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The Chinese Inward FDI and Economic Prospects amid COVID-19 Crisis

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Abstract

Novel coronavirus (COVID- 19) is not only a public health threat, but it is also a serious economic threat to the whole world. This article is to analyze economic impact of COVID-19 upon Chinese economy. COVID-19 has plunged the world into deepest recession with unprecedented levels of poverty, deprivation, and unemployment. Some political economists are calling the initial mishandling of COVID- 19 as a monumental failure of Chinese governance and institutions. However, as the time passes by, the Western economies have not done better than China in constraining the pandemic. The COVID-19 has negatively affected the global foreign direct investment (FDI) flows. This article contributes on the possible policy routes for the global economy and for the Chinese economic prospects.

Key Words: Beijing consensus, relocation of FDI, made in China strategy and economic growth.

1. Introduction

Novel coronavirus (COVID-19) is not a public health threat, but it is a serious economic threat to China as well as to the rest of the world. COVID-19 is a respiratory infection, but it would lead to global recession and deceleration in the annual growth of the countries (World Health Organization, 2019). The first case of COVID-19 was reported to the World Health Organization (WHO) upon 31st December 2019. Since then it has speeded at exponential rate firstly in China and then now all around the world. The epicenter of this contagious virus is Wuhan city of Hubei province. Wuhan is the major transportation hub in central China and is often called as “Chicago of China”. Chinese Government locked down and quarantined the whole Hubei Province upon 23rd January

2020. All the tourist attractions were closed as well as Chinese Lunar New Year (LNY) activities and festivities were cancelled. The Chinese public has experienced a rather quiet Spring Festival as many have canceled their scheduled gatherings and planned vacations (Shanghai, 2020) The fast-food chains like McDonald's and KFC carried out partial closures and reduced working hours whereas Starbucks closed half of its cafes out of total 4292 cafes (Stevenson, 2020).

Since in the absence of specific medicines and vaccines, the interruption in transmission chain was the only reliable and effective tool to reduce the spread of COVID-19. It is old and long-running tradition of Chinese people to store more food before the start of Lunar New Year. Hence, people had already ample food stock before the lock down. Hence, people did not face the shortage of food and other necessities. Government also made ensure to provide uninterrupted food supplies to the people of Wuhan as they were not left upon their own. Although, Wuhan was quarantined and locked down upon 23rd January 2020 but till then already 5 million people had left the city (Kahn, 2020; Ma, 2020). Even China did not ban the group travels abroad until January 25th, 2020. Now the senior members in the Trump administration calling COVID-19 as "Wuhan Virus" or "Chinese Virus". Chinese government also delayed in seeking help from WHO for several weeks. Chinese government has now lifted the lockdown in Wuhan and life has started to come back to normalcy but with stepped up hygienic measures.

It is extremely important for the countries to be honest and transparent while sharing the information about COVID-19. Lack of accurate information would hamper our efforts for combatting this global health crisis. If the Government would be sharing true and accurate figures, it would bring trust and confidence in the eyes of the common masses about the bureaucracy and the public servants. Initially for three weeks China kept on hiding and suppressing the details about COVID-19. Resultantly world could not prepare itself timely and the level of distrust upon Chinese Government has increased all around the world. It is an open reality that China has authoritarian regime as the country as well as all the institutions are governed by single party i.e. Chinese Communist Party (CCP). Initial efforts and the attempts to control and suppress the information about COVID-19 have posed serious questions about the strength of Chinese institutions under authoritarian regime.

Despite all these criticisms, some also consider that China has done a great job in containing the virus (GlobalTimes, 2020). The surveillance nature of the Chinese government has enabled to take the necessary steps to contain the pandemic. Chinese officials have widely used the digital technologies to control the spread of the COVID-19 pandemic. When the COVID-19 spread over other countries including the European countries and USA, these countries have been slower in responding to contain the pandemic. At the end of this pandemic, Chinese surveillance state may even gain popularity for heath security reasons at the expense of democratic considerations. When we talk about the Chinese surveillance systems currently, it has two purposes: the first is to monitor public health and the second is to maintain political control (Barrett, 2020).

