

The Impact of Multilateral Relations on China's Economic Performance

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Abstract: This paper majorly researches the macroeconomic performance of China in the prospect of international trades. The initial section evaluates China's economic competency under several major multilateral organizations, such as WTO and the IMF. And one highlight of this part falls on the embedded consideration of Chinese policies and actions in its economic motives. Switch to the second area of our research. It primarily discusses the economic behaviour under the ambivalent US-China relationship. Also, this area utilizes lots of figures and data to illustrate the status of China's economy under this background. The next part of our report uses some key indicators in the macroeconomy to analyse the impact of China and the third world's relation.

1. Preface

1.1 Overview of research

This research report mainly focuses the interactions between China and the rest of world, and study how these impact on the China's performance in international economy. Also, it applies those key macroeconomic analytical skills to draw predictions and conclusions. This work consists three major relevant subtopics about China's multilateral and its impact on China's economy performance: the primary organizations China involved, the Sino-US trade war, and the third world alliance.

2. Research result

2.1 Major multilateral organizations

To examine the impact of multilateral relations on China's global economic performance, a historical review of those international organizations that China involved in holds great significance. With China interchanging its roles between a participant and a founder, we are actively taking part in the worldwide economy, and developing our own economic performance.

The admittance of WTO is bound to be the primary multilateral change in China's situation in global economy. Enter WTO right just around the new century allowed us to extend our economic relationship to a broader association of countries from both the first-world and third-world areas. To perform the duty WTO has assembled to its members, we embrace the openness in international trades. Previously, our policies preferred the inward-oriented guideline, thus we retracted ourselves from the blooming global economy. And the aftermath of Asian financial crisis in 1990s still dropped our economic growth rate below 8%, China's performance in a global view was rather undeveloped. As China adapted the outward-oriented strategies as a member of WTO, our macroeconomic performance has dramatically improved. The first major impact was from the removal of trade barriers. From 2001 to 2018 we decreased our tariff level from 15.3% to 7.5% (Tu 2020). And we have shortened the time duration for the Custom grant of goods import to 16.7 hours length (Tu 2020). These tactics accelerate the speed of transactions among us and the oversea markets. Applying to the context of macroeconomic performance, our multinational trades add up more fluidity. In a solid structure of economy, we'd rather state the velocity of money stays unchanged. This policy spends one day less to import goods and also makes their prices attractive to domestic customers. A favorable profitability in

Chinese market begins to bring in more foreign investors and, the money flows in and out more smoothly, A win-win perspective is shown between us and WTO.

Table 1 China’s export performance, 2020. Source via WTO.

Part B Exports to major trading partners and duties faced									
Major markets	Bilateral imports		Diversification		MFN AVG of traded TL		Pref. margin Weighted	Duty-free imports	
	in million		95% trade in no. of		Simple	Weighted		TL in %	Value in %
	US\$		HS 2-digit	HS 6-digit					
Agricultural products									
1. European Union	2018	8	4	4	13.3	23.6	23.6	100.0	100.0
2. Morocco	2018	4	1	1	6.3	2.6	0.0	0.0	0.0
3. China	2018	3	1	1	6.0	6.1	6.1	100.0	100.0
4. Senegal	2018	1	1	1	7.5	10.0	0.0	0.0	0.0
5. Turkey	2018	1	1	1	0.0	0.0	0.0	100.0	100.0
Non-agricultural products									
1. China	2018	25,823	1	1	4.9	0.1	0.1	100.0	100.0
2. European Union	2018	4,276	2	2	3.8	0.1	0.1	100.0	100.0
3. India	2018	4,027	1	2	7.5	0.5	0.0	5.5	81.5
4. United States of America	2018	2,776	2	3	1.2	0.2	0.2	95.8	100.0
5. United Arab Emirates	2018	1,569	1	2	4.2	0.5	0.0	16.1	90.1

