



CHINA'S STRATEGY AND ROLE IN THE INTERNATIONAL
ECONOMY IN THE ERA OF GLOBALIZATION

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Abstract. *This article analyzes China's strategic position in the global economy within the context of globalization. It examines the fundamental drivers of China's rapid economic transformation, including its export-oriented growth model, extensive industrial capacity, and sustained investment in science and technology. The study further explores China's economic interactions with major global actors, particularly the United States, and evaluates the implications of trade restrictions and resource-based strategies for its international standing.*

Drawing on qualitative analysis of scholarly sources, including the work of Zongyuan Zoe Liu, the research assesses both the strengths and structural vulnerabilities of China's economic model. The findings suggest that although China has successfully consolidated its status as a leading global economic power, its heavy reliance on external markets, coupled with relatively weak domestic consumption, poses significant long-term risks, such as structural imbalances and deflationary pressures.

The article concludes that ensuring sustainable economic growth will require China to rebalance its development model by strengthening domestic demand, enhancing economic resilience, and maintaining competitiveness in an increasingly complex and uncertain global economic environment.

Keywords: *China's economy; globalization; economic strategy; export-oriented growth; industrial policy; global trade; domestic consumption; economic*



imbalance; deflationary pressure; technological innovation; STEM education; US–China relations

Introduction.

In the era of globalization, China has emerged as one of the most influential actors in the global economic system. Over the past several decades, the country has experienced unprecedented economic growth, transforming itself from a largely agrarian society into a leading industrial and technological powerhouse. This rapid transformation has significantly reshaped global trade patterns, production networks, and geopolitical economic relations.

China's development model is widely characterized by export-oriented industrialization, strong state intervention, and large-scale investment in infrastructure and innovation. Since the initiation of economic reforms in 1978, the country has successfully integrated into the global economy, becoming a central hub in international supply chains and a dominant exporter of manufactured goods. However, this growth model has also generated structural challenges, including overreliance on external demand, industrial overcapacity, and regional economic imbalances.

In addition to its domestic transformation, China's economic rise has intensified its interaction with major global powers, particularly the United States. These relations are increasingly shaped by trade tensions, technological competition, and strategic control over critical resources. Such dynamics highlight the shifting balance of power within the global economic order.

This article aims to analyze China's strategic role in the global economy by examining its development model, structural strengths, and emerging vulnerabilities. It also explores the implications of China's economic rise for global economic governance and international relations. The study is based on qualitative analysis of academic literature, including key insights from Zongyuan Zoe Liu's research on China's long-term economic strategy.

Literature Review



The rapid rise of China as a global economic power has attracted significant scholarly attention across the fields of international political economy, development studies, and globalization theory. Numerous studies have sought to explain the underlying factors driving China's sustained economic growth, as well as the structural challenges embedded within its development model.

A central strand of the literature emphasizes China's export-oriented growth strategy and state-led industrial policy as key drivers of its economic transformation. Scholars argue that since the economic reforms initiated in 1978, China has successfully integrated into the global economy by leveraging low-cost labor, large-scale manufacturing capacity, and strategic government intervention. This approach has enabled the country to become a major hub in global supply chains and a leading exporter of industrial goods.

At the same time, a growing body of research highlights structural imbalances within China's economic model. In particular, Zongyuan Zou points to the risks associated with overinvestment, industrial overcapacity, and insufficient domestic consumption. According to this perspective, China's growth model, while highly effective in the short term, may generate long-term vulnerabilities, including deflationary pressures and diminishing returns on investment.[1].

Other scholars focus on China's evolving role in the global economic system, particularly its complex relationship with the United States. The literature suggests that increasing trade tensions, technological competition, and strategic use of critical resources—such as rare earth minerals—have transformed economic interdependence into a more competitive and, at times, confrontational dynamic.

In addition, research on innovation and human capital development underscores China's growing emphasis on science, technology, engineering, and mathematics (STEM) education. Analysts argue that sustained investment in innovation is a crucial component of China's long-term strategy to move up the global value chain and reduce dependence on foreign technology.

