China's Economic Recovery Policies and Their Impact Since the COVID-19 Pandemic

Fusheng Wang
Department of Philosophy, University of Washington, Seattle, United States
fushew@uw.edu

Abstract. The COVID-19 pandemic has had a profound impact on the global economy, prompting nations to adopt various recovery measures. The crisis compelled China to innovate and adapt its economic policies to focus on both short-term recovery and long-term stability. This paper conducts a comprehensive analysis of China’s post-pandemic economic policies and their ramifications, both domestically and internationally. It explores the fiscal, monetary, and social measures implemented by China to stimulate economic activity and addresses the challenges these policies face, such as regional disparities and social inequalities. The paper also examines China’s role in the global economic landscape post-pandemic, evaluating the potential effects of its policies on international trade and relations. Finally, the study offers a set of practical suggestions to overcome identified challenges. This paper aims to serve as a reference point for policymakers, scholars, and stakeholders interested in understanding China's post-pandemic economic strategies and their global implications.

Keywords: China, economic policy, pandemic recovery, fiscal measures, global economy.

1. Introduction

The onset of the COVID-19 pandemic in late 2019 ushered in unprecedented challenges for the global economy, lagging bare the vulnerabilities of interconnected economic systems. China’s response was a series of targeted economic policies aimed at fostering recovery in the aftermath of the pandemic. China’s economy is marked by a dynamic blend of state intervention and market-driven forces. It had been on a trajectory of robust growth before the pandemic. This growth, however, was a suddenly halted by the unforeseen spread of COVID-19. The virus not only affected the Chinese economy but sent chaos throughout the global economic landscape, given China’s role as a major trading partner and manufacturing hub.

The crisis compelled China to innovate and adapt its economic policies to focus on both short-term recovery and long-term stability. With China’s significant role in international trade, the magnitude of these changes raises critical questions regarding the potential global ramifications of these policies [1]. This paper aims to investigate China’s economic policy responses to the pandemic, emphasizing their innovative strategies and instruments. It then explores how these policies have influenced not only China’s domestic economy but also the world economy.

The study concentrates on specific aspects of China’s economic strategies, including monetary easing, support for SMEs, fiscal stimulus, and the Belt and Road Initiative’s contribution to global recovery. In order to provide insights into the interconnection of the contemporary global market, the study also assesses how these methods have affected various sectors of the global economy.

Understanding the intricacy of China’s economic reaction in the wake of a crisis that affects the entire world offers politicians, economists, and researchers with important insights. In addition to providing a thorough examination of China’s strategic role in influencing the global economic landscape, the paper offers a relevant and timely exploration of economic policies in the era of pandemics.
2. Overview of Economic Recovery Policies during the Pandemic

China’s response to the economic challenges of the pandemic was multifaceted, combining fiscal, monetary, and structural measures. Key policies included: fiscal stimulus that increase government spending and reduce taxes to boost demand; Monetary easing, meaning to lower interest rates and reserve requirements to make borrowing easier; support for SMEs, thus providing subsidies, loans, and other forms of assistance to SMEs; and investing infrastructure by targeting new projects to create jobs and stimulate economic growth [2].

In the wake of the COVID-19 pandemic, economies worldwide were put under tremendous stress. China, as the world’s second-largest economy, faced unprecedented challenges. The Chinese government recognized the urgency to act and swiftly implemented a series of economic policies to cushion the economic fallout. To revive the domestic economy, the Chinese government enacted fiscal stimulus measures including direct spending, subsidies, and tax cuts. These policies aimed to boost consumer spending and encourage businesses to invest, thereby generating economic growth. At the National People’s Congress on May 22, the Chinese government unveiled 2 trillion RMB fiscal package, including tax cuts and exemptions for businesses [3]. The 2020 Report on the Work of the Government suggests that China is utilizing fiscal policy to revive its economy, which has been affected by the COVID-19 epidemic, rather than relying primarily on credit expansion as it did during the 2008-10 global financial crisis [3]. Rather than relying primarily on credit expansion as it did during the 2008-10 global financial crisis, Chinese government increase its fiscal deficit target to 3.6% of GDP for 2020 [4].

The People’s Bank of China (PBOC) implemented monetary easing policies, such as cutting interest rates and lowering reserve requirements for banks. This increased the money supply and reduced borrowing costs, enabling businesses to access credit more easily and individuals to finance big-ticket purchases. Recognizing the importance of small and medium-sized enterprises (SMEs) to employment and economic stability, China introduced special funds, low-interest loans, and tax relief to ensure their survival and growth during the pandemic. With an eye on longer-term economic development, China launched a range of infrastructure projects, including road, bridge, and urban development initiatives. This helped to create jobs and stimulate various sectors of the economy [5].

At a time when global trade was severely disrupted, China made adjustments to import and export regulations and tariffs. These efforts were aimed at maintaining the smooth flow of goods and sustaining international trade relationships. To shield those most vulnerable from the economic impacts of the pandemic, the Chinese government strengthened social welfare measures. These included enhancements to unemployment benefits, healthcare provisions, and other safety nets, ensuring that individuals and families had the necessary support [6].

