Who Benefits From the Challenges of the Chinese Economy and the Role of Georgia?

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During the coronavirus pandemic, international companies operating in China intensified discussions about relocating their businesses to another country. This has caused by the closed borders and virtually stagnant economy. At the same time, companies operating in different countries have clearly seen how dependent they are on Chinese production and have actively started working to diversify their supply chains. However, the challenges for companies operating in China did not start only after the pandemic and it has a deeper basis. The aim of the paper is to review the main factors that pushed international businesses to leave one of the most attractive markets for manufacturing. In addition, the paper pays an attention to the efforts, opportunities and prospects of those countries that are trying to appear as an “alternative China” to the world. Finally, the article analyzes Georgia’s chances in global trade and manufacturing industry. The economies of the countries are closely linked to each other and any decision has a wider economic impact. To evaluate current circumstances and make accurate predictions, it is necessary to see them in a broader context.

Keywords: international trade, foreign direct investment (FDI), economic relations, economic growth, business environment, manufacturing

Challenges of International Companies’ in China

The People’s Republic of China has been the world’s hub for manufacturing for the past several decades. It is the second largest economy after the United States with a gross domestic product of 14 trillion dollars. The modern world is considerably dependent on Chinese production, including semi-processed goods and manufacturing equipment. The inscription “Made in China” is a well-known label for the entire world. Therefore, it is not surprising that China is also called as a “World Factory”.

Chinese success story is stipulated by several significant factors. Namely, China has a skilled workforce, is actively working to introduce new technologies and eco-friendly manufacturing, and has developed transportation networks and proper infrastructure. At the same time, China has well organized supply chains. Additionally, this is a country that has the largest domestic market in the world with 1,400 million customers.

China has a favorable business environment for industrial development, including in terms of attracting foreign direct investments. According to the “Doing Business 2020” study by the World Bank, China is among the top 10 countries that have implemented significant reforms regarding to improving a business ecosystem. However, in recent years, the People’s Republic of China has faced significant challenges. Particularly, after the coronavirus pandemic, the discussion of leaving China and looking for alternative markets has intensified.

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by the international companies. Nevertheless, as we will discuss below, this process has started much earlier, and even before the onset of the coronavirus pandemic. There were several main reasons that enforced the international businesses to make critical decisions, specifically—air pollution, rising wages, and declining working-age populations and United States—China trade war.

**Air Pollution**

In recent decades, China has undergone a significant transformation and has grown from a slow economic growth rate to an accountable manufacturing industrial force that consumes a large amount of resources and energy. This process has given a hand to millions of Chinese citizens with getting rid of poverty, but consequently a high rate of air and water pollution was obtained.

In 2017, the anti-pollution movement intensified in China. The aim of the campaign was to reduce the pollution and harmful emissions. According to the US-based Health Effects Institute (2017), in 2015, air pollution killed 1.1 million people in China. Environmental Protection Bureau of China has monitored companies in more than 30 provinces across the country to see if they were complying with environmental regulations. As a result, more than 80,000 companies were fined or shut down. During the same period, many enterprises in industrial regions were compelled to suspend operations temporarily until the air quality improved. Certain part of the manufacturers had to take care of the improvement of the equipment, which was associated with additional costs and it would be affected on the final price of the products (Donaldson, 2017). Apart from the end user, the price tag would also have an adverse impact on the companies involved in supply chains (Raman, 2017). Since the pollution problem is still occurring and it is possible that similar periodic forced stops will continue in the future, many foreign companies have decided to relocate their production facilities to another country.

**Increase Labor Wages and Reduce the Share of the Workable Population**

Regarding to the country’s national production prospects, capabilities, and potential, qualified and budget workforce plays a considerable role. In terms of foreign direct investments, low labor taxes are attractive to international investors. In this direction, China had a competitive advantage, although in 2018, some problems appeared.

Rapid economic growth in recent decenniums has boosted labor costs in China. According to the Intrepid Sourcing (n.d.), only in the period of 2006-2014, during the eight years, the price of labor has tripled (salary in dollars/hour). Currently, the labor force costs in China are five times higher than in India. Due to this another reason, China was in danger of losing companies and consequently, this would be affected on national employment rate (Yan, 2017).

Additionally, the minimum wage concept is set in China. In late years, the monthly minimum wage rate in China has been characterized by growth trends. Local governments in China’s provinces and autonomous republics are required to adjust the minimum wage every few years to suit the financial and economic situation of their region or province and not the country as a whole. For example, in provincial capitals and developed cities, the minimum wage is higher than in other smaller and less developed cities or settlements (Chipman Koty & Zhou, 2019).