Most of the Western countries were unprepared for pandemics occurrence considering the case of Italy, Spain, France, UK, USA etc. Only countries like Japan, South Korea and Singapore took the decisive decisions at early stage but that only because they had experienced SARS of 2003.China and global health governance institution namely WHO made enormous mistakes by delaying in isolating the infected and preventing from domestic or international travels. USA and European countries want to ban the Chinese products as punishment for kept hiding COVID-19 for initial three months, resultantly they could not prepare themselves well in order to prevent and tackle the spread of this COVID-19 in their countries. COVID-19 pandemic seems to be used against China as part of the global trade wars. However, as the time pass by, there seems to be increasing awareness that against the COVID-19 epidemic, whole world is sailing in the same boat.

USA has also serious reservations against the international organizations, specifically WHO. President Trump called WHO as "China-centric" and have threatened to freeze the annual funding of USD 400 Million to WHO and more recently USA has left the WHO. Initially WHO kept on calling COVID-19 as just epidemic but then on 11th of March 2020, all sudden it declared it as pandemic. But by then it was very late for USA and European countries to take preventive measures and protect the precious lives of their people. Even they were seriously short of ventilators, masks, testing kits etc. By providing this medical equipment to USA, Italy, Serbia and to rest of the world, China tried to fix its worsening international image. Nonetheless most economists are calling it as opportunist act rather than a transfer of global leadership from USA to China. USA has been seriously devastated by this COVID-19 and it is too preoccupied in dealing this menace rather than leading the world in global arrangements in the health sector.

President Trump has three major reservations against WHO. He accuses WHO of being accepting the information that China provided during the early days of Pandemic and for praising China for its responsible and timely behavior. Whereas there is evidence that China under reported and covered up the existence of the virus. Second complaint against WHO is that it contradicted the President Trump decision regarding the closure of its borders for China, Iran and other 28 European Nations upon 11th of March 2020. Finally, President Trump is not happy that USA is paying quite disproportionately to WHO as compared to China. For instance, USA would be covering 22 % of overall mandatory contributions while China would be covering around 12 % in 2020-21. WHO's annual budget is around USD 5 Billion. WHO's revenues come from assessed and voluntary contributions. Assessed contributions come from member states of UN while voluntary contributions which are around 80 % of WHO's budget can come from member states, international organizations, and non-profit organizations but they are mostly earmarked for specific projects.

Already the multilateral trading system under World Trade Organization has also been seriously threatened by the country which has been its main supporter and advocator, the United States in shape of trade wars with other countries (Nye, 1999). China is aiming to achieve global technological dominance by adopting the predatory and mercantilist trade practices. These unfair practices would give leverage to Chinese high-tech industry upon US high-tech industry. The two largest economies of the world, United States of America (USA) and China have waged a direct trade war against one another. The trade war between China and the USA, which has now escalated into a tech war, is a war with no winner that would deeply hurt both sides (Kwan, 2020).

US imposed import tariffs upon Chinese aluminum and steel in the first quarter of 2018. USA adopted the protectionist or import substitution policy to facilitate the US producers against the unfair subsidies of Chinese Government to its firms under MIC 2025 strategy. The main objective of this strategy (Made in China 2025: Global Ambitions Built on Local Protections, 2017) is to make China a powerhouse of high-tech and capital-intensive industries. The recent increase in import tariffs by the US in its steel and aluminum sectors is claimed to be an important step towards helping its domestic steel and aluminum industries. The escalating trade tensions after the implementation of higher tariffs by US has disrupted the global economic growth and trade flows. The trade tension is not just bilateral but global as many countries are suffering indirectly (Li et al., 2018). Before entering into this tit for tat trade dispute, China's exports to the US in 2017 were worth $505 billion while imports were worth $130 (Made in China 2025: Global Ambitions Built on Local Protections, 2017).

This COVID-19 pandemic is seriously affecting the global economy and is expecting the economic downturn (Carlsson-Szlezak et al., 2020; Qiu et al., 2020). The major export destinations of China like USA and Europe have also got seriously affected from COVID-19, thus hindering, and reducing the exports of China to these countries (Barua, 2020). This is evident from the fact that COVID-19 has seriously affected Inward FDI and overall world's trade, putting the economic prospects of the countries at stake. The global FDI flows have been forecasted to come below $ 1 trillion in 2020 from the FDI flows of $ 1.54 trillion in 2019 (Giroud & Ivarsson, 2020). China which is the major key player in attracting the world FDI has already experienced a GDP fall of two percent in the first quarter of 2020 (He, 2020). The table 1, is highlighting the exports of China to COVID- ridden affected countries. Though it would be difficult to return to the "old normal", but we can try to achieve a better post-pandemic world. The unprecedented economic crisis is requiring the unprecedented measures.

