



From Analysis of Economic Disparity to Introduction of Suggested Standpoints and Effective Tools Chinese Government Should Adopt to Address the Economic Disparity

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ABSTRACT

After World War II, international financial and trading system were established with corporations from different parts of the world. At the same time, science and technology promote more rapid development of productive forces; the third scientific and technological revolution began. Developed countries used their capital and investment funds to promote industrial growth, which helped them dominate most part of the resources in the world. This essay mainly focusses on discussing the possible impacts of the world economic disparity from political and economic aspects, followed by Chinese standpoint, reasons for China's position, and the cost-benefit analysis. Moreover, effective tools Chinese government can offer to solve the problem of economic imbalance are also analyzed.

Keywords: *Economic disparity, currency valuation, trading partnership, specialization, low-interest loans, high yield investment return*

1. INTRODUCTION

After World War II, international financial system and trading system were formed with corporations from different parts of the world. Especially after the Cold War, those countries of the Warsaw Treaty Organization were included into international financial system, offering a chance to make the whole world united. At the same time, science and technology give rise to more rapid development of productive forces; the third scientific and technological revolution began. Developed countries used their capital and investment funds to promote industrial growth, which helped them dominate most part of the resources in the world. For those poor developing countries, they didn't have chances to enjoy the harmonious international atmosphere and obtain the right of individual country. Instead, they were struggling in getting independence and escaping from dominance of foreign capital and imperial power. Those developing countries remained in poverty and relatively lower levels of industrial and technological development. China, the second-largest economic entity in the world, grasps opportunities in the third industrial Revolution, helping in keeping the balance of the world both in political and economic

fields. This essay is written from our point of view, leading to a comprehensive analysis towards the impacts of economic disparity, which is to make the world become more uneven, as well as arguing that the Chinese government should adopt an open and inclusive attitude towards regional economic development while ensuring steady economic growth in native country, and profit from it.

2. POSSIBLE ECONOMIC IMPACTS FOR ITS DISPARITY

Economic disparity among countries brought significant impacts on international political and economic development, which are specified through lens of GDP, interest rates, balance of trade, and currency valuation, thus leading to a more unequal development of world economy.

2.1. Gross domestic product and economic environment analysis

The first possible impact of the world economic disparity is shown by less affected GDP and more stable economic environment in developed countries than they

are in developing countries, when there is negative incident happening in the world, which makes the economic gap become larger. After the outbreak of Covid-19, most of countries had large numbers of patients infected by coronavirus within their boundaries. As a result, national government in those countries banned most of activities having risks to spread the coronavirus, and this legislation hurt lots of industries, such as retail stores, transportation companies, and offline entertainment places. In this case, aggregate supply in those countries decreased in large scale, resulting in lower quantity of national output and higher price sold in domestic market. At the same time, people were quarantined at home and many companies were forced to shut down. Unemployment rate rose rapidly, and people's nominal income decreased as well, which result in reduced consumption level: people had less income to consume goods and services, thus decreasing aggregate demand. The decrease in both aggregate supply and aggregate demand seriously affected GDP, but one thing notable is that declination of GDP in developed countries are commonly lower than they are in developing countries, revealing impact brought by economic disparity. [1]

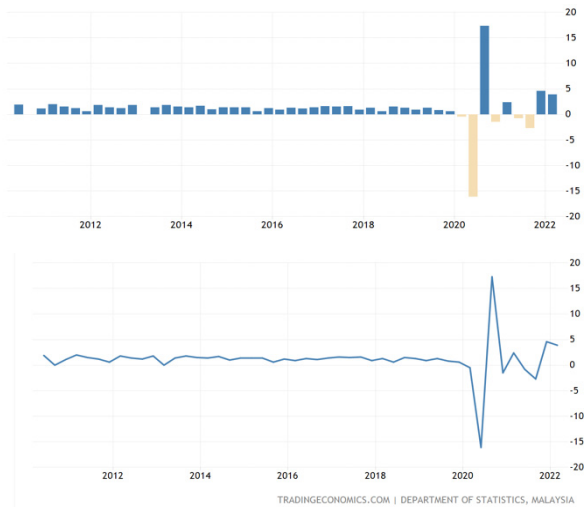


Figure 1: [Malaysia: Growth rate of the real GDP from 2010 to 2022 (compared to the previous year)] [2]