China’s economy is gradually shifting from mass production to innovative and high-tech manufacturing. Employees in international investment-based enterprises earn much more than the established minimum wage is. This means that doing business in China may no longer be as profitable for foreign investors as it used to be.
Another important challenge China faces is the reduction of the share of the working-age population. The legal working age in China is defined between 16 and 59 years. If, in 2011, the working-age inhabitants was 925 million people, in 2018, this figure was reduced to 897 million, and by 2050, a decrease to 700 million people is expected (Myers, 2016). Over the years, this has been accompanied by a low birth rate. In 2015, China officially announced the end of a 35-year “one-child policy” that banned couples from having more than one child. However, the completion of this policy has not yet brought tangible results for the population. According to the BBC in 2019, the birth rate in China was 10.48% per 1,000 people, which is the lowest rate since 1949.
The lack of young people in the country significantly undermines innovation and technology and reduces the motivation to achieve sustainable development goals. This tendency may pose tangible problems for the world’s second largest economy in the future. In addition, this affects the business and investment environment of the country and may cause significant damage to domestic consumption.

Therefore, if the current tendency continues, experts predict an economic growth slowdown in China. As well, an increase in elderly population in the country will lead to a greater amount of budget allocation to pensions and health insurance, which may cause a reduction of funding for other priority areas. This will put China in an unfavorable situation compared to its competitors.

**United States-China trade war.** The trade war between the Republic of China and the United States began as early as 2018, when the United States imposed tariffs on $60 billion worth of goods from China. In response, China increased tax rates on 128 types of products imported from the United States. In May 2019, the United States increased tariffs on $200 billion worth of goods from 10% to 25%. There was a counter reaction from China and imposed tariffs on additional $60 billion worth of products. Since 2018, the United States has imposed additional taxes on Chinese goods worth a total of $550 billion, while tariffs imposed by China on American products have totaled $185 billion (Wong & Chipman Koty, 2020).

The bilateral trade war has certainly caused significant damage not only to the countries involved, but also to the world economy. In this case, let us focus on what damage it did to China:

- The increase in tariffs is reflected in consumer prices that causes a decrease in demand and therefore the reduction of imports;
- Companies operating in China were hit hard, which was reflected in the reduction of profit margins, as well as the creation of other additional trade and tariff barriers;
- China’s national currency depreciated that created additional risks and challenges;
- When trade war occurs between specific countries, the search for substitute markets begins. Even after the tariffs were increased by the United States for China, alternative suppliers of goods appeared. This means reducing dependence on China and diversifying supply chains, which is an inherently important goal for the United States.

According to the data of the first quarter of 2019: Taiwan to the United States—increased exports by $4.2 billion, Mexico—$3.5 billion, EU—$2.7 billion, and Vietnam—$2.6 billion, trade profits were increased by Korea, Canada, and India, ranging from about $0.9 billion to $1.5 billion (Nicita, 2019).

Tensions and tariff struggles in bilateral trade relations are damaging, with direct or indirect negative consequences: reduced trade, increased consumer prices, decreased corporate revenues, lost global trading positions, declining exports, and so on. The reduction in exports from China is clearly reflected on the companies operating in the country, for which the US market is vital. The current negative processes certainly push companies to look for alternative countries for industrial purposes, with a relatively stable, secure political and economic environment, a variety of free trade agreements, and so on.

It is interesting what will be changed after Joe Biden Administration. On the one hand, they have expressed the readiness to negotiate with China, and on the other hand, they are not going US to be replaced by China as a most powerful country. Therefore, at this point, the trade tariffs also remain in force. So far, Biden’s team has maintained a strong position regarding to economic relations with China.

**Covid-19 pandemic.** Coronavirus pandemic has dealt another blow to the world’s second economy. The closure of countries’ borders as a result of the pandemic has once again made it clear how the world is
dependent Chinese manufacturing, supply chains and how enormous role this country plays in supplying products globally. Companies operating in different countries of the world faced the greatest risks and challenges and met the pandemic completely unprepared. Clearly, finding alternative channels of supply, negotiating in extreme situations and growing demand is a difficult challenge. Some of the companies successfully coped with the provoke and found replacement supply markets that they will try to maintain even in the post-crisis period. In case of China, companies were exposed to greater risks due to the above factors.

