

Economic Growth in China: The Impact of Globalization

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Abstract: Globalization is an intrinsic part of today's economic exchanges. This research investigates the impact of globalization on China's economic development. For inferences, it relies on a comprehensive literature review of relevant material published within the last 10 years. The focal themes in the literature review include knowledge transfer, trade expansion, and FDI. Consequently, the study concludes that globalization has had a substantial impact on China's economic development. It establishes that China has been able to close the technological divide, expand its industrial base, and boost productivity as a result of technology transfer in and out of the country. Furthermore, China has become a major exporter given the trade expansion involved in globalization. The resultant FDI has aided China's economic growth by facilitating infrastructural and industrial growth. China's human capital growth is enhanced by the transmission of knowledge through collaborations and educational exchanges. Future studies should, however, examine the nuances of economic growth through the globalization prism.

Keywords: Economic Growth, Globalization, Growth in export, Open trade policy

1. Introduction

Economic growth is a critical priority for many countries. Thus, many nations intentionally commit to macroeconomic resources which facilitate such growth. By definition, economic growth refers to the process by which a country realizes an increase in the production of goods and services. The need for economic growth paved the way for globalization as witnessed in the 21st century. Samimi and Jenatabadi defined globalization as the flow of factors such as capital, goods and services, technology, and knowledge across different regions [1]. The term alludes to the exchange function of resources across nations. As an important relationship, the nexus between globalization and economic growth saw the rise of different studies. Nonetheless, such studies have predominantly focused on the overall economic growth of all countries. Further investigation is needed to understand the specific nuances of the phenomenon in China. Additionally, the distributional consequences of globalization remain a relatively unexplored theme. Such information has the potential to enhance policymaking initiatives. Some of the topics that will be examined in relation to globalization and economic growth in China include technology transference, trade expansion, foreign direct investment (FDI), knowledge and human capital exchange, and increased competition. To generate its inferences, the current analysis commits to a comprehensive literature review of studies published within the last decade. As a resource, findings will help reinforce the criticality of globalization at a time when European countries are gravitating towards nationalism.

2. Literature Review

2.1. Technology Transference

Globalization has played a critical role in facilitating technological advancement in China. To begin with, globalization accounts for the transfer of technology witnessed in the past two decades within China. Since the country integrated globalization, more foreign businesses have been able to access the region. To facilitate the transfer of technology, such businesses commit to joint ventures with Chinese partners. In turn, Chinese businesses have profited from these alliances by receiving access to cutting-edge technology. In reflecting on the phenomenon, Kapustina et al. suggest that China demands that foreign countries create joint ventures for the transference of technology as a prerequisite for share capital among local companies [2]. The access allows such businesses to modify and integrate the technologies into their operations. Due to this, China has quickly improved its industrial capacity and closed technology disparities between itself and other developed countries.

The opportunity has been monumental for China as the companies integrate the technologies into manufacturing resources for increased production of goods and services. Essentially, according to Li et al, when enterprises gain the advantage of technological innovation, their products and services will be more pronounced in the global market [3]. As an allusion, it is a critical contention because it reinforces the immensity of technology as a bridge for increased productivity. In embracing the shift, China has been able to further the speed and efficiency of local production initiatives leading to accelerated economic growth. Technology is critical because it also reduces the overall costs that companies in the region have to contend with in driving production. Whereas previously, the companies in the region may have been forced to manually track the production process, technology allows them the freedom and flexibility to not only monitor but also alter the production process for greater efficiency.

Furthermore, the essence of globalization in China's economic growth is reflected in the mainstream culture of innovation and entrepreneurship within China. Today, Chinese companies are investing substantially in research and development (R&D) to stay at the forefront of technological breakthroughs. As a country, China has made enormous expenditures in R&D throughout the years, which demonstrates its dedication to technological advancement.



Figure 1: R&D Expenditures in the Chinese Manufacturing Industry between 2013 and 2017 in Billion Yuan [4].

As reflected in Figure 1, expenditure in R&D within China moved from 795.98 billion Yuan in 2013 to 1162.47 billion Yuan in 2017 [4]. Such an increase was precipitated by the country's shift in foreign policy, which saw the increased integration of globalization as the path to economic growth and sustainability. A thriving ecosystem for technological innovation has been formed in the nation via the establishment of research institutes, innovation centers, and technology parks. Such technological resources further draw both domestic and international talent to enhance the economic

development witnessed in the country. With such R&D resources, China cannot only spearhead the process of production, it is also able to influence and export its technological knowledge. The income generated from such exploits is then used to drive internal economic production and infrastructural growth.

