

ICEST 2021**II International Conference on Economic and Social Trends for Sustainability of Modern Society****PEOPLE'S REPUBLIC OF CHINA 'S ECONOMIC
SUSTAINABILITY: LONG-TERM TRENDS**

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Abstract

Today, People's Republic of China is one of the fastest growing economies in the world. Due to the economic reforms carried out by PRC over the past 40 years, the country has become the second world power in terms of total GDP after the United States of America, taking a leading position in terms of foreign trade, in terms of production of more than 30 main types of modern industrial, scientific and technical products. The country has seen a significant increase in production volumes in most sectors of the national economy, and its innovative component is actively developing. There is potential for further long-term development, which also contributes to PRC's transformation into one of the most powerful economies in the world. In this aspect, special attention is paid to the stability of the PRC economy in the face of global challenges and deep international cooperation. The article proves the increase in the stability of the PRC economy through the prism of the country's participation in international economic relations.

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1. Introduction

At the moment, PRC 's economy is the fastest growing and most prosperous economy in the world. The level of GDP has been steadily increasing since the beginning of the policy of openness and reform, lifting PRC to a higher level of development. Analysing and summarizing information about the current state of the PRC economy and its future prospects is very important, since PRC is involved in global processes and has a significant impact on the international economy.

The rapid development of the PRC economy is associated with the production and transformation of its model in favour of increasing high-tech products. Exports of goods account for more than 80% of foreign exchange earnings in PRC. Significant manufacturing capabilities, as well as relatively low labour costs due to the high population, allow PRC to be a world leader in exports. About 30 million residents are involved in the preparation and shipment of export goods (Ostrovsky, 2020).

In the course of reforms and openness, the PRC economy has gradually opened up to foreign direct investment, the number of which in the structure of PRC 's external financing continues to grow every year. At the same time, the reorientation of economic growth from an export-oriented model to the development of domestic demand is aimed at ensuring the stability of the PRC economy in the long term.

2. Problem Statement

Global challenges and the rapid growth of the role of the PRC economy in the world determine the interest of researchers in the sustainability of the PRC economy. Along with the instability of the international environment and increasing competition in the world market, external threats (for example, sanctions restrictions) can narrow the growth opportunities of the PRC economy. The stability of the economy for such a large player as PRC can only be associated with the diversification of the economy and macroeconomic policy. The experience of moving from quantitative to qualitative growth indicators is important for other countries around the world. Its interpretation and adaptation to national peculiarities can have a positive impact on the economic development of other States. Consequently, the article identifies the key issues of the study:

- determining the impact of PRC 's economic policy on the standard of living of the population;
- characteristics of the structure of the PRC economy from the point of view of dependence on international trade;
- determining the importance of PRC in international investment.

2.1. Determining the impact of the economic policy of PRC on the standard of living of the population

Assessing the standard of living of the population is a difficult question to study. Looking through the prism of analysing the dynamics of GDP per capita allows us to determine the positive dynamics of improving the well-being of citizens, along with the fact that the PRC economy remains among the developing ones.

2.2. Characteristics of the structure of the PRC economy from the point of view of dependence on international trade

The involvement of the Chinese economy in global economic relations makes it obvious that PRC has a high influence on the processes in the world economy. However, at the same time, it is necessary to note the declining dependence of the country's economic growth on the international environment. Taken together, these factors suggest that the PRC economy is becoming more resilient.

2.3. Determining the importance of PRC in international investment

PRC 's transformation from an investment recipient to a direct investment donor reflects PRC 's growing competitiveness in the global manufacturing market. On the one hand, retaining the interest of foreign investors by providing various kinds of benefits allows us to attract large companies from all over the world to the country every year. On the other hand, the expansion of the investment portfolio of PRC companies through the implementation of foreign projects forms the necessary platform for the sustainability of the economy. The participation of PRC companies in the construction of the "One Belt, One Road" initiative is also aimed at reducing investment risks and increasing investment profits (Zhang, et al., 2020).

3. Research Questions

This study raises the following questions:

- How has the standard of living of the population changed in PRC during the years of reforms?
- How is PRC 's role in the global economy and international trade changing?
- What is the dynamic in PRC's foreign direct investment policy?

4. Purpose of the Study

The purpose of the study is to determine the stability of the PRC economy from the point of view of assessing the country's importance in international economic relations.

5. Research Methods

The theoretical and methodological basis of the research is based on the materials of international organizations (IMF and UNCTAD), scientific works of Russian and PRC scientists (Chen, 2020; Khasanova, 2020; Kukhto & Zaichenko, 2019; Zavgorodny, 2020; Zhang & Liu, 2020; Zhang et al., 2020) including research articles in the field of international economic relations, PRC 's economic policy, investment and trade strategies.