Experts agree that, despite the discovery of new supply markets by companies, their dependence on China will be quite high. This is due to the presence of a skilled workforce in the country, proper production and transport infrastructure, raw materials needed for production, semi-finished goods, improved and dynamic business ecosystem and more. China accounts for about 20% of global gross domestic product, which is a really impressive figure and underscores its competitive advantage. In addition, roughly four out of five companies in the world are depended on China. It has the largest domestic market. In addition, the Chinese tourist is considered to be the most spending visitor. According to the World Tourism Organization, Chinese tourists spend about $258 billion overseas each year, which is about twice the amount spent by American tourists (Stevenson, 2020). Therefore, the Chinese economic crisis is directly reflected in revenue or supply chains around the world.

The above-mentioned factors in China in recent years have caused significant damage to the world economy. Ongoing processes are clearly reflected in companies’ revenues, consumer prices, employment rate, international trade, and supply chains. Companies around the world have seen the need of diversifying the supply networks. Various countries benefitted from the challenges faced to China to increase their market share, international capabilities and try to offer themselves to the world as alternative markets.

There is no doubt that leaving of foreign companies will be a heavy blow to China, although it is not as simple a process as it seems at a first glance. Companies operating in China are familiar with the local legal framework and have an experience working with local partners, getting to this point in another country will be associated with additional time and costs. Moreover, the withdrawal of enterprises in other countries is linked with colossal costs. Additionally, numerous factors should be considered, namely, local legislation and regulations, intellectual property rights, logistics, cultural barriers, consumer behavior, language barriers, national currency, international politics and trade agreements, market research, geographic location, etc.

Nevertheless, many countries are trying to appear as an alternative to the Chinese market in the world and attract leading international companies, for which they use all opportunities and platforms.

Alternatives to China

It is discernible that due to the recent global swings, countries try to diversificate supply networks and have alternative markets. Certain part of them tries to maximize their capabilities and gain a global competitive advantage to establish themselves as alternative manufacturing destinations of China.

It should be noted that this process may involve not all sectors or industries, but may be aimed to assimilate a specific niche segment. Asian countries—Malaysia, India, Thailand, Indonesia, Vietnam, as well as South American countries, namely Mexico—are trying to be distinguished in this regard. The current economic situation, results and future prospects in above-mentioned countries are discussed below.
Malaysia

The Malaysian economy, despite its relatively small population (32.7 million people), is the third largest economy in Southeast Asia after India and Indonesia. Malaysia is considered to be a middle-income country that is constantly ready to look for new trade opportunities and foreign direct investments. Malaysia exported more than $238 billion worth of goods in 2019 (Workman, 2020a).

According to the World Bank Group’s (2020a) “Easy Doing Business 2020” study, Malaysia ranks 12th. Exporters do not pay a value added tax when exporting to Malaysia, which is a significant benefit for them. This is an even more important factor if we consider that in China, the value added tax on product exports is 13% (Chernoff & Ye Zhang, 2021). This reduces the costs of importers from other countries when purchasing products made in Malaysia. Currently, Malaysia has seven bilateral Free Trade Agreements (FTA) with the following countries: Japan, India, Turkey, Australia, Chile, New Zealand, and Pakistan. Besides, it is a member of regional trade associations.

Malaysia is also geographically auspicious. It is bordered by the Strait of Malacca (between Malaysia, Indonesia, and Singapore), which is one of the major trade routes. It also owns the port of Klang and the port of TanJung Pelepas, one of the busiest ports in Southeast Asia.

Malaysia is distinguished by a skilled and knowledgeable workforce. It ranks 8th in the world in terms of labor force qualifications. Finding a workforce with the skills needed for business in Malaysia is not a big challenge for international companies. However, it should also be noted that there are some risks in the country that can be the barriers for foreign businesses. Particularly, there is a politically unstable environment in Malaysia during the recent years. The political coalitions have ruled the country for 60 years lost power in 2018 after scandalous corruption deals. The rating of the new political force that came to power has dropped significantly in a few months (79% to 39%). Existing political uncertainty and unpredictable situation have frightened foreign investors (Niggl, 2019). Another deterrent to the international businesses is the high wages in the country, which means more costs for companies. According to the Trading Economics (2020a), the current minimum monthly wage is around $289, which is a high figure compared to other countries in the region.

India

India is one of the countries considered as a potential alternative manufacturing destination for China. In 2019, India’s exports exceeded $322 billion (Workman, 2020b). There is quite a diverse workforce in India. This includes both technical and humanitarian areas. In addition, the average monthly salary in India is low; however, this varies by region, sector, and workforce qualification. According to the Trading Economics (2020b), in the regions, this figure is about $2.34 per day, which is $73 per month. This number looks really competitive compared to other countries in the region. And in the capital, Delhi, for example, the minimum monthly wage is as high as $200.

