

"Made for the World" vs. "Made with the World": What would be the Future of "Made in China"?

*Albert Su^{*1}, Marie-Hélène Regnière¹, Zhan Su²*

Abstract: The dramatic growth of "Made in China" products is primarily a consequence of political will of the Chinese authorities to take advantage of the new international division of labour for its development. Until now "Made in China" products should be more qualified with "Made with China" products than "Made by China" products, because in many cases, they are the result of a globally organized production, involving activities realized in different countries. As the development of "Made in China" products has a lot of major impacts on the global economic order, only efforts of China to shift from "China Price" to "China value" or "Chinese Brand" could not guarantee the future success of "Made in China" in the international market. The future of "Made in China" seems to go rather with "Made with the World" than "Made for the World".

Keywords: "Made in China" products, new international division of labour, strategy of "climbing up the value chain", future challenges.

1. Introduction

In November 2012 and in March 2013, the world has experienced the leadership transfer of political and administrative power in China. The new Chinese leadership promptly initiated a societal project named "China's Dream". Although the content of this project is still very unclear, the Chinese economic ambition is undoubtedly a fundamental element of this project.

It is true that China now holds a record in terms of economic growth. Since 1978, the year when this country adopted its economic reform and open door policy, the Chinese economy has grown extremely rapidly, in spite of numerous problems; new as well as old that comes on the way of its evolution. According to World Bank statistics, Chinese GDP increased at an average annual rate of 9.98%, rising from USD 148 billion in 1978 to USD 7318 billion in 2011. Similarly, its GDP per capita increased from USD 155 to over USD 5445 and its poverty has been reduced from 500 million people to less than 100 million. During this period, the structure of the Chinese economy gradually transformed. Once a closed and isolated economy, China is now among the interdependent world economies. In 1978, China's total trade accounted for less than 1% of the world's global trade. Today, China is the world's largest

^{*1} University of International Business and Economics, China

² Laval University, Canada

merchandise exporter and second largest merchandise importer, with a trade surplus of USD 231 billion in 2012. Since 2006; China has the most important foreign currency reserve in the world.

The economic rise of China is particularly marked by the breakthrough of "Made in China" products. These products came in force into the international market, not only in labour and capital intensive sectors, but also more and more in some knowledge-intensive sectors. With an openness degree³ of more than 60%, China has become the main supplier of a large number of consumer goods in the international market: 90% of DVDs, 85% of toys, 85% of tractors, 85% of watches and clocks, 70% of photocopiers, 65% of sports facilities, 60% of bicycles, 58% of telephones, 55% of cameras, 55% of laptops, 50% of ventilators, 40% of screens, 40% of microwave ovens, 36% of televisions, 30% of air conditioners, 25% of washing machines, 20% of refrigerators, to name a few. In addition, China is also among the most important exporters of high technology products.

The dramatic rise of "Made in China" products in the international market has prompted many reactions around the world; along with acclamations and admirations. It receives more concerns and even resentment from developed as well as developing countries. "World workshop", "world industrial center", "new economic superpower", "commercial invader", "environment destroyer", "job stealer", these terms have been used to address China whose emergence on the international scene seems undeniable and inevitable. China is often being referred to as "threat", because of "Made in China" and its corollaries. This refers to outsourcing to China and, therefore, closure of enterprises in Western countries, as well as loss of market share of other developing countries. China is blamed for a number of problems suffered by some other countries: loss of employment, economic disorder, deflation - when China sells, and inflation - when China buys.

Over the last few years, within China, discussions about the real interests of "Made in China" products for China and especially on their future have also been very strong (Lu, 2003). As many doubts have been raised regarding the role of China as "blue collar of the World", the Chinese government has adopted, in recent years, a policy of "upgrading the value chain" aimed at the development of creativity and value added of "Made in China" products. By all indications, the new Chinese leadership team will maintain and accelerate this policy in the coming years.

What are the myths and reality of "Made in China" products? What are their impacts on the economy of the world? What would be the factors that may determine the future of "made in China" products? These are some of the questions that will be addressed to in the following sections.

2. "Made in China": much more "Made with China" than "Made by China" products

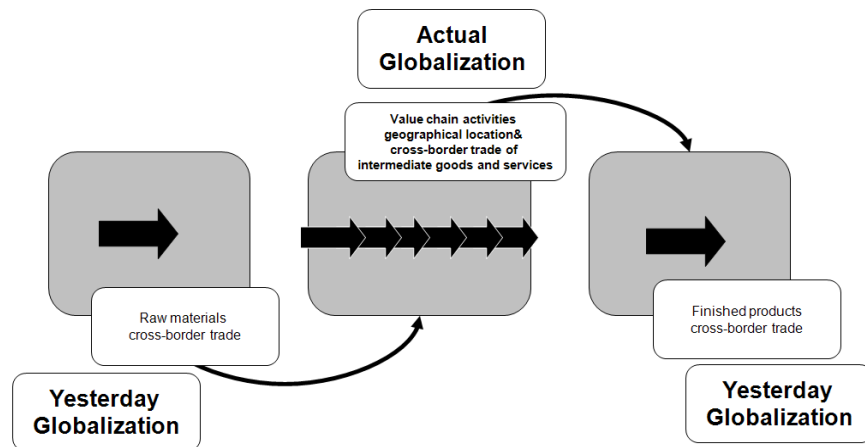
Since 1980s, the world has undergone profound economic, technological, political and social changes. "Globalization" and "internationalization" are terms that attempt to represent the salient features of this complex and contradictory evolution of the world. According to IMF, globalization may be explained as "the growing economic interdependence of countries around the world via volume and variety of cross-

