

Analysis on the Influence of Economic Globalization on China's Economy and Countermeasures

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ABSTRACT

Economic globalization is a historical product of the global market economy, which is naturally produced by the growing international division of labor and socialized production. In the economic globalization, China obtained huge institutional dividends, and the scale of foreign exchange earnings from exports continued to expand. Therefore, China becomes a world-renowned manufacturing factory, whose economic aggregate ranks second only to the United States globally. The research on the economic globalization is necessary for China to confront the global economic environment. However, there is not much research on China's policies toward economic globalization and policy framework at present. Based on empiricism, this paper applies some basic theories of classical economics to analyze the influencing factors of economic globalization on China's economy. It preliminarily constructs a policy framework for China to respond to economic globalization, and analyzes the mechanism and significance of related policies. The paper finds that the use of institutional advantages to deal with the impact of instability in the international environment and deeper reforms, including the relationship between the government and the market, and the promotion of technological innovation and industrial structure adjustment and upgrading, are the reasons why China's economy moves forward courageously despite ups and downs.

Keywords: *Economic globalization, Market economy, Division of labor, Dividends, A new model*

1. INTRODUCTION

Economic globalization is an inevitable product of the global market economy, and has a profound impact on a country's division of labor in trade and the flow of resource allocation. Since the reform and opening up, China has obtained huge economic dividends and achieved huge economic growth by participating in relevant activities, such as foreign exchange earning and attracting foreign investment technology. As China's overall national strength continues to increase, developing countries represented by China have played an increasingly important role in the economic globalization.

In order to reshape the cooperative relationship in the division of labor between developed countries and developing countries, China continues to put forward solutions to the international community [1]. In recent years, considering their own interests, the developed western capitalists represented by the United States have shown a tendency of "anti-globalization". Thus, trade barriers, technology export control and other limitations

ignited the external uncertainty of China's economy.

Recent researches focused on epidemic impact on China's economy, but not that much comprehensive research emphasized economic globalization on China's economy and countermeasures accordingly. Therefore, this paper, based on the tremendous effect of the division of labor on the market economy in empiricism, and by studying several performance characteristics of China's economy under economic globalization, finds that China will form a new development model in the global competition, with domestic market as the mainstay, and domestic and overseas market reinforcing each other. It hopes that the research would contribute to relevant studies of a new model of more opening-up economy, and a community with a shared future for human kind.

2. MOTIVATION OF ECONOMIC GLOBALIZATION: THEORETICAL ANALYSIS OF ECONOMICS

Economic globalization is a geo-economic concept

proposed by American scholar Levy in 1985. Economic globalization first began in the nineteenth century. At that time, Western European and American countries promoted production, circulation, trading and distribution of labor, capital, commodities, technology and other elements of production and life on a global scale. Economic globalization manifests productivity progress and is an inevitable result of cross-international movement over market boundaries. Economic globalization has played a huge role in boosting the productivity of global essentials and accumulating material wealth. The causes of economic globalization can be explained by some classic economic theories.

2.1. The emergence of the global market

Adam Smith, the father of classical economics, profoundly discussed the positive effect of division of labor-on-labor productivity in *The Wealth of Nations* [2]. The division of labor naturally produced transactions. Therefore, the market acts like an “order” or “invisible hand” that does not rely on human intervention, and automatically adjusts resource allocation to achieve supply-and-demand balance. Thus, the market economy is inevitable due to the division of labor. Under the incentive of the law of value and efficiency goals, the market further promoted the division of labor, continuously expanding and enriching the total amount and form of national and international wealth. The scope of the division of labor under the market economy continues to expand, from small-scale scattered labor to large-scale collaborative one, and the socialization of production continues to break through the boundaries of production and transactions between countries, and finally emerges cross-country, cross-production sector, and cross-racial global market.

2.2. Division of labor and international trade

The international allocation of essentials and commodities promoted by the globalized market is the internal form of economic globalization. What is the reason for the different division of labor and trade foundation among countries? Smith explains that it is the absolute advantage of national endowment. Ricardo sublates Smith’s absolute advantage theory and puts forward the theory of comparative advantage. He believes that through clarifying the division of labor by industry sectors, countries need to bear on the products with cost advantage based on their own essential endowments, and then can benefit from national trade. Under Ricardo's theoretical model, countries can improve their overall economic benefits through global trade and even achieve Pareto efficiency.

