

China's Economic Strategy and Experience in Responding to the COVID-19 Pandemic

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Abstract: From 2020 on, the world's economy was severely damaged by the Covid-19(Corona Virus Disease 2019)Pandemic. Countries have taken various measures to stimulate the economy. Among these countries, China was the most successful one. China launch an economy strategy of a dual-circulation national strategy based on domestic and international situation. The domestic cycle pays a leading role while international economic cycle remains its extension and supplement. On the domestic level, the dual reform on the supply and demand side leads to the formation of a more efficient dynamic balance. On the international level, China continue insisting on open up firmly, promoting globalization, regionalization and "Belt and Road" initiative, and striving to build a community of global development. This dual-circulation national strategy comes out good outcomes soon. China leads in resuming work and production, and its economy was the first to resume growth. China plays an engine role in the recovery of world economy. The economic miracle made by the Chinese Communist Party (CPC) was the resultant force of the advantages compound of political party, scientific management, and the system of socialism with Chinese characteristics.

1. Introduction

Since 2020, the world economy was hindered by the spreading of COVID-19 pandemic. The worldwide Epidemic prevention and control measures limited the production and consumption, decreased the trade volume and investor's interest and confidence. In face of the slowly increased world economy, the World Bank and the International Monetary Fund provided an enormous sum of money to the market, trying to shore up the market confidence and restore economy growth. And the Countries take measures of currency and finance to stimulate the economy development one by one. In China, the Central Committee of the Communist Party of China put forward a dual-circulation strategy to deal with the deteriorative economy environment on the basis of analyzing the real domestic and world situations. This paper would give a comprehensive analysis of the background, concrete content, implementation effectiveness, and summary of experience on this strategy.

2. COVID-19 dealt a heavy blow to the world economy

2.1. COVID-19 taking a comprehensive toll on the world economy

First, the COVID-19 pandemic has hit global financial and capital markets and affected the expansion of international investment. Due to the COVID-19 spread around the world, global economic uncertainty and risks increase. As a result of this, global stock markets fell rapidly, capital markets were substantially turbulent, and international crude oil futures dropped dramatically in the short term. Besides, the slow growth of the world economy in recent years has once again hit investor's confidence, and made international investment shrink further.

Second, the pandemic has affected the global industrial chain, supply chain and value chain, and international trade has been further impacted. Economic globalization promotes the flow and allocation of products, capital, technology, personnel, information, services, management experience

and other factors of production on a global scale. However, COVID-19 led to disruptions in the flow of goods and people, poor supply of raw materials and intermediate products for global commodities, breakage of global industrial, supply and value chains, and a decline in industrial production. As a result, international trade has shrunk further against the backdrop of slowing growth in recent years.

Third, cross-border operations are blocked by epidemic prevention and control policies, and economic globalization has encountered greater challenges. Since the new era, the western powers, led by the United States, have engaged in trade protectionism and unilateralism, moving production line back to their own countries as much as possible. Globalization encounter a reverse flow. After the worldwide spread of the pandemic, the free flow of population and production activities within multinational enterprises were disrupted by the COVID-19 prevention and control policies, and the output and profits of enterprises dropped. In order to avoid similar emergencies and reduce economic losses, multinational corporations have begun to reconsider product localization and regionalization to minimize cross-border and cross-regional procurement, production, and sales. Global supply chains, industrial chains, and value chains are being reshaped. The slowdown of globalization process has been magnified.

2.2. Global economy at risk of recession

Under the influence of the global pandemic, supply and demand sides of commodities underwent simultaneous shrank, and the world economy was in deep decline. In 2020, most of the world's countries experienced negative GDP growth, including the world's major economies. According to World Bank statistics, global GDP declines by 3.3% year-on-year in 2020; In 2021, with the global launch of the COVID-19 vaccines, the world economy recovers and global GDP growth soars to 5.8%, led by the economic recovery of the two superpowers, China and the United States.

