,0	0,5
Japan	92,5	126,6	101,4	0,6	-0,5
Russia	119,9	143,5	124,6	0,3	-0,3
South Africa	17,4	54,5	67,2	2,1	0,5
United States	186,2	321,8	403,5	1,0	0,5
UE-28	406,7	508,5	522,9	0,4	0,1
World	3 018,3	7 349,5	10 184,3	1,6	0,7

Source: The EU in the World 2016, Luxembourg: Publications Office of the European Union, 2016, p.22.
 (http://ec.europa.eu/eurostat/documents/3217494/7589036/KS-EX-16-001-EN-N.pdf, accessed 10.03.2017.

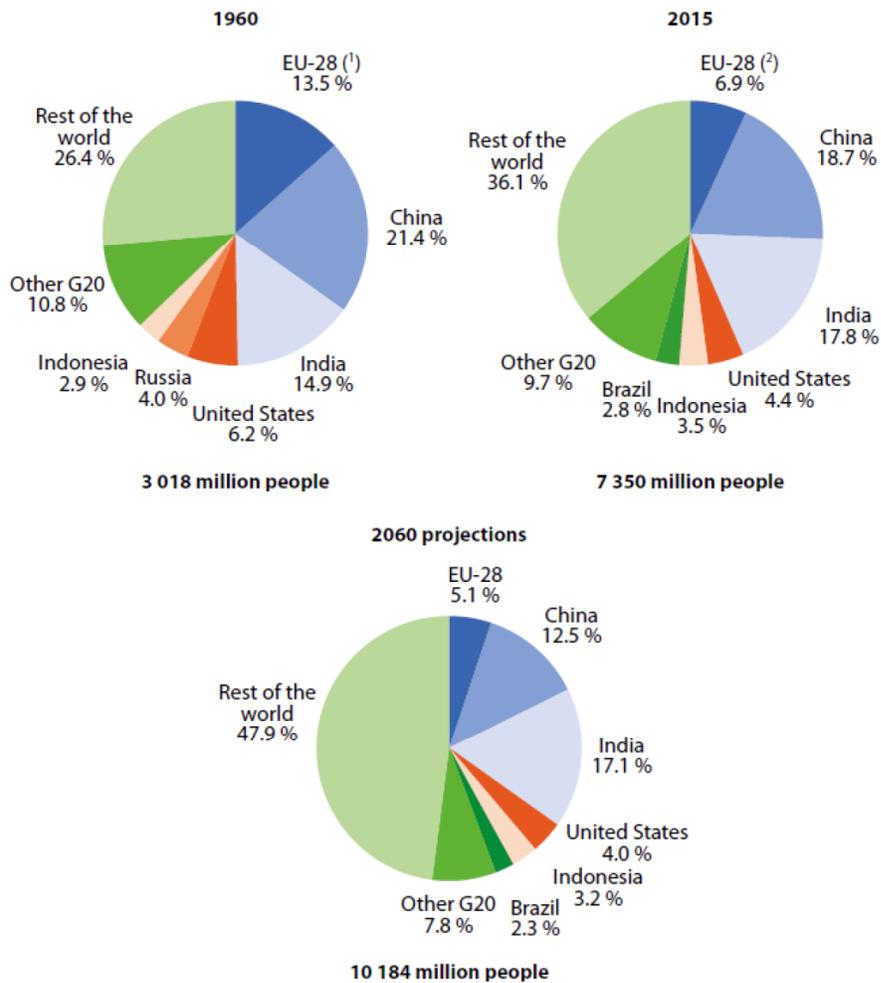


Figure 3: Demographic changes in the world and selected countries in years 1960, 2015 and 2050.

Source: The EU in the World 2016, Luxembourg: Publications Office of the European Union, 2016, p.21.
 (http://ec.europa.eu/eurostat/documents/3217494/7589036/KS-EX-16-001-EN-N.pdf, accessed 10.03.2017.

will be significantly lower than for period 1950-2000 which was 1,77.³⁰ The similar figures are also projected for period 2015-2060 as it is indicated in Table 2. However, the growth is not proportional for the all countries and group of economies. Three of BRICS countries, Brazil, India, and South Africa will grow sustainably and the population of China and Russia will be declining. In 2015-2016 the share of the world's population leaving in China will decrease from 18,7% to 12,5% (Figure 3). Even in long term projections the population of State centre is still decreasing with amount of 1285,2 million inhabitants in 2300.³¹ In 2050 the expected fertility rate in China will be at the level of 1,7, which is far too low to guarantee demographic growth.³² Also young and old dependency ratios³³ in long perspective showed decreasing number of children in society and growing number of aged person. Ageing society will be a major demographic challenge for China by the middle of 21st century. It seems that economic growth of China in future without human capital investments and involvement the rural part of society into urbanisation processes will not be possible.

