Industry of China

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Since 1949 when the People's Republic of China was established, and especially since 1978, China's transformation from a traditional agricultural society to a modern industrial society has been greatly accelerated by a rapid industrial restructuring. China's industrial structure developed according to the objective of industrialization, which aimed at the proportion of agriculture being declined ceaselessly, the proportion of the industrial sector being ascended continually, and the proportion of the services sector being ascended greatly. The industrial goods produced in China all range from capital goods to consumption goods currently, though certain consumer products remain in short supply.

China's factory outputs extend from textiles to railway locomotives, jet planes, and computers. China is the largest producer of inexpensive cotton textiles in the world and exports large quantities of textiles and garments. Food processing is very important, and many agricultural goods are exported. China is one of the leaders of cement production in the world. Iron-and steel making has declined recently, the production having dropped somewhat to about 44 million tons annually. Other industrial products include television sets, bicycles, cars, trucks, and washing machines. The product quality and production technology lag behind those made in Japan, the United States, and the European countries. The processing and manufacture of chemicals, including fertilizers, petroleum products, and pharmaceuticals, is another large and expanding segment of Chinese industry.

China has become an industrialized country to some extent. The pillar industries, such as the auto industry and the housing industry, in the interim of industrialization have developed by leaps and bounds. Iron and steel manufacturing are also major industries in China. The most important export products are machinery and electric equipment; while the most important import products are raw materials. In recent years, due to economic extra-version, China's industry has competed internationally, and as a result, the country's industrial development is increasingly influenced by international economic environments.

On one hand, exporting becomes more difficult and export prices keep declining; on the other hand, market share of foreign products and foreign-invested enterprises' products keeps growing. The above 2 factors increase the difficulties for the country's domestic industry in terms of producing and selling; the state-owned enterprises are impacted particularly. In fact, textile and other light industries have slowed their growth since 1985. Since 1989, the production capability of durable consumption goods has become idle; after the mid-1990s, bottleneck sectors including steel, oil, and raw material began to fall into market saturation. Large-scale IC chips account for only 40 percent of all IC chips made in China; 80 percent of the Chinese telecom equipment and instrument market is taken by foreign enterprises.

Generally, China's industrial system has a low level of technology; the high-tech industries are simply in their starting periods. The technologies of major industrial sectors are poor and lack self-equipment capability. Average life cycle for more than 2000 kinds of Chinese leading products is 10.5 years, 3.5 times that of the same products in America. In addition, fewer Chinese work in the information sector than do U.S. citizens, for example. About 45 percent of the American workforce is involved in information technology, but only 10 percent of the Chinese workforce is. Chinese technological level of industries needs to be raised; particularly high-tech oriented industries, so that the country's industries can be advanced toward a knowledge economy in the 21st century.

The 3 Industries Driving China's Economy

China is the world's largest emerging market economy, both in terms of population and total economic product. The country is arguably the world's most important manufacturer and industrial producer, and those two sectors alone account for more than 40% of China's gross domestic product, or GDP. China is also the world's largest exporter and the second largest importer, and it contains the fastest-growing consumer market. Major industries include manufacturing, agriculture and telecommunication services. As of 2015, the Asian giant is among the most important economic powers on a global scale. It was not always this way, however, and as little as 50 years ago, China was a struggling nation of extreme hunger, poverty and repression.

China's communist government began to institute capitalist market reforms in 1978, and over subsequent years, the Chinese have taken a sharp turn away from state-owned enterprises, or SOEs. As of 2013, SOEs only accounted for 45% of all Chinese industrial output. That figure was nearly 80% in 1978; the remaining 22% were "collectively owned" enterprises. The result is an economic explosion that catapulted China to the second largest economy in the world, trailing only the United States.

Between 1978 and 2008, the size of the Chinese economy multiplied nearly 50 times over, and average annual GDP growth was approximately 10%. The initial reforms focused on agriculture but soon spread to the services and light manufacturing sectors. All of these were precursors to banking reforms, which led to perhaps the most important transformations in the Chinese economy in the 20th century.