Since 2022, emerging market and developing economies have faced debt problems due to a tighter financial environment triggered by higher-than-expected inflation worldwide, especially in major economies such as the United States and Europe. Besides, the overlapping negative effects of the Russia-Ukraine conflict and sanctions against Russia, high energy and food prices, and frequent natural disasters have led to another slowdown in world economic growth and even the risk of recession. The International Monetary Fund (IMF) slashed global growth forecast for 2022 to merely 3.2% according to its newly released World Economic Outlook report in October, 2022; Global growth in 2023, on the other hand, is likely to be 2.7%, 0.2 percentage points lower than the July forecast—with a 25 percent probability that it could fall below 2 percent.^[1]

Table 1: Latest World Economic Outlook Growth Projections (Real GDP, Annual percent change)

	2021	2022	2023
World Output	6	3.2	2.7
Advanced Economies	5.2	2.4	1.1
Emerging Market and Developing Economies	6.6	3.7	3.7

Source: IMF, World Economic Outlook, October 2022

3. China's Economic Strategy towards the Global Pandemic Outbreak

3.1. Launch a dual-circulation national strategy based on domestic and international situation

Based on its analysis of the complex situation at home and abroad, China has made its top-level design by the establishment of a “dual circulation” national strategy in which domestic economic cycle plays a leading role while international economic cycle remains its extension and supplement (hereinafter referred to as “dual circulation”).

Dual circulation means to promote the removal of all impediments to smooth production, distribution, circulation, and consumption based on domestic demands, and smooth out the domestic economic cycle to form the dominant system of domestic general circulation. On this basis, further expand the opening to the outside world, attract global factor resources, enhance China’s influence in the global industrial chain, supply chain and innovation chain, shape China's new advantages in

international cooperation and competition, thus formulating high-level domestic and international circulation systems that promote each other and seek joint development.

3.2. Dual reform on both the supply and demand side

On the domestic level, China made the dual reform on the supply and demand side both leading to the formation of a more efficient level dynamic balance. Supply and demand constitute the two basic instruments to adjust macro-economy. On the supply side, China optimizes its allocation and combination of existing factors of production, the existing supply structure, and the functions of existing products and services through scientific and technological development and innovation to meet the people's growing need for a better life and expand substantive and effective supply. Through rural vitalization, coordinated development between rural and urban areas and new urbanization strategy, the economic structure has been deeply reformed. China's competitiveness and influence in the world economic landscape has been enhanced through comprehensive upgrade, optimization of industrial structure, industrial chain, and supply chain.

On the demand side, the government implemented a series of diversified proactive fiscal policies and stable monetary policies to increase macro policy regulation and stimulate economic growth. Fiscal policy tools include fiscal expenditure, tax policy and treasury bond policy. The government has increased fiscal deficit, restructured fiscal expenditure, reduced taxes, issued special treasury bonds for COVID-19 control, and expanded issuance of special-purpose local government bonds.

In 2020 and 2021, the government fiscal deficit were 3.76 trillion Yuan (Chinese Yuan)^[2] and 3.57 trillion Yuan^[3] respectively, an increase of about 1 trillion Yuan from 2019.^[4] Tax and fee cuts were 2.6 trillion Yuan^[5] and approximately 1.1 trillion Yuan^[6] respectively in this two years. On July 31, 2020, the central government issued a special treasury bond of 1 trillion Yuan for COVID-19 control.^[7] In 2021 and 2022, more than 3 trillion Yuan of special-purpose local government bonds were issued respectively.^[8] These measures directly increased money supply, reduced the cost of enterprises, and provided a relaxed and favorable environment for enterprises to resume work and production.

In addition to fiscal policy, the central bank also implemented expansionary monetary policies. It increased money supply by lowering lending rates, lowering reserves, and re-lending to stimulate loans and investments of enterprises, especially small and medium-sized enterprises, to help resume work and production, ensure domestic employment, and ensure rapid economic recovery and development. In 2020, the People's Bank of China set up 300 billion Yuan of re-lending for COVID-19 control, 500 billion Yuan of re-lending facilities to support resuming work and production, and 1 trillion Yuan of inclusive re-lending and re-discounting policies. These inclusive loans reduce the cost of resuming work and production, and help solving the realistic problems of debt repayment, capital turnover and expansion of financing for enterprises.

3.3. Build a community for global development

On the international level, China unswervingly open up, promote globalization, regionalization and "Belt and Road" initiative, and call on building a community for global development.

Due to COVID-19, global production was hampered, trade barriers increased, international trade and investment shrank significantly, and globalization hit a headwind. China unswervingly continued its opening-up, reduced the negative list of foreign investment access and equally treated domestic investment enterprises,^[9] facilitating foreign enterprises to invest and operate in China through these administrative measures. China firmly upheld the multilateral trading and investing system, embraced the stability of the global industrial and supply chains, and promoted an economic globalization that is more open, inclusive, balanced and beneficial for all.