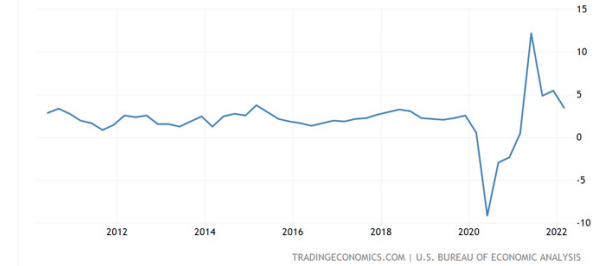


Figure 2: [USA: Growth rate of real GDP from 2010 to 2022 (compared to the previous year)] [3]

The dominant reason to explain this phenomenon is the difference in domestic economic structure. Developed countries are well-industrialized and possess advanced technology like IT services. Their advanced productivity primarily derives from capital-formed industrial production structure like efficient machines and use of equipment to produce goods and services, which are less likely to be impacted by Covid-19, rather than labors like weavers, who have low efficiency to produce and are forced to quarantine themselves in home during epidemic. Therefore, domestic production scales in developed countries do not shrink much in size than those in developing countries. Furthermore, developed countries owning advanced IT services even benefit from pandemic, which allows those companies to continue offering online services and earn even higher profit from soaring demand of online services, helping economy in whole country to recover. For example, schools in developed countries have advantage to easily switch to online courses and their citizenships can purchase goods and services online when retail stores are closed. Some jobs can be finished at home and white collars can hold meetings online. However, developing countries are not fully industrialized and in absence of same level of technology, making them suffer larger economic losses than developed countries. [4]

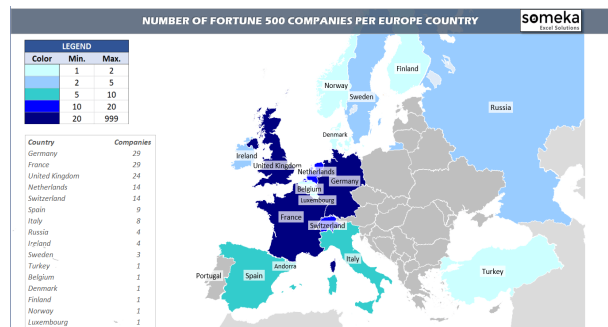


Figure 3: Distribution of Fortune 500 global companies in 2016 [5]

From a different angle, there are great amounts of large companies and wealthy people in developed countries compared with small amounts of them in developing countries. Companies in developed countries usually have strong monetary reserve, enabling them to

lay off less employees and continue offering equivalent level of wages. Rich people in developed countries can also keep normal level of consumptions during the epidemic. Nonetheless, above mentioned things in developing countries have to be reversed. Most companies are in middle and small size, and employers must cut off as much spending as possible to keep companies operating, which result in serious unemployment and shape declination of living standard. Lastly, governments in developed countries have much stronger economic power than they are in developing countries. As is known to all that when national economy suffers great disasters, governments should adopt the expansionary fiscal and money policies to address the economic recession and make national economy quickly recover from epidemic. Apparently, government in developed countries has strong economic power to increase government spending and reduce payroll taxes in larger quantity than in developing countries, leading to faster economic recovery in developed countries. [6]

2.2. Interest rate analysis

The second possible effect of the world economic disparity is that developed countries can control their interest rate more flexibly than developing countries. In the first phase of epidemic, central banks in developed countries actively cooperate with their government to implement expansionary monetary policy such as decreasing reserve ratio, reducing discount rate, and purchasing government bonds in open market to decrease the nominal interest rate, thus increasing aggregate demand. Central banks in developed countries can easily use quantitative easing because most people believe in government credit to ensure the safety and security of their received funds, based on advanced technology and strong monetary power. Therefore, citizenships in developed countries feel relieved to accept the excessive currencies from central banks. However, currencies in developing countries usually not come from reliable sources to ensure its legitimacy and validity, and excessive money supply through printing extra quantity of money will only result in high rate of inflation and destruct the national economy as a whole. As a result, developed countries can quickly recovered from epidemic through effective monetary policy and quantitative easing, while developing countries have big possibility to fall into inflation and devastate national economy more severely if their government adopt the monetary policy and quantitative easing.