2.3. Productivity and ideological differences

The theoretical framework of classical economy can

explain the market effectiveness of economic globalization, but there is a major theoretical flaw that cannot explain the unbalanced development and distribution polarization between countries caused by economic globalization. A few developed countries still occupy the major market, who represent the orientation of global resource allocation and trade rule. Development economist Prebisch believes that the production structure of “central countries” and “peripheral countries” under the international division of labor is asymmetrical, so “peripheral countries” have a natural dependence on the technology and products of “central countries”.

Under the economic globalization, behind the dependent production relationship of “peripheral countries” to “central countries” is the huge difference in productivity and ideology between developed and developing countries. The natural duty of developed countries is to grab profits and strives to grasp absolute right to speak in the distribution. However, in order to increase productivity in developing countries, it is precisely necessary to complete capital accumulation. The large difference in productivity has created unequal international status. In order to successfully complete the export of capital, the export of ideology from developed capitalist countries represented by liberalism is carried out simultaneously with the export of capital, which in turn has a fundamental contradiction with the nationalism of developing countries seeking national development.

3. THE PERFORMANCE CHARACTERISTICS OF CHINA'S ECONOMY UNDER ECONOMIC GLOBALIZATION

Under economic globalization, China's economy and other countries in the world have formed a highly integrated division of labor and cooperation and free trade relations, which specifically exhibits the following characteristics.

3.1. Continuous expansion of international trade of current account

In 2020, China’s total import and export of goods exceeded 30 trillion yuan, an increase of more than seven times compared with 4.2 trillion yuan in 2001, the first year of joining the WTO, with an average annual compound growth rate of 10.7% approximately. However, in recent years, as the domestic economic structure has changed, the uncertainty of the international trade environment has increased, and China's trade surplus has shrunk. China's net exports in 2015 were 3.68 trillion yuan, which dropped to 2.91 trillion yuan in 2019.

3.2. The transformation of capital from one-way flow to two-way flow

In recent years, in order to hedge against the downward pressure on the economy and actively introduce foreign capital, China has continuously optimized foreign investment policies and lowered barriers to entry. In 2020, the Special Administrative Measures for Foreign Investment Access (Negative List) (2020 Edition) issued by the National Development and Reform Commission and the Ministry of Commerce reduced the number of items restricting foreign investment industries to 33. Under the vigorous promotion of the country, China's actual use of foreign capital has increased from US\$126.2 billion in 2015 to US\$144.3 billion in 2020, a growth rate of 14.3% [3-4].

In addition, China's capital accounts under economic globalization have shown the signs of going overseas in recent years. With the strengthening of national power, China's capital outbound investment has become more and more frequent. According to the relevant information of the 2020 China's Outward Direct Investment Statistical Bulletin released by the Ministry of Commerce in 2020, China's outbound direct investment will reach US\$153.71 billion in 2020, a year-on-year increase of 12.3% [3-4]. The scale ranks first in the world for the first time. At the end of 2020, China's foreign direct investment stock reached US\$2.58 trillion, second only to US\$8.13 trillion in the United States and US\$3.8 trillion in the Netherlands [3-4]. In this way, two-way investment has basically achieved balanced development.

3.3. Higher level of trade liberalization

Trade liberalization is a prerequisite for economic globalization. In recent years, in order to fully integrate into the wave of economic globalization and expand international trade, China's trade liberalization has continued to increase. As of September 2020, the number of China's free trade zones has reached 21, covering all coastal provinces. Among them, the global free trade pilot of the Hainan Free Trade Zone has attracted attention both at home and abroad, demonstrating China's determination and confidence for continuous opening up.

4. THE POSITIVE IMPACT OF ECONOMIC GLOBALIZATION ON CHINA'S ECONOMY AND THE INSTITUTIONAL ADAPTABILITY OF CHINA'S SOCIALIST MARKET ECONOMY

In 1978, China began the construction of a socialist market economy featuring internal reforms and opening to the outside world, and continuously released national

productivity through participation in the global trade. The Chinese economy has enjoyed huge international market economic dividends in the process of participating in economic globalization, and has achieved world-renowned achievements. Its GDP has grown from 367.87 billion yuan in 1978 to 98.8 trillion yuan in 2019. Not only in the economic field, but also in the market economy system, science and technology education, financial development and other aspects of economic globalization have had a positive impact on the Chinese economy.