The purpose of this article is to analyze economic impact of COVID-19 upon Chinese economy as it originated from China. Australia, Japan, USA, and European countries are asking the MNEs to relocate their production plants from China to other Southeast Asian countries. Though relocation of FDI would affect the supply chain but these countries are determined to punish China for hiding the spread of COVID-19 initially and reporting to WHO quite late by the end of December 2019. China's efforts to control and suppress the information about COVID-19 have raised serious questions about the autonomy and strength of Chinese institutions and Chinese governance model. In the rest of the article we discussed Beijing Consensus as successful Chinese model of economic development, made in China strategy 2025, COVID-19 and global supply chain concerns, relocation of FDI by multinational enterprises and finally we wrapped up the article with policy recommendations for the economic recovery of China.

Table 1: China's Exports to COVID-19 Ridden Countries

Country	Exports in Billion US$	Exports Share %
USA	418.6	16.8
South Korea	111	4.4
Germany	79.7	3.2
Netherlands	73.9	3.0
UK	62.3	2.5
Canada	36.8	1.5
Brazil	35.5	1.4
Italy	33.4	1.3
France	33.1	1.3
Spain	26.8	1.1
Belgium	18.2	0.7
Turkey	17.3	0.7
Iran	9.6	0.4
Switzerland	4.5	0.2
Portugal	4.3	0.2

Source: World Health Organization & ITC Trade Map, Fung Business Intelligence.

2. Chinese Model of Economic Development in Last 40 Years

The rapid rise of Asia has been the one of the most successful stories of economic development in the recent history particularly over the last 30 years. The global economic center of gravity has started to shift from West to East or from North to South. The present century would be Asian century as by 2050, Asia could account for almost half of the global output, trade, and investment along with enjoying the widespread prosperity and affluence. The economic transformation of Asia has the potential to generate per capita income as to those being found in the present-day Europe (Asian, 2011; Kohli et al., 2011). If Asia would continue to grow upon its recent developments and the trajectories, then it is expected that share of Asia in the global GDP would rise from one third in 2020 to around 50 percent by 2050.

China off course is the biggest success story of Asia, the persistent and dynamic growth of China helped the world to recover from global financial crisis of 2008-2009. China introduced the economic reforms and the policy of opening in 1979 under the visionary leadership of Deng Xiaoping. China started to embark upon the path of economic development with merely 1.8 percent of global GDP and now today it is the second largest economy of the world. China has transformed itself from agrarian economy to industrial economy at tremendously fast pace. China has started to shift from labor-intensive to capital intensive products because of huge foreign reserves of $ 3 trillion. It is important to mention that in year 1990, China was possessing barely $ 11 billion USD Central Bank Reserves (Lin, 2011).

China has become a "leading dragon" for other developing countries instead of a "leading goose" in the traditional flying geese pattern of the international diffusion of industrial development (Lin, 2011). Slowly and gradually, China is also asserting itself into international organizations and its footmarks are clearly traceable even in the non-western world. China is quite visible in Africa, East-Asia, South Asia, and South America as well. Since 1978, China has lifted over 850 million people out of poverty (World Bank). This historic transformation has completely eradicated the urban poverty and today poverty is found only in the rural areas of China. Over the passage of time, China has adopted very bold, pragmatic, and innovative national policies to climb up the ladder of development and technological innovations.

Resultantly, China has graduated from the exports of labor-intensive products to the exports of capital-intensive products. The speed with which China has transformed itself from peasant society into industrial powerhouse is quite astonishing but at the same time this unprecedented transformation has generated great anxiety among the developed capital-intensive countries, especially USA (Kayani et al., 2012). Chinese exports really have displaced millions of U.S. manufacturing jobs; imports from developing economies are an important reason, although not the only reason, for stagnating or declining wages for less-educated workers (Krugman, 2016). This arises the need for this study to explore the economic challenges posed by the COVID-19 to the Chinese economy. Therefore, it is pertinent to mention the Beijing Consensus as a success model particularly after global financial crisis of 2007-08.