As a large and powerful Asia Pacific country, China will continue to promote the Asia-Pacific Regional Economic Integration. Due to the pandemic, the global industrial chain has concentrated towards regions and sub-regions. In line with the economic trends, China has strengthened its economic relationship with Asia Pacific countries. On January 1, 2022, the Regional Comprehensive Economic Partnership Agreement (RCEP) was enacted by the 15 countries including China, Japan, Korea, Australia, New Zealand and ten ASEAN (Association of Southeast Asian Nations) countries has taken effect. On September 16, 2021, China officially made its application to join the

Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). In November of the same year, China officially made its application to join the Digital Economy Partnership Agreement (DEPA). Besides, China also calls for negotiations on a China-Japan-ROK free trade agreement, so as to realize a regional economic integration of a higher standard.

The Belt and Road cooperation initiated by China has not paused against the backdrop of a world pandemic, but has exerted its platform role of anti-COVID cooperation and reviving the economy together. Even in 2020, during the most severe outbreak of COVID, China's trade with economies alongside the Belt and Road still reached \$1.35 trillion (9.37 trillion Yuan), with a year-on-year growth of 0.7% (1.0% in RMB).^[10] In 2021, China's trade with "Belt and Road" partner countries up 23.6% year-on-year to \$1.84 trillion.^[11] The trade, investment and labor contracting between China and the countries along the road have created jobs and tax revenue for these countries, and have strongly contributed to their economic growth. According to the World Bank report, in 2030, The Belt and Road Initiative could contribute to save 7.6 million people from extreme poverty and 32 million from moderate poverty, boost trade by 2.8 to 9.7 percent for participating countries and by 1.7 to 6.2 percent for the world, and increase global incomes by 0.7 to 2.9 percent.^[12]

4. Strategic effectiveness and experience of China's economic response to COVID-19

4.1. Strategic effectiveness of China's economic response to COVID-19

Under the leadership of the Chinese Communist Party, China was the first to bring the pandemic under control, the first to resume work and production, the first to resume growth, and the engine of global economic recovery. From 2020 on, China has been the world's largest trading country, the second largest country in terms of actual use of foreign direct investment, and the fastest growing economy among the world's major economies.

Table 2: China's GDP Growth (Q1 2019 - Q2 2022)

	GDP, in Current Quarter(Unit: hundred million RMB)	GDP growth rate, quarter-on-quarter(Unit: %)	GDP, Cumulative(Unit: hundred million RMB)
Q2 2022	268875.20	0.40	525197.30
Q1 2022	256322.10	4.80	256322.10
Q4 2021	305702.70	4.00	1095771.20
Q3 2021	277688.80	4.90	790068.40
Q2 2021	267700.70	7.90	512379.60
Q1 2021	244678.90	18.30	244678.90
Q4 2020	263508.90	6.40	910235.60
Q3 2020	238702.10	4.80	646726.60
Q2 2020	224846.80	3.10	408024.60
Q1 2020	183177.80	-6.90	183177.80
Q4 2019	247627.80	5.80	890304.85
Q3 2019	227683.60	5.90	642677.00
Q2 2019	218190.60	6.00	414993.40
Q1 2019	196802.80	6.30	196802.80

Source: National Bureau of Statistics of the People's Republic of China

In 2020, China suffered a heavy drop of 6.8% in the first quarter before quickly containing COVID-19 and achieving positive growth in the second quarter, with real GDP growth of 2.3% for the year according to the Chinese National Bureau of Statistics.^[13] It became the only major economy in the world to achieve positive economic growth. In 2021, according to the data of the series of reports on China's economic and social development achievements since the 18th Party Congress released by the National Bureau of Statistics, China's GDP surpassed 110 trillion Yuan and reached

114.4 trillion Yuan; the proportion of China's economy in the world economy reached 18.5%, steadily ranking second in the world (converted at the average annual exchange rate).^[14]

In 2022, despite the adverse impact of the international environment such as the international epidemic and the Ukraine crisis, as well as the "triple pressure" of China's domestic epidemic and the contraction of demand, supply shock and weakening expectations^[15], the Chinese economy still maintained a general recovery in growth. In the first quarter, China also experienced a recession. But in the second quarter, the economy overcame downward pressure to achieve positive growth as work and production resumed. According to preliminary calculations, the gross domestic product in the first half of the year was 562,642 billion Yuan, up 2.5% year-on-year at constant prices.^[16] The Chinese GDP growth details since 2019 was listed in the following table 2. Meanwhile, China has the lowest incidence of the pandemic and the lowest number of deaths among the world's major powers.^[17]

4.2. Experiences got from China's economic response to the global pandemic.

First, using the political advantage of a centralized, unified and comprehensively leading Communist Party of China.