4.1. China turning to be "global manufacturing factory"

After the reform and opening up, relying on low price of domestic labor, land components and a complete range of industrial categories, China has exported low- and medium-end industrial products and consumer goods such as clothing, home appliances, and mobile phones to the world. In 2020, the export volume of industrial manufactured products was close to US\$ 2.5 trillion. Through export trade, China has accumulated a large amount of foreign exchange earnings, and China's foreign exchange reserves reached US\$3.2 trillion in 2020 [3]. Due to the high quality and low price of goods, some of China's exports account for a large proportion of the global trade volume. According to the data from the World Trade Organization's Trade Trends of Major Countries in the World in 2020, China's exports in 2020 accounted for as much as 15.8%. In 2019, the U.S. International Trade Commission (ITC) conducted statistics on 3,800 global export products, and 320 products from China accounted for more than 50% of the export market.

4.2. Integration of China's financial system with international standards

The free flow of capital is an important feature of economic globalization, and the development of the international financial industry has promoted the optimal allocation of capital on a global scale. In order to adapt to the inherent requirements of economic globalization, China has continuously promoted the reform within its internal financial system.

The first is to implement a shift from a single floating exchange rate system to a basket of currency floating exchange rate system. As the scope and content of China's international trade continue to move further, the original single floating exchange rate system pegged to the US dollar cannot meet the needs of diversified transaction settlement and exchange rate stability. Since 2005, China has made changes to the exchange rate system, and international currency prices are compared with a basket of currencies, forming a diversified and complete foreign exchange market.

The second is the reform of trading rules in the capital market. China historically implemented stock listing issuance review system which has a relatively strong administrative color. In order to speed up the integration of capital market reform into the issuance and transaction rules of international capital market, China started to implement the reform of the stock IPO registration system on the Growth Enterprise Market in 2020 in reference to the stock listing registration system in the United Kingdom and the United States.

4.3. Stronger independent innovation capabilities through international cooperation in science and technology

The division of labor in the global value chain is a division of productivity. The technological level of a country plays a decisive role in its position in the global value chain. China was at the lower end of the “smiling curve” in the industrial chain during the initial stage of its participation in the globalization movement. However, as China continuously increased its emphasis on science and technology in recent years, it has participated in international scientific and technological activities through foreign investment and scientific and technological cooperation. Because of international scientific and technological cooperation, China's scientific research has been integrating into a higher international level. In 2019, the number of international patent applications in China getting resolved reached 59,000, ranking first in the world. At the same time, China's technological independent innovation capabilities have also been further enhanced. In 2020, China's R&D expenditure accounted for more than 3% of GDP, which reached the level of R&D investment in developed countries.

4.4. Continuous optimization of China's socialist market economic system

The globalization of market economy is the core of economic globalization. The establishment of a market economy system that truly reflects the relationship between supply and demand, the allocation of resources through price, competition, and information mechanisms, and the realization of maximizing factor efficiency are the fundamental goals of China's reform of socialist market economic system. In order to comply with international practices and further enhance the working efficiency of China's market economy, the 19th National Congress of the Communist Party of China highlighted the decisive role of the market in the allocation of resources. In order to optimize the market environment and increase international competitiveness, the country began to implement a negative list system for market access in 2015, and further implemented the reform of streamlining administration and delegating power, improving regulation and upgrading services in

2018 to optimize the business environment and market order. China's market economic system reform has been widely recognized by the international community. According to statistics from the “Business Environment Report” released by the World Bank in 2020, the world ranking of China's business environment has jumped from 78 in 2018 to 31 in 2020. In areas such as contract execution and power security, China is close to or at the forefront of global best practices.

It is also difficult to find a country on a global scale that can achieve such huge economic achievements. Behind China's constant voice of the times in the process of economic globalization is the extremely strong adaptability of China's socialist market economic system to the development of economic globalization.

4.5. Better adaptability of China's economic system to economic globalization through progressive market-oriented reforms

The global market formed by economic globalization requires a country to have a sound and complete market economy system. From a historical perspective, China's socialist market economic system has experienced a process from scratch to abundance and from weak to strong. Since the reform and opening up in 1978, China has embarked on a transition from a planned economic system to a market economic system by “crossing the river by feeling the stones”. Different from the Soviet Union's radical economic transition, the construction of China's market economy system has adopted the basic idea of gradual reform, effectively smoothing the inherent costs of institutional changes. Through the two-track price system, the development of the non-public economy, the promotion of the reform of state-owned enterprises, and the streamlining of administration and decentralization, China continued to improve the property rights system and enhance the role of market allocation of factors. Through continuous self-improvement, China's socialist market economic system has internally shaped the market environment necessary to adapt to economic globalization.