2.1 Beijing Consensus as a Success Model

The Chinese model of economic development started to gain world-wide recognition and acceptance specifically after the global financial crisis of 2008-2009. China adopted the economic reforms in 1978 when Deng Xiaoping said, “It does not matter whether the cat is black or white as long as it catches the mice”. The economic reforms and the policy of opening brought quite positive and impressive results. The term for the Chinese model of economic development “Beijing Consensus” was introduced by Ramo (2004). The Beijing Consensus is a set of principles characterizing the economic policy implemented by the Communist Party of China since the late 1970s, resulting in the intensification of the country’s economic growth and development, while maintaining the specificity of the political system and taking into account China’s socio-economic conditions (Tylec, 2019).

Beijing Consensus did not care about the recommendations of global institutions like IMF, World Bank and WTO which stressed and emphasized upon adopting a set of ten policy recommendations. The list of 10 policy recommendations as per by Williamson include fiscal discipline, reordering public expenditure priorities, tax reform, liberalizing interest rates, a competitive exchange rate, trade liberalization, liberalization of inward foreign direct investment, privatization, deregulation and property rights (Williamson, 2004). With strong supervision and control of the state, Beijing has developed a hybrid form of capitalism, consisting in limited openness of the economy to external competition, simultaneous strong government control of strategic sectors, support of the most dynamically developing domestic enterprises (market leaders), ensuring the appropriate level of investment from state resources and focusing the banking sector on supporting the best enterprises (Kurlantzick, 2013).

In 1998, as the chief economist of the World Bank, Stiglitz maintained that ‘the policies advanced by the Washington consensus are not complete, and they are sometimes misguided’ and called for a ‘post-Washington consensus (Stiglitz, 1999). Many people see the Chinese model as distinctive and successful and therefore representing an alternative way of development. China’s economic miracle is now something that many countries in Africa, Latin America and other parts of Asia would like to emulate (Colley, 2009). China achieved unprecedented economic development in the history of the world. As a result of reforms undertaken nationwide, the quality of life has improved, as evidenced by increasingly better indicators in the HDI ranking. This indicator increased from 0.43 in 1980 to 0.752 in 2017 (Rosner, 2019).

Beijing Consensus has posed serious challenges to the existing international order and these questions are likely to be raised if China gets successful in combating the COVID-19 pandemic. If state owned enterprises promote economic growth, then why privatization? If single party system ensures political stability and helps in generating good growth in Gross Domestic Product, then why multiple party system or democracy? If state financial controls help in resource mobilization and achieving exchange rate stability, then why financial and exchange rate liberalizations?

The existing literature faced immense challenge in terms of the reconciliation of the Beijing Model and Washington Consensus models. The integration of the Liberal Institutional Pluralism and New Structural Economics is even more challenging and demanding than the reconciliation of the Beijing Model and Washington Consensus (Asongu & Acha-Anyi, 2019). However, for the reconciliation of the Beijing and Washington Consensus models the structural and institutional experiences of the countries are to be considered during developmental process. Besides the unified theory for Beijing and Washington Consensus Models the internationalization of the theory is another important factor to be considered (Raess, 2020). According to this internationalization theory the openness of the markets based on innovation subjects, resource innovation, innovation in entrepreneurial are key factors which help in achieving the better and increased productivity. Resultantly, this increased productivity would lead towards efficient economic growth (Kayani, 2017).

