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**Abstract**

*This study aims to analyze several developmental policies of the Chinese government that have helped China in becoming a major global power. Several elements, such as its policy initiatives, global commerce, and investments, have been studied to analyze China's economic expansion and its political influence globally. This study examines the applicable literature through qualitative research methods to shed light on the role that China's developmental strategies played in the country's rise to global dominance. The study also considers how these policies have an impact on the country's progress and its rise as a major power. Although almost all policies were inspected yet results showed that the reforming and open-up policy of China is the key driver to its rise including the "Made in China 2025" program, and the "Belt and Road" plan as the most important initiatives. Developing nations should learn from China's effective infrastructure development, innovation, and economic policies.*

**Keywords:** China, Economic Growth, Foreign Investment, BRI, Technological Innovation

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## Title

### China's Economic Development Policy: An Analysis

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## Abstract

This study aims to analyze several developmental policies of the Chinese government that have helped China in becoming a major global power. Several elements, such as its policy initiatives, global commerce, and investments, have been studied to analyze China's economic expansion and its political influence globally. This study examines the applicable literature through qualitative research methods to shed light on the role that China's developmental strategies played in the country's rise to global dominance. The study also considers how these policies have an impact on the country's progress and its rise as a major power. Although almost all policies were inspected yet results showed that the reforming and open-up policy of China is the key driver to its rise including the "Made in China 2025" program, and the "Belt and Road" plan as the most important initiatives. Developing nations should learn from China's effective infrastructure development, innovation, and economic policies.

**Keywords:** [China](#), [Economic Growth](#), [Foreign Investment](#), [BRI](#), [Technological Innovation](#)

## Introduction

One of the most important and notable geopolitical trends of the twenty-first century has been China's swift rise to a status of global dominance. In the period of just a few decades, China has gone from being a country that was

underprivileged and isolated to becoming an economic powerhouse and has now become a prominent player in the politics of the world. The country of China, which is home to nearly 1.4 billion people and has an economy that is rising at an exponential rate, has emerged as a significant player in the global arena, both politically and



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economically, as well as in other aspects of human affairs. The rise of China can be attributed to a number of different factors, the most important of which is the policies that are designed to promote development in China. China truly hopes to achieve this goal of growing in importance on the global stage while also being able to facilitate economic modernization and growth, especially in light of its comprehensive development strategy. To accomplish these ends, a variety of different exploits have been employed. This is the thing that is included in state-engineered economic systems, national industrial strategies, and investments in technology, infrastructure, and education. How to build socialism with Chinese characteristics is one of the most discussed economic issues at Central to discuss priorities. Additionally, the government has been meddling in the formulation of policies intended to have an impact on economic development. The state has carried out a number of interventions that fall under the general categories of subsidies, regulations, and governmental assistance.

China's industrial strategy has swiftly propelled the country to the top of the global rankings. That approach would be akin to designating certain industries as strategically important for the expansion of businesses and offering public funding, tax breaks, or other forms of assistance from the state; these measures may not mesh well, but bureaucrats—or those who advocate for them—think they are indispensable. Attracting Foreign Direct Investment (FDI) to support its sectors and, more crucially, to gain a foothold in global supply chains is one area in which China has excelled. Over time, Chinese participation gave these programs additional educational and infrastructure leverage. Roads, railroads, airports, and other amenities are examples of the kinds of infrastructure that China has not been constructing only for its own use. Consequently, it has made economic prosperity more feasible, and it has also meant that the nation has a connection to the rest of the world. To add insult to injury, China has been pouring enormous quantities of money into education, particularly in the STEM (science, technology, engineering, and mathematics) disciplines. China has been making significant progress in increasing its technical reach, particularly with its own technologies such

as artificial intelligence (AI) and fifth-generation wireless technology (5G).

## **Literature Review**

Based on his 2019 article "China's Economic Rise: History, Trends, Challenges and Implications for the United States", Morrison argues that China has rapidly and consistently climbed to its status as a world superpower due to wide-ranging government policies, capital regimes, developmental ideas of organization reform (all implemented over the last three decades). The economy there is also fragile from all sorts of threats for that reason, ranging from the requirement to new type evolution framework to concern about an industrial strategy as well as trade issues with the US. This article provides an examination of the policies that helped drive China's development and also examines contemporary opportunities and challenges posed by existing policies along with policy stagnation holding back further Chinese growth (Morrison, [2019](#)).