Overall, advancements in technology, as a consequence of globalization, have made China a world leader in a number of areas. The nation has developed into a hub for innovation and a magnet for foreign investment in R&D. Today, Chinese businesses are the subject of millions of patents, making the country one of the most influential forces in the global technological trajectory. According to Zhang, the total number of patents filed in China stood at 4.2 million, where 3.28 million were owned by Chinese individuals and countries [5]. The development of intellectual property and the surge in innovation, as facilitated by globalization, have transformed China's economic structure into a knowledge-based economy. With the shift, the country witnessed marked economic growth in the past decade.

2.2. The Expansion of Trade

Equally, globalization has played a monumental role in driving trade expansion in China. In 2001, China joined the World Trade Organization (WTO), which marked its ascendancy in the world of globalization. In examining the shift, Garred argues that “China’s 2001 entry into WTO allowed it to benefit from improved access to foreign markets, including permanent most-favored-nation status in the United States” [6]. The allusion is critical because it points to the benefits China derived as a result of integrating open trade policies. With the expansion of trade, China was able to access new markets for the sale of its goods.

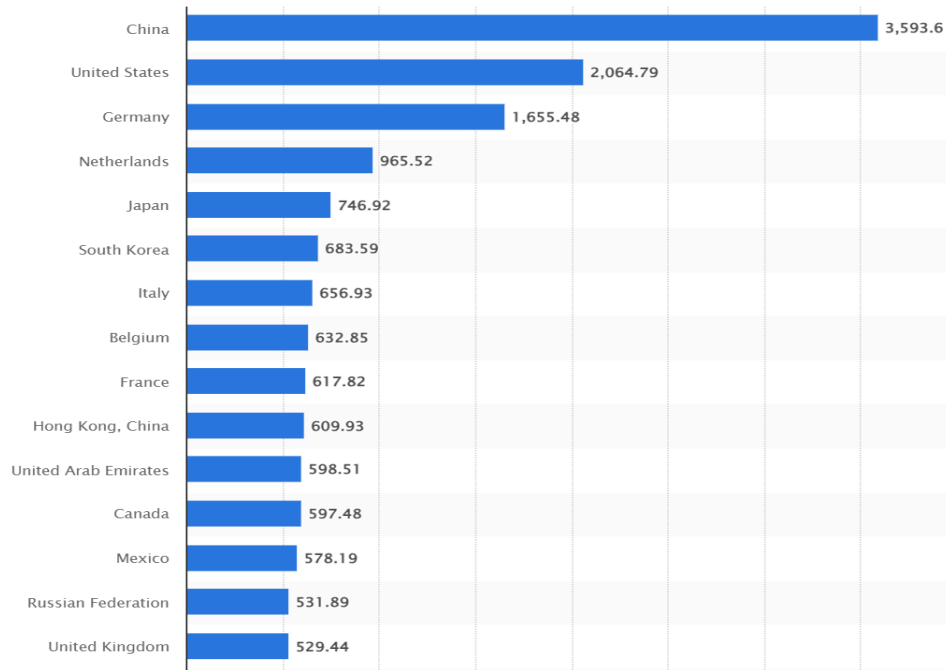


Figure 2: Global Exports Rates in US Billion Dollars in 2022 [7]

Thus, by 2022, China was the leading exporter on a global scale. Figure 2 Global Exports Rates in US Billion Dollars in 2022 [7]. As shown in Figure 2, China is the leading exporter in the world with exports of goods and services amounting to \$3,593.6 billion and is only subliminally rivaled by the US at \$2,064.79 [7]. There were various advantages for China from the growth in exports. First, it significantly increased the employment rates in the manufacturing industry. Such employment

increase can be traced to the renewed demand for Chinese products on a global scale. Therefore, more people in the region were able to partake in gainful employment culminating in improved per capita income. With better employment terms, China was also able to attract more human capital in the region to drive the economic agenda. The increase in employment aided in the country's urbanization progress and helped to absorb the excess labor in rural regions. Globalization provided China with the tools needed to spearhead its trading priorities, culminating in the current surge of Chinese goods and services across the world.

Additionally, the increase in exports fueled China's economic expansion by generating the necessary capital to spur internal infrastructural and production industries. Today, the manufacturing industry has emerged as a major contributor to the country's GDP. Export money spurred investments in infrastructure, technology, and other industries, boosting China's economic ascent. Since its integration into WTO, China's economy has grown so quickly that it has surpassed several wealthy countries to become the second-largest economy in the world. As shown in Figure 2, many countries, both in developed and developing countries, continue to trail behind the nation with regard to production [7]. Such a phenomenon is an indicator of economic growth because it translates to more capital and earnings for China from the sale proceeds.