³ Openness degree: (imports + exports) / GDP

border transactions in terms of goods and services, international free flow of capital, and a more rapid spread of technology." Nearly 240 years ago, two distinguished economists, Adam Smith and David Ricardo, had advocated trade and international division of labour between countries to create a "win-win" situation under certain conditions. Two world wars and polarization of the world during Cold War of the last century have considerably limited world trade. However, in recent years, two phenomena were observed in the context of globalization: firstly, internationalization of economic activity and mobility of factors of production in an increasingly borderless world, to the extent that some people no longer hesitated to announce the forthcoming demise of traditional sovereign state. Secondly, there had been intensification of economic growth of a number of countries, especially those classified as "emerging countries", which have been recognized as engines of global prosperity and have contributed to the rise of re-composition of the world production hierarchy (Ohmae, 1996).

In fact, there has been a relevant change since 1980s in the world in the context of production conditions, competition and interdependence, characterized primarily by development of the new international division of labour. According to Anil K. Gupta et al. (2008), globalization represents a new configuration, which marks a break in previous steps of the international economy: "... yesterday's globalization could be seen as cross-border trade in raw-materials or finished products. On the contrary, today's globalization is characterized by geographical dispersion of the value chain activities of a company, with the objective of locating each activity (or sub-activity) in the most optimal manner. Therefore, a significant proportion of cross-border trade now exists, which comprises of intermediate goods and services – i.e., components and services located in the middle of the value chain" (see Figure 1). Berger (2006) notes that "in the world of fragmented production, the issues are what they have always been: profit, power, security and new opportunities. What has changed is that it is now possible to achieve these objectives by positioning at any point along the value chain. Twenty years back, integrated companies were dominated, while today, a manufacturer of components, a design company, a brand without a manufacturer, a manufacturer without a brand and many other combinations offer new ways to remain competitive".

Figure 1. Globalization and the new international division of labour



Source: Gupta, A. K. et al (2008). The Quest for Global Dominance, Jossey-Bass, 2008.

"Made for the world" vs "Made with the world": What would be the future of "Made in China"?

Therefore, unlike the classic international division of labour, the new international division of labour is based on the concept of value chain (Porter, 1985). It happens not just between different industries, but also between different products in the same industry, between different stages of the value chain activities for the same product. In other words, in the current context of globalization, traditional definition of labour-intensive industry, capital-intensive industry and knowledge-intensive industry are no more the only references applicable for international division of labour. The latter is more and more organized according to the value added generated by different stages and activities (which are labour, capital or knowledge intensive) of the value chain for the same product. According to Stan Shih, founder of the company Acer, in most of the modern manufacturing industries, the value chain is comprised of several separated but interlinked activities, forming a "smile curve", with, at two ends, R&D / design and sales / services which are more difficult to achieve and generates a significant amount of added value, and in the middle, the production and assembly activities which require vast amount of classic production factors and thus produce less value (Dedrick, 1999). Therefore, in the context of globalization and the new international division of labour, the major challenge for a company or country is, above all, to position itself on this curve for activities that generate most value or for those that promote its learning in order to accomplish more rewarding activities. It is clear that such a division of labour requires reciprocity, fair play and win-win strategy as basic conditions for its good performance.

The case of "Made in China" products should therefore be examined in the light of this new reality. Firstly it should be noted that, although China has made a spectacular breakthrough in the international market during the past 35 years (see Table 1 and Figure 2), "Made in China" products are, in many cases, the results of a globally organized production, involving parts made in various countries. For example, consider 12 million laptops sold in 2005 by China to the United States: the majority of key parts (screens, software, sound cards, hard disks, etc.) are in fact imported from around the world.

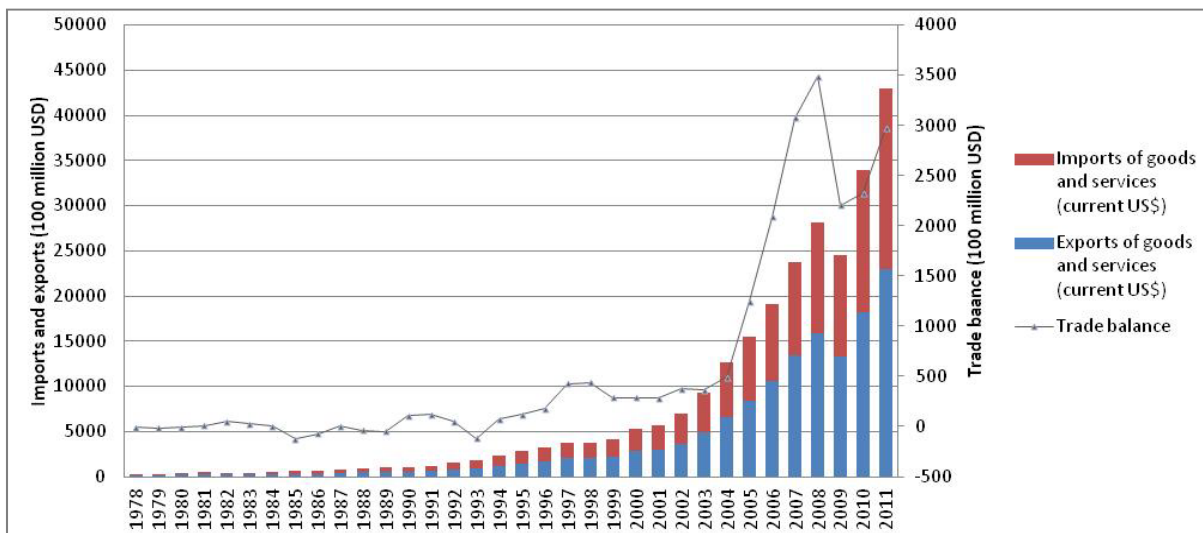
Table 1. China's place in world merchandise exports