In India, English is one of the official languages of communication that facilitates connection for foreign investors and gives the country a more international image. Unlike China, international businesses face far more language barriers. India is also distinguished by trade agreements with various countries; it has FTAs with both Asian and African countries as well as individual European countries. In addition, it has preferential trade agreements and is a member of regional and international trade associations.
In addition to the positive sides, there are also some negative factors in India that affect the entry of foreign business into the country. One of the major challenges for India is the lack of quality infrastructure, which lags far behind not only China but also other countries in the region. According to the World Bank Group’s (2020b) “Easy Doing Business 2020”, India ranks 63rd. And ranks 64th in the world in terms of labor force qualifications (It should be noted that, in 2017, it was in 40th place, and has experienced a significant decline in position in the last two years).

**Thailand**

Thailand’s main manufacturing sectors include automobiles, computer components, rubber production, and food processing. Thailand is the second largest manufacturer of computer hard drives in the world. In 2019, Thai exports exceeded $245 billion (Workman, 2020b).

Thailand has one of the strongest economies and manufacturing prospects in Asia. It is worth noting that Thailand’s high-quality manufacturing infrastructure is almost equal to similar infrastructure in China. At the same time, the country is quite flexible in terms of efficiency and time of international shipping. Thailand’s plan for the next five to 10 years includes the construction of two deep-water sea ports and the construction of the first high-speed rail line in the country that will uniquely increase its competitiveness and attractiveness for foreign investments. The country also aims to promote and develop high-tech production. Thailand is involved in the “One Belt, One Road” initiative, and is trying to attract more Chinese investments (Niggl, 2019). According to the World Bank’s “Easy Doing Business 2020”, Thailand ranks 21st. According to this data, only Malaysia is ahead of Thailand in the region.

One of the major challenges facing Thailand is political instability. There have been two military rebellions following frequent protests over the past decade. Although democratic elections were held in Thailand in 2019, companies and potential investors have to be quite cautious given the changing political and social order.

As reported by the Trading Economics (2020c), the minimum wage rate in Thailand is quite high, which may be a deterrent for foreign businesses. The minimum daily wage for the current period is $10.61, which is about $300 per month. This is a high rate compared to other countries in the region.

**Indonesia**

Indonesia is the second largest economy in Southeast Asia. It is also the fourth largest country in the world in terms of population (270 million people). Its export industry is largely dependent on raw materials and agriculture. Recently, the country has also expanded small productions. In 2019, Indonesia exported $183 billion worth of goods (Workman, 2020c).

Indonesia has a fairly diverse workforce that includes a wide range of industries. It should be underlined that the country has a fairly young population with an average age of only 28 years. Indonesia labor remuneration is competitive in the region. Labor pay varies by region, as stated in the Trading Economics (2020d), the minimum monthly wage ranges from $110 to $291. The political situation in Indonesia is stable compared to the countries of the region, which reduces the risks of potential producers. The country is ruled by a democratically elected president since April 2019. According to the World Bank Group’s (2020) “Easy Doing Business 2020” study, Indonesia fails to rank well and ranks 73rd. The country has FTAs with Australia, Chile, Mozambique, European Free Trade Association (EFTA) counties, besides it has preferential trade agreements with Japan, Korea, China, India, and New Zealand and is a member of regional trade associations.
Indonesia has less developed production infrastructure, thus is lagging behind other countries in the region. 99% of the country’s manufacturing companies are micro or small, which makes it difficult to implement large-scale projects. The geographic location of Indonesia poses quite a risk to manufacturing and logistics. The country is located in the region, called “ring of fire”, where 130 volcanoes are located. The earthquake and tsunami in Indonesia in September 2018 claimed the lives of more than 4,000 people and caused significant damage to airports, ports, and roads.

**Vietnam**

Vietnam is probably the most often remembered when talking about alternatives to the Chinese market. Vietnam is frequently referred to as the “New China” because of its young workforce, low wages, and growing exports. US imports from Vietnam in the first three months of 2019 alone increased by 40.2% compared to the same period in 2018. That happens when US imports from China were reduced by 14%. In 2018, Vietnam’s economy grew by 7.08%, the highest for the last 11 years. During the same period, production as the main driving force of the economy increased by 12.98%. This came against the backdrop of China showing gross domestic product (GDP) growth at its lowest level in 28 years (Niggl, 2019). In 2019, Vietnam exported more than $304 billion worth of products (Workman, 2020d). There are multinational clothing companies in Vietnam, such as Nike, Adidas, and Puma.