4.6. Better economic stability with China's unique resource allocation method of “effective market and responsive government”

The government and the market are two ways of factor resource allocation. Unlike classicism and neoclassical economics, which emphasize the role of the government as a “night watchman”, responsive government is a major feature of China's socialist market economy. In the process of market allocation of resources, there are market failures such as monopoly, externalities, and public goods. The government's macro-control and counter-cyclical management of the economy are necessary measures to solve market failures.

Under market globalization, market transactions between countries are more frequent, and the mutual influence between economies will become more common and complex. For example, the international financial crisis, fluctuations in international commodity prices, trade between major countries and changes in exchange rates will all have a major impact on China's domestic market. Therefore, mitigating external risks in the development of a globalized market economy requires effective governments, who can guide the development of leading enterprises in scientific and technological innovation and industrial upgrading, and make up for the risks and uncertainties of enterprise transformation. In other word, they also requires relevant government policies to take advantage of the situation [4]. The 18th National Congress of the Communist Party of China put forward the reform strategy of market economy system—"respecting market laws and giving full play to the role of the government", which is of great significance to the stabilization of Chinese economy under the economic globalization.

4.7. Future development of economic globalization under the Community with a Shared Future for Mankind

Under the economic globalization, countries have been increasingly interdependent, and demonstrated the characteristics of a "global village". Under the traditional economic globalization, the power politics and unilateral politics dominated by western developed capitalist countries have become increasingly unsuitable for the development of economic globalization and the needs of global governance. Under the new developing trend of economic globalization, in 70th United Nations General Assembly in 2015, General Secretary Xi Jinping put forward with foresight the need to build a new type of international relations with win-win cooperation at the core, and build a community with a shared future for mankind. The report of the 19th National Congress of the Communist Party of China further proposed advocating the construction of a community with a shared future for mankind, and promoting the reform of the global governance system [5]. The Community of Shared Future for Mankind indicates a new concept of economic globalization entering a new historical stage, emphasizing that the old relationship between developed and developing countries has shifted from subordination and single benefit to cooperation, sharing, and win-win relationship. It suggests that the future developing direction of globalization has more ideologically reflected China's responsibility as a major power in the international community.

5. CHINA'S PRACTICAL DIFFICULTIES AND SOLUTIONS UNDER THE CURRENT ECONOMIC GLOBALIZATION BACKGROUND

The economic dividend brought by economic globalization to China is evident, and China's comprehensive national strength has been continuously strengthened under the impetus of the globalization. However, in recent years, global events such as Sino-US trade frictions and the COVID-19 pandemic made China's domestic and international economic contradictions more complicated. At present, China is facing the following practical difficulties in the context of economic globalization.

5.1. More economic uncertainty due to potential risks from global economic inclusiveness

The first impact of economic globalization is the resonance of global economic integration. In 2019, the global economic growth rate historically dropped to a record low of 2.9%. In 2020, the global economy will shrink due to the impact of the COVID-19 pandemic. According to the International Monetary Fund (IMF), it estimates that the global economic contraction rate is about 4.4%. Although the pandemic in China has been effectively controlled, the year-on-year growth rate of China's GDP in 2020 was only 2.3%. Although the economy has begun to recover as the global pandemic has gradually improved, the repeated pandemics and the global supply chain have increased the uncertainty of China's economy. Since the beginning of this year, prices of crude oil, coal, steel, non-ferrous metals and other commodities have increased significantly due to the impact of the pandemic, which has greatly increased the operating costs of enterprises. For example, the crude oil index of the New York Mercantile Exchange increased from 19.09 in April 2020 to 75.12 in September 2021, and domestic gasoline prices rose from 6,090 yuan/ton in March 2020 to 8,000 yuan/ton in September 2021 [6].

5.2. More domestic imported inflation pressures in China due to the monetary easing policies of Western developed countries

In order to hedge against the downward pressure on the economy, Western developed countries represented by the United States have generally implemented loose monetary policies in the past two years. In March 2020, the Federal Reserve lowered its benchmark interest rate by 50 basis points, in order to hedge against oversupply of international currencies, stimulate the economy at the same time, and stabilize the exchange rate. China has also begun to implement a targeted reduction of the

bank required reserve ratio. In 2020, the People's Bank of China cut the bank required reserve ratio three times. Under the domestic and foreign monetary easing policies, China's price level has increased. In 2020, China's CPI increased by 2.5% year-on-year, which was the highest in recent years. Although the price level has risen relatively moderately, there is a large amount of pressure to prevent excessive price increases.