1. Manufacturing

China makes and sells more manufacturing goods than any other country on the planet. The range of Chinese goods includes iron, steel, aluminum, textiles, cement, chemicals, toys, electronics, rail cars, ships, aircraft and many other products. As of 2015, manufacturing is the largest and most diverse sector in the country.

China is a world leader in many types of goods. For example, almost 80% of all air conditioner units are created by Chinese businesses. China manufactures more than 45 times as many personal computers per person than the rest of the world combined. It is also the biggest producer of solar cells, shoes, cellphones and ships.

Though it does not receive the same kind of credit as Sweden, Germany, Japan or the U.S., China has a thriving automobile manufacturing industry. Most investors are surprised to learn China is the world's third-largest car manufacturer, though the Chinese government claims it is the world leader.

The Chinese car industry grew out of a national focus on automobiles in the 1990s, a decade when Chinese manufacturers nearly tripled total car output. Though car consumption eventually caught up after 2005, most of these early cars were destined for the export markets because the vast majority of Chinese citizens were too poor to purchase the products themselves.

This is a common theme in the Chinese manufacturing sector. Products are frequently churned out for government use or are immediately put on boats and shipped to foreign consumers. Compared to other nations, Chinese workers historically buy relatively little of their own high-end manufactured products, which is a problem exacerbated when the government devalues the Chinese currency, having the effect of lowering real Chinese wages.

2. Services

As of 2013, only the United States and Japan boasted a higher services output than China, which represents a significant shift for the country. A healthy services sector is a sign of healthy domestic consumption and per capita wealth increases; in other words, the Chinese people are gaining the capacity to afford their own output.

A 2010 world study found the services sector accounted for 43% of total Chinese production, slightly less than its manufacturing sector. However, there are still more Chinese employed in agriculture than in services, which is a rarity for more developed countries.

Before economic reform in 1978, shopping malls and private retail markets did not exist in China. As of 2015, however, there is a young and burgeoning services market. This has bolstered tourism and led to a proliferation of Internet and phone products.

Large foreign companies, such as Microsoft and IBM, have even entered the Chinese service markets. These kinds of moves help to jumpstart the telecommunications industry, cloud computing and e-commerce.

3. Agriculture

Another area where the Chinese set the global standard is in agriculture. There are nearly 300 million Chinese farmers, larger than the entire population of every country except China, India and the U.S. Rice is the dominant agricultural product in China, but the country is also very competitive in wheat, tobacco, potatoes, peanuts, millet, pork, fish, soybeans, corn, tea and oilseeds. Farmers also export large amounts of vegetables, fruits and novel meats to nearby countries and regions, Hong Kong in particular.

As productive as the aggregate agricultural industry in China is, comparative statistics show that Chinese farms are among the least productive in the world on a per capita basis. Some analysts attribute this, in part, to unfavorable climate. Yet, a 2012 Deutsche Bank study concluded that South Korean farmers are 40 times more productive than Chinese farmers despite facing similar topographical and environmental conditions.

Others point to a large degree of state control over Chinese farms as the problem. Farmers are not allowed to own and mortgage farmland and cannot get credit to purchase better capital equipment, two functions which promote innovation and development.

Up and Coming Industries

The 12th five-year economic plan by the Chinese government for the fiscal years 2011-2015 identifies seven strategic industries as high priority: biotechnology, information technology, new energy, environmental maintenance, new materials, high-end manufacturing and alternative fuels. Large government investments are being made into these areas.

One industry not identified but worthy of note is the Chinese health care sector. The rise of middle-class households and urbanization has sparked a huge demand for health care services, which is a hopeful sign for a developing economy. Reforms were passed in 2011 to allow competition into the health care market, including wholly foreign-owned entities. This drew investment from major international players such as Pfizer, Merck and GlaxoSmithKline. China boasts one of the fastest-growing health care sectors in the world.

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