The long-term growth projections for the world in 2050 show significant changes in global leaderships in size of economies. China has already overtaken the US in 2014 in purchasing power parity (PPP) terms and it has already become the world largest economy in that measure. The long-term growth projections are subject to many uncertainties however predicting top three economies seems to be undoubtful. Further analysis confirms that in 2030 and 2050 China will keep the leader position but India will overtake US and Indonesia will become the fourth largest economy. Brazil and Mexico will gain the fifth the and the sixth positions and Japan and Germany will drop down in ranking. For global economy, it means that emerging markets – China, India, Indonesia, Brazil and Mexico will strengthen their positions in rank and same their importance in global economy. The Figure 4 indicates the projected average growth for the major economies in 2014-2050. It seems that the fastest growing economies will be China and India, however in the long term, i.e. after 2020 the growth rates show the tendency to decline for both countries. Taking in

account data from Table 3 and the projected dynamic of growth we can expect that the percentage share of China GDP in global economy will increase amounting 20%. However, China will not be the only fast growing emerging market, the remaining E7 countries including Brazil, India, Indonesia, Mexico, Russia and Turkey will be also driven economies for the world. The expected average growth by 2050 for this group of countries is expected at 3,5% p.a. and for the G7 nations including Canada, France, Germany, Italy, Japan, UK and the United States will be 1,6%. It means that the power from advanced economies will shift to emerging markets in Asia.³⁴ For business it means that financial and decisions centres will also be moved from Europe and US to the Far East destinations.

The third field of predicting future by 2050 should consider the international position of China in the world. Even if demography and economy are predictable due to measurable indicators, political situation in future world seem to be nearly impossible to foresee. Since late 1970s. of 20th century China has totally changed its foreign policy from deep diplomatic isolation to active global policy. One of the consequences of this policy was regaining Hong Kong and Macau in 1997 and 1999. In early 2000s China has become very open for foreign direct investments and it also forced Chinese companies to invest globally. It has also joined World Trade Organisation in 2001 and yuan (RMB) has become part of SDR currency in 2016. It looks that in future China will continue its international expansion, also in new parts of the world like Africa and less developed Asian countries effecting in its rising importance on world politics and economic scene.

Unstable global situation, risk of terrorism, local conflicts, religious fanaticism will probably still create a need for strong military power in near future. Existing after the Cold War alliances in the world seem to be not enough stable and it is doubtful if NATO will be able to stabilise global peace balance. With decreasing power of Russia in global security and NATO engaged in different conflicts all over the world, China, with its growing military potential has a real chance to become the number one power not only in Asia and Middle East but also in the entire world.³⁵ It seems that future influence on global scene will be driven by economy,

³⁰World Population to 2300, Department of Economic and Social Affairs/Population Division, United Nations, New York, USA 2004, p. 4

³¹Ibidem. p

³²<http://www.geoba.se/population.php?pc=world&type=010&year=2050&st=rank&asde=&page=2> (23.03.2017)

³³The level of support for younger persons (aged less than 15 years) and older persons (aged 65 years and over) provided by the working age population (those aged 15–64 years).

³⁴The World in 2050, PricewaterhouseCoopers, 2017, p.6.

<https://www.pwc.com/gx/en/issues/the-economy/assets/world-in-2050-february-2015.pdf> (20.03.2017).

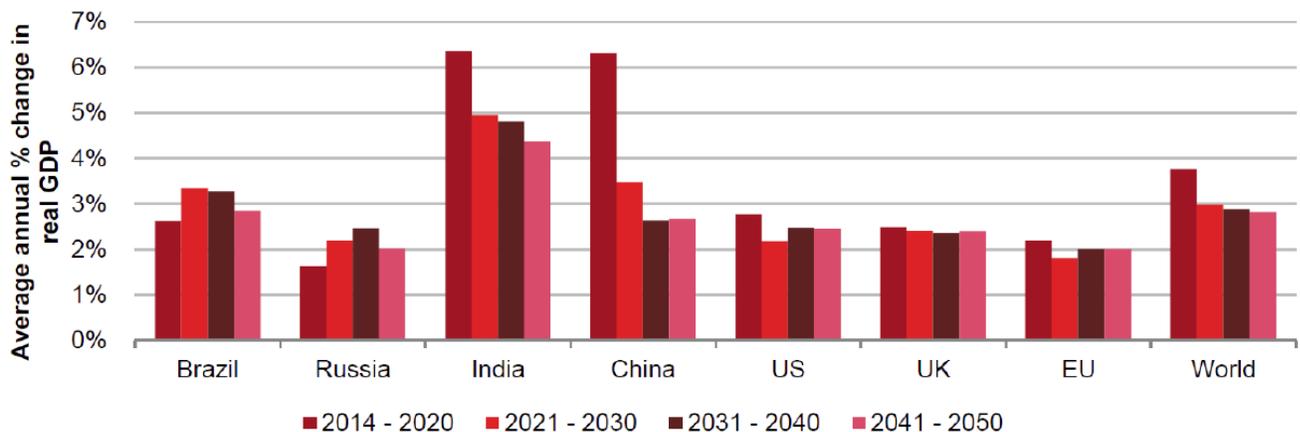
³⁵<http://foreignpolicy.com/2015/05/12/what-will-2050-look-like-china-nato/> (15.03.2017)

