

# Globalization, Economic Opportunities, and Social Inequality: A Case Study of China's Economic Transformation

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**Abstract-** This study seeks to understand the dynamic interrelationships among social inequality, economic opportunities, and globalization. We have done a case study of China's economic transformation. Globalization transforms the economic environment, with opportunities and risks for people and nations. Social inequality stratifies distinct segments of society by socioeconomic position, and we trace the complex components of globalization-induced inequality. This paper examines how globalization shapes the economic opportunities and the possible market outcomes. Because of the complexity with which globalization processes unfold, we explore the joint outcomes of how it shapes economic opportunities, how these resonate in job patterns, income distribution, and attendant outcomes among different social groups. The aim is to provide insights into potential paths for policy interventions and change to equalize the distribution of economic opportunities around the world.

**Keywords:** Globalization, Economic Opportunities, Socioeconomic Inequality.

## Introduction

Globalization means interdependence between countries, under which one country gets interconnected and interdependence another country commercially, culturally, and socially (Kobrin, 2000). This phenomenon has been a prominent feature of the late 20th and early 21st centuries, transforming the way nations and individuals interact economically, socially, and politically. The study of how global connections affect society and the economy is of great importance due to rising links between countries. So, this study aims to look into the complex tie between becoming more global and gaps in society and the economy. The background and context of globalization can be understood through a case study of China. Globalization has made the integration of the world possible in the present time. In the modern world with all of its connections, globalization is considered to be a factor that changes the nature of economies, civilizations, and cultures on a global scale. Globalization affects how we live and work. It influences our social and economic life because countries are more connected now. This research will explore this connection. It will look at Globalization and its effect on Social and Economic Differences.

On the one hand, globalization creates openings that have never been witnessed such as global free trade, but on the other hand, numerous concerns are also raised arising from the apparent increase in income equality, wealth gap, and resource deficit (Alderson & Nielsen, 2002). Thus, this article indicates the importance of examining globalization as a factor that shapes social and economic structures in terms of resource distribution. Therefore, there is a need to study it with concern. The fine correlation between poverty, social inequality, and globalization comprises several complicated aspects –global economic factors show themselves as major contributors to the inequality in incomes while benefiting or aggravating the local social disparities or conditions

The research's objective is twofold: firstly, it will explore the role of global trade and investment in globalization; secondly, theoretical grounding will allow deeper insight into the complex mix of globalization and inequality versus economic opportunity. The strategy is based on using a mixed method, which means integrating both quantitative and qualitative analyses. Along with the studies that rely on quantitative data sources like the World Bank, IMF and national statistical organizations, metrics such as Gini coefficients, GDP, per capita, trade openness, and educational metrics are examined. The research, therefore, takes a wide-angle view and uses both broad and fine instruments to find the underlying factors that make globalization and inequality work together.

## Excerpt from China

Here we have done a case study of the impact of globalization on the Chinese economy. In this case study we will try to understand the relationship between globalization, economic opportunity, and inequality.

## **China's Economic Transformation**

During globalization, China's economy has changed dramatically. This complex shift, driven by global connectedness, has reshaped the world economy. China has moved from a government-controlled to a market-based economy thanks to rapid economic expansion. It has become an economic powerhouse by embracing globalization through exports, foreign investment, and active participation in global trade. As a result, China is now a major supplier of goods to the global market.

### **GDP Growth**

China has consistently achieved high rates of economic growth. For instance, from the late 1970s to the early 2000s, China's GDP grew at an average annual rate of around 10% (Jun, 2003). Globalization has had a significant impact on China's GDP in various ways. The country has become known as the "world's factory" due to its role as a leading exporter of manufactured goods (Li-mei, 2004). This has significantly contributed to GDP growth, as exports have been a major driver of economic expansion. Being part of the global economy has given Chinese businesses access to many international markets. This has not only boosted exports but has also allowed Chinese companies to expand their global footprint and become major players in various industries.