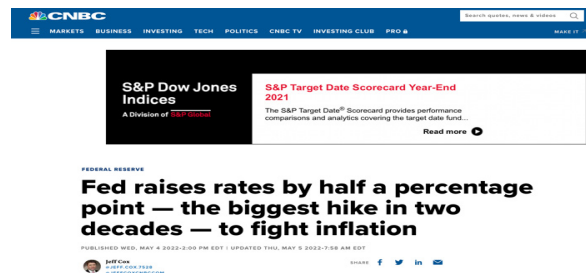


Figure 4: FED raises interest rate in 2022 [7]

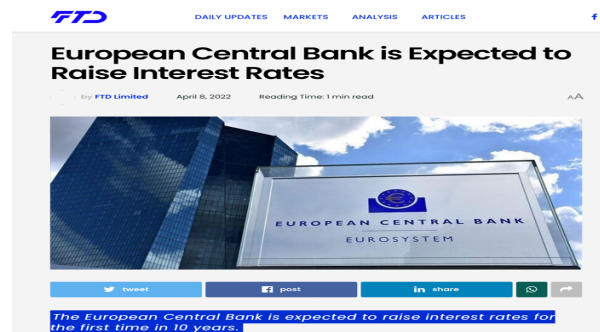


Figure 5: ECB raises interest rate in 2022 [8]

Meanwhile, when monetary policy lowers the nominal interest rate in developed countries to a certain extent and effectively promote the economic recovery, chief of central bank in developed countries will usually commend to elevate the nominal interest rate and return the national economy back to the normal track. However, the nominal interest rates in developing countries have to keep falling because they do not really promote economic recovery, but lead to serious inflation. Over time, the nominal interest rate in developing countries becomes relatively lower, frustrating foreign investors in those countries. Therefore, foreign capital outflows from developing countries to developed countries, which also extend the world economic disparity.



Figure 6: The exchange rate of Mexican Peso in US Dollar [9]

2.3. Balance of trade analysis

The third impact of the world economic disparity is shown through balance of trade. Due to progressively reinforced globalization and mature international trade, many countries specialize in industries which they have comparative advantages over them. As a result,

developed countries move their industrial plants to developing countries because factor payments in developing countries are much lower, especially for reduced wages payments. Developed countries can also use cheap raw materials and manufactured resources in developing countries to produce goods and services, thus minimizing costs of production. Then, they have power to impose high sales prices of goods and services produced in developing countries and earn immense amounts of profits from it. However, developing countries obtain nothing beneficial for them but huge losses from exploitation of resources and lowest wages paid to native workers. Meanwhile, most of the technological industries in developed countries take monopoly positions of essential techniques and resources over developing countries, which allows them to sell technology-based products and services to developing countries at high prices and gain enormous profits from export sales. The consequence is that the net exports in developing countries is positive because they export large quantities of raw materials and manufactured goods, but each of them is sold at low price. In contrast, net exports in developed countries are negative, but companies still earn huge profits from technology-based and advanced products and services, which can only be bought from developed countries and will play huge significant roles in national building and technological improvement. Moreover, since large numbers of plants in developing countries are founded by transnational companies from developed countries, these companies take away most parts of profits even though they are counted as GDP in developing countries. In summary, the balance of trade between developing countries and developed countries can also widen the gap of the world economic disparity.

2.4. Currency valuation analysis

The last impact of the world economic disparity is represented by the appreciation of the currency in developed countries and the depreciation of the currency in developing countries, making economic gap even larger. As mentioned above, when expansionary policies adopted in developed countries fulfill its mission to promote the economic recovery and lead to the prosperous economic development, government usually adopt the contractionary monetary policy to prevent the possible inflation from happening, which increases nominal interest rate and attract great numbers of foreign investors. Thus, currencies in developed countries appreciate since foreign investors demand more domestic currency to deposit their capital into domestic financial market to seek higher investment returns. Currencies in developing countries tend to depreciate against the strong currency of developed countries at the same time, because their governments are powerless to control the exchange rate with scarce foreign exchange reserves, which restrict developing

countries to undersell currencies of developed countries or purchase domestic currency, thus failing to maintain the exchange rate within a stable floating level. After the international trade recovers, currencies in developing countries exporting tons of good to developed countries will slightly appreciate but still lack its ability to offset the depreciation caused by relatively low interest rate in domestic financial system. Therefore, developed countries can still import cheap goods and purchase capitals from developing countries in large quantity with great purchasing power brought by strong value of their currency, further expanding the gap of the world economic disparity.