Moreover, with the incentive of trade growth, China values the opportunity WTO brings out, and the promising multilateral relationship stimulates our reform. A completion of full access for foreign investment and the enhancement of patent protection mutually advanced the productivity of our own. The full grant indicates Chinese private company owners possess the FDI, the foreign direct investment with the definite power to manage these financial activities. Chinese government has reformed the process from “by approval” to “by registration” since 2004. Summarize our performance after joined the WTO for twenty years, this policy encourages and generates the inner force of private economy. It’s bursting into prosperity and till 2019, 13.48 trillion-yuan export/import profit has been created, its ratio is soaring to almost half of our export total amount. Additionally, we emphasize more about the patent protection. As a member, we have to comply with its basic regulations, thus urges us to give more transparency on the patent, copyright. Recalled the essence of

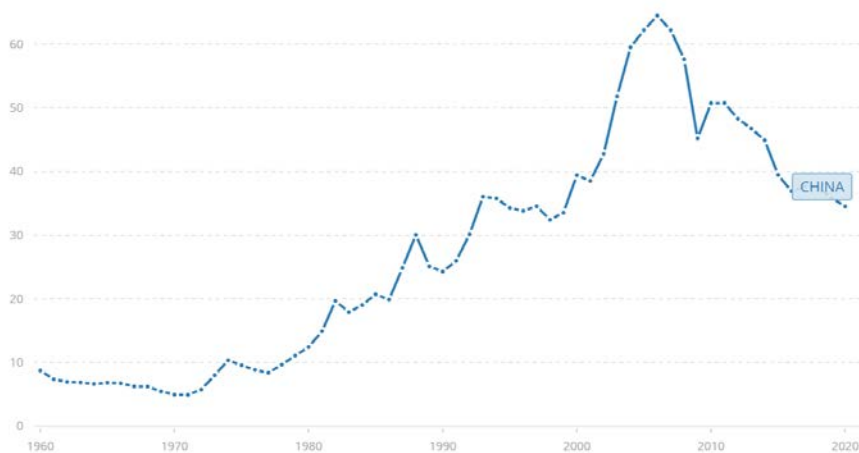


Figure 1 FiChina’s foreign trade statistics, from 1960 to 2020. Sources via. Worldbank.

Promoting technology and research: its progress is the main reason why living standards rise over the long run. This term fundamentally establishes a discipline for protecting originality, for which China always receives doubts from other multilateral relations. To conclude, WTO offers the basis for modern China’s multilateral relations, and China seizes this chance to reform and refine our overall economic performance.

Parallel to the multilateral relation in which China follows the lead, China also takes the lead in influential multilateral groups. As one of the cofounders for International Monetary Fund, China is continuously pursuing the goal which IMF values most. IMF aims at secure financial stability and foster global monetary cooperation, and it authorizes the distribution of SDR, Special Drawing Right (IMF, 2021). Inside the global system of monetary control, China has been set into the cohort of competitive developed countries. The huge contrast between China’s RMB and those currencies from

the first-world cofounders drive us to build up RMB's capability in the foreign exchange market. Correspond to the embracement of open economy, the foreign exchange market will be a determinant for China's aggregated demand. SDR grants a priority for one country's currency similar to world currency, and that's a vital upgrade for China's monetary competency. The attainment of SDR for RMB not only shows the affirmation from IMF, but also throw us into the long-term war to maintain the fifth largest portion in world monetary system. The competitive multilateral relation between China and the third-world countries thrives our monetary economy. China's awareness is turning the crisis into a challenge with emergent scenario. In the first quarter of 2021, the global distribution for RMB rises up to 2.45%, which even doubles the percentage in 2015 (Zhao, 2021). Indeed, in different status within a multilateral organization, China would always seize the opportunities within to make our global economy flourish.

2.2 Sino-us trade war

In the recent tug of war between China and the United States, the relationship between China and the United States was affecting our economic performance. The main reason for this tug of war is that the improvement of China's technological capital leads to the continuous improvement of productivity, and the human capital is abundant and the cost is low, so the export volume is higher, the net export volume is higher, and the GDP is increasing. These phenomena pose a great threat to the United States as the world's largest GDP. Many of them thought that the US bought things from China as a favour from the US, but the real reason is that "the US buys things from China, which the US does not produce, but they have domestic demand and must import from the international market". Certainly, they can import from China, or import from other countries. But the products he imports from China are cheaper and of better quality." ("Yifu Lin: The US buying from China is not a favor to China," 2019, p. xx.) However, in this situation, the US trade deficit with China is getting bigger and bigger every year, moving towards a trade deficit, so Trump thinks the US is getting the short end. So he tried to solve the problem by increasing tariffs on China, but it actually backfired. When a country runs a trade deficit or net exports are falling, it is because of both consumption and saving. "To solve this problem, we have to look at how to increase savings and reduce consumption from a domestic perspective." ("Yifu Lin: The US buying from China is not a favor to China," 2019, p. xx)