### **Foreign Direct Investment (FDI)**

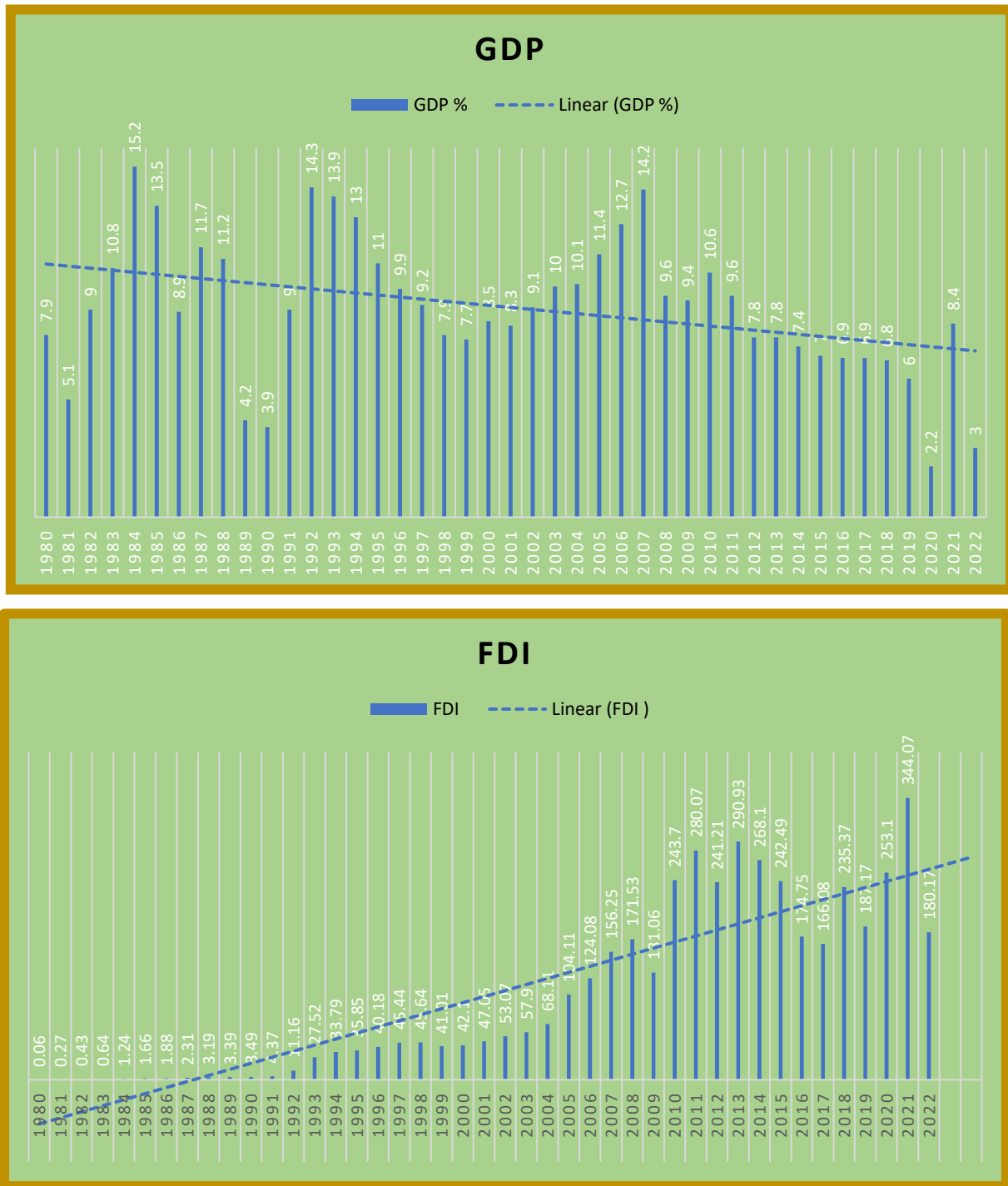
Globalization has attracted substantial foreign direct investment into China (Chow, 2006). Foreign companies have established operations in the country, contributing to the development of industries and infrastructure. FDI has been instrumental in boosting productivity, creating jobs, and driving economic growth. In the early 1980s, China began actively participating in the global economy, opening its doors to foreign direct investment (FDI) and engaging in international trade (Lardy, 1992). The establishment of the Shenzhen Special Economic Zone in 1980 marked one of the first steps toward economic liberalization and globalization.