3.CHINESE POSITION FOR ECONOMIC DISPARITY

3.1.Chinese Standpoint

Nowadays, globalization becomes an irresistible trend in current world, closely linking to regional economic development, coordinated trade, political stability, and international relations. From our view, Chinese government should adopt an open and inclusive attitude towards regional economic development while ensuring steady economic growth in native country, and profit from it. It doesn't mean that China eventually seeks for its self-interest through addressing unbalanced regional economic development and promoting coordinated development of regional economies. Instead, China is committed to integrating its own economic development with coordinated regional economic development, truly contributing to address the economic disparity among countries in the regional level.

Currently, China has intimate allies in Southeast Asia, Eastern Europe and Africa, which compared to China, have significant economic development gap. China tried hard to build tight interregional relationship with those countries, aiming to help them realize considerable economic growth in the long run. Therefore, the 21st century silk road and China-ASEAN Free Trade Area were established to facilitate the economic development both in China and those countries. However, the thing is that measures Chinese government takes to promote the regional economic development are shown to be less effective. According to data released by the Asian Development Bank, the AVERAGE GDP growth rate of the five Southeast Asian countries was only 4.8% in 2018, ending the rapid growth trend since 2015. [10]

Since 2020, developing countries obtaining economic supports from China were hit even more severely by prolonged effects of Covid-19, which exacerbated the economic disparity between developed country and developing country. According to the African Development Bank, Africa's GDP in 2020 is expected to grow by 3.9% from \$2.59 trillion before the

pandemic but will contract by 1.7% to 3.4% after the pandemic. 282 million to 492 million Africans will fall into extreme poverty and 25 million to 30 million Africans will lose their jobs. Hence, it aggravated the responsibility China should undertake to eliminate the economic disparity among countries of world, even posing great challenges Chinese nation will encounter in the following years. [11]

Subsequent sections will specifically introduce why China should sustain its position to help developing countries recover from epidemic and try hard to eliminate the regional economic disparity. Cost-benefit analysis are also presented below.

3.2.Reasons for China's position

3.2.1.Geographic position, historical context, permanent member state in United Nations

China has advantageous geographic locations over other countries, which benefits China from efficiency for good transportation and convenience for international trade. The eastern part of China borders on the sea, where Chinese companies can transport goods and services to other countries through mass transportation of ships and freighters, thus making international connections among countries adjoining the sea become possible. In this way, China can develop merchandise trade with countries in need of economic assistance and linkages with China through the sea, which we find out that targeted countries in southeast Asia and Africa also near the sea. Besides, China can establish corporative partnership with countries in western Asia and eastern Europe through the concept of the land Silk Road, which has been applied in the period of ancient times. In this new era, China can take advantages of existing land Silk Road and innovate it with brand-new operation patterns, advanced transportation channel and coordination of complementary regional advantages. To end up, China is one of the five permanent members of the United Nations in eastern world. China is capable and should take its responsibility to help poor countries with their economic development and try efforts to eliminate the economic disparity among developed countries and developing countries.

3.2.2.Manufacture, services, exports, market shares

China has large scales of manufacture and services industries, which are compelling to foreign buyers with low manufacture costs and cheap price, making China necessary to develop the export-oriented economy. However, based on the current international situation, China was taking tactics and strategies to prevent from further economic loss posed by imperialist countries

because they restricted imports of goods from China by imposing high tariff on Chinese exports. As a result, China had to turn towards small countries in need of cheap goods and resources and combine them altogether to form a mutual aid alliance for regional economic development. In other saying, China needs those small countries having few purchasing power for each but huge for entire of them to exports its product and services. In this way, China companies can benefit from realizable revenue earned from foreign trade markets and have big share of market over other countries. Those small countries can also reap plentiful benefits from Chinese exports since they can obtain goods and services charged in low price and no need to manufacture them in heavy costs. Resources than can be turned to produce what they are good at and earn ideal profits whatever from domestic or foreign markets. China is aiming to build a regional economic development alliance, which allows each country to produce goods and services with lowest opportunity costs and sell them within alliance. These countries can be classified to develop primary industry, secondary industry or tertiary industry as well based on their comparative advantages to produce or sell goods and services. In this case, China and those small countries can benefit from trading partnership and coordinated development of regional economy.

