China as an economy has grown leaps and bounds in the past years. Few of the factors which have contributed to this fast growth has been attributed to:

- Large working population of the country
- Almost non existent labour laws
- Culture of hard work in China
- Government support for enhanced export
- Largely pegged currency

The figures depicting growth of China are as presented below:-

| FDI Stock: | US$ 100 billion (2010) |
| Public Debt: | 17.5% of GDP (2010) |
| Expenses: | US$ 1.27 trillion (2010) |
| Foreign Reserves: | US$ 3.05 trillion (1st Qtr, 2011) |

China is a market oriented country located in Asia with a population of 1.3 billion people. It is a country with a mixture of many cultures and religions. China is country that booming up in modern technology. Even though the country’s population is of great number but the people are very hard working. China has its own languages as any other country but English is well spoken now in the country so as to ease communication with foreign people mostly tourists and foreign business people that visit China.

China has many industries such as tourism, agriculture, manufacturing, technology industries. So if SMEs are looking to invest in foreign countries than China is the right place to do so.

The future of the country is determined by decisions made by the Communist Party of China (CPC). SMEs in China are estimated that they are responsible for 60% of the country's industrial output and should employ 75% of the workforce in the country’s cities and towns. SMEs are suppose to create urban jobs since the Chinese government is aware that SMEs are job creators. “Flexible SMEs are generally well positioned to take advantage of opportunities created by China’s entry to the WTO” (Embassy of the United States united states of Beijing, China, 2002)

**Pest analysis :**

**Political :**

Political environment includes factors in government, level of political stability, the law and regulatory system that affects an organization when operating.

**Government type and political stability :**

Even if China has changed from a planned economy to a market oriented country the political economy stays the same. The CPC (Communist Party of China) take the decision which determines the future of the country. The power centers in China are:

**Key Words :** Manufacturing hub, Rice of China