CHAPTER III

FACTORS UNDERLYING THE DEVELOPMENT OF THE PEOPLE'S REPUBLIC OF CHINA

The People's Republic of China is the second-largest country in the world by land area after Russia and is either the third- or fourth-largest by total area, after Russia, Canada and, depending on the definition of total area, the United States. China has the longest combined land border in the world, measuring 22,117 km (13,743 mi) from the mouth of the Yalu River to the Gulf of Tonkin. China borders 14 nations, more than any other country except Russia, which also borders 14. China extends across much of East Asia, bordering Vietnam, Laos, and Burma in Southeast Asia; India, Bhutan, Nepal and Pakistan in South Asia; Afghanistan, Tajikistan, Kyrgyzstan and Kazakhstan in Central Asia; a small section of Russian Altai and Mongolia in Inner Asia; and the Russian Far East and North Korea in Northeast Asia. We can following the map of People's Republic of China.

PRC is the most populous country in the world, with a population of over 1.3 billion people, most of whom are the Han tribes. PRC is the largest country in East Asia, and the third largest in the world, after Russia and Canada. People's Republic of China as an economic characteristic of socialism with Chinese characteristics. Since late 1978, China has been reforming the economic leadership of the Soviet planned economy to a market-oriented economy but still within a rigid political framework of Communist Party. For the officials to increase the power of local officials and put managers in the industry, allowing small-scale enterprises in services and light production, and opened the economy to foreign trade and investment. Towards the government accountability system to replace the family in agriculture in the replacement of the old system were based merger, increase the power of local officials and administrators in the refinery industry, and allow a variety of entrepreneurs in services and light factory, and opening the economy to trade and foreign ports. Price controls have also been loosened. This resulted in mainland China changed from a mixed economy guided economy.

The success of People's Republic of China's development policy must be seen in terms of a combination of state and market roles that complement each other in order to obtain high performance and economic efficiency. The success of People's Republic of China 's development policies materialize because the State is able to consistently provide guidance during the process of reform and at the same central over the majority of industrial and financial barriers dismantle public

Another strong key to success lies in the role of the state, supported by an entrepreneurial bureaucracy through the repositioning bureaucracy, able to intervene in maintaining the freedom of the market and the level of integration of national economies and the international economy are relative, adapted to the conditions of the development of People's Republic of China's development. In this case People's Republic of China plays the role what is called the capitalist developmental state.

A. Economic and Trade

Since the formation of the People's Republic of China, an enormous effort was made towards creating economic growth and entire new industries were created. Tight control of budget and money supply reduced inflation by the end of 1950. Though most of it was done at the expense of suppressing the private sector of small to big businesses by the Three-anti/five-anti campaigns between 1951 to 1952. The campaigns were notorious for being anti-capitalist, and imposed charges that allowed the government to punish capitalists with severe fines. In the beginning of the Communist party's rule, the leaders of the party had agreed that for a nation such as China, which does not have any heavy industry and minimal secondary production, capitalism is to be utilized to help the building of the "New China" and finally merged into communism.

The new government nationalized the country's banking system and brought all currency and credit under centralized control. It regulated prices

collecting agricultural taxes. By the mid-1950s, the communists had ruined the country's railroad and highway systems, barely brought the agricultural and industrial production to their prewar levels, by bringing the bulk of China's industry and commerce under the direct control of the state.

Meanwhile, in fulfillment of their revolutionary promise, China's communist leaders completed land reform within two years of coming to power, eliminating landlords and redistribute their land and other possessions to peasant households.

Since the policy of reform initiated by Deng Xiaoping in 1978, known as market socialism, the development process in China is running very fast and phenomenal. One of the main drivers of economic power and China's trade is an investment. Openness to foreign investment is also made China's economy is fundamentally different to the Japanese economy, and South Korea during their takeoff. This country is able and managed to capture the opportunities of globalization and economic liberalization that the country becomes a major force in the economy and trade in the world.