Conforming to the Trading Economics (2020e), the minimum monthly wage varies by region in Vietnam and ranges from $100 to $190. As a result of recent reforms, foreigners in Vietnam have the right to own both ownership and controlling stakes in the company. Ongoing reforms and stable economic growth have led to an increase in the interest of international investors in Vietnam and the establishment of a favorable manufacturing environment.

Vietnam is distinguished by trade agreements. It has opened trade borders with members of the Asian Trade Associations and also benefits from free trade agreements with China, Korea, New Zealand, India, Japan and China, as well as with the European Union from 2020. Vietnam also has an advantageous geographic location. Unlike other countries in the region, it has fewer risks of natural disasters and large-scale damage.

It should be noted that labor strikes are common in Vietnam. For example, from 2016 to 2017 alone, the number of strikes increased by 10%. The strikes are more noticeable in the clothing industry, which accounted for 39% of all strikes recorded in the industry as a whole in 2018. In June 2018, thousands of people protested the opening of special economic zones that would be open to foreign investment. This tension may be exacerbated by the shift of more Chinese manufacturers to Vietnam due to low labor costs. Despite some reforms, Vietnam still lags behind many countries in the region in the World Bank’s “Easy Doing Business” study and ranks only 70th.

**Mexico**

Mexico is a country with a strong economy and international trade capacities. In 2019, it exported more than 472 billion dollars worth of goods (Workman, 2020e). Since the entry into force of the North American Free Trade Agreement (North American Free Trade Agreement [NAFTA]) on 1 January 1994, tariff barriers on more than half of the products exported from Mexico to the United States have been canceled. The possibility of free trade with the United States is utterly attractive to international investors, as it means an access to the world's number one economy without undue barriers.
Mexico is also geographically attractive. For example, shipping from Shanghai to New York takes up to 40 days, while from Mexico to New York takes just five days. Proximity to customers and transportation costs are one of the most important prerequisites for industrial development. Mexico ranks 60th in the World Bank Group’s (2020) “Easy Doing Business” survey. Multinational companies, such as General Electric, Boeing, and Kia Motors are represented in Mexico. However, a difficult criminogenic situation may be a hindering factor for foreign producers. Kidnappings and drug trafficking are common in some parts of Mexico.

According to the Eds-International from January 1, 2019, taxes were reduced in Mexico—43 border cities of the USA. Specifically, the value added tax was reduced from 16% to 8% and the corporate tax rate was reduced from 30% to 20%. Manufacturers in Mexico have access to more than 60% of the world’s GDP thanks to the country’s free trade agreements, which is quite attractive for international businesses.

One of the international organizations conducted a survey in 2020 that interviewed 160 chief executive officers (CEOs) of companies from the manufacturing, automotive and technology sectors. According to them, they plan to move their business from different countries to Mexico in the next five years (Chanen, 2020).

Georgia

A country is located at the intersection of Europe and Asia. Georgia has a favorable geographic location. From the south, it has an access to Asia and the Middle East, while, from the West, it connects to Europe via the Black Sea. Georgia is a significant stronghold in the region for both Europe and the United States. There are three international airports in Georgia (Tbilisi, Kutaisi, and Batumi) and two local ones (Mestia and Ambrolauri). Additionally, Georgia has four main sea ports in the Black Sea—Poti, Batumi, Kulevi, and Supsa and it is planned to build a deep-water port. Moreover, there are railway lines operating in Georgia, which covers the territory of the country, as well as the neighboring countries, and is actively involved in international railway networks. Proof of this is the arrival of the first transit train from China to Georgia in 2015. Georgia is also a main passageway for ground transportation between China and Europe. The attractiveness and burden of this corridor is increasing every year (Charaia & Lashkhi, 2019). In addition, there is a proper road infrastructure in the country that covers the connections between all the important cities of the country and the implementation of road projects is underway.

Georgia is actively working in the direction of international trade. This effort has a tangible result and the country has Free Trade Agreements with Commonwealth of Independent States (CIS) countries, including Belarus, Moldova, Ukraine, Kazakhstan, Kyrgyzstan, Tajikistan, Uzbekistan, Turkmenistan, as well as neighborhood countries—Armenia, Azerbaijan, and Turkey. Georgia has free trade agreements with European Union, Republic of China and EFTA countries—Switzerland, Norway, Iceland, and Liechtenstein. Besides, General Schemes of Preferences apply for Georgia with the US, Japan, and Canada, based on the Ministry of Economy and Sustainable Development of Georgia. This is a really an impressive result, and further increases the country’s attractiveness regarding to the international investments.