3.2.3.Quick recovery from epidemics, expansionary policy

During the post-epidemic era, Chinese economy seemed to recover quickly from the epidemic. On March 1, 2022, the National Bureau of Statistics announced that China's manufacturing purchasing Managers' Index for February was 50.2%, up 0.1 percentage points from the previous month and above the critical point for four consecutive months. The non-manufacturing PMI index stood at 51.6 percent, up 0.5 percentage points from the previous month and above the critical point for six consecutive months. It shows that the prosperity of the real industry remains stable. Since the beginning of the epidemic, Chinese government adopted powerful executions to prevent coronavirus from infecting more people, including quarantine, nucleic acid testing, Covid-19 vaccine, and etc. Chinese government also adopted expansionary monetary policy to stimulate the public consumption and corporate investment and fiscal policy to help small to large sized companies recover from Covid-19. As a result, Chinese commercial development soon become prosperous, up to the level before Covid-19. With situation mentioned above, China is capable of addressing international economic disparity through helping poor countries and subsidizing their economic development. For example, Chinese government can commend central bank to loan funds to southeast countries with lowered interest and delayed repayment date. China can also establish a free trade

area in Hainan province, which can propel the economic prosperous among most of Asian countries through allowing free-tax trade and integrated RMB transactions. With following measures Chinese government could take to stimulate the regional economic development and eliminate the economic disparity, China satisfies a prerequisite that it has both political and financial ability to coordinate the use of resource and investment of capital. [12]

3.2.4. Strength of Yuan, digital RMB

During epidemic, Chinese corporations recovered quickly from it, which can continuously produce goods and services in lower cost and higher quality. Compared with other countries failing to support its industrial manufacture during Covid-19, Chinese merchandises is in compelling demand to be bought by foreign firms. As a result, foreign firms increase their demand for RMB in Chinese foreign exchange market, in order to pay for goods and items bought from China. The overall effect is to make RMB appreciate against other foreign currencies. Some speculators seek this opportunity to arbitrage, making RMB become even stronger. Although increased RMB strength may frustrate Chinese exports to some degree, it cannot reduce foreign firms' preference and taste for Chinese products under the Covid-19, thus causing little negative effect on Chinese current account surplus.

Moreover, it is beneficial for China to increase its imports from other small countries since now goods and services bought from them become cheaper, which helped those countries to increase their production quantity sales and earn profits from international trade with China. From a different angle Chinese government is actively promoting the use of digital RMB in international trade, which can benefit China and other nearby countries by avoiding negative impacts posed by dollars, since in this case dollars can no longer impact the international trade between China and other countries and their domestic economic environment. The reason is because China and other countries can simply exchange RMB to foreign currencies or do the reverse thing, and U.S. dollar will not act as media in foreign exchange anymore. Therefore, increased strength of Yuan and the promotion of digital RMB facilitate the mutual benefit of China and other small countries in need of economic assistance, offering China advantages to burden the responsibility to eliminate the economic disparity and also get benefits from it.

3.3. Cost-benefit analysis

3.3.1. Benefits over regional level

China should strongly insist its standpoint we post above because it can provide tremendous numbers of

benefits to regional countries and effectively eliminate the economic disparity. China is a major variable acting positively to promote the regional economic development and interconnections among each country. On one hand, regional economy can be strongly interconnected when China and small countries China designed to help work closely to build trading partnerships. Each country can specialize in goods and services they could produce with lowest costs and export to other countries in a unified RMB zone. In this way, outputs in each country significantly increase with specialization in specific goods and services each country needs to produce based on their comparative advantage. The efficiency for each country to produce goods and services can also be enhanced when China helps them to build advanced technology and production methods. The resulting change is the right shift of production possibility frontier in each country, which equally represented by right shift of long run aggregate supply curve. Similarly, industrial chain linkage can be established among China and other small countries to minimize the production costs. For example, steel is an important industrial product. China and other countries agreeing to develop mutual trade and economic development can find their best position in mining raw materials for steel production as primary industry, processing raw materials to smelt steel as secondary industry, and sell steels in open market as tertiary industry. In this way, the costs for mining production can largely be decreased, and each country in regional economic zone can enjoy cheaper price and good quality of steels.

