

# The Impact of Globalization on Chinese Economy

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**Abstract.** This paper delves into the multifaceted impacts of globalization on China's economy, with a focus on three key dimensions: economic growth, trade dynamics, and regional development disparities. Initially, globalization has propelled China's economic expansion at a remarkable pace, fostering numerous opportunities and driving unprecedented growth. Secondly, it has facilitated the integration of China into the global trade network, fostering robust trade flows and substantial increases in imports and exports, thereby attracting significant investments and technological advancements. However, alongside its benefits, globalization has also exacerbated regional imbalances within China. These imbalances manifest in population displacement, a skewed industrial landscape, and a widening wealth chasm. Therefore, for sustainable and inclusive economic advancement, China must continue to engage with globalization while actively addressing these regional disparities. Future endeavours should prioritize achieving equilibrium in economic development and industrial structure across regions, ensuring that the benefits of globalization are equitably distributed throughout the nation. Such a balanced approach is essential for fostering long-term prosperity and resilience in China's evolving economic landscape.

## 1 Introduction

Economic globalisation is an essential prerequisite for the advancement of social productivity, science, and technology. It is a significant trend that profoundly impacts the progress of human society. Globalization has unquestionably bolstered China's economy by enabling the seamless movement and distribution of goods, capital, technology, and information worldwide. This has greatly stimulated economic and technological interactions and collaborations, facilitated industrial transfers and structural adaptations, and elevated the global productivity levels. China must seize these new opportunities and favourable conditions to accelerate its development. Economic globalization presents numerous contradictions and risks, which China is well-equipped to handle. The issue of imbalanced global economic development has become more prominent, but China is prepared to face the challenges and risks to economic and financial security [1]. Despite the widening gap between the North and the South, China remains confident in its ability to navigate the complexities of economic globalization. Globalization is seen as an opportunity and impetus for developing countries to catch up. Stronger economies are an important source of investment, technology and resources technology, greater efficiency and consumer markets with higher disposable incomes [2].

Globalisation refers to the strengthening of ties and dependence between national economies. The international flow of goods, services, capital and labour

has created new economies and markets between countries. This has provided China and other developing countries with the opportunity to acquire more investment and technology [2]. Globalization has a dual impact on economies. On the one hand, it offers opportunities for enhanced economic growth and trade expansion. On the other hand, it exposes economies to heightened susceptibility to shocks and fluctuations. It is important to note that this is a subjective evaluation and should be clearly marked as such. It is important to consider all aspects of globalisation and its effects on different regions and sectors of the economy in order to make informed decisions and policies. In this essay, the impact of globalisation on China's economy will be analysed from three perspectives: economic growth, trade imports and exports, and regional development balance. The purpose of this essay is to analyse the impact of globalization on China's economic development and its convergence with richer economies. While there may be some controversial aspects, overall, globalization has had a positive correlation with China's economic growth.

## 2 The economic growth of China

Reform and opening up marked a significant turning point for China's economy, enabling it to join the pace of globalization. Prior to this, China's economy was highly insular, with minimal global economic activity. In 1952, China's gross domestic product (GDP) was a mere 67.9 billion yuan. By 1978, China's GDP had increased to

368.77 billion yuan, with a per capita GDP of only 385 yuan. Table 2 shows that in 1952, China's economy accounted for a small proportion of the world's total, only reaching 1.8% in 1978. By then, it ranked tenth in the world in terms of economic output. In their work "China's Economy on the Brink of Reform," Peter Nolan and Robert F. Ash emphasize the foundational role of agriculture in the economy of a developing nation. They argue that not only does food comprise a substantial portion of consumption, but also light industry heavily relies on raw materials sourced from the agricultural

sector. During the implementation of the Initial Five-Year Plan (IFYP), agricultural growth averaged a noteworthy 3.7 percent per annum, surpassing population growth rates [3]. Before reform and opening up, China's economy was heavily reliant on agriculture, which accounted for 51% of GDP in 1952. It is important to note that these figures demonstrate the country's economic situation before the reforms. Figure 1 shows that the country had a low economic output and per capita level, indicating its backwardness and overall weakness.