The policy overview of China’s response to the economic challenges posed by the COVID-19 pandemic illustrates a multifaceted and targeted approach. By combining fiscal and monetary tools with strategic investments and social welfare enhancements, China aimed to stabilize its economy, foster recovery, and lay the groundwork for future growth. This set of policies represented China’s resolve to navigate the complex economic landscape of the pandemic, setting the stage for a broader analysis of its impacts and implications.

3. China’s Post-Pandemic Economic Recovery Policies and Their Implementation

In the aftermath of the COVID-19 pandemic, China’s government rapidly implemented a series of measures to revitalize the economy. The central strategy was a robust fiscal and monetary response. The People’s Bank of China, for example, cut the Loan Prime Rate (LPR) multiple times in 2020, a key move that lowered borrowing costs, making financing more accessible to consumers and businesses alike [7]. Concurrently, targeted tax rebates were provided to companies in severely affected industries, such as aviation and retail, to promote investment.
Beyond immediate financial alleviation, the Chinese government introduced the “New Infrastructure” plan, focusing on technological innovation. This initiative aimed at boosting investment in 5G, artificial intelligence, and electric vehicle charging stations, ensuring that China remained a leader in technological advancement. These efforts were further supported by providing low-interest loans to small and medium-sized manufacturing companies, crucial to rejuvenating the industrial base.

Infrastructure projects were a prominent part of the recovery strategy. The launch of initiatives like the Chengdu-Chongqing Economic Circle aimed to enhance regional connectivity, providing a catalyst for sustained economic momentum. Simultaneously, tourism and hospitality sectors, devastated by travel restrictions, received targeted support such as “travel bubbles” and financial incentives to revive both domestic and international travel.

An essential aspect of the recovery plan was the emphasis on green growth. The implementation of the National Carbon Trading System and other environmentally-friendly policies demonstrated China’s commitment to a sustainable future [8]. These measures reflected a broader global shift towards environmentally responsible development, aligning China’s recovery strategy with long-term ecological goals.

The social landscape also underwent significant transformation. The Chinese government expanded unemployment insurance and offered online vocational training for workers displaced by the pandemic’s economic disruptions. This support was further strengthened by increased healthcare funding in the hardest-hit areas, ensuring the resilience of social safety nets during a time of unprecedented challenge.

China’s role in the global economy was also reinforced through its recovery policies. The signing of the Regional Comprehensive Economic Partnership (RCEP) agreement opened new trade channels within the Asia-Pacific region, solidifying China’s position as a key player in international trade [9]. Alongside this, enhancements to the Belt and Road Initiative strengthened global supply chain connectivity, allowing China to further integrate with international markets.

While China’s response was characterized by robust strategies and successful implementation, it also faced challenges such as uneven recovery across regions. Urban centers like Beijing and Shanghai rebounded quicker than some rural areas, revealing disparities in economic development. Nevertheless, successes were notable in sectors such as technology, with companies like Alibaba and Tencent playing a significant role in the nation’s economic recovery.

In conclusion, China’s post-epidemic economic recovery policies exhibited a complex, multifaceted approach. By strategically targeting key sectors, embracing technological innovation, fostering sustainable growth, and enhancing international integration, China laid a solid foundation for future prosperity. The specific policies and initiatives implemented by China not only facilitated national recovery but also influenced the broader world economy, providing a blueprint for resilience and growth in the face of unprecedented global challenges.


While China has made strides in its post-pandemic economic recovery, leveraging a suite of policies to stimulate growth, these efforts have not been devoid of challenges. One of the most glaring issues lies in the domain of regional disparities. Cities like Beijing and Shanghai, equipped with more advanced industries, have bounced back relatively swiftly. For instance, Shanghai’s focus on digital economy sectors led to an 8% growth in its tech industry [10]. However, such gains contrast sharply with the sluggish recovery in rural provinces like Guizhou and Gansu. Lack of robust healthcare infrastructure and slow rollout of stimulus packages in these regions have exacerbated existing inequalities, leaving local populations less equipped to participate in and benefit from national recovery efforts.

Moreover, the rapid pace and large scale of policy implementation have come under scrutiny. The case of the Xiong’an New Area is illustrative. Conceived as a “smart city” fitted with state-of-the-art
technology, it was fast-tracked with enormous investment. Yet, the project has been critiqued for potentially becoming a “white elephant,” a large investment with questionable long-term utility. Such projects raise doubts about the effectiveness and sustainability of China’s rapid infrastructural push as part of its recovery strategy [11].

Societal inequalities add another layer of complexity to China’s economic recovery landscape. Policies like tax cuts, aimed at stimulating consumer spending, have not been uniformly effective across all social strata. While the wealthier sections of the population have been able to leverage these tax benefits to invest and spend, lower-income groups, including migrant workers and small entrepreneurs, have found little respite. In 2020, for instance, millions of migrant workers lost jobs due to the economic contraction, and the policy measures have not adequately addressed their specific vulnerabilities.