Great potential in the field is owned by the PRC economy. As we know, the PRC's economy is the first candidate who will be the economic super power. Economic bias not separated from the consumption market, the PRC is currently among the most important consumer market in the world. If we look at mobile phone section, the PRC has become the largest wireless phone customer first world, with the number of customers reached 350 million

mobile phones.[1] With a very large number of these cannot be avoided also many parties at profitable from cell phone users. The perceived advantages ranging from governments, corporations, and to small traders. This is based on the PRC government to make the country's development policy is to invite more foreign investors to open their company in the PRC, so many companies operating in the PRC and the PRC made at market prices to be cheap compared to other countries. This is what makes the PRC became the largest mobile phone users in the world, because it is easy and cheap markets provide.

Not only in the field of cellular phones only, the PRC's economic performance also ranks third in the world and have been running the largest market for PCs, Broadband telecoms services, digital television, and many other items.[2] It is not in spite of the rapid manufacturing industry in China is in line with the continued economic development of the nation.

Of course we cannot forget one thing when we talk about the PRC which is the largest population in the world. Development of the country would be when the good relationship between government with residents. This potential is utilized government to development policy. With the large population must also be a lot of work available in number of employment. Productive employment figures that there is always a steady PRC in recent decades. This will be very influential in support of plant construction projects

[1] Pete Engardio 2008. Chindia. Jakarta: Gramedia Pustaka, pg. 3
[2] *Ibid,* pg. 4

or existing manufacturing industries in the PRC that development continues to experience unprecedented growth.

And the large and growing PRC, so large investments seen as the potential to continue to maximize the existing development in the PRC. This is evident from the development model conceptualized poured with infrastructure development that support the economy in many big cities in China such as Shanghai, Beijing, Guangzhou, Dalian and Tianjin already have office towers, hotels, luxury villas, highway, container port, the airport, the central shopping, and public parks are staggering, and the infrastructure that will be built which will have a new record for the world's history.

B. Industry and Technology

People's Republic of China Industry and construction account for about 48% of China's GDP. China ranks second worldwide in industrial output. It is expected to rank first sometime in 2011. Major industries include mining and ore processing; iron and steel; aluminum; coal; machinery; armaments; textiles and apparel; petroleum; cement; chemical; fertilizers; food processing; automobiles and other transportation equipment including rail cars and locomotives, ships, and aircraft; consumer products including footwear, toys, and electronics; telecommunications and information technology. China has become a preferred destination for the relocation of global manufacturing facilities. Its strength as an export platform has contributed to incomes and employment in China. The state-owned sector

giving greater attention to the management of state assets both in the financial market as well as among state-owned-enterprises and progress has been noteworthy.

Since the founding of the People's Republic of China, industrial development has been given considerable attention. Among the various industrial branches the machine-building and metallurgical industries have received the highest priority. These two areas alone now account for about 20-30 percent of the total gross value of industrial output. Florida Forestry China Trade Mission Report In these, as in most other areas of industry, however, innovation has generally suffered at the hands of a system that has rewarded increases in gross output rather than improvements in variety, sophistication and quality. China, therefore, still imports significant quantities of specialized steels. Overall industrial output has grown at an average rate of more than 10 percent per year, having surpassed all other sectors in economic growth and degree of modernization. Industrial output growth 1978-2006 Some heavy industries and products deemed to be of national strategic importance remain state-owned, but an increasing proportion of lighter and consumer-oriented manufacturing firms are privately held or are private-state joint ventures.

If we talk about development policy course, we cannot be separated from science, this is what underlies all existing development. Not only in the economic field and trade alone, the development of science in China has also continued to show considerable improvement means. Zonanization strategy

that directs capital of Beijing and Tianjin as a world center for research and development. Beijing-Tianjin area is known as the IT corridor of China, with Beijing as the center for research and development, and Tianjin as industrialization and production base. China's version of Silicon Valley, Zhongguancun is home to nearly 5,000 Chinese companies engaged in cutting-edge technology, including the big named companies like Lenovo, and more than 1,000 international IT companies.[3] The location is the combined result creation of the genius IQ and a high entrepreneurial spirit, involving over 70 universities, including Peking University and Tsinghua University, which is considered as Harvard and MIT parts of Asia.