There are free industrial zones in Georgia, which are strengthened by law. Currently, their number is four—Poti Free Industrial Zone, Kutaisi Free Industrial Zone, Kutaisi Hualing Free Industrial Zone (FIZ), and Tbilisi Technological Park Free Industrial Zone. The following types of benefits apply in free industrial zones—exempt from profit tax, exempt from value-added tax (VAT) on carrying in products and internal operations, FIZ property exempt from property tax, exempt from import tax.
According to the World Bank’s “Easy Doing Business 2020”, Georgia ranks 7th. It is quite easy to register a business in the country, get banking services, and register as a taxpayer. Much of the service is provided on a one window operation basis that avoids unnecessary complications and conserves customers’ time and energy.

Georgia is one of the countries in Europe with the lowest common state taxes. There are five main taxes in the country, namely, profit, income, property, and value added and excise tax.

In addition to the pros, there are impediments that may affect foreign investors. Georgia’s territorial integrity has been violated by the Russian occupation, which puts the country in a militancy situation. As well as, tensions in the region affect the inflow of foreign direct investments into the country, often accompanied by an unstable political environment. Besides to political factors, Georgia faces significant challenges, such as national currency fluctuations, inflation and high sensitivity to external shocks due to economic scarcity. In many cases, the level of qualification of the workforce is also a significant challenge. Lack of infrastructure often poses significant problems, especially in rural areas. At the same time, Georgia has a high dependence on neighboring countries in terms of energy resources. It is also noteworthy that Georgia is a small domestic consumption market, which significantly lags behind other countries (Charaia, 2016). All this has an impact not only on the direction of manufacturing, but also on such important economic sectors as tourism, transport, and energy (Arghutashvili, 2018).

Conclusion

The fact that Asia is the world leader in terms of manufacturing is not new to international companies and importers. Despite the competition in the region, China retains its competitive advantage. This is due to the several key factors, more specifically—a favorable business environment, supply chains and transportation infrastructure (airports, railway, and marine), manufacturing capabilities, cost effectiveness, internal market, qualified workforce, constantly developing innovation and high-tech ecosystem. Therefore, the massive decision of companies to leave the country is hard to accept. Besides, moving production to other countries is quite costly and time consuming. In case of business relocation, companies will still have to re-import the raw materials needed for production from China, which will be an additional cost and will also increase the price of the final product. Moreover, companies will have to incur costs for retraining new staff, upgrading infrastructure, and so on, which will at least initially reduce efficiency. In addition to the above-mentioned factors, China is actively working regarding to the technological improvement. It is using an artificial intelligence more actively and therefore offers interesting products to the market. It can be boldly said that China has become a center of inventions, innovations, and smart technologies. When companies choose a manufacturing destination, they need to consider not only the current situation but also what will happen after a certain period of time. In this direction, China continues working with unprecedented power.

The Asian countries we discussed above are trying to find weaknesses in China’s dominant strengths and demonstrate their power and possibilities. Despite the advantages of the mentioned countries in specific directions, in both the short- and long-term run, it is virtually impossible to replace China in terms of manufacturing. These countries can find their own niche segment. That is, to intensify work in specific areas where they are able to excel others. Additionally, they need to position themselves globally and emerge as an alternative to China in specific directions. Due to the recent global situation, numerous companies worldwide are trying to diversify their markets and consequently, the chances of these countries are increasing.
It is quite difficult for Georgia to establish itself in an utterly competitive environment and attract foreign direct investments. Despite Georgia’s favorable business climate and open trade policy, there are still some challenges that may be a deterrent to international business. It is better to focus on specific areas. In case of Georgia, this could be the import of semi-finished goods and the on-site production of the final product. This means free access to the world’s largest markets and using trading preferences. At the same time, Georgia has the greatest potential to become a manufacturing hub in the region and to be a solution between the opposing trade parties to produce and sell without unnecessary barriers. Therefore, the country should intensify its work at the international level and focus as much as possible on its own capabilities. In addition, all the possibilities that will be acceptable to the foreign investors should be considered. The unique geographic location and simple business environment allow the country to engage in large-scale regional and worldwide projects and become more attractive to those who are seeking access to global markets.

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