In this study, we used the method of structural and dynamic data analysis, the method of economic system analysis, and the method of scientific abstraction. Their complex application made it possible to ensure the reliability of the results of the study.

5.1. Changing the quality of life of the population in PRC

Table 1, based on data from the International Monetary Fund, shows the dynamics of Gross Domestic Product (GDP) and the dynamics of GDP per capita, which indicate a constant increase in the level of development of the country and the positive economic activity of people, and their quality of life.

Table 1. Schedule of PRC's GDP per capita

Year	GDP, billion US dollars	Population, million people	GDP per capita \$ US/ person
2005	2290.094	1307.56	1751.426
2006	2754.113	1314.48	2095.211
2007	3555.679	1321.29	2691.066
2008	4577.397	1328.02	3446.783
2009	5088.993	1334.5	3813.408
2010	6033.813	1340.91	449790
2011	7492.257	1347.35	5560.736
2012	8539.472	1354.04	6306.662
2013	9625.044	1360.72	7073.493
2014	10524.211	1367.82	7694.149
2015	11113.528	1374.62	8084.800
2016	11227.075	1382.71	8119.617
2017	12265.317	1390.08	8823.461
2018	13841.901	1395.38	9919.808
2019	14340.6	140005	10242.920
2020	14722.837	1404.331	10483.880

Source: (compiled and calculated by the authors according to: IMF).

As follows from the presented data (Table 1), over the past 15 years, the PRC economy has been steadily developing, which has had a positive impact on the growth of GDP per capita. Although PRC is still among the developing economies in terms of this indicator, the intensity of the increase in the indicator (Figure 1) indicates an improvement in the quality of life of people and prospects for further growth in the level of well-being of citizens.

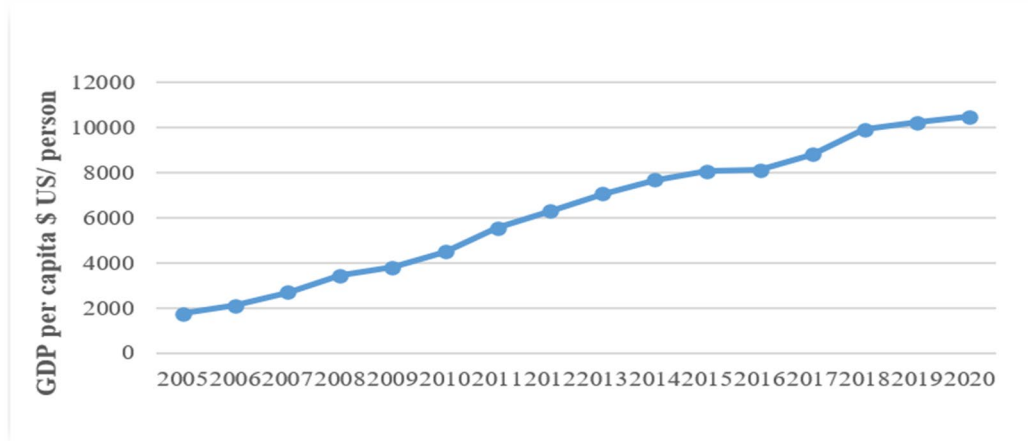


Figure 1. Dynamics of PRC 's GDP per capita, \$ / person

The COVID-19 pandemic has affected the PRC economy in such a way that economic growth in 2020 was the lowest in recent years, but remained positive at 2.3%. PRC's unemployment rate in 2020 was 5.2%, remaining at the level of 2019 (People's Republic of China's GDP growth rate in 2020 was the lowest in 40 years, 2021). In 2020, PRC became the only major economy in the world to avoid an economic downturn due to the COVID-19 pandemic. Nominal per capita income in PRC for 2020, despite the pandemic of the new coronavirus infection, increased by 4.7% year-on-year to 32,189 yuan (approximately \$4,960 at the current exchange rate). Moreover, at the beginning of 2021, PRC President Xi Jinping, at a meeting dedicated to the country's achievements in eliminating poverty, declared PRC's victory in the fight against absolute poverty. As Xi Jinping pointed out, 98.99 million people in rural areas crossed the poverty line, 832 counties and 128 thousand villages were removed from the poor areas. Over the past eight years, PRC has invested about 1.6 trillion yuan (about \$246 billion) in the fight against poverty (Xi Jinping said that People's Republic of China has won a complete victory over absolute poverty, 2021). According to the World Bank, PRC has lifted more than 850 million people out of poverty over the past 40 years (Kukhto & Zaichenko, 2019). This allows us to talk about the effectiveness and efficiency of the economic policy of the PRC, aimed at improving the quality of life of the population.

