Discuss the influence of globalisation on this economy and evaluate the strategies used by this economy to promote economic growth and development

Globalization refers to the integration of national economies into the international economy through trade, direct foreign investment and is aided by information technology, liberalization and deregulation. Globalization has had a significant impact in the development of countless economies, including China and encouraged economic growth, trade and development. The key drivers of globalisation are trade, finance, technology and labour.

Whilst China has benefited from globalisation by an increase in economic growth, pursuing globalisation has also had negative influences on the nation as it has resulted in environmental degradation and an unequal distribution of income. As a result, China has executed numerous strategies to support both economic growth and economic development – where economic growth refers to an increase in the real GDP over a specified period whereas economic development is measured in HDI, which takes into consideration living standards, literacy rate and life expectancy.

The Chinese economy has been dramatically impacted by globalisation, resulting in economic growth, economic development, unemployment, investment, trade and FDI and dramatic environmental issues. Through embracing this process of globalisation, China has transformed itself from a centrally-planned closed economy to an emerging economy. China's economic reform in 1978 has improved economic performance. It aimed to achieve rapid industrialisation and allow the endurance of high rates of economic growth. In 1998, China adopted an expansionary fiscal stance which gave impetus to economic growth. However, in 2003 China embraced a neutral fiscal stance. This policy aims to prevent inflation while avoiding the re-emergence of a deflationary trend, manage the enlargement of investment demand while expanding consumption demand, and tighten sectors with overheating investment while encouraging the weak connections of economic and social development.

Globalisation has significantly influenced an increase in trade flows, as evidenced by the increase in the total volume of foreign trade from 20.64 billion US in 1978 to 1.155 trillion in 2004. Due to trade liberalisation – reduction of tariffs from 35% in 1999 to 10% in 2010 , international trade has increased. China's export commodities are governed by manufactured goods, including electrical equipment, apparel and textiles, with its three main export partners being the US, Hong Kong and Japan. They are responsible for 22.4% of GDP. Common import commodities in China are electrical and other machinery, oil and mineral fuels. Importations to China are responsible for 18.8% of GDP, with China's main import partners being Japan, South Korea and the US.

The accelerated economic growth of the Chinese economy has led to evidential progressions is the general wellbeing of the population and quality of life in the nation. Life expectancy at birth has improved from 69.7 in 1997, to 75.15 in 2014. Economic growth has allowed adult literacy rates to rise due to increased

resources and opportunities. As of 2010, China's literacy rate was just above 95%, depicting an increase of 17% in 20 years. This increase in literacy levels has been impacted by the expected years of education in China, which has increased to 13.1.

Environmental deterioration and pollution is also a problem since CO2 emissions have been increasing rapidly. It was found in a recent study that China was responsible for 25% of global carbon emissions since it is a 'global manufacturing hub'. A study taken by the OECD in 2007 found that pollution was reducing China's annual GDP by 7% and causing health problems.

Another influence of globalisation is rising income inequality. Since the 1980s, income inequality in China has been rising sharply, evident from its Gini coefficient increasing from 0.30 in 1980 to 0.55 in 2012. This has occurred due to regional income disparity existing between urban areas that have higher per capita incomes due to their proximity to Special Economic Zones (SEZs) where employment and income opportunities are greater than rural regions.

China has adopted many strategies to promote economic growth. One of China's first reforms began within the agriculture sector implemented by Deng Xiao Ping. In 1978, China replaced the commune system with the Households Responsibility system. This gave farmers the power to sell their produce, after a state government quota was met, in a free market system. This led to dramatic increases in food production due to greater incentives for farmers to create more output, thereby resulting in an increase in Aggregate Supply. As a result, there was an increase in average annual growth rates of agricultural GDP. Furthermore the export of China's agricultural products totalled US$26.2 billion, an increase of 150% over that of 1980, thereby maintaining a trade surplus.

Additionally, Foreign direct investment (FDI) in China is one of the fundamental strategies behind its economic growth as the Chinese economy is the most attractive economy to multinational companies. China's entry into the WTO and its reform since 1978 has actively encouraged FDI, becoming the world's largest FDI recipient. One of the methods China implements as a way of supporting foreign investment is permitting western companies to enter the Chinese economy and pay no taxes for the initial 15 years, but then leave after 20 years. In 2012, stock of international FDI was US$502 billion. In 2015, FDI followed continued an upward trend and increased by 6.4% compared to 2014.

The main reform responsible for increasing integration within the global economy was the 'open door policy' which was implemented in 1980. This exposed the economy to the rest of the world through the establishment of Special Economic Zones (SEZs) in southern coastal regions of China. The establishment of these zones facilitated massive inflows of foreign investment, primarily from companies in Hong Kong and Taiwan. This was achieved by providing tax free incentives, access to cheap labour and less stringent government regulations. As a result of this reform, China's inflow of foreign direct investment (FDI) increased from U.S. $1.7 billion in 1983 to $11.4 billion in 1991. China has also seen an increase in its total volume of foreign trade

increase from 20.64 billion US dollars in 1978 to 620.8 billion in 2002, accounting for 65% of its GDP and was growing at the rate of 35% per year. Thus, this strategy has been successful in promoting China's economic growth.

Similarly, China has adopted numerous incentives to promote economic development. In order to achieve environmental sustainability, the Chinese government has invested heavily in solar power and other renewable energy. This encourages people to move away from coal fired generators. Additionally, the Chinese government implemented the National Forest Protection Program (NFPP) in 2000, which placed logging bans and harvesting reductions in 68.2 million hectares of forest land.
The newly released China's 13th Five Year Plan (2016-2020), shows a logging quota of 254.036 million squared metres for 2016-2020; revealing a 6.3% drop compared to 2010-2015. This reveals that strategies to improve environmental outcomes have been effective to a moderate extent.

Moreover, in the late 1970s the Chinese government introduced the 'one child' policy as a method of reducing the country's population growth rate. This policy aimed to control the exhaustion of resources and therefore increase economic development. Additionally, it has encouraged economic growth as a reduced population leads to higher GDP growth.

Furthermore, to improve income inequality, the Chinese govt. released a plan in 2013 which aimed at boosting minimum wages to at least 40% of average salaries, loosening controls on lending and deposit rates, and increase spending on education and affordable housing. Whilst no economic data has been released to highlight the effectiveness of this strategy, economists predict that boosting minimum wages will provide a safety net to low income earners in order to improve income inequality. However, it is also suggested that in order for China to efficiently combat income inequality further, the govt. should broaden their tax base and make the tax system more progressive with a shift from indirect to direct taxation to help narrow income inequality.

In conclusion, whilst there may be impressive development in some areas of China, the benefits of globalisation have not been felt equally across the nation. As a result of globalisation, we can see the result of income inequality, political and social instability, possible inflation, environmental degradation and unemployment. Their current economic strategies aim to maintain balance in the economy and prevent inflation.