Hang, N. T. T. ([2017](#)) in the article "The Rise of China: Challenges, Implications, and Options for the United States" looks at how China's ascent might put the US at a disadvantage and explores the possibilities and ramifications for the US. Using the Hegemonic Cycle concept, it examines China's economic achievements, policies that resulted in its development, military modernization, growing soft power, and international ambitions. Although it underlines the necessity of US readiness for both collaboration and conflict with China it also explains which policies of China resulted in its quick industrialization, commerce development, and military innovations. The Belt and Road Initiative and China's participation in regional and international organizations are two more topics covered in it that speak to China's efforts to strengthen its soft power (Hang, [2017](#)).

In a publication published by IMF "Why Is China Growing So Fast?" written by Zulu Hu and Mohsin S. Khan; China's distinct place in the world political economy provides important lessons for other emerging nations. Policies of China such as capital investment are essential for economic growth, similarly, market-oriented

reforms that support small firms and rural enterprises may also increase productivity and the economy as a whole. The success of China's economy may also be attributed to its "open door" policy, which encouraged its rise (Hu & Khan, [1997](#)).

Xing Li (2021) in the article "The Rise of China and its Impact on World Economic Stratification and Re-stratification" comprehends how China's economic ascent due to its developmental policies is affecting the world. Li also provides a framework based on world-system theory making the case that the conventional world order is evolving as a result of China's shifting positions in the global economy. Regional and global labor markets are being reorganized as a result of this shift, with considerable opportunities/ difficulties for both the Global North and the Global South (Li, 2021).

The research conducted by Roland Rajah and Alyssa Leng ([2022](#)) on the topic "Revising down the rise of China" analyzed already existing policies that resulted in the Chinese rise and suggested that policies like prior population strategy, capital development, and productivity issues may cause China's future growth to decrease dramatically. The first part of the research is related to this literature i.e. the development policies of China and opportunities for China with these strategies, policies, and initiatives (Rajah & Leng, [2022](#)).

The article "The Real Reasons for China's Growth" written by Wing Thye Woo explains how China's economic performance is largely boosted by its economic reforms, investments in human resources, demographic shifts, investment and saving habits, and efforts in technology and innovation (Woo, [1999](#)).

### **Analysis of China's Developmental Policies that are Key Drivers of Its Rise**

#### **A Comprehensive Historical Timeline of all Developmental policies of China to Date**

##### **The initial Decades (the 1950s-1970s)**

China concentrated on building massive manufacturing and infrastructure from the 1950s through the 1970s, with the First Five-Year Plan (1953-1957) being a top emphasis. After that, there was the Great Leap Forward (1958-1962), which

sought to industrialize and collectivize the economy quickly. Nonetheless, it brought massive starvation and unrest in the economy. Following this, was the Cultural Revolution (1966-1976), which aimed to restore Communist Party rule by eradicating traditional and capitalist aspects from society. The developmental policies of China during the first three decades of the CPC rule differed significantly from what the Chinese economy evolved into in the twenty-first century. In short, during the first three decades, Chinese governmental policies focused on the development of its domestic infrastructure rather than a market-oriented approach (H. Perkins, [2013](#)).

##### **The next Decade (the 1970s-1990s)**

China shifted its policy during the 1980s and 1990s through Deng Xiaoping's "Reform and Opening Up" policy. Generally, this program's overriding themes included market-oriented economic reforms, trade, and liberalization as well as foreign investment. To attract foreign investors and also to boost export activities, the coastal areas were provided for Special Economic Zones (SEZs). The one-child policy (1979-2015) was meant to regulate the population density, although it demographically impoverished the nation. The major objectives of the 9th Five-Year Plan (1996-2000) focused on modernizing agriculture, enhancing the technological revolution, and restructuring state-owned companies (BBC, [2019](#)). As the data shown in the Research conducted by IMF (Silva-Ruete, [2006](#)), China has started cutting its growth rate from the beginning of the 1980s with an annualized growth of 9%. Based on the latest data from the IMF, unlike many other developing nations that are struggling to save, the national savings rate has been high and has been instrumental in capital formation which is expected to comprise fifty percent of GDP. As seen from figures, commencing from 1996 to 2003 even with robust economic growth, inflation was maintained at an annual average of approximately one percent (Silva-Ruete, [2006](#)). Indeed, the most special characteristic the world has seen of China's economic development is the aspect of internationalization. During the 1980s, China's exports practically rose by an average of 5. The working population of developing countries was 7 percent; during the 1990s, it rose by 12.4 percent;

