

World Economy vs Regional Economy

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Abstract—A slowdown or a boom in economy of a particular region always affects the another region's economy may be to more regions or to less regions but it affects. As we see in history many economic crisis are there which became a reason of major downfall in world's economy such as Lehman Brother's Crisis of 2008. Now by looking in current scenario if Chinese economy is taken into considerations and along with Chinese economy the prices of crude oil from gulf countries are taken into consideration, all these factors are becoming very dangerous for upcoming time too. The main objective of research is to find out how the current situation of China's economy is going to affect or affecting our country's economy and world's economy. Study is conducted to find out the major reasons which are affecting and the major downfalls which stock market registered in last 15-20 months. This paper will be helpful to understand the current situation that how it affects the economies of other countries. Data analysis tells that China is on a position that its growth is slowest among the growth of last 25 years. The sectors which are affecting the China's economy such as real estate etc. are also considered. For this research an overview for US and India is taken that how it is affecting these economies. The unfair trade practices and their affections which led to slowdown and other factors which led and their future implications for leading the situation to the worst and the steps to overcome from this are some of the major findings of the research.

Keywords: Economy, Economic Crisis, Unfair Trade, Slowdown Growth, Downfalls.

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1. INTRODUCTION

As after the term globalization initiated all economies are getting interconnected and also becoming dependent on each other's economic situation. As powerful and as big the economy is and as much relations it is having with other countries always affects other countries and world. The whole study inculcates that how in current situation this whole world is affected. As China is the second largest economy in the world and due to its economic downfall it leaves a very noticeable impact on prices of goods and services of world's market. If we look towards the current scenario that latest data which has been viewed given a stabilize following the massive stimulus measures. China recorded a summer stock market crash last year. This whole study includes few facts regarding

that how it affected global. Recently, global stock market, FOREX, and overall market is in a volatile condition. As in the current period of globalization, China's economy and world's economy are incrementally becoming dependent on each other. Currently, China's exports are becoming lower as they were before a year ago, and they are also importing lesser raw materials. So analysts are giving a status that this situation is providing fear of hard recession. But this has also been analysed that India's not getting so much affected in comparison to other countries which is described in further study. This whole study is done by taking a view to find out clear picture of impacts which are observed and estimated to be their by this recession faced by China. However, this slowdown is affecting India in both aspects. In some ways it is benefiting as well as harassing economy of India as well as world's economy. The rest of the research part will be containing; literature review, research objectives, research methodology, research process, future implications, findings, conclusion & bibliography.

2. LITERATURE REVIEW

- A report published through “Congressional Research Service” under 7-5700 titled “China's Economic Rise: History, Trends, Challenges, and Implications for the United States” by Wayne M. Morrison on October 21, 2015 concluded that the Chinese government has attempted to steer the economy to “a new normal” of slower, but it is stable and sustainable, economic growth. Yet concerns depended in recent months over the health of the Chinese economy. The RMB depreciated by 4.4% against the dollar, and faced critics to charge that China's goal was actually to boost exports to help stimulate the economy for them to make it ability for China for rise..

3. OBJECTIVES OF STUDY

- To find out the affects of regional economy to another region along with whole world.
- Find out the difference of growth after impacts of current slowdown observed in China's economy nowadays.

- To know the reasons and analyse the impacts and find out the suggested ways to overcome this situation.

4. RESEARCH METHODOLOGY

Research Design :- Descriptive Research

Data Collection :- Secondary Data

5. RESEARCH PROCESS

Firstly to look over the current situation of China's economy :-

- China's economic growth is slowest in 25 years, which recorded growth of GDP 6.9%. (Tel: Report of CRS)[1]
- Investments growth is recorded lowest of last 15 years in 2015.
- China's growth is going consistently down of its potential growth which was high as 10% but now it fall down under 7%. (Tel: Report of Wall Street Journal)
- Its retail market is still at well position.

Secondly, take an overview of affect made to India and world by Chinese slowdown :

- According to current value rupee has depreciated 5% against USD but only 2% to the CNY.
- The weak Yuan forced price hike of commodities in China, this hike led to low consumption.
- Due to low exports and price hike of commodities, other nations which are huge market of Chinese products are having hard time selling the products of China.