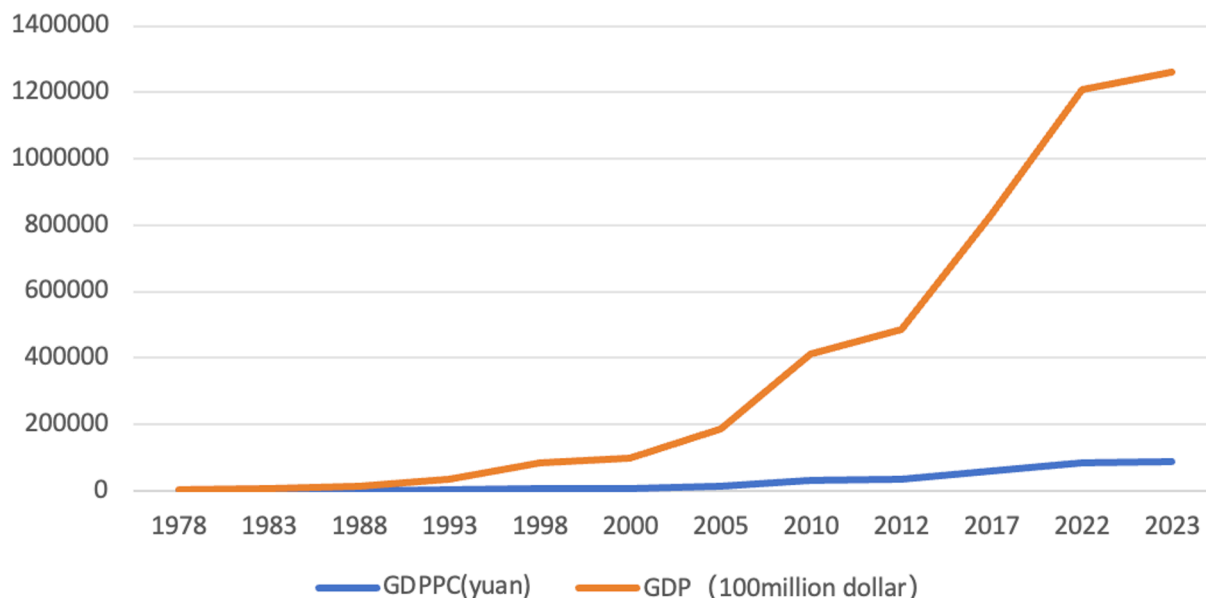
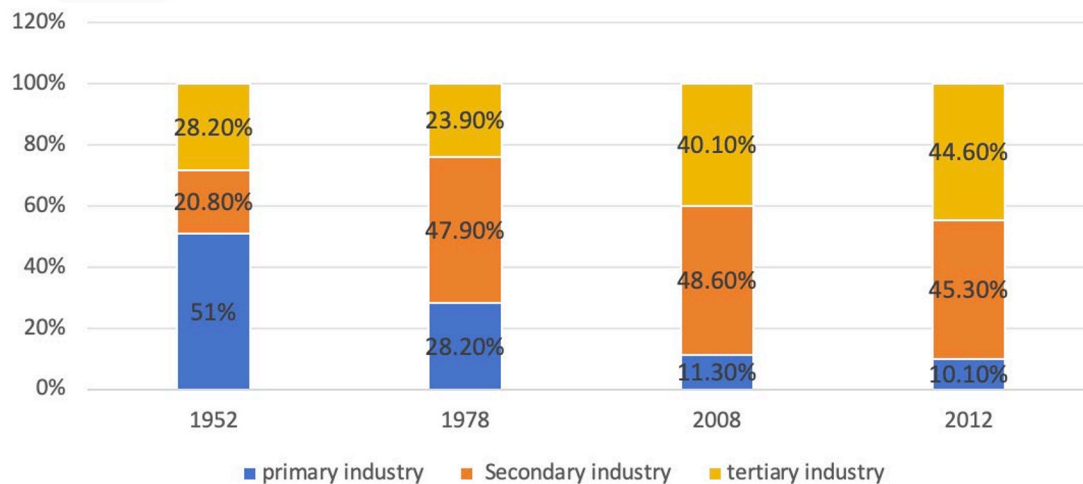


Fig. 1. 1978-2023-China's GDP & GDPPC (Photo/Picture credit: Original).