5.2. PRC's share of global exports

The growing influence of PRC on the world economy is confirmed by its role in the gross world product, which is clearly reflected in the IMF data presented in Figure 2.

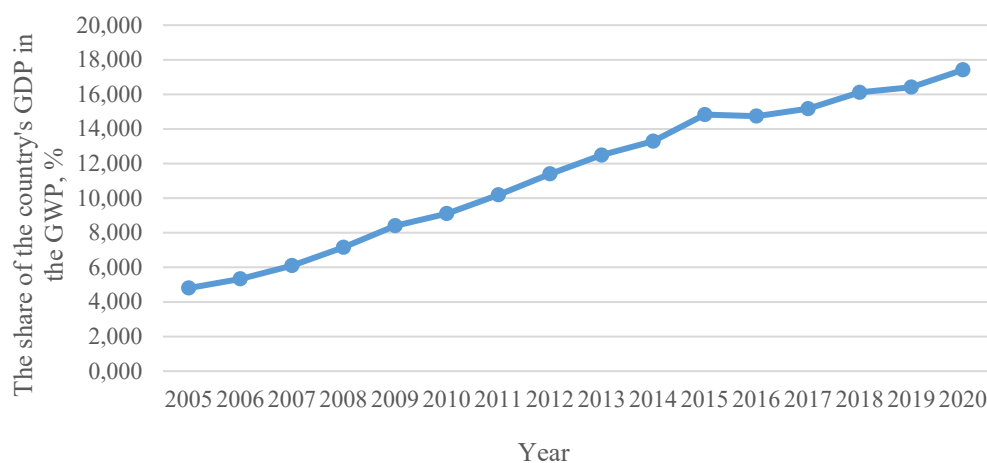


Figure 2. The share of the country's GDP in the GWP (Gross world product), %. Source: (compiled by the authors of: IMF)

Almost 18% of the world's production of goods is concentrated in PRC, which underlines its high involvement in global value chains. At the same time, attention should be paid to the importance of the economy's involvement in the international division of labour for PRC's economic growth and achieving sustainability. Based on the official data of the international organization UNCTAD, the key indicators for assessing the openness of the economy are calculated (Table 2).

Table 2. Indicators of economic participation in international trade

Year	Exportquota	Importquota	Share of exports in world exports	Share of imports in world imports
2005	33.7	29.2	8.39	6.76
2006	35.6	29.1	8.32	6.64
2007	34.9	27.3	7.70	6.95
2008	31.7	25.1	9.23	7.09
2009	23.7	19.9	9.93	8.19
2010	26.6	23.5	10.50	9.21
2011	25.5	23.4	10.56	9.66
2012	24.2	21.5	11.40	10.03
2013	23.3	20.6	11.87	10.55
2014	22.6	18.9	12.65	10.61
2015	20.9	18.1	14.10	10.39
2016	19.7	17.4	13.28	10.01
2017	19.8	18.1	13.04	10.50
2018	19.51	18.7	13.09	11.08
2019	20.01	15.9	13.69	11.21

Source: (compiled by the authors of: Unctad Statistics)

The presented indicators were calculated using the following formulas:

$$E_q = \frac{E_n}{GDP} * 100,$$

E_q - export quota,

E_n - national export volume,

GDP – gross domestic product of the country;

$$I_q = \frac{I_n}{GDP} * 100,$$

I_q – import quota,

I_n - volume of national imports,

GDP – gross domestic product of the country;

$$E_{n/w} = \frac{E_n}{E_w} * 100,$$

$E_{n/w}$ - share of exports in world exports,

E_w - global export volume,

$$I_{w/i} = \frac{I_n}{I_w} * 100,$$

$I_{w/i}$ - share of imports in world imports

E_w - global export volume.

The change in indicators is shown in Figure 3 clearly.