In embracing open trade policies, as dictated by WTO, China was able to invite greater investment into its internal industries. Such investment enhanced the availability of capital for the many companies and investors in the region. With the capital, more companies were able to generate more goods and services for local and foreign traders. There is also a need to note that, due to China's low production costs and sizable consumer market, several global businesses moved their manufacturing operations to the country. Such a shift was more pronounced in the apparel industry. Such a shift led to the waning of conventional industrial hubs in rich nations and changed the dynamics of international commerce. China realized a new power on the global economic scale.

Presently, China is a key factor in international trade discussions as a result of its expanding influence in world commerce. China, one of the major trading countries, has had a great impact on establishing trade laws and forming international trade agreements. Its involvement in programs like the Belt and Road Initiative (BRI) and the Regional Comprehensive Economic Partnership (RCEP) further demonstrates its dedication to enlarging its trade networks [8]. Such networks are critical as bridges for economic growth as they streamline the existing relationships between China and other trading partners. With this influence, China can effectively lobby for better economic terms. When the terms are favorable, China can then further its interests and, hence, foster economic cooperation with other nations.

2.3. Foreign Direct Investment (FDI)

Increased foreign Direct Investment (FDI) has been one of the fundamental markers of globalization in China. By definition, FDI refers to the stake of ownership owned by a foreign country or investor in another company or resource within a separate country. In this context, it refers to the investment committed by other companies and countries in the Chinese economic market. With globalization, China was able to spearhead an economic resurgence predicated on the revitalization of existing manufacturing complexes. The growth was spurred on by the existence of a large number of laborers. Market dynamics saw the integration of low-cost labor to drive the manufacturing processes. Since the system was efficient, it enhanced external investors' willingness to invest in the manufacturing efforts. The country's large population also accounts for the increased FDI. Beyond the role of the population, in terms of low-cost labor, China's 1.4 billion residents offer an attractive consumer target for foreign companies and investors.

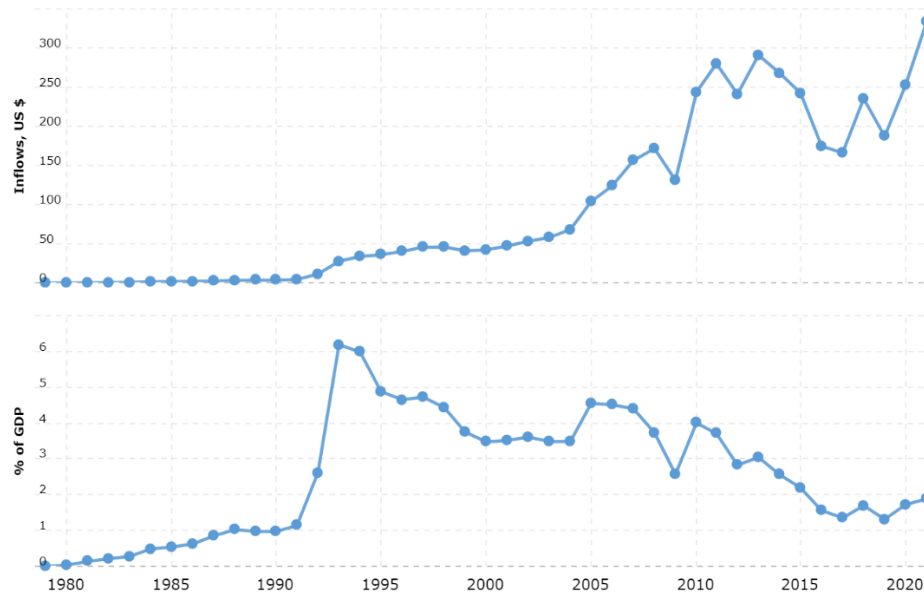


Figure 3: China's FDI Inflows Between 1980 to 2020 [9].

Figure 3 China's FDI Inflows Between 1980 to 2020 [9]. Figure 3 reveals that China's FDI inflows increased from a paltry \$50 billion in 2000 to over \$300 billion in 2020 [9]. Such monumental growth captures the essence of China's globalization efforts. While its percentage contribution to the economy has waned over the years, such a disparity attests to the growth of the economy. Thus, while FDI inflows accounted for about 3.5% of the GDP in 2000, it presently represents 2% of the existing GDP [9]. The statistic is a representation of the growth of the other aspects of the economy beyond the FDIs. Such a dynamic translates to greater economic strength given the diversity of revenue sources.