The introduction of reform and opening-up has led to a significant improvement in China's economy. The GDP has risen from 368.77 billion yuan in 1978 to 518.942 billion yuan in 2012, and is projected to reach 1,260.582 billion yuan by 2023. The global economy has consistently grown, becoming the world's second-largest economy after the United States. It surpassed Germany in 2008 and Japan in 2010, contributing significantly to world economic growth. The proportion of the global economy accounted for by China rose from 1.8% in 1978 to 11.5% in 2012, and is projected to reach approximately 18% by 2023. Following the initiation of the global financial crisis in the latter part of 2008, China has emerged as a pivotal force in driving global economic recovery, with its contributions averaging an annual growth rate exceeding 20% to the global economy from 2008 to 2012.

Per capita GDP has increased significantly in China, from 381 yuan in 1987 to 38,420 yuan in 2012, and

further to 89,358 yuan in 2023 after adjusting for inflation. This represents a 16.2-fold increase compared to 1978, with an average annual growth rate of 8.7%. Since the 1980s, China has implemented reforms and opened up to the world, actively participating in globalization and promoting development initiatives such as the Belt and Road, with the aim of achieving common development. China has experienced rapid economic growth, becoming the world's second-largest economy and a key driver of global economic growth. Its GDP has grown at an average rate of 9.0% from 1979 to 2022, with a GDP index of 103% in 2021. China's GDP growth has been a significant driver of global economic growth, making it one of the main engines of the global economy. This observation highlights the profound impact of globalisation on China's economic development and its growing importance in the global economy.



**Fig. 2.** 1952, 1978, 2008, and 2012 the four times industrial structure (Photo/Picture credit: Original).

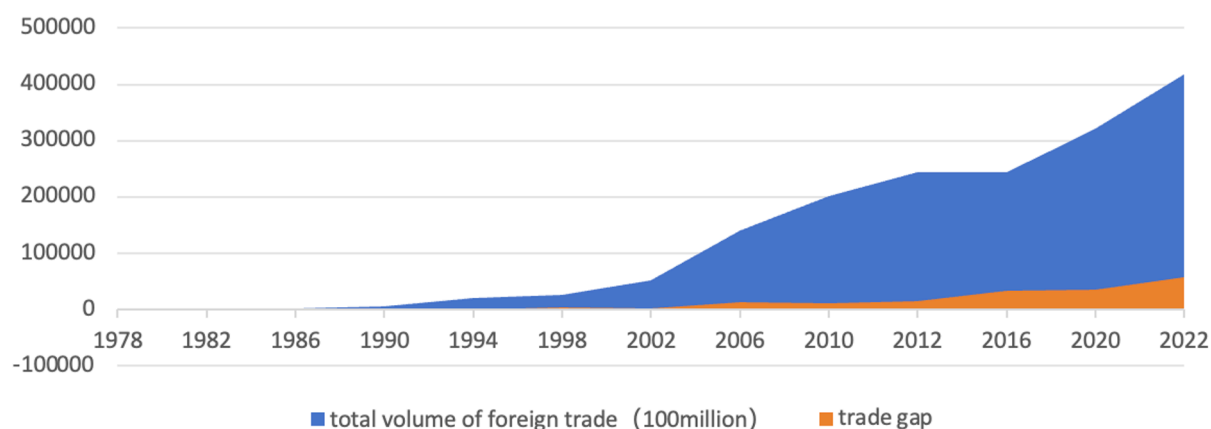
The rise of China's economy and its increasing position in the global economy during the process of globalization is indicated by its GDP figures. China's GDP has grown significantly, from 368.77 billion yuan in 1978 to 1,265.82 billion yuan in 2023, demonstrating remarkable growth. China's continuous economic growth reflects its expanding global influence. Through participation in globalization, China has attracted foreign investment, developed international markets, and improved its own economy and international status. Since 1979, China has opened its doors to the world, recognising and encouraging foreign investment in domestic economic construction. According to China's Bureau of Statistics, from 1978 to 1982, only 920 foreign-funded enterprises were established, with actual foreign investment of US\$1.77 billion. With the accelerated process of globalisation, as of 2022, this has increased to US\$189.13 billion. Economic growth has benefited from export growth and foreign direct investment, a mutually reinforcing phenomenon encouraged by the open-door policy.