On the other hand, when PPF and long run aggregate supply curve shift to the right, it reduces the unemployment rate in those small countries since companies now have to hire more workers to increase its output. As a result, China indirectly helps small countries to increase its employment, thus raising living standards of the entire nations. Citizens in each small country have higher purchasing power to increase its consumption and raise real gross domestic product. China matches the 17 sustainable development goals to eliminate poverty, reduce inequality among each country, advocate sustainable cities and communities, and stimulate the economic growth. The resulting effects are likely to reduce the economic disparity between developed country and developing country, making people living in developing countries enjoy better life and higher living standard. Eventually, China can achieve its aim to shrink the economic gap between the developed country and developing country and try best to eliminate the economic disparity in the world. China and small countries can also get mutual benefits from specialized trade and minimized costs of production. [13]

3.3.2. *Benefits over national level*

By helping small and poor countries recover from Covid-19 and eliminate the economic disparity among the entire world as far as China can, China can also get national benefits from it. First of all, China can increase its international status and get more privilege in further political and economic development. When other countries are enduring from the negative impacts posed by epidemics or developing monopoly economy such as imperialist countries, China tries its best to give help to those countries in need of economic assistance and aims to eliminate the economic disparity. As a result, China could be admired and confirmed by many countries in the global level, and increase its international status based on support from those countries. In this situation, higher international status can bring China with more privilege when dealing with international affairs or distributing global resources. It can also bring China with great political and social stability, which is beneficial for China to maintain its political environment and further stimulate the economic growth. Secondly, by burdening responsibility to help other small countries and remove the economic disparity, China must build corporations or mutual partnerships with these countries. They will have chance to develop the innovated technology based on advantages each country has and talented people from it. Finally, it could possibly lead to the technological advancement and better potential growth for each of them. Lastly, the power of Chinese Yuan and the promotion of digital form of RMB can be further enhanced with better regional coordination and economic development.

3.3.3. *Total costs analysis*

Although China's actions to assist small and poor countries and eliminate the economic disparity can give rise to mutual benefits both in regional level and national level, there are still some risks which China need to encounter and try to avoid and fix them. In the first place, Chinese government may encounter with large amounts of budget deficit when intensely subsidizing foreign firms and industries, helping them innovate infrastructure and productions techniques. As a result, funds for domestic use have to be reduced, which can pose big challenges to Chinese economic and technological development. In order to address this problem, Chinese government can borrow some money from central bank but within a reasonable scale through sales of government bonds to central bank, which may cause the imbalance to bank's balance sheet. If the monetary gap between asset and liability is hard to be fixed through simply attracting deposits from household or borrowing money from commercial banks, central bank has to print some money to fill the gap, which may lead to the inflation. That explains why government can borrow money to maintain its budget balance but need

to within a proper range. There is the other way that government can adopt to maintain its government budget balance. When government has budget deficit, it can increase demand for loanable fund in private loanable fund market, thus raising real interest rate and attracting foreign investors to purchase domestic financial assets. In consequence, foreign capital inflows to domestic loanable fund market, and lead to the increase of supply of loanable fund. However, if government fails to pay back funds borrowed from private loanable funds market and accumulate debt to a certain extent, it might generate the debt crisis in China, causing huge financial instability and capital outflows.

From a different angle, if China simply devotes its funds and resources and take effective measures to help them without making a strategic thinking, there might be potential competitors merging from those small and poor countries in the future and compete market with China. Obviously, countries acting in this way disobey the agreement China formulated within its regional economic development partnerships and could pose further damages to Chinese economic development and important self-interests China holds. To prevent it from happening, China should always hold essential and important resources and techniques on its own hands. China can share and apply them into targeted countries but need to retain the core. Besides, China should prepare for the possible economic losses led by economic recession, since China is responsible for regional economic development and has higher economic losses than any other countries when economy enters the recession. For example, China can increase its bank reserves and foreign exchange reserves to deal with possible economic losses. Lastly, China may have limited power to dominate opinions from other countries when they have disagreements with each other. As a result, China should advocate fair and reasonable way of communication among each country in regional economic development zone. When there is large discrepancy, China should fully consider the cost and benefits, and then make the right decision.