	1948	1953	1963	1973	1983	1993	2003	2007	2011
	Value (Billion USD)								
World	59	84	157	579	1838	3675	7375	13619	18256
	Part (%)								
World	100	100	100	100	100	100	100	100	100
Asia	14.0	13.4	12.5	14.9	19.1	26.1	26.2	27.9	29.8
China	0.9	1.2	1.3	1.0	1.2	2.5	5.9	8.9	10.4
Japan	0.4	1.5	3.5	6.4	8.0	9.9	6.4	5.2	4.5
India	2.2	1.3	1.0	0.5	0.5	0.6	0.8	1.1	1.7
Australia and New-Zealand	3.7	3.2	2.4	2.1	1.4	1.4	1.2	1.2	1.7
North America	28.1	24.8	19.9	17.3	16.8	18.0	15.8	13.6	12.5
United States	21.7	18.8	14.9	12.3	11.2	12.6	9.8	8.5	8.1
Canada	5.5	5.2	4.3	4.6	4.2	4.0	3.7	3.1	2.5
Mexico	0.9	0.7	0.6	0.4	1.4	1.4	2.2	2.0	1.9

Source: The WTO Database.

The real Chinese contribution in this case did not exceed 30% of the final value of product traded. Today, China is a leading manufacturer of mobile phones in the world. However, the manufacturing process of mobile phones in the world is completely disintegrated: they are often designed by Japanese and Korean firms, key parts are produced by multinationals such as *TI and Philips*, technical standards and software are provided by American companies like *Qualcomm*, the distribution by *Bird*; while only the assembly is generally accomplished in China. The same can be said for the new U.S. technological product, the iPhone; which is also labelled as "Made in China". Other than design and software, Apple is content to act as a conductor for integrating innovations from different countries: the screen of the iPhone is Japanese, flash memory is Korean and assembly is done in China⁴.

Figure 2. Evolution of China's imports and exports



Source: The Word Bank Database, 2013

Further analysis allows us to translate that majority of productions for exports are assembly operations and re-exports. In fact, since mid-1990s, more than 50% of Chinese exports were achieved in the form of "outward processing" on behalf of foreign companies: 50% in 1995, 55% in 2000, 53% in 2006 and 51% in 2010⁵; while necessary purchases for the assembly exceeded 50% of imports from China⁶. If we use "smile curve" to understand the current position of "Made in China" products in the new international division of labour, we can find that "Made in China" products are mainly located at the assembly operations level to low value added, while developed countries have mastered the most rewarding steps, such as the design and distribution of products (see Figure 3).

It is true that the place of "Made in China" products on the "smile curve" has improved steadily since 1979: the share of finished and semi-finished products rose from 46% to 93.6 % for all Chinese exports,

⁴ *The Economist*, December 30, 2008

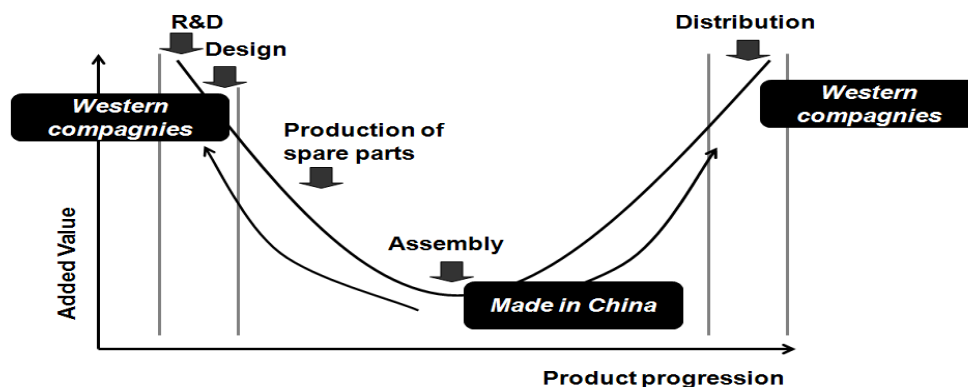
⁵ *China Yearbook*, 2011.