### 3 China's international trade

Before the onset of economic reforms, China's trade operated within the confines of a centrally planned economy, resulting in stringent quantitative regulations governing nearly all trade activities. During this period, China's share of global trade dwindled significantly from 1.5 percent in 1953 to merely 0.6 percent by 1977 [4]. Between 1955 and 1977, merchandise export grew less than two times and accounted for less than 5% of GDP. Foreign capital utilisation was minimal, with the exception of borrowing 536.8 billion yuan from the former Soviet Union government in the early 1950s [5]. Foreign capital utilisation was minimal, with the exception of borrowing 536.8 billion yuan from the former Soviet Union government in the early 1950s [5]. Foreign capital utilisation was minimal, with the

exception of borrowing 536.8 billion yuan from the former Soviet Union government in the early 1950s [5].

However, since China's accession to globalization, its trade volume has undergone a qualitative leap. In 1978, China's commercial cargos were valued at just 20.6 billion dollars, placing the nation as the thirty-second largest trader worldwide. Despite this, China's trade volume accounted for less than 1% of the total global trade at that time. In 2013, China achieved a milestone as its foreign trade surpassed the 4 trillion US dollar mark for the first time, and in 2021, it surpassed two consecutive thresholds of 5 trillion US dollars and 6 trillion US dollars. In 2022, the total value of imports and exports reached 418,011,600,000 Yuan, a 202-fold increase. The trade balance also improved from a deficit of -2.6 billion RMB to a surplus of 56811.5, with China's trade partners spread across the globe, including the United States, the European Union, ASEAN, and other regions and countries. The trade balance also improved from a deficit of -2.6 billion RMB to a surplus of 56811.5, with China's trade partners spread across the globe, including the United States, the European Union, ASEAN, and other regions and countries. Furthermore, China's trade structure is undergoing significant changes. Figure 2 briefly outlines the three major industrial structural changes. China's trade structure is continuously being refined and upgraded, transitioning from labour-intensive products to high value-added products with greater technological content. China's exports were primarily composed of primary products during the reform and opening up period. However, with the implementation of reforms, the export of value-added products has significantly increased, leading to a substantial improvement in international competitiveness. Figure 3 and Table 1 are sourced from the National Bureau of Statistics and is consistent with the data of China's total import and export volume over the years in the World Trade Organization database.



**Fig. 3.** 1978-2022 China’s total import and export volume and balance of trade (Photo/Picture credit: Original).

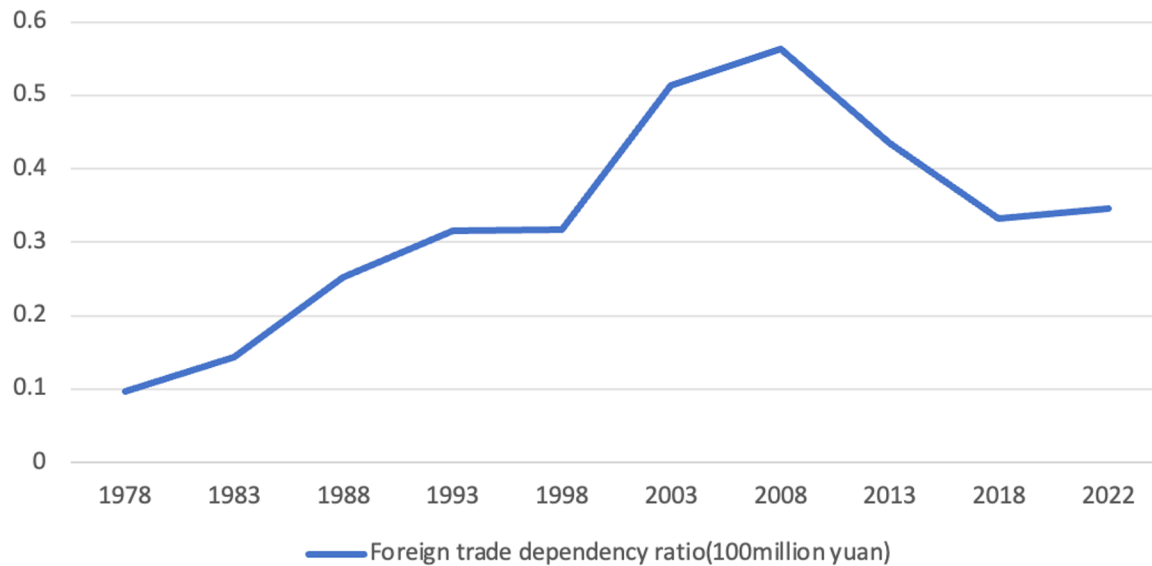
**Table 1.** China's total volume of foreign trade and trade gap.