Externally, China’s recovery measures are also weighed down by international considerations. The trade tensions with the United States have posed challenges, particularly affecting key technology companies like Huawei and Tencent. Following U.S. sanctions, these firms had to revisit their supply chain strategies, even shifting focus to other markets. This reorientation not only complicates domestic economic planning but also has ramifications for China’s global economic standing.

The aggressive push for technological innovation, part of the “New Infrastructure” initiative, has its pitfalls too. While the rapid 5G rollout, for example, is set to revolutionize various sectors, it has sparked concerns about data security. China suffered from multiple high-profile cybersecurity breaches in 2020, questioning the preparedness of its infrastructure to support such advanced technologies securely.

Lastly, governance issues cannot be swept under the rug. Initiatives like President Xi Jinping’s anti-corruption drives, though aimed at streamlining governance, have occasionally stymied local government efforts. The caution exercised to avoid scrutiny has sometimes led to delays in policy implementation, affecting the timely rollout of economic measures.

In summary, China’s approach to economic recovery is fraught with challenges that are as complex as they are diverse. From internal regional disparities and societal inequities to external trade tensions and technological vulnerabilities, each challenge represents a unique facet of the broader tapestry of China’s post-pandemic economic landscape.

5. Suggestions

The previous section highlights a myriad of challenges that China faces in the implementation of its post-pandemic economic recovery policies. These challenges ranged from internal issues like regional and social disparities to external complications involving trade and international relations. Given these multi-dimensional challenges, it is crucial to adopt a multi-pronged approach for effective solutions. This section aims to provide a detailed roadmap for addressing these challenges, featuring both policy-based and systemic recommendations.

Addressing the issue of regional disparities requires a nuanced, dual-policy approach. On one hand, targeted fiscal measures such as industry-specific tax breaks and subsidies could serve as immediate stimulants for economic activity in underdeveloped regions. On the other hand, longer-term social policies need to be put in place to improve the quality of education and healthcare, thereby enhancing human capital. A decentralized approach to decision-making could allow local governments to better adapt these policies to fit their unique economic landscapes.

Streamlining policy implementation is another critical aspect that warrants attention. Projects on the scale of the Xiong’an New Area should undergo rigorous pre-assessment processes that include not only cost-benefit analyses but also environmental impact assessments. Additionally, it would be prudent to establish periodic review mechanisms. These reviews would allow for mid-course corrections, ensuring that projects align with long-term economic and social goals.

In addressing social inequalities, more nuanced and inclusive stimulus measures are needed. A system of graduated tax incentives could benefit lower-income families and promote equitable
economic participation. Special attention should be paid to developing safety nets like targeted unemployment benefits and food security programs for vulnerable groups, including migrant workers and small entrepreneurs.

Navigating international complexities requires both finesse and strategic depth. Open diplomatic dialogues are needed to alleviate trade tensions, especially in technology and other strategic sectors. Pursuing international partnerships in R&D and other high-tech sectors could diversify China's economic dependencies and reduce its vulnerabilities to sanctions or tariffs from specific countries.

Technological advancements should not overlook the importance of data security. Given the fast-paced rollout of 5G and other advanced technologies, stringent cybersecurity protocols need to be enforced. China can benefit from international collaboration with cybersecurity bodies, thereby setting globally accepted standards and best practices.

Enhanced governance and transparency measures can resolve some of the bureaucratic challenges. Administrative processes should be digitized wherever possible to reduce inefficiencies. Furthermore, transparency can be promoted through regular public reporting and third-party audits to hold various levels of government accountable for their actions.

In conclusion, the challenges surrounding China’s post-pandemic economic recovery are both diverse and complex. Addressing these challenges effectively requires a comprehensive, multi-pronged approach, as a single measure cannot tackle all of them.

6. Conclusion

This paper has aimed to provide an in-depth analysis of China's economic recovery policies in the wake of the COVID-19 pandemic, scrutinizing both the domestic and international implications. From the initial policy measures designed to stimulate economic activity to the specific strategies employed, it is clear that China has taken a proactive and multifaceted approach. However, this paper has also revealed a number of limitations and challenges in the implementation of these policies, ranging from regional and social disparities within China to increasingly complex international trade relations.

Among the critical points discussed are China's unique combination of fiscal, monetary, and social policies, specifically designed to cater to both short-term and long-term recovery goals. However, these policies are not without their limitations, as examined in Part 3 and 4. From regional imbalances to bureaucratic inefficiencies, the challenges are diverse and complex. A significant focus has been placed on the influence of these policies on the global economy, highlighting China's critical role as both a major consumer and supplier in international markets.

Furthermore, this paper has proposed a set of practical suggestions for overcoming the challenges identified. The need for a multi-pronged approach featuring policy reform, international diplomacy, and systemic changes cannot be overstated. China's policy decisions, both successful and otherwise, offer valuable lessons not only for its future economic trajectory but also for other countries navigating their post-pandemic economic landscapes.

This research leaves room for future exploration, particularly in the implementation and efficacy of the suggested measures for overcoming challenges. As the world grapples with the reverberating effects of the pandemic, a close observation of China’s strategies and their global impacts offers a pertinent case study for policymakers, scholars, and stakeholders worldwide.

References