between the years 2000 and 2003. Thus, seven times in total, during the period of 1970s to 2003, China's growth rate overtook the global export growth rate. The investment by other countries has also been highly praised; at present, more than 1 billion Dollars is being invested in China in a week through Direct Investment in other foreign countries. Due to this outstanding economic development, it was no more on the list of low-income developing nations in the world, and from the late 1970s about 0. About 4 billion people have been lifted out of poverty. Official Statistical data of China reveal that for the period 1953-78, China's actual GDP grew at an average annual rate of 6.7% (CRS-Report, [2019](#)).

### Factors that Made These Developmental Policies Successful

China's recent economic development has been underpinned by three transformations: moving from a centrally planned to a market-oriented economy, from an agriculturally based to a manufacturing- and services-based economy, and from a closed to an open economy. There have been three significant factors in this transformation process. Firstly, initial conditions favored growth due to the country's large population, low-wage labor market, and potential economic advantages. Secondly, structural reforms were implemented in a disciplined manner, including privatization, trade liberalization, and the removal of red tape. Thirdly, the Chinese authorities adopted a long-term implementation strategy focused on sustained high growth rates, macroeconomic stability, investment growth, technology policy, access to credit, and education. The reform process

was implemented gradually in several stages to minimize the impact on those affected by the changes (Silva-Ruete, [2006](#)).

### From the Early 1990s to the Present

From the early 1990s to the present: the Chinese economy has expanded at a faster rate than it was formerly capable of before the reformed economic system therefore, mostly, it has steered away from major economic downturns. China had an average of 10 % annual real GDP growth from the year 1979 to the year 2018. Therefore, China has successfully managed to increase the scale of the economy every 8 to eight years on average. China being part of the global village felt the effects of the global downturn that began in mid-2008. Chinese media at the beginning of the year 2009 reported that about 20 million of the foreign workers that migrated to the country to search for employment have returned home empty-handed owing to the credit crunch that hit the country and that real GDP growth has slowed to above 7% y-o-y in the fourth quarter of 2008. In response, the Chinese government unleashed a 4 trillion yuan (£ 586bn) fiscal stimulus program, which was largely to fund construction and easing of monetary conditions to promote bank credit. China managed to avert the likeliness of a significant decline in the worldwide demand for Chinese goods mainly due to these efforts. The rate of real GDP in China averaged around 10% from the year 2008 to 2010. However, during the next consecutive six years, the trend of the GDP growth rate lowered, and it went down from nearly 11 percent in the year 2010 to nearly 7 percent in the year 2016. In 2017, the real GDP grew by 7% while in 2018, it had only 6%. 5% (CRS-Report, [2019](#)).

Figure 1

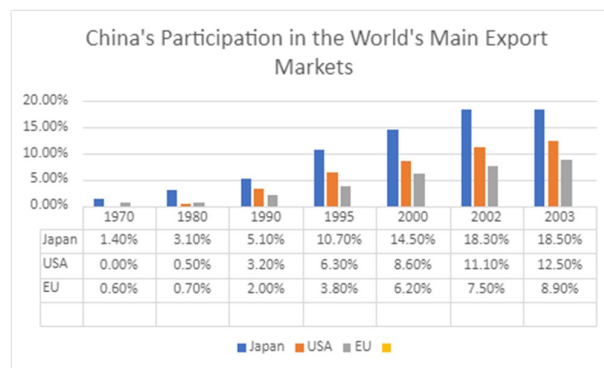


Source: IMF, and Chinese National Bureau of Statistics

The nation stayed on course during the first decade of the new millennium with the 10th Five-Year Plan (2001-2005) that focused on ecological building, the development of the western regions, and science and technology innovation. The main areas of concern for the welfare programs and carbon and energy consumption as part of the 11th Five-Year Plan (2006-2010) are as follows: Thus, the goal of the 12th Five-Year Plan (2011-2015) was to raise the manufacturing industry vitality, increase residents' consumption, and decrease the income difference. Next, the 'Made in China 2025' strategy (2015-present) aimed at updating and integrating innovation and automation to advance China to be the manufacturer of modern higher-technology goods. Secondly, the current BRI or The Belt and Road Initiative (2013-present) is another infrastructure developing plan to use Communication as well as Transport facilities to connect China with Asia,