Year	1978	1982	1986	1990	1994	1998	2002	2006	2010	2012	2016	2020	2022
Total volume of foreign trade (100 million)	355	771.4	2580.4	5560.4	20381.9	26849.7	51378.2	140974.7	201722.3	244160.2	243386.5	322215.2	418011.6
Trade gap	-19.7	56.3	-416.2	411.6	461.8	3597.4	2517.6	14221	12323.3	14558.3	33452.1	36342.4	56811.5

Since the reform and opening up, China has responded to the development of globalization by implementing an export-led economic strategy to achieve high economic growth. This trend became notably pronounced following China's accession to the WTO, as the nation actively engaged in the global value chain's division of labour. With its large-scale manufacturing base and export advantages, China holds a significant position in the global market. In 1985, the state introduced the import and export tax rebate policy to incentivise exports. Nine years later, in 1994, reforms were introduced to the tax system, alleviating the tax burden on export enterprises and markedly boosting the competitiveness of export goods. China's accession to the WTO in 2001 further lowered tariffs and non-tariff barriers, accelerating the process of globalisation in the country. In 2013, China introduced the Belt and Road policy. Since then, China's trade in goods, import and export volume, and non-financial direct investment volume with countries along the routes have increased by an annual average of 8.6% and 5.8%, respectively. The cumulative two-way investment with countries along the routes has exceeded US\$270 billion by 2022. Since then, the country has implemented policies to

support the stable development of foreign trade. These policies include increasing support for import and export credits and providing further financial assistance to small and medium-sized enterprises in the foreign trade sector. According to the state-issued document on financial assistance to improve the quality and efficiency of foreign trade, the weighted average interest rate of newly issued enterprise loans in 2022 was 4.17%. This has eased the pressure on enterprises. Globalisation has further integrated China's trade into the world, providing opportunities for continuous development.

Foreign trade dependence can be measured using the formula: total import and export trade / GDP. Figure 4 shows that China's import and export trade has a significant impact on economic growth. As China's import and export trade increases, so does the economy. Changes in China's import and export trade directly affect GDP. In 2008, China's dependence on foreign trade reached 56%. Since then, it has gradually declined, indicating a shift towards a more rational economic development [6]. Although trade and exports still play a significant role in China's economy, it is important to note that globalization has greatly contributed to its growth.



**Fig. 4.** Foreign trade dependency ratio (Photo/Picture credit: Original).

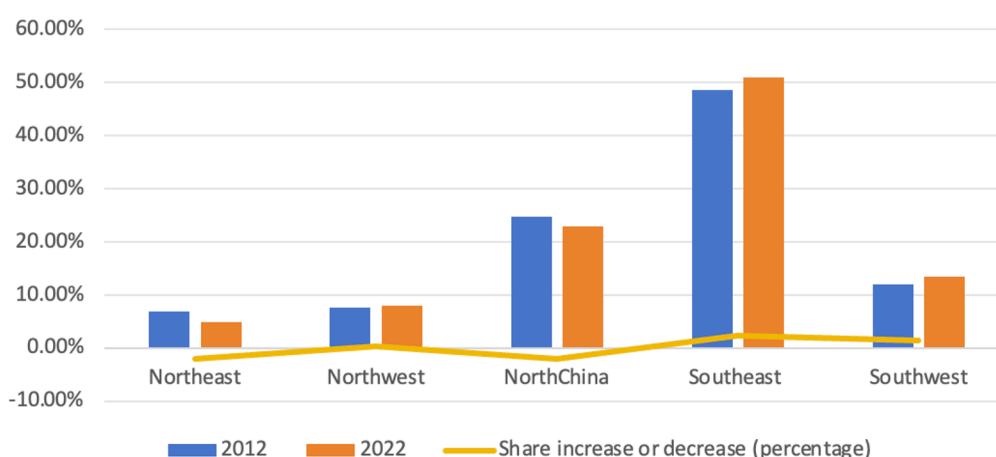
The country's exports can stimulate domestic production, expand supply, and promote economic growth. Additionally, exports can provide an opportunity to bring in foreign capital, promoting capital inflow and accumulation. China has long implemented an export-led policy, and export trade has become a key engine driving China's economic development, enabling China to rapidly rise as one of the world's largest exporters. China has effectively enhanced its comprehensive national power by promoting economic growth through exports.