Despite these contributions, the literature reveals a consensus that China's future economic trajectory will depend on its ability to address internal structural



constraints while adapting to an increasingly uncertain global environment. Issues such as weak domestic demand, demographic changes, and external economic pressures remain central to ongoing academic debates.

Methodology.

This study employs a qualitative research design to analyze China's strategic role in the global economy. The research is primarily based on document analysis, focusing on academic literature, policy reports, and analytical articles related to China's economic development and international economic relations.

A key source informing this study is Zongyuan Zoe Liu's analysis published in *Foreign Affairs*, which provides critical insights into China's long-term economic strategy and structural challenges. In addition, relevant scholarly publications, statistical data, and institutional reports were reviewed to ensure a comprehensive understanding of the topic.

The study adopts a comparative and analytical approach to examine China's economic model in relation to other major global economies, particularly the United States. This approach allows for the identification of key similarities, differences, and competitive dynamics within the global economic system.

Furthermore, the research focuses on thematic analysis, categorizing findings into several core areas, including industrial development, trade policy, technological innovation, and macroeconomic stability. This enables a structured interpretation of China's economic transformation and its implications for global economic governance.

Overall, the methodology is designed to provide a holistic and evidence-based understanding of China's economic strategy by integrating multiple qualitative sources and analytical perspectives.

Analysis and results. The analysis reveals that China's rapid economic rise is primarily driven by a combination of an export-oriented industrial strategy, large-scale manufacturing capacity, and strong state involvement in economic planning. Since the initiation of economic reforms in 1978, China has maintained consistently high GDP growth rates, lifting hundreds of millions of people out of poverty and



transforming itself into the world's second-largest economy. This transformation has been facilitated by gradual market liberalization, openness to foreign direct investment, and integration into global production networks, allowing China to emerge as a central hub in international supply chains.[2].

The findings further indicate that China has firmly established itself as one of the world's leading manufacturing economies, playing a decisive role in shaping global trade patterns. Its dominance in manufacturing is supported by several interrelated factors, including cost-efficient labor, economies of scale, advanced logistics networks, and continuous infrastructure development. Additionally, proactive government policies—such as subsidies, tax incentives, and industrial upgrading programs—have strengthened key sectors, enabling China to maintain its competitive advantage in both low-cost and increasingly high-value-added industries.[3]. Naughton argues that China's economic transformation is the result of incremental reforms that balance market liberalization with strategic government intervention, enabling long-term growth and structural adaptation.[4]

Morrison notes that China's rapid economic rise has significantly transformed global trade patterns and increased its economic influence worldwide.[5]

However, the results also highlight significant structural imbalances within the Chinese economic model. One of the most notable issues is the relatively weak level of domestic consumption compared to the scale of industrial production. This imbalance has led to a persistent reliance on external demand, particularly from developed economies. As a result, China's economy remains sensitive to global market fluctuations, trade disruptions, and external economic shocks. This dependency was particularly evident during global crises, such as the 2008 financial crisis and recent trade tensions, which exposed vulnerabilities in export-driven growth.

Another key finding is China's growing emphasis on technological advancement and innovation as a means of sustaining long-term economic growth. The country has made substantial investments in research and development (R&D),



digital infrastructure, and STEM education. These efforts have contributed to rapid progress in high-tech sectors such as artificial intelligence, telecommunications, renewable energy, and semiconductor production. As a result, China is gradually shifting from a labor-intensive manufacturing model toward a more innovation-driven economy, enhancing its position in global technological competition.

Furthermore, the study identifies that China's economic relations with major global powers—especially the United States—are increasingly characterized by strategic competition rather than purely economic cooperation. Trade restrictions, tariff policies, and technological controls have become key instruments shaping this rivalry. In addition, China's control over critical resources, particularly rare earth elements, provides it with strategic leverage in global supply chains, further intensifying geopolitical and economic tensions.

Overall, the results demonstrate that while China has achieved remarkable economic success and expanded its global influence, its development model is accompanied by structural weaknesses and external vulnerabilities that may pose challenges to long-term economic stability and sustainability.