2.2 Advanced Manufacturing Power: Made in China Strategy 2025

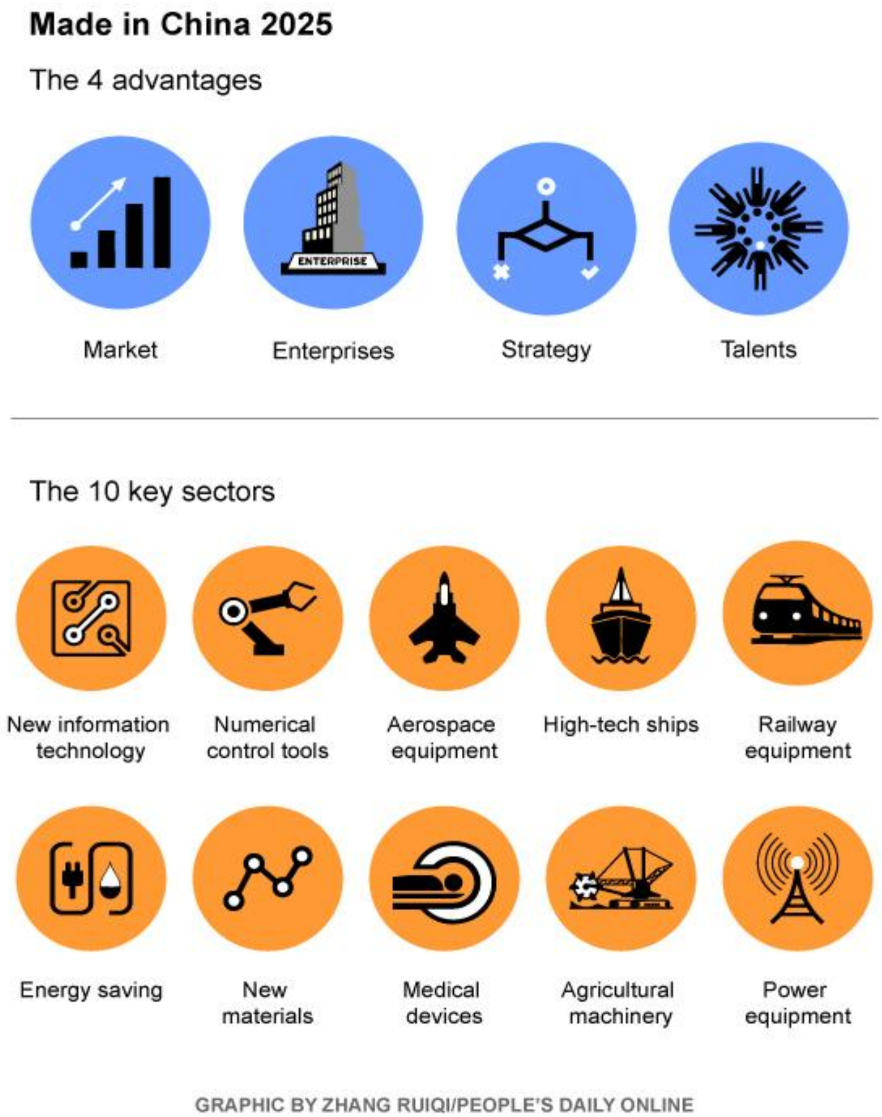
After, the global financial crisis of 2008-2009, most of the trade and FDI had shifted towards East and particularly to China. President Trump believed that economic hegemonies of USA would vanish if China would not be contained and confined immediately. Hence, he started direct trade war with China to gain the leverage in the trade bargaining while making negotiations. US President has considerable discretion in the aggressiveness with which it pursues protectionist actions based on anti-dumping, countervailing duties, safeguards, currency manipulation, etc (Stiglitz, 2017). President Trump had no option other than waging this direct war when China had announced the Made in China strategy 2025 (MIC 2025). The strategy of MIC (2025) is challenging the America’s core competitive advantage in high-tech and innovation-based industries.

The MIC 2025 was initiated by Chinese Prime Minister Le Keqiang under the directions of President Xi Jinping in year 2015. As President Xi wants to transform China into a great industrial power by the century celebrations of PRC in 2049.The main objective of this ten years strategy (MIC 2025) is to make China a self-reliant in the production of high-value-added and capital-intensive industrial and manufacturing goods ("Made in China 2025 Explanation: The Manufacturing Power 'Three-Step' Strategy," 2015). Under this strategy (MIC 2025) the government would grant subsidies to the firms of specific ten key sectors (figure 1) and would spend heavily upon Research & Development for achieving domestically techno-innovated firms.

China is not the first country to adopt the strategy of domestic techno-innovated industries. In the past the countries like South Korea and Japan have also used the same strategies in order the climb the ladder of industrialization by achieving indigenous innovations. Korea used reverse engineering, adaptation, and own product development to build upon these forms of arm's length technology imports to develop its own capabilities (Lall, 1995). Chinese leaders, many of whom had no exposure to Western economies, did not design reforms according to free-market economic theory (Huang, 2010). In fact, China did rely on trial and error at the early stage of its reform because of lack of experience, but Chinese leaders have gradually reached a common vision and grand strategy which was made national guiding policy – building a socialist market economy with Chinese characteristics (X. Li, Brødsgaard, & Jacobsen, 2010).