⁶ http://www.marianne-en-ligne.fr/dossier/precedent/e-docs/00/00/00/92/document_article_dossier.md?cle_dossier=136

"Made for the world" vs "Made with the world": What would be the future of "Made in China"?

and for high technology products from less than 1% to 24%⁷. In fact, China officially became the largest exporter of high technology products in 2005 (see Table 2).

Figure 3. Place of "Made in China" products on the "smile curve"



Source: Dedrick, Kraemer, & Tsai, 1999; p. 156.

Table 2. China leads in the export of high technology products

Top 10 exporters of high technology products – 1996 In billion USD 2011	Top 10 exporters of high technology products – 2005 In billion USD 2011	Top 10 exporters of high technology products – 2011 In billion USD 2011
1. United States: 138\$	1. China: 216\$	1. China: 457\$
2. Japan: 101\$	2. United States: 190\$	2. Germany: 183\$
3. Germany: 61\$	3. Germany: 146\$	3. United States: 145\$
4. Singapore: 58\$	4. Japan: 125\$	4. Japan: 126\$
5. United Kingdom: 55\$	5. Singapore: 105\$	5. Singapore: 126\$
6. France: 42\$	6. South Korea: 84\$	6. South Korea: 122\$
7. Netherlands: 30\$	7. United Kingdom: 83\$	7. France: 105\$
8. South Korea: 27\$	8. France: 70\$	8. United Kingdom: 69\$
9. Malaysia: 26\$	9. Netherlands: 66\$	9. Netherlands: 67\$
10. Canada: 20\$	10. Malaysia: 58\$	10. Malaysia: 61\$

Source: World Bank. 2012

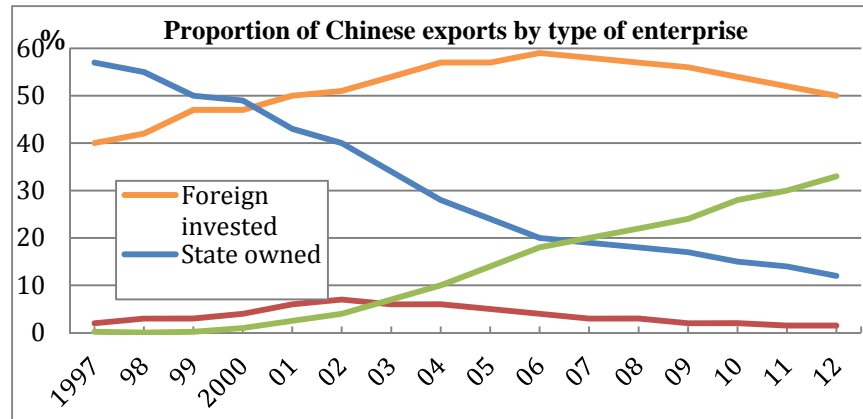
Only in 2011, China recorded a trade surplus of USD 109.4 billion in trade of advanced technology products with the United States, which was responsible for 36.3 percent of total China-US trade surplus⁸. However, it must be noted that majority of these high-tech products exported by China are either the result of assembly or are products that are less knowledge-intensive in the technical segment of the value chain. Furthermore, it is primarily the production of foreign multinationals operating in China are reaping the advantage of this value chain. Globally, their share rose from 59% in 1996 to 81% in 2000, and it reached

⁷China Yearbook, 2011.

⁸ Economic Policy Institute, «The China Toll», <http://www.epi.org/publication/bp345-china-growing-trade-deficit-cost/>

91% for the export of Chinese electronic equipment (Zhang, 2008). Foreign-invested enterprises (both joint ventures and wholly owned subsidiaries) were responsible for 52.4 percent of China's exports and 84.1 percent of its trade surplus in 2011⁹.

Figure 4. Contribution of foreign companies operating in China to the exports of the country



Source: Thomson Reuters DataStream

In fact, although it may seem contradictory, China is effectively not the master of most "Made in China" products. In this regard, it is important to make a distinction between the products developed, produced and distributed by the Chinese companies (*made by China*) and those either manufactured under the order from foreign companies or realized by the subsidiaries of foreign multinationals operating in China (*made in China*). In fact, the opening up of the Chinese economy since 1978 means a major ideological shift of China. Previously, with focus on itself, China decided to expand its trading partners and to create a business environment conducive to foreign capital, technology and managerial know-how. In the last few years, Chinese local governments are even competing to attract foreign investors by providing facilities and resources at amazingly competitive prices.

Foreign direct investment has allowed China an access to global markets. The foreign direct investments have contributed significantly to the growth of Chinese exports. According to Chinese government statistics, 635000 enterprises with foreign capital were operating in China and 480 of the 500 largest companies of the world have made significant investments in this country in the last thirty years. These businesses now contribute about 33% of Chinese industrial production and more than 60% of China's exports (see Figure 4). In 2006, amongst the 500 largest companies involved in the international trade in China, 60.8% were foreign-owned firms; while amongst the 200 largest exporting firms in China, 62.5% were foreign-owned enterprises (Zhang, 2008).