Africa, and Europe. This means that the 2020s prioritize scientific advancement, environmental protection, and independence by following the 14th Five-Year Plan (2021-2025). The current "Dual Circulation" strategy (2020-present) has been designed to boost domestic consumption and innovation and at the same time, try to decrease its reliance on overseas markets (CRS-Report, 2019). It was during this period that the major focus of China was on its export whose result was the enhancement of its economy. Thus, there has been a development of commerce in China during the past two decades. Exports were raised from USD 25 billion in 1984 to USD 383 billion in 2003 and their market share of global exports was enhanced from 1.5 percent to 5.8 percent. The given chart illustrates China's role in the global export destinations in production share over the years (IMF, 2006).

**Figure 1**



Source: IMF 2006

### Analysis of Key Policies that Rapidly Boosted its Rise

It is an incredible achievement that China has gone from being an economically backward country to a major world power. For years, the government of China has been developing several programs to encourage industrialization, scientific innovation, and productivity expansion. A few of the most important governmental initiatives that have supported China's development are as follows.

### Chinese State-Owned Enterprises and Their Role in Chinese Rise

The ascent to China's prominence has been significantly aided by state-owned enterprises (SOEs). These organizations were set up during the 1950s and 1960s with the intention of consolidating the national economy and maintaining government control over key industries. Since then, SOEs have played a significant role in promoting economic growth and supporting China's important sectors (Li & Liu, 2014)



The contributions of SOEs have been vast, ranging from their substantial commitment to infrastructure projects that have aided in trade cooperation to their funding of cutting-edge R&D projects in fields like elevated rails and sustainable sources. China has become a leader in several crucial areas thanks to these investments. They have also contributed to R&D and infrastructure. They have been instrumental in advancing China's export sector. With major corporations like China National Petroleum Corporation (CNPC) and China National Offshore Oil Corporation (CNOOC) seeking to make significant progress in the global energy market, their enormous scale and wealth of resources have allowed them to achieve a competitive advantage over foreign firms in an array of export-driven areas of the economy (Naughton, [2018](#)).

The promotion of stability both socially and economically in China has also been aided by SOEs, which have helped millions of people by functioning as a social safety net and by creating vital job opportunities, particularly in undeveloped areas. Moreover, they have already been capable of investing in vital sectors like agriculture and the military that, while they may not produce significant profits, are essential for societal or national security reasons (Wu, [2017](#)).

### **Open-Door Policy 1978**

The new leader of the People's Republic of China, Deng Xiaoping started the Open Door Policy by announcing the execution of the barred gates in December 1978 to welcome international companies. Special Economic Zones supplied by Deng Xiaoping to provide to Chinese industries regarding the modernization it wanted to attract monetary services during the 1980's. Financial prospects in China were drastically altered when the policy meant to encourage and accommodate imports and exports was made to place the nation on a path towards being the "Globe's Manufacturer" it currently is today (Longley, [2021](#)). China dramatically raised its trade share during 1978-1989 by moving from 32 to 13 among the most exporting countries. Chinese market share was 10.4 % of the total world exports in the first decade of the twenty-first century as estimated by WTO, and the largest goods export

was that of China crossing a figure of \$1.5 trillion. China surpassed America in the first decade of the 21st century to become the leading exporter in the world with \$4.16 trillion in overall trades for the year which using \$, a sum equivalent to 27.14 percent of the country's Gross Domestic Product. The strategy supported social, fair returns for all the countries that traded with China and ensured China's government, and regional order (Britannica, [2022](#)). This open-up policy has led to a rapid flow linking the Chinese with Western nations and Japan (Howell, [1991](#)).