China's Ministry of Industry and Information Technology (MIIT) has laid out a three-step strategy for China to become a world leader in advanced manufacturing. The first step is comprising of MIC 2025. Under this first step, China would boost innovations, labor productivity, reduce energy consumptions and develop industrial clusters with international competitiveness. Under the second step, China would aim to achieve intermediate level through breakthroughs in major areas and improve innovation capabilities by 2035. The third step would be completed by year 2049 when it would be the 100th anniversary of Peoples Republic of China. Accordingly, by 2049, China is aiming to become the world's manufacturing power and leader. By 2049, and coinciding with the 100th anniversary of the founding of the People's Republic of China (PRC), China aims to develop advanced technology and industrial systems; become the world's manufacturing power and leader (Chen, 2018).

Under MIC ten key sectors have been focused. Those sectors include agricultural machinery, basic material products, high tech maritime vessels, energy saving engines and vehicles, medical devices, mobile devices, high performance computers, industrial robotics, aerospace equipment, modern railway equipment. These sectors are classified below in the Made in China 2025 diagram.



The China through the MIC 2025 aims to foster the Chinese economy by promoting and focusing on the local advancement in the technology, creating competitive advantages for the Chinese firms in comparison to the global scale (Ministry of Industry and Information Technology, 2015). Importantly, funding is linked to the use of indigenous IP to push companies to replace foreign IP (Policy, 2018).

3. COVID-19 Effects upon Chinese Inward FDI & Economic Growth

3.1 Global Supply Chain Concerns

The COVID-19 has not only exhausted the medical sectors of different countries, but it has also seriously affected the economic health of the different countries. Hence, the real challenge for the countries would not only to upgrade their health sector for tackling the pandemic in better manner but also how to mitigate the economic damages to their economies. Supplying the raw materials to the firms and then distributing the finished goods to the warehouses and the shops are the key elements of supply chain. The COVID-19 shocks can be divided between two main channels: demand and supply disruptions. Reduced working hours in the public sectors, layoffs in the private sectors, declining incomes, and reduced household spending have resulted in drastic decline in aggregate demand.

On the supply side a decline in manufacturing activities has seriously affected the global supply chains. Firms relied upon existing inventories in the short run but in the existence of just in time production structures the inventory stocks exhausted. Even in the long run the lack of intermediaries has led to the closures of many factories around the globe. Consequently, supply side disruptions have also affected the employment and decline in wages: reinforced the first channel just mentioned above. The second quarter of 2020 has noticed a significant decline in the international trade in comparison to the first quarter of 2020. This decline in international trade has been noticed by emerging and developed markets of the globe (GlobalTradeUpdate, 2020). Whereas the effect of COVID-19 on the decline of the international trade is much more obvious and noticeable in the developing markets. The same is evident from the figures report in the Table 2 as reproduced below (GlobalTradeUpdate, 2020).

Table 2: Sharp Decline in the Trade of Developing Countries for Year 2020

	January – March (%)		**April 2020 (%)**	
	Import	Export	Import	Export
Developed countries	**↓6**	**↓3**	**↓10**	**↓14**
Emerging Countries	**↓2**	**↓7**	**↓19**	**↓18**
South-South Trade	**↓2**		↓14	

Source: UNCTAD calculations based on national statistics

The role and importance of China has grown significantly in the global supply chains. As the matter of the fact nearly 20 percent of intermediate products used in the manufacturing originates from China (UNCTAD, 2020a). A reduction in the supply of intermediate products from China would affect the production and exports of those countries who are dependent and reliant upon Chinese supplies. In such situation, the European Union is the mostly impacted economies in context of machinery, chemicals, and automobile industries. Similarly, United States, the Republic of Korea, Taiwan

Province of China, and Vietnam would be affected in terms of chemicals, machineries, automotive instruments, communication and precision equipment's (UNCTAD, 2020a).

The outbreak of COVID-19 took place at the time of Chinese Lunar New Year. It is the time when most of factories in China gets closed for two to four weeks to allow people to travel and spend time with their families. Around about 400 Million people travel during the Chinese Lunar New Year vacations. The firms around the world were aware of this fact and did put the large inventory orders in advance to cover this period with the purpose to make sure that no obstructions and disruptions take place in their supplies to the customers. Due to prolonged lockdowns in China and around the world the global supply chain has been seriously impacted. In the worst-case scenario due to lack of production inputs some firms could shut down the whole production process. For instance, some automotive plants have been closed in the initial months of the pandemic in Japan and South Korea due to absence of some important parts being supplied by China.