The development of "made in China" products was, in many respects, highly beneficial for China. For example, it helped reduce poverty and provided employment to the people. The export has long been a major engine of China's economic growth, same as investment and consumption. In fact, it is responsible for 20% of economic growth, contributes to 17% of the state's tax revenue and also creates more than 100

⁹ <http://www.epi.org/publication/bp345-china-growing-trade-deficit-cost/>

"Made for the world" vs "Made with the world": What would be the future of "Made in China"?

million jobs¹⁰. According to the Chinese authority, there are between 30 and 40 million jobs in China that are directly created by international subcontracting, while 50 to 60 million jobs are generated indirectly¹¹. Moreover, the subcontracting work on behalf of companies from developed countries has allowed many Chinese companies to learn and develop technological and managerial knowledge. It should also be noted that active participation of China in the new international division of labour has greatly contributed to liberalization of the economy, progress of reform and changing mentality of the Chinese people (Zou et al., 2008).

However, Chinese are not the only beneficiaries of "Made in China" products. On the contrary, they often retain only a small part of the value created. This is because 90% of "Made in China" products are for foreign brands. Thus, in order to buy an Airbus 380, China must export 800 million shirts and a Barbie doll, produced for USD 4 in China, is sold at an average of USD 22 in the United-States. In 2012, China exported mobile phones for USD 74 billion but it however retained only a small fraction of the total profit made¹². Majority of the profit is attributed to designers, software developers and Western distributors such as Intel, AMD, Microsoft, etc. The case of the iPhone is even more significant in this regard. According to a study by Rassweiler, although most of the iPhone carries the label "Made in China", the impact of China in terms of manufacturing costs is still quite small compared to its overall value (see Table 3).

Table 3. Apple iPhone 3G's major components and cost drivers

Manufacturer	Component	Cost
Toshiba (Japan)	Flash Memory	US\$ 24.00
	Display Module	US\$ 19.25
	Touch Screen	US\$ 16.00
Samsung (Korea)	Application Processor	US\$ 14.46
	SDRAM-Mobile DDR	US\$ 8.50
Infineon (Germany)	Baseband	US\$ 13.00
	Camera Module	US\$ 9.55
	RF Transceiver	US\$ 2.80
	GPS Receiver	US\$ 2.23
	Power IC RF Function	US\$ 1.25
Broadcom (US)	Bluetooth/FM/WLAN	US\$ 5.95
Numonyx (US)	Memory MCP	US\$ 3.65
Murata (Japan)	FEM	US\$ 1.35
Dialog Semiconductor (Germany)	Power IC Application Processor Function	US\$ 1.30
Cirrus Logic (US)	Audio Codec	US\$ 1.15
Rest of Bill of Materials		US\$ 48.00

¹⁰ *Guangming Daily*, September 30, 2008, China.

¹¹ *Journal of International Affairs*, July 24, 2007, China.

¹² <http://english.peopledaily.com.cn/90778/7981181.html>

Total Bill of Materials	US\$ 172.46
Manufacturing Costs	US\$ 6.50
Grand Total	US\$ 178.96

Source: Rassweiler (2009)

Thus, China can be seen today as a major player for the sheer amount of its products on the international market. But it is far from being a superpower in terms of influence, since a large majority of its firms work as subcontractors under the command of foreign companies. In addition, China is still very weak in industries such as equipment industry where the value added is much larger. Moreover, China does not currently have the required level of technology to become a global manufacturing center. Therefore, it would be an exaggeration to already call it as the "world factory", like some other industrial empires in the world industrialization history (England, USA, and Japan). As such, the "Made in China" products should be more appropriately qualified as "Made with China" as opposed to "Made by China".

3. "Made for the world" vs. "Made with the world": major challenges for the future of "Made in China" products

The rapid growth of "Made in China" products has greatly contributed to the development of world trade. However, it has created major upheavals in the world in terms of the structure and order of the global economy, the dynamics of international competition, the natural resource consumption, the environment, the employment and the product prices, etc.

China is in great need of resources to support its growth and to develop of its production capacity. It has only 7% of the world's arable land, 6% of drinking water, 4% of forests, 2% of oil reserves and 12% of mineral reserves of the planet. From being an oil-exporting country till 1993, it has now become almost the largest importer of oil in the world (about 60% of its consumption is imported). Since 2000, China is responsible for a 40% increase in global oil demand, and in 2003, a 60% increase in global demand for non-ferrous metals. With about 15% of global manufacturing output, China consumed 20% of the global production of aluminum, 35% of the world's steel production and as well as 45% of cement.

It now appears that China is emerging as the main cause for the rise in commodity prices; this is not irrelevant because if China continues to grow at this rate, the whole world's resources will no longer suffice¹³. Until now, Coal is still the most important energy resource in China (75%). However, this type of energy, even though inexpensive, causes high pollution. As such, the effects of pollution are increasingly felt on China's future growth. The government's desire to develop the use of oil and gas, as substitute of Coal, collides with its operating costs. Furthermore, Chinese industrial development has been creating substantial waste. Chinese authorities recognize that, to produce the same product, China uses seven times more energy than Japan and five times more than Europe. Chinese steel companies consume 40% more energy resources which is 50% more than the electricity sector. Every 10000 Yuan of GDP costs China five times more water and three times more energy than developed countries. The result is that

¹³ Based on the study of Earth Policy, <http://news.creaders.net/headline/newsPool/10A234213.html>

in addition to being the biggest emitter of CO₂ in the world, China has 20 of the 30 most polluted cities in the world today (World Bank, 2008). The country also suffers from soil erosion and a real problem of global pollution: air pollution, water pollution, acid rain, etc. According to the Chinese government, in 2010, the direct economic loss caused by pollution accounted for 1.1 trillion Yuan or 2.5% of China's GDP. This is an increase of 2.15 times of the losses appeared in 2004. The costs associated with pollution have even grown faster than the growth of China's GDP in 2010 (13.7% versus 10.4% for GDP)¹⁴.