Best universities in the PRC educate social elites and leaders who have outperformed high school graduates-graduates to the other through a series of rigorous exams that have taken place since the students go to primary school, and selected through the recruitment system in Chinese universities very competitive. Approximately 500,000 researchers and technical personnel working in Zhongguancum. Most of them are employed by more than 200 research institutions in science and technology Zhongguancum, including organizations with a high reputation in the Chinese Academy of Sciences (Chinese Academy of Science) as the Institute of Electrical Engineering (Institute of Electrical Engineering), Institute of Electronics (Institute electronics), Center for research and development Microelectronic (Microelectronics R & D Centre), Institute of Semiconductors (Institute of

[3] N. Mahbubani, Jakarta: Gramedia Pustaka, pg. 267

Semiconductors), Network Information Center Computer (Computer Network Information Centre), Institute of Software (Institute of Software), and the Institute of Computing Technology (Institute of Computing Technology).[4]

These academic institutes set up and develop businesses of their own to industrialize and commercialized the achievements and results of their research. In 1980, Chen Chunxian, a researcher at the Institute of Physics (Institute of Physics) is part of the PRC Academy of Sciences, is one of the pioneers Xiahai (literally means jumping into the sea), a modern term in the Chinese language that refers to the act of passing away from the position that has been established to plunge into the ocean, riskier businesses.[5] Chen came to be known as the "Father of Zhongguancum", registering a small company and start a new era by making himself as an example of an engineer who is active in research and product development, and the process of industrialization in the PRC.

Several years later, another scientist from the Institute of Computing Technology, Chen Liu Chuanzhi follow steps and launched a business called "Computer Company" which later transformed into the largest computer manufacturer in the PRC, Lenovo, the second largest producer in the country's biggest, Founder, affiliated Peking University, Tsinghua University also has its own corporate IT, as UNIS and Tongfang.[6]

Foreign investors who are attracted by the scientists and engineers of high caliber in the PRC also gathered in Zhongguancun and open institutions for research and development of their interests, namely IBM, Microsoft, Intel, Motorola, Nokia, Siemens, Panasonic, Hitachi, Fujitsu, and Acer.[7] Since Motorola labs open its first foreign research and development in the PRC in 1993, the number of similar facilities owned by Motorola has risen to more than 700 companies.[8]

Even more surprising, Motorola was the first company cellular phone, emerged as the largest corporate investor in the PRC, which is the largest mobile phone market in the world and shift the position of the United States. In 2001, sales reached 49 billion USD Motorola and replace Volkswagen as the company with the largest foreign investment in China. Motorola has invested $ 4 billion USD since 1986 and has approximately 15,000 employees.

From the above statement, there are realities in the PRC is an effect of the more advanced capabilities of existing human resources in China. Capacity for research and development researchers PRC has become the main attraction so many big foreign companies, international continue to expand research, development up to the opening of a factory in China. Zonanisasi policy strategy adopted by the Chinese government that puts the Beijing-

science universities are able to produce quality graduates and highly competitive.[9]

C. Science

Education in the People's Republic of China is a state-run system of public education run by the Ministry of Education. All citizens must attend school for at least nine years. The government provides primary education for six to nine years, starting at age six or seven, followed by six years of secondary education for ages 12 to 18. Some provinces may have five years of primary school but four years for middle school. There are three years of middle school and three years of high school. The Ministry of Education reported a 99 percent attendance rate for primary school and an 80 percent rate for both primary and middle schools. In 1985, the government abolished tax-funded higher education, requiring university applicants to compete for scholarships based on academic ability. In the early 1980s the government allowed the establishment of the first private schools.

China has had a major expansion in education, increasing the number of undergraduates and people who hold doctoral degrees fivefold from 1995 to 2005. In 2003 China supported 1,552 institutions of higher learning (colleges and universities) and their 725,000 professors and 11 million student. There are over 100 National Key Universities, including Beijing University and

1999, now reaching over $100bn, and as many as 1.5 million science and engineering students graduated from Chinese universities in 2006. China published 184,080 papers as of 2008.

Laws regulating the system of education include the Regulation on Academic Degrees, the Compulsory Education Law, the Teachers Law, the Education Law, the Law on Vocational Education, and the Law on Higher Education.

