

# China's external circumstances in next five years

## ECONOMY

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The 19th CPC Central Committee's fifth plenary session analyzed the profound and complex changes facing China, pointing out that though China will remain at a period of important strategic opportunities going forward, it will face new challenges and opportunities.

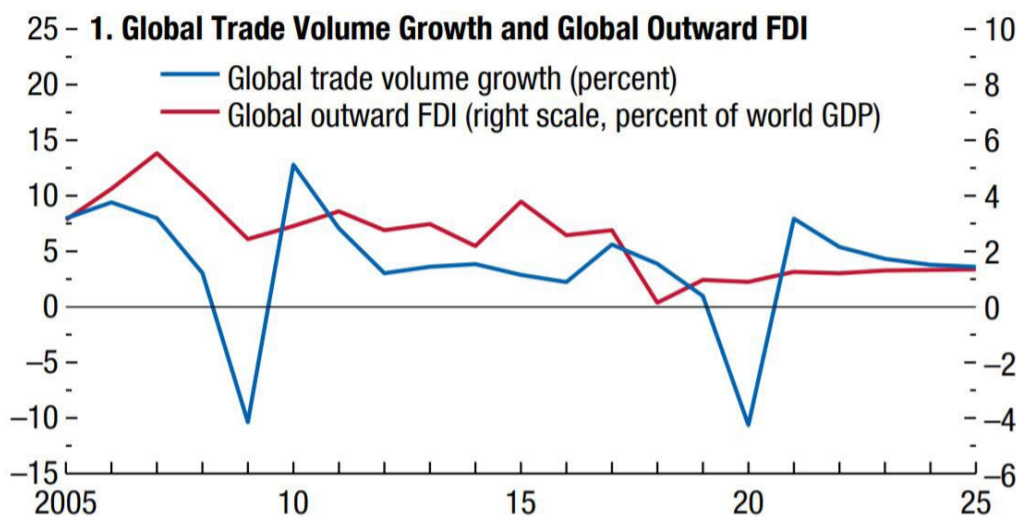
As the pandemic continues to plague the world, its short-term negative impacts on the global economy have emerged, fueling profound adjustments and an evolution of the global economy, politics, technologies, and governance structures. With this backdrop, instabilities and uncertainties will increase globally, resulting in new challenges and obstacles for China's economic growth during its 14th Five-Year-Plan period (2021-2025). Nevertheless, as long as China balances pandemic containment and socioeconomic growth, and meticulously prepares for changes in its external environment for the long-term future, the country will be able to turn dangers into opportunities.

### Economic trends

Recently, more countries have begun to face rising issues such as low growth, low inflation, low interest rates, rising debt, wider income gaps, and aging populations. Risks loom large, threatening to thrust the world economy into a long-term economic downturn and exerting far-reaching repercussions for economic globalization.

In the short term, the pandemic might result in the most serious economic contraction and mass unemployment since World War II. The IMF's October 2020 World Economic Outlook estimates the rate of global economic growth at -4.4% for 2020.

In the mid to long-term, the world economy is likely to take a nose dive. Although the epidemic may resurge in some countries or districts, its damage on economic



Global Trade Volume Growth and Global Outward FDI Photo: WORLD TRAVEL AND TOURISM CONCIL AND IMF

recovery and market confidence will eventually decrease significantly. As people grow more aware of the importance of virus prevention, and as countries continue to gain more relevant experience while improving their governance capacities, strict containment or long-term containment becomes very likely.

Before the outbreak, some advanced economies already found themselves deep in the troubles of low growth, low inflation, low interest rates, rising debt, wider income gaps, and aging populations. The pandemic has worsened structural problems in these countries. In a post-pandemic era, it is very possible that the global economy may sink into a long-term recession, and the spillover effect of this is bound to affect emerging and developing economies as asset prices fluctuate on a large scale.

The pandemic will profoundly influence globalization as it intensifies the waves of anti-globalization. Although the pandemic has increased international responses, countries are mostly approaching public health in their own ways. Global public health efforts have not been strong enough to drive globalization. In addition, the pandemic resulted in new anti-globalization tendencies. Specifically, it has forced some economic activities to come to a halt, which hurts both the

demand side and the supply side of the global economy.