In terms of employment, the turmoil caused by the rise of "Made in China" products is very sharp throughout the world, both in developed as well as developing countries. Thus, the development of "Made in China" products is facing increasing resistance from the world, despite many advantages that these products maintain (for example, savings for consumers, improving the competitiveness of companies through partial relocation of activities to China, etc.). Over the past 15 years, China has emerged as the main target of anti-dumping and anti-subsidy disputes: 37 cases in 1994, 53 in 2001, 57 in 2005, 68 in 2006 and 62 in 2007. Between 1995 and 2011, China was facing 21.3% of all anti-dumping cases initiated by members of the WTO (World Trade Organization) countries, far ahead of other listed countries (see Table 4). It should be also noted that about two thirds of the cases were initiated by developing countries.

Table 4. Major antidumping investigating and targeted countries from 1995 to 2011

Rank	AD investigations initiated			Countries targeted by AD investigations		
	Countries	No.	%	Countries	No.	%
1	India	656	16.4	China	853	21.3
2	USA	458	11.4	South Korea	284	7.1
3	EU	437	10.9	USA	234	5.8
4	Argentina	291	7.3	Taiwan	211	5.3
5	Australia	235	5.9	Japan	165	4.1
6	Brazil	232	5.8	Indonesia	165	4.1
7	South Africa	216	5.4	Thailand	164	4.1
8	China	191	4.8	India	155	3.9
9	Canada	155	3.9	Russia	124	3.1
10	Turkey	148	3.7	Brazil	114	2.8

Note: Total number: 4,010

Source: Joon-heon Song and Kyoung-joo Lee (2013)

It is clear that after more than 30 years of rapid economic development, China seems to possess many assets in order to keep its momentum in the international market. In fact, in many ways, China is today an atypical country because it holds, at the same time, absolute advantages in terms of cost, comparative

¹⁴ <http://www.scmp.com/news/china/article/1201364/11-tr-yuan-economic-losses-pollution-2010-china-report-says>

advantages in terms of productivity and also competitive advantages in several segments of the technology sector. A more comprehensive and effective industrial base to facilitate economic activities – a large pool of rural human capital, unskilled but willing to work with low wages, an important number of Chinese private companies in the industries, a significant presence of foreign firms and the existence of a large and relatively inexpensive infrastructure - are the factors that could support Chinese exports. According to some experts¹⁵, in 10 years, the global market share of Chinese products could reach to 25%. However, the real question is whether China really has interest in pursuing the same mode of development and whether China can do it smoothly.

It is true that the rise of the "Made in China" products has contributed largely to the development of China, both economically and politically. However, the inclusion of China in the new international division of labour in recent years has faced staggering constraints. The resounding negative effects of "Made in China" products development strategy adopted by China since 1978 are now becoming, to some extent, a hindrance to the development of China and even that of many other countries. In this regard, the problems that China is facing today are economic, social, environmental, and, in reality, also political.

In fact, the Chinese development model is based on a high consumption of inputs for production and low pricing of its outputs whether finished or semi-finished products. Therefore, China as the "world's factory" today is not quite synonymous with real wealth of the country. The absolute advantage of China is still lying on its constantly renewed potential for cheap labour. The low price strategy followed by Chinese companies was to the detriment of the workers' interests. Often, the lower wages and deteriorating working conditions make it possible to achieve such competitiveness, since the level of benefit of Chinese manufacturing firms is yet found to be extremely low (3-5% in most cases). According to official Chinese government statistics, between 1990 and 2010, the weight of the total payroll of Chinese workers in relation to GDP was reduced from 53% to 36%. In this respect, the high number of accidents that occurred in recent years in the Chinese mining sector is very illustrative to understand the situation: with only 35% of the world coal production, China has recorded 80% of fatal mining accidents in the world.

