Chapter 3
An Analysis of China’s International Competitiveness

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ABSTRACT
The criteria used in measuring the competition the country level, determined by the International Management Development Center in the World Competitiveness Report, are economic performance, government efficiency, business efficiency, and infrastructure. The international competitiveness of China, which is claimed to be some position with the United States in the world market in 2050, has been evaluated in this study, based on IMD competitiveness criteria. China has great progress in development through major changing strategies, methods, and reforms over the last 70 years. According to the international competition report, its rank is 13th in the international competition. The reason for China’s capability on international competitiveness and its impact on the world economy is based on the fact that it combines cheap labor with the liberalization in foreign trade and foreign direct investment.

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INTRODUCTION

China has great progress in development through major changing strategies, methods, and reforms over the last seventy years. According to the international competition report, its rank is 13th in the international competition. China’s economic success is based on significantly more stable governments, trade supported by state, industry and investment policies, and the implementation of macroeconomic policies which mainly control inflation and public account deficits. The reason for China’s capability of international competitiveness and its impact on the world economy is based on the fact that it combines cheap labor with the liberalization in foreign trade and foreign direct investment.

Although China is not at the first rank of international competitiveness, it has become one of the most competitive countries in the world with its economy. The breakthroughs are noteworthy in China, which is expected to have greater economy than the U.S. economy, which ranks first in international competition (Sachs, 2004., as cited in Fishmen 2006). According to the 2018 Competition Report of the International Institute of Management Development (IMD), China ranks 13th among 63 economies in competition.

The international competitiveness of China, which is claimed to be some position of the United States in the world market in 2050, has been evaluated in this study, based on IMD competitiveness criteria.

Background

International competitiveness depends on some basic factors. According to the Porter (1990), “A nation’s competitiveness depends on the capacity of its industry to innovate and upgrade. Upgrading an economy is the result of broadening and upgrading the competitive advantages of a nation’s firms” (as cited in Bhatt, 2008).

International competitiveness has been explained by the theoretical approach based on the comparative advantage, and depends on factor price in production (Ricardo and Heckscher-Ohlin). Ricardo focused on one production factor and technological differences. Heckscher and Ohlin focus on labor and capital inputs, comparative advantage depends on the relative factor prices differences and differences in factor endowments (Adams, Gangnes & Shachmurove, 2006). Also, IMD’s world competitiveness ranking based on economic performance, business efficiency, government efficiency, and infrastructure.

Analyses on China’s international competitiveness in the literature are limited. According to the Adams, Gagnes and Shachmoure (2006) China’s export competitiveness depends on several factors: low wages with supply of unskilled labour,
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