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The current economic situation in China and its impact on the Czech Republic[☆]



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Summary Nowadays, many companies try to enter to the international sector and to extend here their activity. Their international cooperation is an integral part of the action; it is necessary to know the cultural differences. Therefore it is important to understand the social development including the Social Progress Index and the secondary analysis of an economic situation in China; and its subsequent impact on the economy not only in the Czech Republic based on evaluation of Czech-Chinese business relations. China was in the last five years the male rotor of the world economic growth and became a significant importer of commodities. Last year, the Chinese economic growth rate slowed down, which could have negative consequences on other economies. This is also the possible reason for some Czech companies leaving the Chinese market; they transfer their production parts back to Europe or India. A presumption of high living standard, which all countries of the world and their inhabitants want to achieve, is according to the current paradigm of economic science the economic growth. The economy does not take pace in a vertical line, but at the horizontal level as the meaning of sharing in the net among the individuals. And the cooperation does not take place in the horizontal line but in the vertical line, which essentially changes the way of people's working.

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Abbreviations: CSO, Czech Statistical Office; CZK, Czech Crown, currency; e.g., for example; et al., and others; EU, European Union; GDP, gross domestic product; i.e., it means; IMF, International Monetary Fund; MFA, Ministry of Foreign Affairs of the Czech Republic; OECD, Organization for Economic Cooperation and Development; USA, United States of America.

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Introduction

Economic growth has lifted hundreds of millions out of poverty and improved the lives of many more over the last half century. Yet it is increasingly evident that a model of development based on economic progress alone is incomplete. Economic growth alone is not enough. A society that fails to address basic human needs, equip citizens to improve their quality of life, protect the environment, and provide opportunity for many of its citizens is not succeeding. We must widen our understanding of the success of societies beyond economic outcomes. Inclusive growth requires achieving both economic and social progress (Porter et al., 2015).

Nowadays, more and more companies try to enter to the international sector and to extend here their activity. Whether it is the establishment of the new division abroad or it is the joining of two companies, it is still necessary to know not only the company, but also the national culture; both of them can be closely linked. The culture, national or of the company, affects and forms not only the individual inside the company, but also outside and in some cases has far-reaching consequences.

The aim of this paper is to describe the importance of the society development including the Social Progress Index and the secondary analysis of an economic situation in China; and its subsequent impact on the economy not only in the Czech Republic based on an evaluation of Czech-Chinese business relations. The paper is based on the hypothesis, which argues that the economic growth, important for the current economic science and for the economic policy of states, cannot represent essential and key parameter of economic and social development of a human society, to which should be subjected all the civilization activity. This is especially due to the fact that in the current world economy shows the action of cardinal restrictions, which limits it.

Material and methods

Presently, the international cooperation is an integral part of the action of many companies; therefore it is necessary to know the cultural differences, also in the case of acting with an inland company, which can have an organizational culture – in some cases – much more different. The ability of understanding other culture is now the target of many companies, because of the achievement of the competitive advantage.

An author of a modern global science definition, Sir Edward Burnett Tylor, defined the culture concept as follows: “*Culture, or civilization, taken in its broad, ethnographic sense, is that complex whole which includes knowledge, belief, art, morals, law, custom, and any other capabilities and habits acquired by man as a member of society.*” (Lukasova, 2010, p. 12).

The culture is everything that is created in a group, what continues and what is transformed, it can be the language, religion, morals, law, custom, values, education, acting, over all everything that makes it possible for a group to work. These aspects are for each group specific and are transmitted through learning.

The culture is adherent to the economic growth and also to the social progress of particular countries. The source of the longtime economic growth, i.e. the changes of aggregate supply (a potential product), is partly an increasing of input amount (then a capital and labour), i.e. an accumulation of a production factor, and partly a more effective usage of the existing inputs (then a growth of a total factor production), for example thanks to a technological progress (innovations), higher intelligence of manpower (quality of human capital). A more effective usage of existing machinery affects a broad-spectrum of factors.

The institutional quality and the political stability effect advantageously the investment decision at projects with a long-term return. The openness of a country to the external economic relations stimulates the competitive pressures on domestic producers and it is the source of an international transfer of the technicalities. The volume of innovations (the technological change rate) effects the investment into the research and science, and the ability of the usage of their outputs in practice. To the more effective usage of productive instruments is contributing the level of manpower qualifications, which is affected by the spending for an education (Kaderabkova and Zdarek, 2006).

The long-run growth of the real GDP per capita is an essential prerequisite for increasing the standard of living, which is approached by the economic level and its change in time. If a less developed country grows in the long term faster compared to a more advanced country, there is a catching-up, i.e. their economic levels are convergent. The economic growth rates in these countries are often dramatically different and also different is the growth performance in time. The causes of these dissimilarities are in the historical comparison partly nationally specific, partly common for country groups (on the similar development level), as can be demonstrated on the development after the World War Two in the Western Europe, Japan and USA; as a long time leading economy in term of an income level per capita and technological development (Kaderabkova and Zdarek, 2006).

The Social Progress Index aims to meet this pressing need by creating a robust and holistic measurement framework for national social and environmental performance that can be used by leaders in government, business, and civil society to benchmark success and accelerate progress. The Social Progress Index is the first comprehensive framework for measuring social progress that is independent of GDP, and complementary to it. The Social Progress Index offers a concrete way to understand and then prioritize an actionable agenda advancing both social and economic performance (Porter et al., 2015).

Porter et al. (2015) defines social progress in a comprehensive and inclusive way. Social progress is the capacity of a society to meet the basic human needs of its citizens, establish the building blocks that allow citizens and communities to enhance and sustain the quality of their lives, and create the conditions for all individuals to reach their full potential. This definition is the basis of the three dimensions of social progress: Basic Human Needs, Foundations of Wellbeing, and Opportunity.

It is obvious that the interconnection of cultural, social, ecological and economic aspects affect not only the

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