As China continued implementing economic reforms and integrating into the global market, its economy experienced rapid growth and development. If we look at the growth of GDP in the graph above, we see a huge jump in GDP growth from 1981. By announcing its "Open Door Policy," in 1984 China intended to be a proactive participant in the international economy (Deci, 1996). Bringing in foreign capital, technology, and experience was the goal of this policy. We see a very positive effect of this policy on FDI flow. We can see in the graph that this policy had a tremendous impact and FDI flow doubled in 1984.

With his "Southern Tour" in 1992, Deng Xiaoping maintained China's commitment to economic reform and liberalization (Harwit, 1996). During this journey, Deng Xiaoping addressed the importance of maintaining a communist political framework while adopting market-oriented economic concepts. Once again, this had a significant influence and, this policy brought fresh vitality to China's GDP growth.

On December 11, 2001, China formally joined the World Trade Organization (WTO) (Solinger, 2003). China had to further liberalize its trade and investment policies to achieve its key milestone of joining the WTO. This event once again caused a surge in Chinese GDP as shown in the Figure 1.

**Fig. 1: Trend of GDP and FDI (1980 -2022)**



Source: IMF

**Correlation Coefficient between FDI and GDP**

For calculating the Correlation Coefficient use this Python code

```
import numpy as np
from scipy.stats import pearsonr
```

# GDP data

```
gdp = np.array([7.9, 5.1, 9, 10.8, 15.2, 13.5, 8.9, 11.7, 11.2, 4.2, 3.9, 9, 14.3, 13.9, 13, 11, 9.9, 9.2, 7.9, 7.7, 8.5, 8.3, 9.1, 10, 10.1, 11.4, 12.7, 14.2, 9.6, 9.4, 10.6, 9.6, 7.8, 7.8, 7.4, 7, 6.9, 6.9, 6.8, 6, 2.2, 8.4, 3])
```

# FDI data

```
fdi = np.array([0.06, 0.27, 0.43, 0.64, 1.24, 1.66, 1.88, 2.31, 3.19, 3.39, 3.49, 4.37, 11.16, 27.52, 33.79, 35.85,
```

40.18, 45.44, 45.64, 41.01, 42.1, 47.05, 53.07, 57.9, 68.11, 104.11, 124.08, 156.25, 171.53, 131.06, 243.7, 280.07, 241.21, 290.93, 268.1, 242.49, 174.75, 166.08, 235.37, 187.17, 253.1, 344.07, 180.17])

```
# Compute correlation coefficient
```

```
corr_coef, _ = pearsonr(gdp, fdi)
```

```
print("Correlation Coefficient between GDP and FDI:", corr_coef)
```

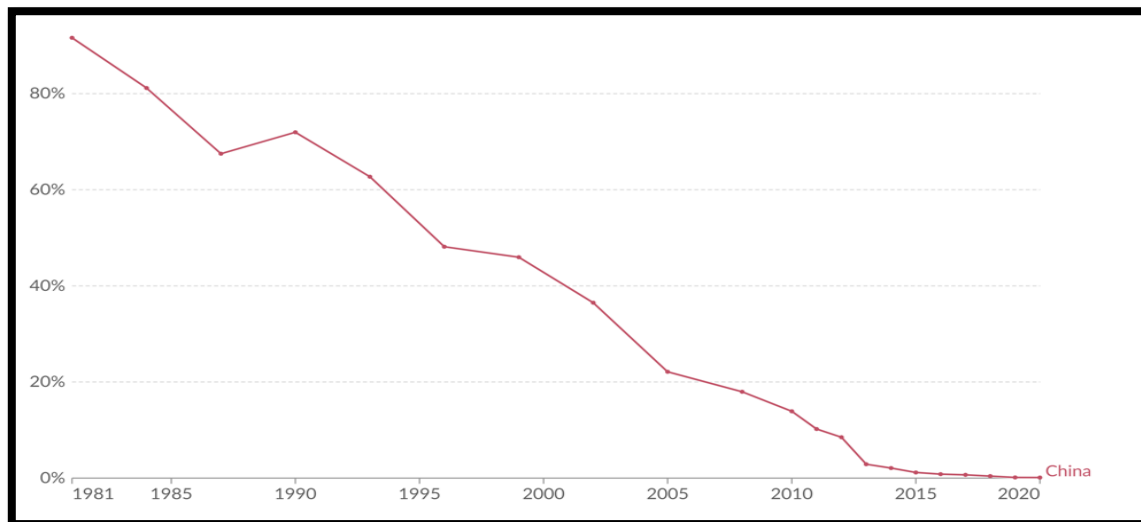
```
Output:
```

```
Correlation Coefficient between GDP and FDI: -0.31146370044037813
```