At the same time, Mr Lin also pointed out that "the United States in the last century 60 s ~ 90 s trade deficit with China for Japan and the " Asian tigers "of export-oriented economy, and forced to shift production to the United States, Japan, but until today, the United States does not reduce the trade deficit, it continues to increase, this shows that the key problem is still the structure of the US economy itself." "The current U.S. trade deficit is also due to the low savings rate, which can only be cured by the right medicine." Lin said. But he lamented that the US did not address its own problems and continued to focus on the trade deficit. He argues that China is again facing a similar situation and that "this time we have a reason to do what we need to do". ("What does China learn from the Trade war between Japan and the US," 2018, p. xx)



Figure 2 The main form of trade war is tariff war, statistic facts.

After the tariff increased, American tech companies still sought cheaper suppliers for cost reasons, which gradually shifted the cheap labor market from China to other Southeast Asian countries. China begun to focus on innovating our own scientific and technological development, "Trump suddenly to improve China's relevant export taxes, China products in many components, including capacitance, resistance, optical fiber/cable connector, semiconductor and thyristor switch components products such as import tariffs will be further raised, but it also means that the domestic has been arrested development components manufacturer will receive a degree of protection. Meanwhile, the demand for components generated by the rapid growth of the domestic technology industry will also stimulate the development of the domestic industry." ("Sino-us trade war: a large number of talents return, the trade war situation is unpredictable.", May 20,2019, p. xx) Human capital, physical capital, technology and natural resources have all picked up. Instead of economic stagnation caused by blocked imports, we have started to increase real GDP by improving domestic technology and seek stable economic welfare for the people. The following is the trend chart of the impact of the Sino-US trade war on export and import value of China's textile and apparel.

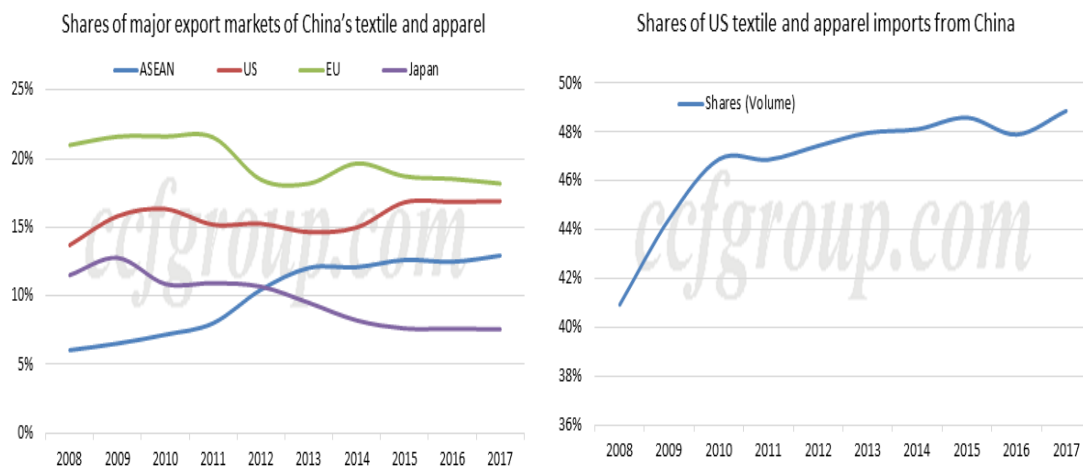


Figure 3 Sino-US trade war on export and import value of China's textile and apparel

But it also faced many difficulties and challenges. "In addition to crude oil and natural gas products, the United States' repressive measures against China are mainly focused on the auto industry, electronic components, network equipment and other hardware products." In terms of 5G technology research, the trade war between China and the US has also affected China's 5G development. "In addition to the United States, Chinese enterprises will also face head-on competition with American technology companies in other international markets, which is bound to affect the rapid development of China's science and technology industry. At the same time, for the next 5G industry, Huawei and other enterprises with extremely high advantages in technology and cost will also face greater resistance in expanding the US market." ("Sino-us trade war: a large number of talents return, the trade war situation is unpredictable.", May 20,2019, p. xx)

The trade war would also affect human capital, as the two countries' relations are closely linked to the talent market. In fact, before the trade war, China was faced with a large number of brains drain abroad, which also caused a great hindrment to our productivity. The outbreak of the trade war has also stimulated many Chinese to return home to revitalize the country's development and contribute to improving national productivity.