Since the end of the Cultural Revolution (1966–76), the education system in China has been geared toward economic modernization. In 1985, the national government ceded responsibility for basic education to local governments through the Central Committee of the Chinese Communist Party's "Decision on the Reform of the Educational Structure." In unveiling the education reform plan in May 1985, the authorities called for nine years of compulsory education and the establishment of the State Education Commission (created the following month). Official commitment to improved education was nowhere more evident than in the substantial increase in funds for education in the Seventh Five-Year Plan (1986–90), which amounted to 72 percent more than funds allotted to education in the previous plan period (1981–85).

In 1986 some 16.8 percent of the state budget was earmarked for education, compared with 10.4 percent in 1984. Since 1949, education has been a focus of controversy in China. As a result of continual intraparty

practical efforts to further national development. But ideology and pragmatism often have been incompatible. The Great Leap Forward (1958–60) and the Socialist Education Movement (1962–65) sought to end deeply rooted academic elitism, to narrow social and cultural gaps between workers and peasants and between urban and rural populations, and to eliminate the tendency of scholars and intellectuals to disdain manual labor. During the Cultural Revolution, universal fostering of social equality was an overriding priority.

The post-Mao Zedong Chinese Communist Party leadership viewed education as the foundation of the Four Modernizations. In the early 1980s, science and technology education became an important focus of education policy. By 1986 training skilled personnel and expanding scientific and technical knowledge had been assigned the highest priority. Although the humanities were considered important, vocational and technical skills were considered paramount for meeting China's modernization goals. The reorientation of educational priorities paralleled Deng Xiaoping's strategy for economic development. Emphasis also was placed on the further training of the already-educated elite, who would carry on the modernization program in the coming decades. Renewed emphasis on modern science and technology led to the adoption, beginning in 1976, of an outward-looking policy that encouraged learning and borrowing from abroad for advanced training in a wide range of scientific fields.

Beginning at the Third Plenum of the Eleventh National Party Congress Central Committee in December 1978, intellectuals were encouraged to pursue research in support of the Four Modernizations and, as long as they complied with the party's "Four Cardinal Principles" they were given relatively free rein. But when the party and the government determined that the strictures of the four cardinal principles had been stretched beyond tolerable limits, they did not hesitate to restrict intellectual expression.

Literature and the arts also experienced a great revival in the late 1970s and 1980s. Traditional forms flourished once again, and many new kinds of literature and cultural expression were introduced from abroad.

Step and measure the rise of China as a manufacturing powerhouse has been astounding effort of the international community and the world. At the end of 2006, China is expected to export goods worth more than 800 billion USD that number has increased three-fold compared to 2002 and even reached 1 trillion USD in 2008. With international textile quotas end in 2005, China took over half of all U.S. imported garments. The country is also making the most of a toy, shoes, watches, and gizmos world.[10]

In issuing a very open policy of China's education many students as it travels to foreign countries as well in the U.S. of Science, Technology, Business and management, so many skilled engineers, business schools and much administration established to meet the demand of the labor market. It is

the fields of social sciences, so many Chinese graduates not able to find the breakthrough thinking outside the mainstream and the next thing that bothers students who have completed graduate abroad are reluctant to returned to his country.

What really distinguishes China from other Asian export engines is that this country can still have a market share in labor-intensive light manufacturing, even after becoming a leader in the electronics industry and seed weight. In 2000, China's export of high-tech products worth 30.5 billion USD. In 2005, the value reached 220 billion USD or increase nearly seven-fold. This value is also significantly contributed to the scale of Chinese exports that is worth 28%.[11]

In 2008, China is expected to double production capacity car become more than 8 million units, and began exporting to Europe and the United States. On the other hand, China's semiconductor industry, which also still young, will also soon be a world player, with the presence of 22 new silicon filter plant which is planned to be opened within a period of 3 years. Approximately 50 different chemical plants, each of which involves an investment of at least 1 billion USD in the construction phase. As a comparison, which is actually a bunch of American superpower with the economy so strong that only one chemical industrial plants.[12]

The idea that China will continue to lead the cheap products while manufacturing the products costly will remain always in the developed

countries also no longer valid. From the factory computer controlled equipment worth millions of dollars to the router (regulator data) networked for $ 200,000, has quickly shifted production to China, including the production of most of the work on the production of engineering components, materials, and components in other words, China has been able to do production for expensive items and other tech that once only capable of being produced by the United States and other European countries in the region.[13]