The correlation coefficient between FDI and GDP is -0.3114, which is closer to -1 than to 0. This suggests a moderate negative linear relationship between the FDI (Foreign Direct Investment) and GDP. Remember that a correlation does not necessarily indicate a cause. Changes in one variable may not always result in changes in the other, even when there is a statistical relationship between them; both variables may be influenced by other factors (Mahoney, 2001).

## Economic Growth and Poverty Reduction:

**Fig. 2:** Share of Population Living in Extreme Poverty, 1981 to 2020



**Source:** World Bank Poverty and Quality Platform (2023)

China has experienced rapid economic growth in recent decades (Zhu, 2012). According to the World Bank, China's GDP growth averaged 10% per year from 1980 to 2010. This sustained economic growth contributed to a significant reduction in poverty percentage of Chinese people living in extreme poverty (they live below \$1.90 a day, adjusted for purchasing power parity) from 88% in 1981 to less than 1% in 2020, according to the World Bank. China has grown tremendously in reducing poverty. The number of people in poverty has plummeted, pushing millions into the middle class.

## Inequality in China

Income inequality has been a significant issue in China, and there is evidence to support the existence of inequality within the country (Piketty, et al., 2017). Several indicators and studies can provide insights into the levels of inequality in China. Here are some evidences:

### Gini Coefficient

The Gini coefficient is also known as the Gini index or Gini ratio, through this, we measure the economic inequality in the population of any country. Mainly it is used to show the income distribution of residents in a country or specific region. By using the Gini coefficient, we determine the degree of inequality in any country or place, with a higher Gini coefficient indicating greater inequality. It ranges from 0 (perfect equality) to 1 (perfect inequality). There has been an increase in the Gini coefficient of China. According to the National Bureau of Statistics of China data, the Gini coefficient increased from 0.302 in 1978 to 0.467 in 2022. Thus, the increasing Gini coefficient shows economic inequality among people.

### Urban-Rural Disparities

Income inequality is often more pronounced between urban and rural areas. Urban areas, where economic development has been concentrated, tend to have higher incomes compared to rural areas. The disparities between urban and rural

regions in China also emerged as a major research area of interest and policy importance, since they are related to economic development, social equity, and political stability. In 2020, data released by the National Bureau of Statistics stated that the per capita income of urban households was 43,834 yuan (\$6,464), and for rural households, that income was 17,131 yuan (\$2,525). The data reflects the very wide income gap that ought to emerge between the urban and the rural population.

According to the Chinese Academy of Social Sciences, the Gini coefficient for incomes of rural dwellers was 0.42 in 2022, which reflects increasing inequality. This means that, firstly, in the countryside, the overall level of average income is rather low, and secondly, large income differences prevail within rural areas. These differences are not just in income but also in terms of access to education, healthcare, and infrastructure, among other services that one could think of. However, the growing gap between urban and rural areas is one of the formidable tasks the country's policymakers will have to face while bringing out balanced, inclusive development throughout the whole country

### **Regional Disparities**

China exhibits differences, in income levels and development across regions. The coastal provinces in the east such as Guangdong and Shanghai are generally economically advanced compared to the inland provinces (Guo & Minier, 2021). These coastal regions boast per capita income levels when contrasted with their developed counterparts.