5.3. Intensified ideological conflicts between the anti-globalization and China's opening-up policy

In 2018, Trump brought the trade protectionism to China, and began to promote political propositions of “anti-globalization” in the United States. On the surface, “anti-globalization” looks like “populism” that guarantees employment and people's livelihood, but the fundamental cause of “anti-globalization” is the inherent contradiction of the capitalist model of production. Developed capitalist countries exploit the surplus value of developing countries on a global scale through capital export and manufacturing relocation, and the problem of hollowing out domestic industries arises. The tendency of “anti-globalization” is just the political proposition of the developed capitalist countries headed by the United States to ease the contradictions in domestic production relations, and it is a zero-sum game rule. China's policy of continuously deepening its opening-up is to adapt to the win-win and sharing strategic thinking in international cooperation under the new international situation, and to pursue the positive-sum game of national cooperation in the context of globalization. Two completely different ideologies will inevitably collide continuously now and in the future, and Sino-US trade friction is the external form of this collision [7].

5.4. Further participation to the global competition and improvement of domestic scientific and technological strength

Looking at the economic globalization dialectically, countries are in a cooperative and competitive relationship. The core factor that determines a country's competitiveness is a country's scientific and technological strength [8]. International scientific and technological competitions follow the basic principles of Marxist productivity and production relations. Countries with relatively developed productivity are in an advantageous position in international relations. In recent years, China's comprehensive national strength has continued to increase, which has aroused the terror of Western developed capitalists represented by the United States. China's scientific and technological strength progress is restricted through technological blockade and intellectual property protection. Huawei and ZTE are representative cases. Although China vigorously promotes scientific and technological

innovation as a strategic national policy, it is at the forefront of the world in some scientific and technological fields, but on the whole, domestic enterprises lack independent innovation, weak foundation of scientific research, low total factor productivity, and relatively extensive economic growth. There is still a long way to go to realize the rapid development of science and technology in China and the “jumping” in the division of labor in the global value chain.

Economic globalization is the inevitable trend of the development of human society. It is the consequent result of the continuous development of the market economy and the refinement of the division of labor in the international community. The trend of economic globalization is irreversible. For China, taking the realization of the great rejuvenation of the Chinese nation as its mission, economic globalization is a challenge even if it is an opportunity. It must maintain its internal strength in strategy and tactics, and put forward a “Chinese scheme” that has a huge impact on the international community based on domestic and foreign realities. When sorting out China's policies in response to economic globalization in recent years, there are three aspects: external relation, economic development mode, and factor guarantee. External relation means continuing to promote the “Belt and Road” strategy and deepen global multilateral cooperation. Economic development mode means building a “dual cycle” pattern and maintain a good momentum of both internal and external economies. Element guarantee suggests implementing the innovation-driven strategy and the talent power strategy to enhance the international competitiveness of China's science and technology.

6. CONCLUSION

In conclusion, this paper researched on the performance characteristics of China's economy under economic globalization, the positive impact of economic globalization on China's economy, the institutional adaptability of China's socialist market economy, and the future economic globalization under the concept of “community with a shared future for mankind”. Besides, it summarized the existing difficulties and countermeasures under the influence of economic globalization. When facing ideological conflicts in the opening-up policy, China continuously deepens reform and opening up, comprehensively pursues cooperation between countries, and demonstrates unique market competitiveness in the global economic field despite the volatile global economic environment and the influence of COVID-19 pandemic. Additionally, in order to get more involved into the world competition, China actively strengthen its own scientific and technological strength. When confronting uncertainties in monetary

policies, China implemented a targeted reduction of the bank required reserve ratio. In another word, China's economy keeps stable growing under various conflicts and difficulties. China has its own way to get them resolved. This paper, with a total review to the influence of economic globalization on China's economy and countermeasures, hopes that it would contribute to relevant studies of a new model of more opening-up economy, and a shared community of human kind.

Due to the limited understanding of economic theory and current policies, this paper has not been able to analyze its guidance and dominance to the market in depth. In future researches and practices, the author will focus on the relationship between openness and foreign trade dependence under globalization, and how to use China's resource allocation to strengthen economic stability.

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