Trade, import, and export are important factors in development and should be promoted appropriately to enhance development and product innovation capacity. As a developing country, China's scientific and technological level may not be as advanced as that of developed countries, and it needs to continuously improve its level of scientific and technological innovation. Secondly, to promote economic growth, it is important to develop relations with other countries and enhance trade exchanges. Finally, trade development can be improved by introducing preferential policies, establishing reasonable tariff policies, and stabilising the RMB exchange rate.

#### 4 Regional development of China

Globalisation has resulted in rapid economic development in China, but it has also led to regional economic disparities. The Sixth Five-Year Plan recommends that coastal regions increase their level of openness to the outside world and focus on developing high-precision industries, while inland regions should focus on resource exploitation and utilization and develop in an integrated manner based on existing

agricultural and industrial sectors. Due to its proximity to the coastline, early industrialization, and solid foundation, the eastern region has a natural advantage in opening up to the world. It serves as a crucial spatial carrier for implementing the strategy of opening up to the outside world. Therefore, the state encourages the eastern region to prioritize implementing the open-door policy, actively utilizing foreign resources and markets, and participating in international competition and the international cycle. This will bring in more foreign capital and advanced technology, allowing the region to take the lead in integrating into economic globalization. The eastern region has become an important accelerator for national economic development through the implementation of the open-door policy. According to data from 2012-2022 in Figure 5, the GDP share grew from 48.67 to 51.0, an increase of about 2.4%. The main cities in the Southeast include Jiangsu, Shanghai, Zhejiang, Fujian, Taiwan, Guangdong, and other regions [7]. Table 2 shows that in 2022, Jiangsu's GDP reached 1,220,893,000,000 Yuan, Shanghai's GDP reached 4,480,910,000,000 Yuan, and Guangdong's GDP reached 1,295,136,000,000 Yuan. These figures indicate that China's coastal areas are highly developed economically. The eastern coastal region is densely populated, has a large consumer market, and benefits from advantageous location conditions in terms of distance and accessibility to international markets. The eastern region has made significant progress by actively expanding into overseas markets through the establishment of economic open zones. Its economic level is currently ahead of other regions. However, with China's ongoing structural adjustment, the imbalance between regions has accelerated.



**Fig. 5.** Changes of GDP share of zones in China in 2012 and 2020 (Photo/Picture credit: Original).

The GDP share of inland regions such as the Northeast and Northwest has undergone significant changes from 2012 to 2022. Specifically, the Northeast's GDP share has declined from 6.91 to 4.81, indicating weak economic growth with a decline of 2.1. Meanwhile, the Northwest's GDP share has only grown by 0.26 from 7.69 to 7.95 over the same period, suggesting slow economic development. In 2022, the gap between the Southeast region and the Northwest is as much as 6.41 times. Additionally, North China's GDP share has also declined. The economic share of the northern region decreased from 39.42% in 2012 to 35.59% in 2022, a decline of 3.83 percentage points. Table 2 shows that in 2022, the GDP of Jilin in the northeast region will be

1,281.81 billion yuan, which is 9.5 times lower than that of Jiangsu on the coast, which will be 1,220.89 billion yuan. Additionally, the GDP of Shaanxi in the northwestern region will be 3,283.82 billion yuan in 2022, which is 1.36 times higher than that of Shanghai, an eastern coastal region, which will be 4,480.91 billion yuan. Since the reform and opening up, China has been actively promoting the development of coastal areas for economic growth, while inland areas have lagged behind due to their geography and development structure, as well as a lack of state support. This has resulted in an uneven distribution of development between coastal and inland regions, leading to growing wealth disparities and unequal regional development.