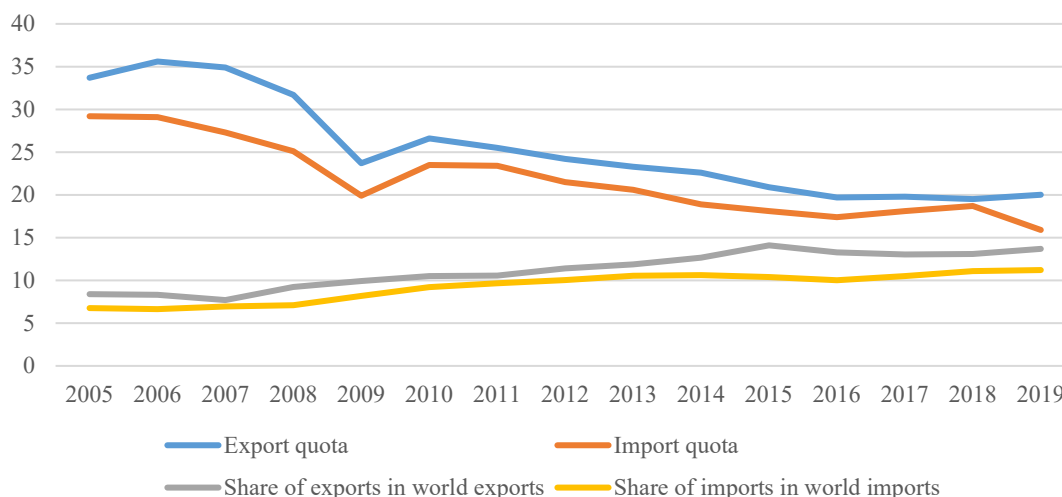


Figure 3. Dynamics of PRC 's economic participation in international trade

The share of PRC 's GDP in the VMP has been steadily increasing for almost the entire period under review from 2005 to 2020. Despite the global financial crisis of 2008-2009, the Chinese economy was in good shape. The shares of exports and imports in the global economy have been steadily growing since the 2009 crisis. Thus, modern PRC plays a major role in the international economy, as it is an active and rapidly developing leader, occupying a key strategic position. In terms of total trade volumes, PRC occupies a leading position. The main goal of PRC 's foreign economic strategy was to increase the competitiveness of the national economy by creating a new group of labor-intensive mass-demand goods and developing knowledge-intensive and capital-intensive industries.

From 2005 to 2019, with the increasing importance of PRC in the world economy (the growth of the share of exports in world exports and the share of imports in world imports), the export and import quotas of the PRC economy are decreasing, which indicates the growing importance of domestic demand in the structure of gross domestic product. Thus, we can talk about a systematic and effective reorientation of the economic growth model from an export-oriented one to a model of domestic consumption development.

5.3. PRC's Investment Strategy in the Global Market

For many years, the main factor in attracting foreign investors to PRC was the low cost of labor resources. Although this competitive advantage is shrinking, a large skilled and relatively inexpensive workforce plays a role in attracting investment to this day. Chinese experts argue that it is the quantity of the labor force and the lack of the need to pay high wages that have played a significant role in making PRC one of the most favorable regions in the world for direct investment (Khasanova, 2020). The general dynamics of investment processes can be traced in Table 3.

Table 3. Indicators of the Chinese economy's participation in international investment

Year	Volume of national export of investments, million \$	Volume of global investment exports, million \$	Volume of national import of investments, million \$	Volume of global investment imports, million \$	Share of the economy in global foreign direct investment (outflow), %	Share of the economy in global foreign direct investment (inflow), %
2005	12261.17	833179.2681	72406	947705.915	1.472	7.640
2006	17633.97	1351654.076	72715	1403562.33	1.305	5.181
2007	26506.09	2170460.736	83521	1891708.26	1.221	4.415
2008	55907.17	1712737.576	108312	1490066.23	3.264	7.269
2009	56528.99	1182498.778	94065	1236120.47	4.780	7.610
2010	68811.31	1396034.362	114734	1396203.27	4.929	8.218
2011	74654.04	1627176.99	123985	1615080.67	4.588	7.677
2012	87803.53	1305452.873	121073	1493828.29	6.726	8.105
2013	107843.71	1421291.297	123911	1456323.18	7.588	8.508
2014	123119.86	1366899.978	128502	1403864.59	9.007	9.153
2015	145667.1511	1708087.545	135577	2041769.72	8.528	6.640
2016	196149.43	1543239.425	133711	1983477.91	12.710	6.741
2017	158290	1600984.324	136315	1700467.56	9.887	8.016
2018	143040	986351.2562	138305	1495222.58	14.502	9.250
2019	117120	1313769.641	141225	1539879.66	8.915	9.171

Source: (compiled and calculated by the authors on: Unctad Statistics, 2021)

In 2020, PRC became the main destination for new foreign direct investment, overtaking the United States. New investment by foreign companies in the USA has outperformed all other countries for decades. However, in 2020, their amount fell by 49%. The leader in this indicator was PRC, which managed to attract 4% more foreign direct investment than last year.