What's more, in order to protect themselves from a more vulnerable global supply chain, and reduce the risk that strategic materials may be inaccessible, countries may resort to protectionist measures which would further propel anti-globalization. To sum up, the anti-globalization forces, deeply rooted in fiercer competition among major countries, and nationalism and populism, will probably strengthen in the future.

### Global landscape trends

The world was undergoing a phase of profound adjustment when the virus struck. The balance of power constantly shifts and undergoes adjustment. The process was accelerated as the virus spread world-wide. Over the next five years, the balance of power will further evolve among major countries (or groups of major countries) in fields such as economics, politics, science and technology, and governance in the following ways:

In the international political landscape, multipolar forces may further realign and regroup. With the pandemic's impact, the pattern of "one superpower and many powers" will accelerate evolution, without taking into account the possibility of major incidents, such as acute geopolitical conflicts among major countries.

Due to Brexit, social instability, and the pandemic's impact, the European integration process is struggling. Russia, which plays the role of a key balancer in the future world, has clearly demonstrated its international positioning and influence. As the game intensifies between China and the United States or among China, the United States and Europe, Japan, which has been in a long-term economic downturn, and India, whose rapid economic growth has been abruptly halted by the pandemic, have seen their relative

importance in the global structure increase, although it is not easy for them to maintain a balanced relationship among super-large economies.

In the international technological landscape, competition will become increasingly fierce in emerging fields. In the coming five years, in their efforts to gain the upper hand in a new round of scientific and technological international competition, major countries will witness fiercer competition and intensified blockades or counter blockades, especially fierce in the following areas: the next generation of ICT featuring 5G; the combination of high performance quantum computing with other technologies; the integration of AI with other technologies; modern biotechnology such as genetic engineering; aerospace science and technology such as space probes. In the meantime, the science and technology gaps between powerful nations and weaker nations will further widen.

Four scenarios are likely to emerge out of the global governance landscape. First, existing bilateral, multilateral, regional or international systems might collapse. Countries will start to take a "beggar-thy-neighbor" approach, or even adopt the law of the jungle, with hegemonic powers becoming even more unscrupulous.

Second, multilateral or international systems may collapse or exist in name only, while multipolarization will be defined by competitions among major countries. Regional groups may be formed and regionalism will be redefined. Cooperative mechanisms in some districts will be reinforced, with some new mechanisms being created and others being reorganized or disappearing.

Third, two or more parallel systems may emerge, signaled by broken industrial chains or at least partial decoupling. As a result, the multilateral system will gradually fade or even be torn apart. The parallel systems may

be divided by many standards or factors, including how countries understand and implement system rules, the economies' social, political and economic systems, as well as their cultures, historical backgrounds and ideologies.

Fourth, the process of reglobalization may be boosted. As mankind's common enemy, the coronavirus and its sudden and tremendous impacts have reminded us that all countries live in a community of shared future. What we can and should be doing is to join hands in strengthening, improving and innovating with the current global multilateral system.

When comparing possible scenarios, the first case is least realistic, while what benefits China the most is the consolidation and expansion of regional cooperation and the reform and improvement of the multilateral system. In the end, the scenario which becomes reality will be determined by the approach taken by major economies.

### Impacts on China

In the next five years, the shifting international environment will exert the following major risks and challenges on China's development: first, fractures or even broken joints may appear on the global supply chain, leading to rising uncertainties regarding the demand outside China; second, China will have to shoulder more international obligations and responsibilities; third, China will face heavier tasks of protecting overseas interests.

In 2018, President Xi Jinping stressed the importance of adopting the right approach to history, to understanding the overall picture and to China's role in assessing international developments.

This means that we should not only observe the current international landscape, but also learn lessons from history while looking into the future. We should not only see details, but also grasp the bigger picture. We should keep sight of the main issues and their principal aspects, and avoid getting disoriented or attending to trifles while neglecting the essentials in an ever-changing international landscape. We should not only calmly analyze what we are seeing internationally, but also put ourselves into the equation, and take into consideration China's relationship with the world. By doing so, we can figure out China's position and what role China should play in the changing international landscape, to formulate the country's foreign policies and guidelines in a scientific way.

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Containers unloaded at Qingdao Port, Shandong Province Photo: CHINA DAILY