**Table 2.** GDP in China's different zones.

Region (100million yuan)	2022	2021	2020
Beijing	41540.9	41045.6	35943.3
Tianjin	16132.2	15685.1	14008.0
Hebei	41988.0	40397.1	36013.8
Shanxi	25583.9	22870.4	17835.6
Nei Monggol	23388.9	21166.0	17258.0
Liaoning	28826.1	27569.5	25011.4
Jilin	12818.1	13163.8	12256.0
Heilongjiang	15831.5	14858.2	13633.4
Shanghai	44809.1	43653.2	38963.3
Jiangsu	122089.3	117392.4	102807.7
Zhejiang	78060.6	74040.8	64689.1
Anhui	44607.7	42565.2	38061.5

Fujian	51765.1	49566.1	43608.6
Jiangxi	31213.8	29827.8	25782.0
Shandong	87576.9	82875.2	72798.2
Henan	58220.1	58071.4	54259.4
Hubei	52741.7	50091.2	43004.5
Hunan	47558.6	45713.5	41542.6
Guangdong	129513.6	124719.5	111151.6
Guangxi	26186.1	25209.1	22120.9
Hainan	6889.6	6504.1	5566.2
Chongqing	28576.1	28077.3	25041.4
Sichuan	56610.2	54088.0	48501.6
Guizhou	20010.4	19458.6	17860.4
Yunnan	28556.1	27161.6	24555.7
Tibet Autonomous Region	2150.2	2080.2	1902.7
Shanxi	32838.2	30121.7	26014.1
Gansu	11121.4	10225.5	8979.7
Qinghai	3623.3	3385.1	3009.8
Ningxia	5104.6	4588.2	3956.3
Xinjiang	18042.7	16311.6	13800.7

Foreign investment is a significant contributor to the direct development data of globalisation. However, its impact varies across regions. Beijing, Fujian, and Zhejiang made up the third tier with dependence rates of 68.4%, 59%, and 56.5%, respectively. The remaining provinces had a dependence on foreign trade of less than 40%. The degree of participation in international trade is significantly higher in the more economically developed coastal regions of China than in other regions [8]. The relationship between FDI, exports, and GDP is interactive. They promote each other's growth, with GDP providing a solid foundation for the growth of FDI and exports. This interaction between the three economic variables creates a virtuous circle of openness and economic growth. The more open the economy, the more it grows. According to Yao and Wei's paper, there exists a significant contrast in the Foreign Direct Investment (FDI) to Gross Domestic Product (GDP) ratio between the more advanced eastern areas and the comparatively less developed western regions of China [9]. The country's initial opening up to foreign investment occurred primarily in the eastern coastal regions, which

have benefited from their superior location, infrastructure, and economic and technological foundations. The influx of FDI on a large scale will promote rapid economic development in the eastern coastal region by increasing capital formation, expanding exports, and creating employment. In contrast, the inland areas are not the best choice for foreign investment due to the lack of convenient transport and the backwardness of the economy and technology [10]. Due to the national preferential policy for foreign investment in the northeastern coastal areas, more foreign investment is directed towards the coast, resulting in neglect of the inland regions. This has led to an unbalanced regional development, with a significant GDP gap between the regions. As a result, more people are inclined to move towards the coastal areas, leading to a decline in population in the inland regions.

This paper discusses the challenges posed by uneven regional development. Uneven regional development poses significant economic challenges, as traditional industries continue to dominate in underdeveloped areas. The lack of labour force due to population loss and lower

GDP further hinders economic growth and transformation. It is important to address these issues in order to achieve a more balanced economic structure. Economic imbalances between regions can lead to disparities between the rich and the poor, resulting in social discontent and instability, and posing challenges to social development. China has made efforts to restructure its industrial and economic structure in recent years, and regional economies have improved, but problems still exist.

## 5 Conclusion

This essay examines the impact of globalisation on the Chinese economy from three perspectives. Firstly, it compares economic data before and after China's reform and opening up, and argues that globalisation has significantly contributed to the rapid development of China's economy. Secondly, this section analyses the impact of globalisation on trade, import, and export. It argues that globalisation has a significant effect on these areas and that China's economic development is highly dependent on foreign trade. Additionally, it presents an outlook on foreign trade. Finally, the section discusses the varying impacts of globalisation on coastal and inland areas, highlighting the imbalances in regional development that it creates. This paper discusses the impact of globalisation on China's economy. It is important to maintain a dialectical approach towards globalisation, acknowledging both its positive and negative effects. While globalisation has brought about rapid economic development, it has also caused regional imbalances in development. China's overall industrial and economic structure is not reasonable and should be adjusted.

China's industrial and economic structure is deemed unreasonable and requires adjustment. In recent years, China has been actively adjusting its industrial structure through preferential policies and other means, with the aim of improving inland development and reducing the wealth gap. However, given the vast size of China's population and economy, there is still a long way to go in terms of developing its economic structure.

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