The findings of this study suggest that China's economic rise is the outcome of a highly coordinated and state-directed development strategy that effectively combines industrial policy with deep integration into the global economy. This hybrid model—often described as “state capitalism”—has allowed China to accelerate industrialization, attract foreign investment, and build globally competitive industries. By strategically managing market forces while maintaining strong state control over key sectors, China has achieved a unique balance between efficiency and direction in its economic development.

Nevertheless, the analysis also indicates that this growth model is accompanied by significant structural tensions that raise questions about its long-term sustainability. One of the most critical challenges is the persistent imbalance between high levels of production and relatively weak domestic consumption. This imbalance reflects underlying issues such as income inequality, limited social welfare systems, and high household savings rates. As a result, domestic demand has



not grown sufficiently to absorb the country's vast industrial output, increasing reliance on external markets.

This dependence on global demand exposes China to external risks, including economic downturns in major trading partners and rising protectionism in international trade. Moreover, geopolitical tensions—particularly with the United States—have further complicated China's external economic environment. The increasing use of tariffs, export controls, and technological restrictions highlights how economic relations are becoming more politicized. This shift suggests that China's economic strategy is evolving from a purely development-oriented approach toward one that is also shaped by strategic and geopolitical considerations.

At the same time, China's substantial investments in innovation, research and development, and human capital development demonstrate a clear intention to transition toward a more advanced, knowledge-based economy. Policies such as "Made in China 2025" and increased funding for high-tech industries reflect efforts to reduce dependence on foreign technology and move up the global value chain. If successfully implemented, this transition could address some of the structural weaknesses identified in the current model, particularly by boosting productivity and enhancing domestic consumption through higher incomes.

However, the transition itself presents new challenges. Structural issues such as industrial overcapacity, deflationary pressures, and regional economic disparities remain significant obstacles. For instance, while coastal regions have benefited greatly from globalization and industrialization, inland areas continue to lag behind, creating uneven development across the country. Additionally, the shift toward high-tech industries may lead to labor market disruptions, requiring significant adjustments in education and employment policies.

Furthermore, the literature and findings both emphasize that achieving a sustainable balance between industrial output, domestic consumption, and technological upgrading is essential for China's future economic stability. Without comprehensive structural reforms—particularly in areas such as financial systems,



income distribution, and social welfare—China may face difficulties in maintaining stable and inclusive growth.

China's economic model represents a complex interplay between rapid growth, strong state intervention, and inherent structural vulnerabilities. While it has proven highly effective in driving economic transformation and global integration, its long-term success will depend on the country's ability to adapt to changing global conditions, address internal imbalances, and successfully transition toward a more sustainable and innovation-driven development path.

Conclusion.

This study has examined China's strategic role in the global economy by analyzing its development model, structural characteristics, and evolving international economic relations. The findings demonstrate that China has achieved remarkable economic transformation through export-oriented industrialization, strong state involvement, and sustained investment in infrastructure, innovation, and human capital. Rodrik emphasizes that globalization creates both opportunities and risks, particularly for countries that rely heavily on export-led growth models.[6]

At the same time, the research identifies important structural challenges within this model. In particular, the imbalance between high industrial output and relatively weak domestic consumption creates long-term vulnerabilities, including dependence on external demand and exposure to global economic fluctuations. These issues suggest that while China's growth has been highly effective, it is not without significant sustainability concerns.

Furthermore, China's increasing economic interaction with major global powers, especially the United States, highlights the growing interdependence between economic and geopolitical factors. Trade tensions, technological competition, and resource-based strategies have transformed economic relations into a more complex and competitive arena.

The study also emphasizes China's efforts to shift toward an innovation-driven economy through investments in research and development and STEM



education. This transition is essential for maintaining long-term competitiveness and reducing reliance on traditional manufacturing sectors.

In conclusion, China's economic model represents both exceptional success and structural complexity. Ensuring long-term stability will require continued economic rebalancing, stronger domestic demand, and adaptive policy responses to global economic changes.

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