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The Persistent Growth of China

Why in news?

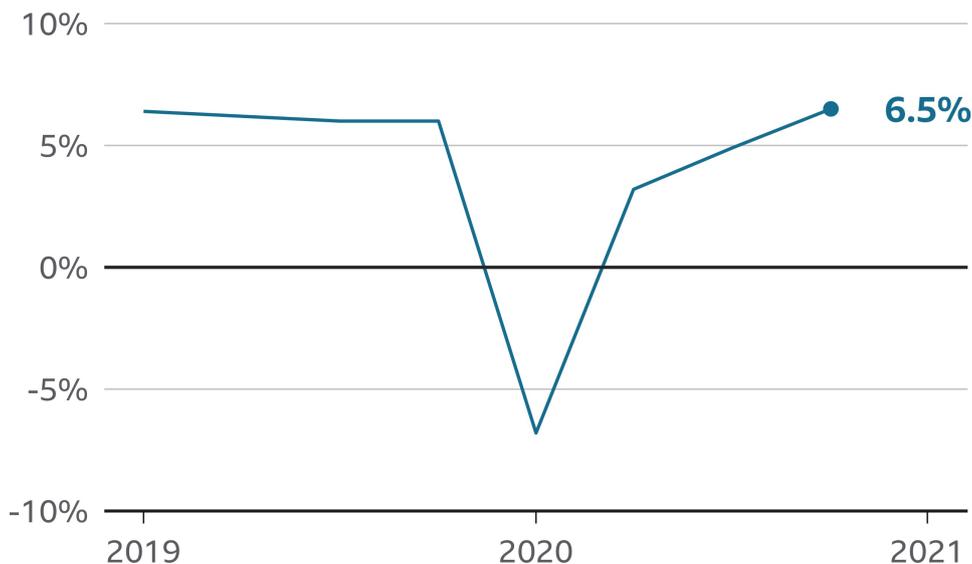
In the post-pandemic era, China is positioning itself to cause an unprecedented change in industrialisation.

How is the China's economy performing in the recent years?

- Despite the trade wars and the COVID-19 crisis, China outperformed in the economic growth.
- In 2020, when other economies were struggling to cope with the effects of the pandemic, China's manufacturing output was 3.854 trillion dollars.
- China's economy grew by 8.1% in 2021, aided by growth in industrial production.
- Industrial production rose by 4.3% in December 2021 compared to 2020.
- Fixed asset investment grew by 4.9% whereas investment in manufacturing grew by 13.5% in 2021.
- China's gross domestic product grew by 2.2% in 2020 from the previous year.

China is the only major economy to grow in 2020

Quarterly year-on-year GDP



Source: China's National Bureau of Statistics



What was the expected change in China's trade due to the pandemic?

China accounts for about 30% of global manufacturing. China was the world's biggest exporter in 2020-21, accounting for 13% of world exports and 18% of world market capitalisation.

- **De-factorisation**- It was expected that the COVID-19, geopolitical tensions and high tariffs would move factories away from the world's factory (China).
- There was expectation that the 4 trillion dollar worth of manufacturing which is happening in China would get dispersed to new locations.
- While the rest of the world debated and waited for de-factorisation of China, the Chinese economy seems to have recovered from a short-lived pandemic because of the idea of 'dual circulation'.
- **Dual circulation**- There would be more reliance on 'internal circulation', which is the domestic cycle of production, distribution and consumption supported by innovation and upgrading in the economy.
- The 'external circulation' intended to speed up the process of surplus accumulation would lose its primacy over time.
- China continued its emphasis on industrialisation and cut its dependence on global trade and markets.

How is China stimulating the growth of the economy?

- China is using its increasingly skilled labour force and strategic raw materials to enhance its already highly developed manufacturing capabilities.
- This is pushing industrialisation toward 'advanced manufacturing' and higher levels of automation thus transforming China's factories for the fourth Industrial Revolution.
- It is boosted by adoption of artificial intelligence (AI) to reduce operational costs and enhance efficiency.
- Chinese manufacturing is moving towards sectors that are less exposed to lower cost competition.
- During the pandemic there has been a surge in the use of a combination of software, hardware and robotics.
- As an early mover, China is laying the groundwork for setting itself up to be a leader.
- It looks like the dividends are already evident in the GDP numbers.

China has overtaken the U.S. in AI patent applications and in terms of the number of AI research publications and journal citations.

References

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2. <https://www.bbc.com/news/business-55699971>



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