In reflecting on China's FDI increase, Paul and Mas contend that "the country's manufacturing sector has doubled its share of workforce and tripled its share of output; which, given the size of the Chinese economy and population, has increasingly made China 'the workshop of the world' [10]. Like India, China can also negotiate for better economic terms with the arriving FDI investors. Its population affords the country a stronger bargaining footing in engaging its investment partners. Opening the country to investors ensures that China is able to collect significant revenue in terms of taxes, which further go towards the improvement of the existing economic scales.

Additionally, FDI has brought modern technology and skills into China. Foreign businesses bring with them specialized expertise, managerial techniques, and technical know-how that can boost the native economy's production. Notably, foreign investors have eased the transfer of these abilities and technology through joint ventures and partnerships with Chinese partners. Thus, they have helped to modernize and upgrade China's industrial base.

Still, FDI growth in China is not limited to new inflows. The country's large capital investment has seen China pursue resources and economic opportunities across different regions. Mourao found that China targets markets with large populations and large forest areas, which accounts for the country's commitment of resources to 48 African countries by 2018 [11]. The formation of BRICS, as realized through globalization, provides China with access to even more countries. Such a phenomenon translates to more investment opportunities for China as BRICS members make up at least 40% of the world [12]. The ease of transaction between China and BRICS members translates to better terms for Chinese companies. The ease of trade between the countries also translates to China's ability to export labor to the target countries.

2.4. Knowledge Transference

Lastly, globalization has played a critical role in facilitating knowledge transference between China and other developed countries. Presently, economies are predicated on knowledge, skills, and expertise rather than the labor-intensive frameworks informing previous industries. To begin with, knowledge transference is reflected in the existing educational exchanges between Chinese students and foreign learning institutions. Such spread of information and skills is made possible by the promotion of educational interactions brought about by globalization. Notably, Chinese students who study overseas are exposed to various educational systems, cutting-edge research, and various viewpoints.

As a reflection of the increased inclinations by China to mainstream foreign learning for knowledge capital, Fu found that at least 20% of parents in China wish to have their children study abroad [13]. Most of the Chinese students who study abroad often go back to their home country upon the completion of their studies. By bringing back useful information and skills, these students have assisted in the growth of China's human capital. Consequently, China has committed significant resources towards financing such educational pursuits through the China Scholarship Council, which is financed by the national central government [14].

Moreover, international partnerships between Chinese and foreign academic and research institutions have aided in the advancement of collaborative research initiatives, technology transfer, and information exchange. The improvement of China's capacity for research and innovation, which has fueled economic growth, has been made possible in large part by these educational exchanges. Essentially, in partaking in trade agreements, as a result of globalization, China is allowed access to a shared pool of knowledge. Such knowledge helps shape the country's prevailing and future decision-making initiatives. China is also able to share its know-how in the knowledge labor market. It provides other countries with pertinent information and knowledgeable personnel to streamline productivity. From the initiative, China is able to secure significant revenue in terms of remittances.

3. Discussion

Overall, the literature review reveals that China's globalization efforts have spurred economic growth by facilitating technology transference, increasing FDI, expanding trade, and knowledge transference. To begin with, technology transference is critical because it allowed China access to technology driving its economic initiatives. Bridging the technology gap helped in mitigating the costs involved in producing goods and services. With the technology, China has been able to leverage its influence for greater yield in the global economic market.

Secondly, China's globalization efforts account for the expansion of trade in the country. Currently, China is both a member of the WTO and BRICS [15]. In forging such alliances, China has been able to position itself as a strong economic partner for many countries. The alliances also allow China access to different markets for the sale of its goods and services. The benefits of open trade are also witnessed in China's export of labor to regions such as China. Furthermore, globalization has played a critical role in cementing China's position as a center of knowledge diffusion. The country has been at the forefront of facilitating its student's access to foreign learning destinations. When students return to China, they are able to implement the knowledge in driving the existing economic activities. Increased knowledge among the students in a globalized also allows China to export its labor. The resultant remittances from abroad ensure China is able to draw the capital needed to oversee its production initiatives

4. Conclusion

In conclusion, the current research proves that globalization has played a key role in driving China's economic growth. Some of the benefits due to China from the shift include FDI increase, external and internal technology transference, knowledge transference, and expanded trade. While globalization has had a huge impact on China's economic progress, there are still certain gaps that need to be addressed by future studies. The need for greater study on the nuances of globalization's influence on China is one of the existing gaps. This study, like many others, concentrates on the overall economic development without considering the distributional repercussions. Future studies should examine how globalization affects various parts of China and evaluate how it affects income disparity. Thus, there is a need for more nuance on how globalization has affected income inequality in China. Further studies are also required to comprehend the long-term viability of China's economic development model. For instance, there is a need to establish the impact of China's globalization efforts on the environment.

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