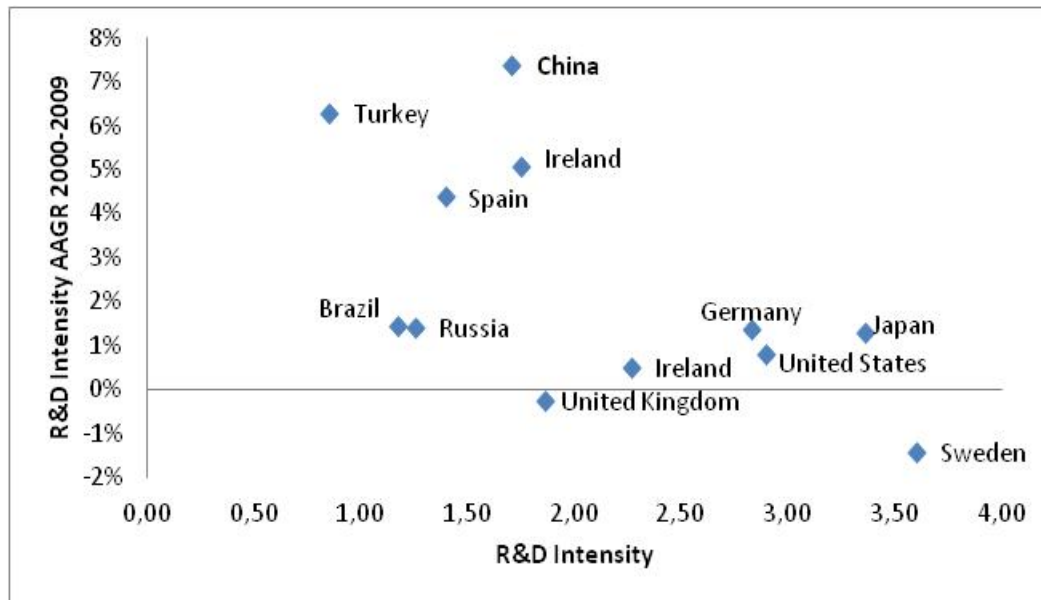
In such a situation, it is clear that, although the Chinese growth appeared extraordinary in many respects, this model of development does not seem sustainable. Nevertheless, it is also undeniable that when an economy is in transition, such as China, and need strong growth, this trajectory of development process is not unusual. In fact, as long as the growth is there, all the problems and internal conflicts will remain a relative matter. However, the obsession for a strong growth in the international market at any cost is definitely harmful, with respect to the interests of everyone.

As part of the implementation of "harmonious" development policy adopted at the 17th Congress of Chinese Communist Party in 2007, the Chinese government began a strategy of "climbing up the value chain" in the new international division of labour for the creation of "China value" (Cai et al., 2008). In line with this, China adopted a number of important laws such as employment contract act Law, the Law on the corporate tax system in China, the anti-monopoly Law, the Law on the promotion of job creation,

¹⁵ *Economist*, January 7th, 2010, England.

etc. These measures aim to force exporters, Chinese as well as foreigners, to redefine their position in the structure of the international division of labour and achieve more technological innovations. Particularly, China has increased its efforts to promote the development of “indigenous” innovations. In recent years, China has even become the champion in terms of annual growth of investment in R&D (see Figure 5). Measures have also been taken to encourage Chinese companies to explore and invest in foreign countries not only to control the supply and distribution of their products, but also to acquire well-known trademarks, technological know-how and new technologies to foster growth.

Figure 5. Expenditure on R&D



* R&D Intensity is R&D expenditure as percentage of GDP

Source: Data from The World Bank Database, <http://databank.worldbank.org/data/views/reports/tableview.aspx>

However, given the particularity of political and economic system of China, the investment in R&D does not guarantee by itself on China's success in pursuing the strategy of “climbing up the value chain”. A straight shift from the "China Price" (Engardio et al., 2004) to the "China value" or the "Chinese brand" does not guarantee the future success of "Made in China" products on the international market. To achieve the goal of being among the top 20 innovative countries of the world by 2020, China should restore its corporate government system, reform the education system, improve protection of intellectual property, develop entrepreneurial spirit oriented towards technology, facilitate transfer of knowledge and technology of advanced Western multinationals to the Chinese companies. To a greater extent, China should accelerate the development of a system of fair and efficient market and give more importance to expression and creativity of individuals. Also, if in 1978, China had no choice but to engage in the exploitation of its comparative advantages in terms of costs and resources to conquer the international market, the time has come for China to integrate the internationalization of resources for developing Chinese domestic market in terms of the reciprocity. In other words, the search for a "win-win" international division of labour with other countries of the world and the need for a greater economic, social and environmental efficiency are crucial conditions to fulfill if China wishes to continue its rise in

the world economy. Therefore, it can be concluded from the above arguments that the future of the "Made in China" should go by "Made with the world" rather than "Made for the world."

4. Conclusion

As of today, China has established itself as an economy that matters for the global business and the importance of which cannot be ignored. Rapid development of China has created an unprecedented situation in the world and the development model of China defies virtually all models and theories existing in the scientific literature.

The remarkable growth of "Made in China" products is mainly the result of public policy of the Chinese government and related stakeholders. What drives the government of China's political willingness is that it will enable the economy to take advantage of the new dimension of international division of labour for its development. Based on the facts illustrated above, a contradiction evolves in regards to the usage of the term "Made in China". This contradiction appears because a substantial amounts of parts and components that are not made in China, but are utilized to produce final product in China. Therefore, it can be envisaged that the "Made in China" products should be more qualified with "Made with China" products than the "Made by China" products. This is because, in many cases, the products produced in China are the result of a globally organized production network, involving activities that took place in different countries of the world. Since the development of "Made in China" products has a lot of major impacts, that are continued, on the global economic order, only efforts of China to shift from "China Price" to "China value" or to "Chinese Brand" are not enough to guarantee the success of "Made in China" in international market. To a larger extent, the future of China's growth is overwhelmingly depending on its interactions with the rest of the world. Therefore, it can well be said that the future of "Made in China" seems to go rather with "Made with the World" than "Made for the World" which would accelerate and foster the growth of Chinese economy in the years to come.