Table 3: GDP at PPP Rankings 2014, 2030, and 2050

PPP Rank	2014		2030		2050	
	Country	GDP PPP (2014)	Country	GDP PPP (2014)	Country	GDP PPP (2014)
1	China	17 632	China	36 112	China	61 079
2	US	17 416	US	25 451	India	42 205
3	India	7 277	India	17 138	US	41 384
4	Japan	4 788	Japan	6 006	Indonesia	12 210
5	Germany	3 621	Indonesia	5 486	Brazil	9 164
6	Russia	3 559	Brazil	4 996	Mexico	8 014
7	Brazil	3 073	Russia	4 854	Japan	7 914
8	France	2 587	Germany	4 590	Russia	7 575
9	Indonesia	2 554	Mexico	3 985	Nigeria	7 345
10	UK	2 435	UK	3 586	Germany	6 338

Source: The World in 2050, PricewaterhouseCoopers, 2015, p. 3.

<https://www.pwc.com/gx/en/issues/the-economy/assets/world-in-2050-february-2015.pdf> (20.03.2017).

**Figure 4: Projected growth for the major economies 2014-2050.**

Source: The World in 2050, PricewaterhouseCoopers, 2015, p. 4.

<https://www.pwc.com/gx/en/issues/the-economy/assets/world-in-2050-february-2015.pdf> (20.03.2017).

active foreign politics and strong military position. Nowadays, China uses all these instruments very actively.

An exemplification of this thesis is meeting, which was held on April 6-7th, 2017 in US between Donald Trump, president of the United State and Xi Jinping, president of Republic of China. The meeting was not only important due to crisis in relations between China and the United States since election of the new president but it also concerned the future international relationship among the major economies. From one side China is blamed for massive trade deficit with US and from the second one it is the main purchaser of

Treasury bonds, which keep financial markets stable.³⁶ US president accuses China for job losses in US due to trade deficit and advised to American business to look for alternatives but from other hand is expected Central State to play more active role on global scene, such as controlling North Korea nuclear programs. On the night of the Chinese president arrival to America, US Air Force launched airstrike on president's Assad troops in Syria, what heated the conflict in this region and influenced the relations with China.³⁷ Illustrated

³⁶<http://www.cnn.com/2017/03/31/trumps-mar-a-lago-diplomacy-with-chinas-xi-may-reveal-more-than-you-think.html>

³⁷<http://www.bbc.com/news/world-us-canada-39517569>

happenings confirmed present thesis that on politic scene in coming decades economic and military power will play the dominant role. It looks that Chinese officials perfectly understand these rules.

5. SUMMARY

Predicting future was always challenging for people but nowadays future seems to be less predictable because things happen very fast. From one side, we have Western civilisation with all undoubtful achievements like: democracy free market, high independence of individual human beings but from the second one we face problems like: Islamic fanaticism, nuclear threats, terrorist incidents and migration problems. Fast technical and technological progress in all disciplines of live causes unbelievable opportunities for humanity but it also creates unstable situation a threat for global conflicts. It looks that Samuel Huntington disputes regarding the risk of clash of civilisation can be still actual. He distinguished five main civilisations: Western, Hindu, Chinese, Japanese and Islamic and argued that the dominant reasons for global conflict will not be economic or politics but deep cultural differences and prejudices.³⁸ In his vision conflict between civilisations will come from nations and it will be the latest phase in the evolution of conflicts in the modern world. If this scenario is realistic in any matters China will be the one of the major powers without any doubts.

Describing China in 2050 from one side seems to be predictable because of realistic indicators (like GDP or demographic prognosis) and from the other side its future position will be a consequence of wider global situation and international relations. This level of predictability is difficult to foresee and could be only a part of considerations, discusses and prognosis. However, there is a group of very realistic problems, which China has already suffered from or will suffer in coming future. These problems will determine the development of Central State by the middle of present age. The key problems which China will face in coming years are aging and shrinking population, weak development of rural regions, decreasing speed of economic growth. These challenges will determine the picture of this country in the middle of 21st century, however it seems that China is projected to be the leading power on the future economic and politic scene.

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³⁸S. Huntington, *The Clash of Civilisations and the Remaking of World Order*, Simon and Schuster Rockefeller Centre, New York 1996. s. 66-67.

<https://www.pwc.com/gx/en/issues/the-economy/assets/world-in-2050-february-2015.pdf> (20.03.2017)

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