5.1 Global Impacts of China Slowdown

- On a single day Shanghai Composite fell down by 16.61%. (Tel: Report of "Use economy")[2]
- Between June 15 to Aug 27, Shanghai Index became down by 40%. (Tel: Report of "Use economy")[2]
- This downturn gave a volatile and inconvenient moment for countries such as: Saudi Arabia, Russia and Venezuela.
- Due to fall down of economy of China, import of oil to China has been decreased, which became one of those factors which are responsible for the downfall of oil prices in international market.
- Not only oil China also imports many metals from countries like Australia, Chile, Indonesia and Brazil. Due to there bad condition, China made cut off in their imports which made a large impact on these countries also.
- China which is considered very crucial for global trade over the past 2 decades. China itself was having a share of 17% of world's GDP in 2014, but in only first seven months of 2015 its demand for imports reduced by 14.6%.

5.2 Effects of China to U.S.

As China is the largest holder of U.S. Treasury Bills, Bonds, and notes. As the data shows up to November 2015, China was having \$1.264 trillion in Treasuries. That's about one-fifth of all the debts held by foreign countries.

For supporting the value of U.S. Dollar, China buys U.S. debts, for pegging their own currency Yuan which devalues the currency when export prices are competitive.

Let's illustrate that if China threatened to sell a part of its holding whenever U.S. pressures China to raise their Yuan's value. It was the one of the main reason, because China raised Yuan's value against dollar by 33%. So in between 2014 and 2015, the value of dollar increased by 25%, and for making it competitive and keeping stability China allowed value of Yuan to decline which in last became out of control.

5.3 Effects of Chinese Slowdown to India

As effect can be positive or negative. Let's take a glimpse over the effects made by Chinese downfall to India.

As trade between these both the nations started declining which was nearly \$65B in 2013, which favoured China. India's main export to China was Iron ore. India pressured China to open its market for pharmaceutical, agri products for India.

But we can say mainly effect of Chinese fall down was most in favour of India as described below: -

- As cheap oil could help our indicator of macro-economics.
- It is assumed that China's slowdown is an opportunity for India.
- As the cost of infrastructure has fallen down due to fall in commodity's price, which will help India to boost infrastructure development.
- For India it is an opportunity to grow, as China according to its economy, still needed to add \$490 billion to maintain 7% growth as compare to India which is on the position to maintain the same growth by giving a figure of \$140 billion.
- China needs to invest more in other developing countries to maintain its growth for itself and for other countries like India, Brazil and Indonesia for restructuring its own economy and another economy.

A look over the **statistical data** of decrease in various sectors in last few years:-

Data taken and by concluding along with the projections up to 2020, it is being forecasted to have the following growth.

Years	Growth Rate
2007	14.2
2008	9.6
2009	9.2
2010	10.4
2011	9.3
2012	7.8
2013	7.8
2014	7.3
2015	6.9
2016	6.5(Projected)
2017	6.2(Projected)
2018	6.1(Projected)
2019	6.3(Projected)
2020	6.4(Projected)

(Tel : CRS ; Wayne M. Morrison)[1]

- Structure of important factors encourages economic aggregate and industrial structure, tells speed development in China's economic development. Its not that only Chinese governments at various levels, that should increase the development tendency, and also understandable for the international community.

6. FINDINGS & CONCLUSION

- It is concluded that after a downfall China will make a slight stability and will start slow increase within few years.
- It is being concluded that after all this downfall China is still a major engine for the economic growth of world.
- It is also concluded that downfall of China is an opportunity for India to grow.

- It is being found and interpreted that economic growth of China will continue to decelerate in this year and upcoming too.
- The survey of panellists for the month projected that 6.5 % growth and it will continue to 6.2% in 2017 and rest will continue to all.
- The steps taken by China to avoid recession in 2008 was to maintain a treasury capital of American bonds but that scheme is also not working this time.
- For maintaining the value China started devaluing its currency which further led to a more critical and uncontrollable situation.

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