4. EFFECTIVE GOVERNMENT TOOLS TO ADDRESS ECONOMIC DISPARITY

Max Roser points out that global economic disparity is fundamentally the result of unequal rates of economic growth among different countries. And therefore, the redistribution-which can be achieved by individual donation and international coordination-cannot possibly solve the problem alone, which makes vast economic growth in poor countries necessary. For these poor countries, Jeff Frieden believes that governmental policies are the critical factor fostering the economic growth, three of which are evidently powerful: general economic openness, socio-political stability, and education. At this point, China's role is to give external

push to the power of these policies by collaboration and coordination. Since we only concern economic aspects in our advice, this section shall focus on how China could explore the maximum utility of economic openness of underdeveloped countries within its ability. Besides, we will limit our vision within underdeveloped Asian countries whose geopolitical positions establish inborn advantages to the effectiveness of their cooperation with China. In this section, we propose 6 tools and carefully appraise whether these actions will fulfill the aforementioned causes beneficial to China: share of comparative advantages, technological innovation, RMB power, relocation of industrial resources, etc.

4.1. Establishment of specialized organization

First, we highly recommend China to establish a specialized organization aiming at coordinating regional industry developments across different Asian countries to best utilize different advantageous geopolitical positions and established industrial functions. Since China is the strongest economy in Asia, its economic capacity and experiences compel it to lead this organization for the aligned development of whole Asian economy. The Belt & Road Initiative is to some extent a precedent. China has the large surplus of natural resources such as steel, while America and European countries raise their tariffs against Chinese export in this regard, which enables China to build large quantity of infrastructures in middle and west Asia and even in Greece. In a similar way, this specialized organization could focus on how to combine the regional resources and industrial advantages and exchange for the greater good. For example, China is experiencing the “middle income trap”, which requires upgrading of the factory system and relocation of labor-intensive manufactures. In some countries where labor forces are cheap and unemployed, the labor-intensive factories to can be transferred there from China to ensure Chinese industries’ technological upgrading. At the same time, the industry power of received countries increase and the unemployment can be alleviated. Ultimately, the business will be connected by this organization, and RMB can be used as the chief payment currency. [14] [15]

4.2. Provision of low-interest loans and extension for due date of payment

Second, the Central Bank can provide low-interest loans to Southeast countries and extend the due date of payment. As their economy stabilize and their government complete their infrastructure construction, Chinese government can establish large free trade areas from the template of ASEAN-China. Chinese low-interest loan with extended deadline can give underdeveloped countries more time to deal with fiscal

deficit. And reducing the primary deficit would strengthen one country’s fiscal sustainability and increase resilience to future economic shocks, which is indirectly conducive to the benefits brought by the free trade areas and reduce the accidental recessions in the received countries that hurt the borrower China’s benefits. [16]

4.3. Provision of investment products with high return and priority of dividends

Third, China can provide investment products that have high return rate to countries that collaborate on regional economic development and aligned coordination. At the same time, Chinese government can also provide them with the priority of dividends. In this way, Chinese state-owned enterprises can cooperate with investors to combine the recourses-natural ones and human capitals-from both sides to innovate the international industry in China as the pilot program. When the technology, industry line, and management arrangement have been mature, the same patterns can be introduced to the investor country to develop on its own. And Chinese state-owned enterprise can provide advisory and technological help to secure its shares of the company. As mentioned, China needs the large-scale technological upgrading for industries to increase their values. While China benefits economically from this program, it can also be a pilot study for the paradigm of Chinese industry transformations. Combining the resources and technologies from other countries, China’s stress can be lessened, and, perhaps, the innovation is more likely to occur in this cooperation. [17]

4.4. Agreement signing

Fourth, in a reverse way, Chinese government can sign agreements with collaborated countries that aims at helping Chinese state-owned enterprises to search for investment opportunities in other countries. As a fair return, Chinese government can give benefits for the invested enterprises’ benefits of exports like lowering the tariff. In this way, the financial market moves in both directions to have a healthy exchange.

4.5. Development of high-technology industries

Fifth, China shall continue to actively develop high-technology industries in every aspect to break the restrictions posted by developed countries led by America under Yalta system. China has achieved tremendous developments in nuclear and medical industry in this route. At the same time, China should keep updating the factory system and management arrangements, and, with proper protection, introduce them along with technology to developing countries. In this way, China can empower developing countries to

expedite their modernization. As the benefit of this end, China can not only have the comparative advantages from the developed countries, like resources, but also be able to expand the size of production to multiply the existed economy.

5. CONCLUSION

In conclusion, our team suggest that China should use its ability to maintain the regional economic balance through international corporation, economic assistance, advanced technologies, etc. Meanwhile, these practical methods and China's clear stance on eliminating inequality between countries also show the world its perfect side.

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