It is predicted that supply chain disruptions would send hundreds and thousands of firms to the brink of closure, leading to a rise in unemployment rate globally. Some firms are trying to retain the workers by sending the workers upon unpaid compulsory leaves whereas other firms are carrying out massive layoffs and the cancellations of contracts with the suppliers. The governments of different countries are coming up with unprecedented bailout plans, the financial support to firms, and income support to workers as well as the new strategies for the procurement of basic and essential goods and services. The statistics below are further reinforcing the bleak situation of international trade.

Table 3: Effect of COVID-19 upon Imports (%) of Major Trading Economies, January-May 2020

Countries/ Regions	January	February	March	April	May*
China	**↓7**	**↓10**	**0**	**↓14**	**↓8**
Intra-regional	↓18	↓12	↑5	↓5	↑4
European Union	**↓4**	**↓5**	**↓13**		
Intra-regional	-4	-3	-14		
Japan	**↓4**	**↓14**	**↓2**	**↓4**	**↓21**
Intra-regional	↓3	↓25	1	↑6	
Republic of Korea	**↓5**	**↑2**	**0**	**↓16**	**↓21**
Intra-regional	↓8	↓3	↑3	↓8	
United States	**↓4**	**↓4**	**↓7**	**↓21**	
Intra-regional	↑5	↑5	↓6	↓46	

Source: UNCTAD calculations based on national statistics.

Note: intra-regional is defined as East Asia for China, Japan and Republic of Korea; Europe for the European Union and North America for the United States *Based on preliminary data.

Table 4: Effect of COVID-19 upon Exports (%) of Major Trading Economies, January-May 2020

EXPORTS	January	February	March	April	May
China	**↓22**	**↓10**	**↓7**	**↑3**	**↓8**
Intra-regional	↓26	↑5	↓1	↑8	↓1
European Union	**↓3**	**↓3**	**↓13**		
Intra-regional	↓3	↓4	↓17		
Japan	**↓3**	**↓1**	**↓9**	**↓19**	**↓26**
Intra-regional	↓4	↑2	↓6	↓6	
Republic of Korea	**↓7**	**4**	**↓1**	**↓25**	**↓20**
Intra-regional	↓3	0	↓3	↓21	
United States	**↓0**	**↑1**	**↓9**	**↓29**	
Intra-regional	↓3	↓2	↓10	↓42	

Source: UNCTAD calculations based on national statistics.

Note: intra-regional is defined as East Asia for China, Japan and Republic of Korea; Europe for the European Union; and North America for the United States *Based on preliminary data.

3.2 Relocation of FDI by Multinational Enterprises

COVID-19 shocks would affect the different economies of the world and would strongly alter the growth predictions and the trajectories. The shocks of COVID-19 would be quite significant and huge as compared to Severe Acute Respiratory Syndrome (SARS) of the China in 2003. The present China is well integrated into world economic systems and it is the largest recipient of 'Inward FDI' among the developing countries. In year 2019, China attracted the FDI of worth USD 137 Billion. But now the biggest challenge for China would be how to sustain this huge inflow of inward FDI (InternationalMonetaryFund, 2020).

Gauging the economic shocks of COVID-19 would be premature as still uncertainties are prevailing that for how long this outbreak would continue to exist. The outbreak and spread of COVID- 19 will negatively affect global foreign direct investment (FDI) flows. With scenarios of the spread of the pandemic ranging from short-term stabilization to continuation throughout the year, the downward pressure on FDI will be -30 percent to -40 percent during 2020-2021 (UNCTAD Investment Trends Monitor, 2020). Multinational firms have started to shift their subsidiaries out of China. Japan has earmarked ¥243.5 billion of its record economic support package to help manufacturers shift production out of China (The Japan Times, 2020). US firms like Apple, Google and Microsoft have also plans to move their hardware productions over next one year out of China to the countries like Vietnam and Thailand. These companies were already thinking upon these lines and patterns under US-China trade war but now after COVID-19, for sure they are going to accelerate their efforts of quitting the Chinese geographical boundaries. However, the decision would not be easy as still they would be relying upon Chinese raw material and intermediaries in Vietnam or Thailand.