### **One-Child Policy**

Due to its potential effects on human rights, China's decision to establish the one-child policy in 1979 to control population growth sparked debate and criticism. Yet, it was crucial to China's rise to prominence as a major world power (Liu & Zhao, [2014](#)).

The approach successfully reduced the strain on China's natural assets, and limited resources and enabled the PRC leaders to invest more in infrastructures, training, and welfare. This sparked growth in the economy and resulted in a spike in production and exportations, supporting the Chinese Economic situation. Because of the one-child policy, there has been a significant shift in the population, with a bigger proportion of those individuals participating in the Labor force, which has contributed to the rise and prosperity of China. In spite of the fact that the plan was abandoned in 2015, it continues to exert a significant influence on the Chinese government's rise to previously unimaginable heights (Wei & Zhang, [2011](#)).

Because of China's one-child policy, families were able to increase their discretionary income, which enabled them to make investments in housing and education, which ultimately led to an improvement in the standard of living for a large number of Chinese citizens. The poverty rate was reduced as a result of the plan since it made it possible for families to increase their investments in education and job training. According to the World Bank, this has resulted in the implementation of the one-child policy as well as other economic changes that have assisted in the growth and development of China's economy.

Every year since 1981, China's gross domestic product has climbed by 9.5% the year [2019](#) (Feng & Li).

### **The policy of Special Economic Zones (SEZs) in 1980 and how it Boosted China's Rise**

Among the most significant markers of overall growth in China, the rapid expansion of SEZs is the key driver for the Chinese rapid economic rise. SEZs have been also crucial in its participation in international markets since the late 1970s. Its policies sought to utilize resources, generate employment opportunities, draw the attention of international investors and innovation (often through the establishment of strategic partnerships), and promote revenue generation (Chen & Zhong, [2003](#)).

In essence, SEZs are a kind of open terminals. To stimulate the attention of international investors, technological advancements, and rational governance mechanisms, the administration lowered or removed tariffs to foster an environment that conducted investments. To create an open market and progressive trade economy, the government employed specific economic methods and techniques and flexible economic policies under SEZs (CN, [2009](#)).

China provided opportunities for international investors, including access to cheap labor, private property protection, and SEZ tax reductions. SEZs were created in the 1980s close to Hong Kong, Macau, and Taiwan, and also in 1984, they were extended to 14 coastline major ports. In 1985, the Yangtze River Delta, the Pearl River Delta, the Xiamen-Zhangzhou-Quanzhou Triangle, and the Hainan Province all received the SEZ designation. China had 60 SEZs in 1992, 210 national development zones, & 1,346 provincial development regions by 2005. Up until the 2000s, SEZ development and its beneficial economic effects were focused in coastal regions, but since then, the government has made investments in interior infrastructure through programs like OBOR/BRI (Rodrigue, [2020](#)).

The utilization of imports, compensating trading, collaborative firms, partnerships, and companies under foreign investors helped transform the Chinese economy in addition to

boosting it by luring international investment. As a result, China was capable of fortifying its infrastructure and attracting international capital to develop and build the Special Economic Zones (Nishitateno, [1983](#)) even further.

SEZs and technology parks in China have made a substantial impact. It increased the GDP, diminished unemployment, fortifying exports, and attracted foreign investors. SEZs produced more than 30 million employment, 46% of FDI, 60% of exports, and 22% of the nation's GDP as of 2007. Contemporary effective strategies and digital innovations have also been introduced to China because of these zones. HIDZs have been particularly prosperous; they account for 1/3rd of high-tech exports and half of China's high-tech gross rapid industrialization. China's SEZs and technology parks have benefited much from the state's active facilitation, strong commitment, and progressive experimental approach. The necessity of strong leadership, regulatory reforms, public-private partnerships, overseas investors, clear objectives, benchmarks, supervision, and technological training and modernization are only a few of the lessons learned (Zhihua Zeng, [2011](#)).

### **The Road Initiatives and Important Projects under these Initiatives**

The policies of the Chinese government to build roadway projects in China have been crucial to the country's economic growth throughout time. These are as follows.