At present, the most important thing for the world is development. At a time when the world economy is pessimistic and confused, China's opening-up will bring other countries opportunities for common development. "The United States accounts for less than 20 percent of China's exports, and if the United States reduces exports because of the trade war, our imports from the United States will also decrease." ("Yifu Lin: The US buying from China is not a favor to China," 2019, p. xx.) Now, as long as we maintain a good development attitude, continue to adhere to the road of our economic

development, so that China's development will be recognized by more countries, even the United States will gradually realize the strength of China and seek cooperation and sharing.

2.3 China, and the third world

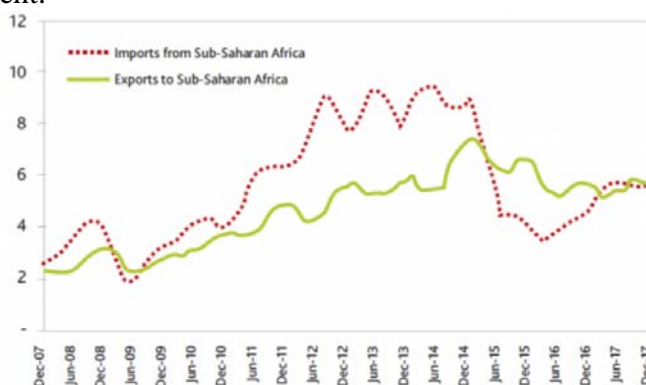
The third world refers to the developing countries in Asia, Africa, Latin America and other regions. Most of these countries are large, populous and extremely rich in resources. As one of them, China has strong economic ties with the rest of the Third world.

China and Pakistan have always been cooperative partners. The scientific and technological cooperation between the two countries is smooth and effective and is still deepening. As shown in figure 1 below, China has provided high-speed rail support to Pakistan, which has helped double the speed of Pakistan's trains, improving Pakistan's struggling economy and providing some jobs for The Pakistani people. This is why the word "Iron Pakistan" comes from. The CPEC (China-Pakistan Economic Corridor) also benefit China economically, as China is a major importer and exporter of oil and the railway between China and Pakistan is its main transportation route. The rail link will allow China to avoid paying tolls to Singapore, reduce oil transport costs and improve transport safety.



Figure 4 Pakistan Railways Revenue report

From figure 3, we know that the Belt and Road Initiative connects the economies of China and Africa. Also, China's exports to and imports from Sub-Saharan Africa both have upward trend in figure 4. Energy cooperation between China and Africa has strengthened China-Africa relations. However, the COVID-19 has had a big impact on the energy market. As a country that is good at epidemic control, China has provided assistance to many underdeveloped countries, such as epidemic supplies, medical technology and vaccines. Africa has excellent renewable energy development potential and prices, and many of China's natural resources also come from Africa. China's development of renewable technology cannot be achieved without the support of low-end energy sources in Africa. Therefore, helping Africa's economic recovery is also of great interest to China's economy and development.



Source: Direction of Trade Statistics (IMF) and authors' calculations

Figure 5 China's exports to and imports from Sub-Saharan Africa



Figure 6 The Belt and Road Initiative

The economic development of China and third world countries helps each other and draws on each other's needs. China's growing economic prosperity is inseparable from its cooperation with the third world. The third world has provided China with a lot of scarce energy, which has played a huge role in enriching the country's resources and improving China's productivity.

3. Conclusion

In a word, other countries in the world play a huge role in China's economic development. The trade war between China and the United States is not only a small challenge for China. However, at the same time, China has tried its best to develop multilateral relations to promote economic development, such as joining the World Trade Organization and mutual benefits with third world countries. Therefore, multilateral relations have both advantages and disadvantages for China's economic. In the future, China will make more rational use of multilateral relations to improve its economy.

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