Facing the major challenge of COVID-19 on people's health and life, president Xi Jinping was at all times concerned about the prevention and control of the pandemic, listening to the reports of the leading group for novel coronavirus prevention and control and the Central Steering Group, presiding over meetings at all levels, visiting and guiding the pandemic areas in person, commanding and deploying personally, and making major decisions and deployments in a timely manner. Leaders of the Standing Committee of the Political Bureau actively responded to the leading group for novel coronavirus prevention and control. The Central Committee of the CCP sent a central steering group to work actively in areas where the pandemic hit severely. A joint epidemic prevention and control mechanism and a mechanism to facilitate resumption of work were set up under the State Council successively. Local authorities and government departments were required to take measures matching the corresponding levels of emergency response and ensure an orderly return to work and normal life. Party committees (party groups) at all levels, leading teams and leading cadres at all levels, grass-roots party organizations and the majority of party members have firmly implemented the decisions and plans of the central authorities. Under the strong leadership of the CPC Central Committee with Xi Jinping at its core, China has put in place an efficient system under which the central authorities exercise overall command, while local authorities and all sectors follow the leadership and instructions of the central authorities, perform their respective duties, and cooperate with each other.^[18] The party leadership and the leadership mechanism established constitute the political guarantee that has made it possible for China to win its all-out people's war against the virus.

Second, utilizing the governing-system advantages of socialism with Chinese characteristics.

Socialism with Chinese characteristics is a tight and comprehensive scientific system, and the state system and national governance system boasts significant advantages, with remarkable ability of organization and mobilization, coordination and implementation.^[19] It has the ability to mobilize resources to accomplish major initiatives, deal with difficult tasks and resolve emergencies.^[20] In response to the pandemic, the Party Central Committee directly mobilized the entire country, promptly dispatching national medical teams, medical staff and public health workers from all over the country. The Joint Prevention and Control Mechanism and the Information Office of the State Council strengthened coordination and dispatching, quickly mobilized essential medical supplies such as masks and protective clothing that were urgently needed from all over the world. Through its mechanism for promoting the return to work, the State Council has strengthened guidance and coordination in pandemic prevention and control and economic development, rapidly restored economic growth.

Thirdly, taking advantage of the scientific management of the Communist Party of China in leading economic work.

CCP oversees the entire situation and coordinates in all directions, with the economic work at the center. In cities and stages of severe outbreaks, the Party has spared no economic cost to lock down

cities, roads and communities in a timely manner, and to shut down production on a large scale, “adopting a science-based approach, and taking targeted measures”, mobilizing all resources on sniping the virus. After achieving the initial progress in containing the virus, the Party promptly made the major strategic decision of “taking measures matching the corresponding levels of emergency response and ensuring an orderly return to work and normal life”.

The country was dynamically classified into low, medium and high-risk areas based on the actual situation of the pandemic. A region classified as high-risk was obliged to focus on prevention and control of the pandemic. A low-risk region fully restored normal order in work and daily life, while a medium-risk region had to prevent the pandemic while restoring normal work and daily life in an orderly manner.

To ensure a full recovery of economic development, the Party pursues a philosophy that development must be innovative, coordinated, green, openness and shared. It implements a proactive fiscal policy and a prudent monetary policy, and proposes to continue ensuring stability on six key fronts [ensure stability in employment, financial operations, foreign trade, foreign investment, domestic investment, and expectations], as well as accomplish the new task of maintaining security in six key areas [ensure security in job, basic living needs, operations of market entities, food and energy security, stable industrial and supply chains, and the normal functioning of primary-level governments]. Under the Party's scientific and effective management of the economy, China has soon resumed its economic development and become the engine of world economic growth. It has made crucial contributions to both global pandemic prevention and control, as well as economic recovery, and has put into practice the human development community.

5. Conclusion

In the background of COVID-19 pandemic, the Central Committee of the Communist Party of China put forward and implemented a “Double-Cycle” economic strategy. This paper reviews and summarizes the background of the “Double-Cycle” strategy, its implementation, effectiveness and experience, and concludes that the “Double-Cycle” economic development strategy is an important and wise decision of the CPC Central Committee responding to the epidemic. It was just under this strategy that China firstly revived its economy and made great contribution to the world economy stability and recovery. The success of this "Double-Cycle" economic strategy is a concentrated manifestation of the party advantage of the CPC, the institutional advantage of the socialist system with Chinese characteristics, and the scientific management advantage accumulated by the CPC in its long-term economic construction.

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