### **Impact of the Hukou System**

The Hukou system a household registration system implemented in China since the 1950s categorizes residents into rural categories and regulates movement between these areas (Cheng & Selden, 1994). While undergoing reforms in years this system continues to exert influence on different facets of Chinese society. It contributes to economic disparities by granting residents better living standards, enhanced job prospects, and improved social welfare services relative to their rural counterparts. Consequently, it perpetuates inequalities between rural areas concerning income levels, educational opportunities, and overall quality of life.

Furthermore, the Hukou system influences the labour market by creating a separation between urban workers. Rural migrants often encounter obstacles in securing employment opportunities. May face challenges such as low wages and unfavourable working conditions, in urban settings. The utilization of this system has played a role, in the industrial growth and economic progress of cities depending on a vast workforce of migrant workers.

### **Findings and Discussion**

The paper explores the complex relationship between globalization, socioeconomic disparities, and economic opportunities, with a focus on the case study of China's economic transformation. We find in our study that the correlation coefficient between GDP and FDI is  $-0.31$ . This shows that apart from FDI, other factors are more responsible for GDP growth. Talking about another variable we see that Government policy is more related to GDP growth. First of all, 1978, under the leadership of Deng Xiaoping, he brought the policy of "Reform and opening up", whose effect we can see on its GDP till 1988. In 1989 and 1990 we see a decline in GDP. Deng Xiaoping started the Southern Tour on 18 January 1992 and again reiterated its commitment to economic reforms. This clear effect is visible in its GDP and again Chinese GDP reached double digits. Once again China's GDP fell between 1998 and 2000, it joined WTO, which benefited its economy and its GDP again shot up. Therefore, we can say that the government's policy is more responsible for the development of a country than FDI. On the other hand, if we look at the relationship of GDP with poverty, we find that if the growth rate is stable then poverty alleviation happens at a faster pace. Looking at Figure 2 it is clear that in the 1980s, more the 80% of people in the country were below the poverty line, in 2022 less than one percent of people are living below the poverty line. After studying the Gini Coefficient, we find that while globalization presents opportunities to people, it also increases economic inequality among people. While the Gini Coefficient was 0.30 in 1978, at present it is 0.47, which shows that with the increase in GDP, economic inequality among the people has increased. Globalization has certainly increased the pace of economic development, but we cannot ignore the fact that due to it, the trend of economic inequality and exploitation is also increasing. We need smart government policies. The study acknowledges the challenge of generalization in different countries due to their different circumstances. The findings from this study can be interpreted within a specific framework, recognizing the unique factors of each nation.

### **Conclusion**

Analyzing all the above facts, it can be concluded that there is a strong relationship between social inequality, economic feasibility, and globalization. Analysis of the Chinese economy helps us to see the impact of globalization. It shows the impact on China's GDP and FDI when it first opened up its economy in 1978 under Deng Xiaoping. Research highlights the impact of globalization, with positive outcomes such as GDP growth, increased foreign direct investment (FDI), and poverty elimination. While it also shows its negative aspects, it deeply reflects the social and economic differences within China. Increasing Gini Coefficients and Urban-Rural Differences Reveal the Relationship Between Economic Growth and Income Distribution The consistent effect of hukou on inequality highlights the impact of globalization.

When evaluating the findings, it is quite obvious that the right policies at the government level form a crucial part of the response to the problems of inequality rising from globalization. Adjustments of China's GDP level, in response to the core policies, the examples of the significance of governance in determining the development path of the country. Furthermore, the study highlights the need for more comprehensive approaches to addressing inequality. This paper examines the complex association between economic changes, income inequality, and globalization. The main message is that it formulates a reminder of the need for lawmakers, educators, and business reformers to share efforts in finding ways to create a social economy that is inclusive and equal to all.

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I have not received any financial help from anywhere for this research. I have used my one resource for this.

### Ethical Approval

I do not need any kind of ethical approval for this research topic because my topic is general and no such research is being done here which has been tested on humans or animals.

### Author's Contribution

The first author has done the research design, conclusion, analysis and work on the methodology. The second other has done the work on the table. The third author wrote the abstract and introduction.

### Conflict of Interest

The authors declare that they have no conflicts of interest related to the research presented in this manuscript.

### Data Availability Statement

The data used in the presented research paper is available from the IMF and the World Bank.

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