Among the factors behind the sharp drop in foreign investment in the United States last year is a broad economic downturn due to the effects of the COVID-19 pandemic. However, the total volume of foreign investment in the United States remains much larger than in PRC. The flow of foreign investment in the United States peaked in 2016, when \$472 billion was invested in the American economy. In the same year, the amount of foreign investment in PRC amounted to \$ 134 billion. Since 2017, investment in the Chinese economy has been growing, while in the US it has been declining annually. Investment in the EU decreased by 71% in 2020. At the same time, the United Kingdom and Italy, where there was a high death rate and a complete lockdown on the background of COVID-19, did not attract new foreign investment at all. In Germany, the drop was 61% (People's Republic of China surpassed the United States in attracting foreign direct investment, 2021). At the opening of the third session of the 13th National People's Congress (NPC, the highest legislative body), a report was published in which the authorities said they would strengthen financial support for national enterprises to enable them to recover from the pandemic. The government pays special attention to the revival of small and medium-sized businesses, which have extended the repayment period of outstanding loans until the spring of 2021 (People's Republic of China's economy in the context of a pandemic: "secrets" of growth against the background of a recession in other countries, 2020). As an alternative to affordable bank lending, experts suggest actively developing the national stock market and attracting investors, including from abroad. According to a number of PRC economists (Zavgorodny, 2020), PRC is still not actively using such opportunities, but the PRC leadership

is aware of the need to attract foreign capital to the country: both Xi Jinping and Premier Li Keqiang made promises to strengthen the openness of the PRC market and create new, more favourable conditions for foreign companies. Thus, key investors, along with diplomats and humanitarian workers, belong to the "privileged" category of people who have the opportunity to freely obtain a visa to PRC even in the conditions of a pandemic, while for the majority of the world's population, due to the difficult epidemiological situation in the world, this is not yet possible. The attractiveness of the digital industry for investment should also be emphasized (Zhang & Liu, 2020). These projects are especially in demand in the XXI century. The pandemic also proved to be a driver of their development and increased demand. In the conditions of lockdown and remote forms of work, digital tools have proved to be important for ensuring the stability of society and maintaining the production process in many sectors of the economy.

At the same time, the increasing volume of foreign investment carried out by PRC indicates the accumulated financial base and the desire to diversify investment flows through participation in major international projects. Among them are projects implemented through the implementation of the "one Belt, One Road" initiative (Chen, 2020).

6. Findings

PRC 's socio-economic development indicators demonstrate PRC 's visible success in the world. While the global economy is occasionally hit by various financial and economic crises, the PRC economy is moving steadily forward. Compared to other countries in the world, the PRC economy is developing at a faster pace and is a kind of tug for the global economy (Karelina, 2020). PRC maintains a leading position in the world in the field of foreign trade — the 1st place in the world in terms of exports and the 2nd place in the world in terms of imports. In the monetary and financial sphere, PRC is becoming one of the main players in the international financial market.

The rapid development of PRC over the past decades and the marked improvement in the standard of living of the country's 1.4 billion inhabitants, as well as the developed industrial structure of the PRC, have made possible sustainable growth with minimal reliance on exports and foreign investment. According to official statistics, in 2019, domestic consumption accounted for about 58% of PRC GDP (31% was investment and only 11% was foreign trade) (People's Republic of China's Economy in the Years of the 13th Five-year Plan (2016-2020), 2020). PRC 's growth contributes most to the GDP growth of the periphery countries. Similarly, PRC makes a major contribution to the export of goods from developing countries. With the crisis of 2020 due to the pandemic, the PRC economy will be the only one among the economies of large countries that will remain in the zone of positive growth rates, but the PRC will not be able to significantly support the global economy (Zhang, 2020). The country is increasingly betting on the development of the domestic market, the export quota will continue to decline – according to the authorities, the country is quite capable of meeting its food needs. Against the background of a reduction in foreign trade, the government was forced to announce a partial reorientation of the flow of export goods to the domestic market. The rapid rise of the PRC economy after the adoption of the policy of openness and reform has become a good example for other developing countries.

7. Conclusion

The PRC economy in recent decades has been characterized by rapid growth and the fulfillment of immediate and long-term tasks, thanks to which PRC solves not only its internal problems with the standard of living of the population, but also takes a leading position in the global economy. However, it is too early to talk about the absence of problems of economic development. Problems related to the impact of the global crisis due to the COVID-19 pandemic are added to the problems of regional development imbalances and the accelerating aging of the population. However, the numbers speak for themselves. The interpretation of the indicators obtained in the course of the study indicates an increase in the stability of the Chinese economy and a course to maintain the balanced macroeconomic and international economic policy.

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