#### **Go West Policy and Benefits from it**

Initiated in 2000, the "Go West" policy sought to increase economic development in Western China, which had previously lagged behind wealthier eastern provinces. The plan called for significant infrastructure spending, including the building of motorways, railroads, and airports, which helped to improve connectivity and lower transportation costs. As a result, the western area has attracted more investors and seen rapid economic expansion (Wu, [2014](#)).

#### **BRI (Belt Road Initiative) and the OBOR (One Belt One Road)**

China initiated the One Belt One Road (OBOR) program in 2013 with the intention of revitalizing

the old Silk Road commerce network of highways. OBOR is the name given to this massive economic initiative. A large-scale infrastructure improvement plan will be carried out under this scheme throughout the continents of Asia, Europe, and Africa in line with these provisions. This money has to result in the set up of pipelines, ports, railroads, and roadways as components of these enhancements. The root thought behind the One Belt One Road (OBOR) plan is to advance predictably mounted financial development along with transportation and exchanging among taking an interest nation, related across-the-station interconnectivity in various sorts.

BRI stands for Belt and Road Initiative, started in 2013 as a planned network of seaports, railways, and highways built under the cooperation of China to connect China with Europe and from Africa to Asia. This big infrastructural development process started in 2013. Benefiting from the Belt and Road Initiative (BRI), China could enlarge its market footprint, secure vital resources, and remove barriers to exporting Chinese goods to other end consumers abroad. A study conducted by the World Bank (World Bank, 2019) suggests that the Belt and Road Initiative (BRI) would increase trade and investment among member countries. This could translate to an increase in global commerce of 2.8 percent.

### **CPEC ( Opportunities and Benefits)**

Among the most prominent of these Off-Border (OBOR) endeavors, is China-Pakistan Economic Corridor (CPEC). An artificial network of roads, railroads, and pipelines will link the Gwadar Port located in the Balochistan province of Pakistan to the Xinjiang area of China. This would be accomplished as part of an infrastructure expansion project that calls for a total expenditure of \$62 billion. The project includes building a 1,100-kilometer freeway, renovating the existing rail route that connects Karachi and Peshawar, and establishing an optical fiber cable network between the two nations (Raza, 2018). In short, all these projects will strengthen China's economic ties with its neighbors, increasing its regional power. They will also provide job possibilities and encourage the development of China's

impoverished areas, including Xinjiang (Breslin, 2013).

### **Conclusion**

China's transformation from a mostly isolated, rural nation to a rising nation politically and economically in the global arena is the result of several government initiatives. Liberalization initiatives in terms of economy-enabled overseas exportation and the establishment of state-owned enterprises have been the main drivers promoting China's rise to global power. The initiation of infrastructures, road and connectivity initiatives, and plans have also been instrumental in boosting China's rise to global power. The upgrading of China's military has also allowed being influenced internationally and strengthened its presence there. Engaging in international diplomatic engagement, one of the strategies for China was to build contacts elsewhere and increase its influence within organizations such as the UN all being central elements. Second, China's work in the areas of R&D, especially in such fields as machine learning and 5G innovation and in sustainable sources is also essential. Chinese State-Owned Enterprises, Open-Door policy, One-Child Policy, Special Economic Zones (SEZ), and road initiatives have been implemented to its rise among which Go West Policy and BRI and the OBOR(One Belt One Road) & CPEC are most actively pursued as a driver for hegemony.

### **Recommendations**

- A few internal challenges that China faces include social stability and cohesion. These challenges affect its performance in the competitive international scenario. For China to emerge as a major superpower, it must address economic inequality, increase access to healthcare, education, and social protection, and encourage inclusive growth.
- To rise globally and be influential, China must actively participate in regional and international organizations, advocate open and equitable trade policies, and cultivate diplomatic ties globally. It has been emphasizing it but more struggles are needed.

- To promote social cohesion internally and ease tensions and internal problems, China should emphasize regional problems bridging the urban-rural divide, encouraging collaboration projects, and resolving regional inequities.
- To sustain leadership in the world and produce a highly trained workforce for a knowledge-based economy, invest in education and skill development.
- Some challenges like corruption hinder the swift development of China. For that, it must also emphasize good governance, transparency, and the rule of law. They will also create a favorable atmosphere for business investment and economic progress.

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