With the price of Chinese goods that are generally 30% -50% cheaper than U.S. goods or goods productions other European developed countries like tissue rolls, cast metal, the 30-inch LCD TV, even until the beds are carved from hardwoods Canada the international companies are very tempted to buy it in China with the most obvious reason is the price which is much cheaper.[14]

Critics of China do not mean that there is no country, especially in the United States tend to focus on several grounds, known as "China Price". They point to the practice of labor, state subsidies, and violations of trade rules that give manufacturers in China an unfair advantage such as Beijing discretion to hold the value of the yuan against the U.S. dollar. Critics say the yuan exchange rate is too low estimated at least 30%. This accusation is true in part. China also does not tolerate confederation free trade, allowing many manufacturers provide such low wages to their laborers to 30 cents per hour

for their factory workers are countless women who are willing to work up to a hundred hours in one week.[15]

However, there are many more reasons behind many advantages possessed by China in manufacturing. China labor abundant engineer also affect the upper level, the managers, transportation officials, the office staff as well as factory workers. As has been said before, a large capital investment and industrial scale have presented superefficient infrastructure that cannot be matched by Mexico, Indonesia, and countries other industrial centers.[16] China supply base for all components and materials, ranging from electronics to garments cannot be rivaled.

Another thing is the country's economic integration with the mainland is Taiwan and Hong Kong presents a huge advantage. Taiwanese tycoons have become architects computers, household appliances, and semiconductor equipment in China, also provide technology, capital, and managerial expertise and controls around 70% of electronics exports.[17] Meanwhile, Hong Kong companies build and manage light manufacturing export trade of all sorts of goods, from clothes to jewels.

All these factors successfully laid a solid foundation for China. In the future, however, the Chinese leadership excellence as the cornerstone of the production is that the country will be the biggest export base in the world as

the great power of its engineering work, destined for China is also emerging as a guide and direction of technological innovation in various industries.

From the three factors underlying the progress of People's Republic of China as described above, researchers create a table that contains the data about the progress of these three areas, which is in the field of Economics, Technology and Industry, and Science.

Table 2. The achievement of People's Republic of China in the field of Economics, Technology and Industry, and Science.

No	Sector	Year	Details
1	Economics	1979	China's economic revival began during the Deng Xioping that triggered a new wave of "China fever" by foreign companies. The international media reported each new manifestation of Chinese capitalism in the form of the emergence of private business, the customer is prosperous, exporting factories are starting to bloom, stock market, and communist party members who began to dress business.
2	Science	1980	Chen Chunxian, a researcher at the Institute of Physics (Institute of Physics) is part of the Chinese Academy of Sciences, is one of the pioneers Xiahai (literally means jumping into the sea), a modern term in the Chinese language that refers to the act of escape from the position that has been established to plunge into the ocean, riskier businesses.
3	Economics	1990	China listed as the destination for FDI (Foreign Direct Investment), the largest in Asia. Each boost

			economic growth characterized by a new wave of china fever by foreign companies. This increase is supported by the emergence of new manifestations of Chinese capitalism, such as private companies, consumer welfare, export factories, stock exchanges, and the office of the communist party in a business.
4	Economics	1990's	China is able to mobilize capital and labor, which resulted in an increase in per capita income more than tripled in a generation, and reduce poverty more than 300 million.
5	Industry and technology	1993	Productive employment figures that there is always a stable China in recent decades. This will be very influential in support of plant construction projects or existing manufacturing industry in China is in its development continues to experience unprecedented growth.
6	Industry and technology	2005	China took over half of all U.S. imported garments. The state also made the most toys, shoes, watches, and equipment and utensils world.
7	Industry and technology	2008	China is among the most important consumer market in the world. China has become the largest wireless phone customer first world, with the number of customers reached 350 million mobile phones..[18]
8	Industry and technology	2008	China became the third largest car market in the world and have been running the largest market for PCs, broadband telecoms services, digital television, and the other. Stuff thing is not independent of the rapid manufacturing industry in China.

9	Industry and technology		Motorola opens research lab and its first foreign development in China, the number of similar facilities owned by Motorola has risen to more than 700 companies. Motorola emerged as the largest corporate investor in China, which is the largest mobile phone market in the world and shift the position of the United States.[19]