In the growth path of Chinese development, there are existences of major challenges which created a number of ambiguities on the future of China's growth. The pivotal ambiguities that are in question and tend to distort China's growth are - the sources of China's economic growth, concern on currency reform, its competence in drawing high levels of FDI, its ability to deal with large non-performing loans, ailing financial management of ailing banking system, loss making SOEs, and large amount of government debts. The demographic and socio-economic changes also needed to be taken into consideration. Moreover, its political ability to handle changes during the reform processes, its commitments to WTO followed by their consequences, and existing income disparities between inner and coastal regions are also posing a threat for its continued growth. Its ability to maintain its economic growth ahead of major The issue of managing these ambiguities and major challenges will determine the future of "Made in China" and the future of the Chinese economy, and to which the new team of Chinese leaders will be facing.

References

- Berger, S., (2006). "Made in Monde", Seuil, France.
- Bergsten, F. C., (2008). "A Partnership of Equals: How Washington Should Respond to China's Economic Challenge", Foreign Affairs, July/August.
- Cai, J., (2008). "From China Price to China Value", China Mechanical Industry Press, China.
- Engardio, P. and al., (2004). "The China Price", Business Week, December 6, 2004.
- Gupta, A. K., Govindarajan, V., and Wang, H. (2008). "The Quest for Global Dominance: Transforming Global Presence into Global Competitive Advantage", 2nd Edition, Jossey-Bass, USA.
- Huang, Y.-S., (2008). "Capitalism with Chinese Characteristics: Entrepreneurship and the State", Cambridge University Press, England.
- Lu, Z., (2003). "Will China become world factory?" Economic Management Publishing House, China.
- OCDE, (2007). "Reviews of Innovation Policy: China", Synthesis Report.
- Ohmae, K., (1996). "De l'État-Nation aux États-Régions", Dunod, France. PMCID:2143367.
- Porter, M., (1985). "Competitive Advantage: Creating and Sustaining Superior Performance", Free Press, USA.
- Joon-heon Song, Kyoung-joo Lee, (2013). "Bureaucratic politics, policy learning, and changes of antidumping policy and rules in Japan", *Journal of International Trade Law and Policy*, 12(1): 4 – 22.
- Su, Z., (2006). "L'Émergence de la Chine et les Défis pour les Entreprises Québécoises et Canadiennes", Option politique, July/August, Canada.
- Zou, D.-T., (2008). "China: 30 Years of Reform and Opening Up", Social Sciences Academic Press, China.

About the Authors



Mr. Albert Su obtained his Bachelor of Business Administration (specialization in International Business and Finance) at the University Laval. He is currently completing his master's degree in International Business at the University of International Business and Economics in Beijing (China). Albert Su was a research assistant at the Stephen-A.-Jarislowsky Chair in International Business at the University Laval. He has participated in several research projects and presented the results of his research in several international academic conferences. He was co-author of a scientific article in a peer review journal. He is currently conducting research on the development of Special Economic Zones in China and on the characteristics of Chinese State Capitalism.



Ms. Marie-Hélène Regnière received her Bachelor of Business Administration (specialization in Finance) at Laval University. She is currently a graduate student in the Master's program in International Business at the University of International Business and Economics in Beijing (China). Ms. Marie-Hélène Regnière is the recipient of several awards for academic excellence. She was a research assistant at the Chair Stephen-A.-Jarislowsky in International Business at Laval University between 2010 and 2012. She participated in several research project sand was involved in the organization of two international academic conferences. Her research interests are currently focused on the management of international merger projects and on the characteristics of the Chinese development model.



Dr. Zhan Su is professor of Business Strategy and International Management at Laval University. He has been the Director of Stephen-A.-Jarislowsky Chair in International Business since 2008. He received his Bachelor of Engineering in China in 1982 and his Doctorate in Business Administration at the University of Grenoble II in France in 1990. During these past years, he has carried out many research projects regarding a variety of subjects such as strategic management, country risk evaluation, cross-cultural management and doing business in Asian markets. Professor Su's research has been published in numerous journals and books in

Canada and abroad and has been presented in over 200 national and international conferences. Professor Su has also organized many training programs for executives and provided consultation for numerous organizations and firms worldwide. Professor Zhan Su received the "Leaders in Business Education Award" from PricewaterhouseCoopers and the National Post of Canada in 2001.

Contact information

Albert Su, Master's Program in International Commerce, the University of International Business and Economics, 10, Huixin Dong Street, Chaoyang District, Beijing, People's Republic of China.

Tel.: 86 156 5270 7952; Email: albert.su0@gmail.com.

Marie-Hélène Regnière, Master's Program in International Commerce, the University of International Business and Economics, 10, Huixin Dong Street, Chaoyang District, Beijing. People's Republic of China,

Tel.: 86 136 4110 7960; Email: marie-helene.regniere.1@ulaval.ca.

Dr. Zhan Su, Business School, Laval University, Quebec (Quebec), Canada G1V 0A6. Tel.: 1 418 656 2085; Email: zhan.su@fsa.ulaval.ca.