Historically, China has contained and tackled different epidemics and natural disasters including SARS in 2003, Sichuan Earthquake in 2008, and Swine Flu in 2009. It is widely predicted that even China would be seriously striving to achieve a 5 percent growth in 2020. The previous consensus of smooth sailing of Chinese economy is now significantly questionable. Analysts at Nomura believe Chinese GDP could fall by an annualized 2 percent this quarter. This would be a hit worth $62 billion during the first quarter, affecting working migrants (He, 2020). Many of China's 290 million migrant workers travel from rural areas to the cities to take construction and manufacturing jobs or low-quality services jobs. The COVID-19would be affecting Chinese economy in three main sectors (1) Services sector like tourism, entertainment, catering etc. (2) Manufacturing sector particularly in automobile, electronics and mobile phone as it would take time to return to normal operations (3) Trade sector as the shutdown of airlines, sea routes and borders by some countries. Chinese President, Xi Jinping has already announced a liquidity of financial stimulus package of USD 173 Billion. China would take COVID-19 into full consideration while preparing the 14th Five-Year Plan (2021-2025) and strong measures are expected to stimulate the economy over the time of next five year. The 14th Five-Year Plan (2021-2025) is expected to focus on the creation of a high-income economy while prioritizing four spheres: digitalization, market accessibility, environmental improvement, and rural development (Shvarev, 2020).

4. Conclusion & Recommendations

The world economies have entered the deepest economic recessions since the Great Depression and World War II. COVID-19 has plunged the world into recession with unprecedented and historical levels of poverty, deprivation, and unemployment. It is predicted that Chinese GDP would fall by 2 percent in this year of 2020. We will observe over time whether the Beijing Consensus has started to fall or to flourish after this COVID-19 pandemic. Beijing efforts to control and suppress the information about COVID-19 have posed serious questions about the strength of Chinese institutions and is considered as a monumental failure of Chinese governance model. However, as the time pass by, the western economies have not done better than China in containing the pandemic.

The global economic recovery is of pivotal importance for the better future of this world and for our coming generations. Though it would be difficult to return to the "old normal" but we can try to achieve a better post-pandemic world. The future of the world lies in more cooperation and trade integration rather than isolation and fragmentation. Initially IMF announced to provide 50 Billion USD to the most vulnerable countries to alleviate and mitigate the effects of COVID-19. But after G20 Ministerial meeting upon 23rd March 2020, IMF announced that it is ready to even deploy USD 1 trillion to help the countries in the fight against this COVID-19. The world has historic opportunity to curb the discrimination and the inequalities by adopting the appropriate mix of fiscal and monetary policies. The unprecedented economic crisis is requiring the unprecedented measures. Some of the recommendations based on existing literature of COVID-19 for the economic recovery are shared. Firstly, the countries need to strengthen their health care systems and to support the medical professionals to cop up with COVID-19 pandemic in more effective manner. Secondly, the debt payments of poor and developing countries needs to be deferred or cancelled. In this regard the countries need to coordinate with IMF, World Bank and G-20.Thirdly, central banks need to make sure that they have sufficient liquidity in order to provide the cheap loans to the medium and small enterprises so that they do not get bankrupt and shed the employees. Fourthly, in order to boost the aggregate demand, the governments need to carry out tax deferrals and monetary transfers to the households who have lost the incomes during this pandemic lockdowns. Fifthly, the political and economic forces should not fuel fear and conflict as this would deepen the economic damage and exacerbate the divisions among the world. The failure to cooperate internationally would further hamper the fight against the COVID -19. Sixthly, the consumption by the households in China is very low, China needs to boost local consumption by boosting their buying or purchasing power of the general masses. Lastly, the food, raw material and the manufacturing products are transported via the commercial shipping industry and these commercial ships are contributing to 80 % of the global trade. To make sure that supply chains continue to take place without disruptions, China and the rest of the countries need to provide best health services for the logistic providers as well.

5. Limitations & Future Research Directions

This study is descriptive in nature based on the available economic projections and trajectories regarding the impact of COVID-19 upon Chinese economy. This study lacks the generalizability as being a case of only single emerging economy in Asia. Furthermore, information available regarding the impact of COVID-19 is still insufficient; only few studies are available and still the second layer is under consideration in the most parts of the globe. As a future direction, it is proposed that an empirical based study may be carried out for investigating the economic consequences for all the economies of the world.

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