Analysis of the Impact of the Relationship between the General Budget and the Current Account of China for the Period 2004-2020

Dr. Ahmed Abdullah Salman[1], M.M. As eel Mahmoud Left[2]

Abstract

China is one of the countries in the world that has developed over time, and the economic level can be identified by knowing the nature of the relationship between the general budget and the current account and its impact on the economic situation and the fluctuations it suffers from. The study included three sections. The first section dealt with an analysis of the nature of the general budget of the State of China, with its two main parts, expenditures. And revenues. The second section was concerned with analyzing the structure of the current account of the State of China. The third section dealt with the standard analysis of the nature of the relationship between the general budget and the current account within the period from 2004-2020. The research concluded with an increase in the rate of public expenditures that helps in developing the country's infrastructure and reflects positively on Economic level of the country. China is characterized by a high level of foreign investment and this is reflected in the improvement of its trade account.

Keywords: *China's general budget, China's current account, China's economic situation, China's place is external, China's expenditures and revenues.*

Introduction

The general budget is one of the important financial policy tools because it shows the financial position of the state and thus highlights the role and importance of the general budget in most of the world's economies, especially after World War II. Governments have begun to play an important role in economic activity, and the imbalance in the general budget has increased by degrees of deficit or surplus. It varies in all developing and developed countries, but with the increasing fluctuations in the general budget, anxiety has increased, especially after the fluctuations reached high levels in some countries. It has become a threat to financial and monetary stability in them, and what made matters worse is the continuation of these fluctuations in the general budget, reaching its impact on the trade balance and thus on The current account position is in the negative or positive direction of the economic situation.

Objective of the research: The objective of the research is to study the factors that determine the nature of the relationship between the general budget and the current account of the State of China, the reflection of its impact on the economic level of the

[1] Dean of the College of Administration and Economics, University of Wasit, Iraq, asalman@uowasit.edu.iq

[2] Teaching in the Department of Economics, College of Administration and Economics, Wasit University, Iraq, aseelmua@uowasit.edu.iq

country, and to indicate the nature of the restrictions that hinder China towards further progress.

The importance of the research: The importance of the study is evident in referring to one of the most important developed countries in the world, which is China, through analyzing the impact of the nature of the relationship between the general budget and the current account and its impact on the country's fluctuations.

Research problem: China suffers from sharp fluctuations in the relationship between the general budget and the current account, in addition to the financial, global, and health crises that the world is exposed to, which are negatively reflected in its economic level.

Research hypothesis: The study is based on the following hypotheses: - The existence of an inverse relationship between the general budget (as a dependent variable) and the current account (as an independent variable) or the existence of a moral relationship between changes in the general budget (as a dependent variable) and changes in the current account (as an independent variable) or the existence of a double relationship between The two directions of China.

Research methodology: Quantitative analytical method: using modern standard models, as it explains the nature of the relationship between the net general budget and the net current account of each country.

Temporal and spatial boundaries of research: Temporal boundaries from 2004-2020
Spatial borders: China

Research structure: The study relied on three sections, which are as follows:

The first section: Analysis of the nature of the general budget of the State of China for the period 2004-2020.

The second section: Analysis of the structure of the current account of the State of China for the period from 2004-2020.

The third section: An econometric analysis of the nature of the relationship between the general budget and the current account of the State of China.

The first section: The nature of the general budget in the Chinese economy

1-1-: The development of the net general budget in the Chinese economy

China's budget depends on the planning method by setting five-year plans, including the tenth plan from 2001-2005, which is considered the first huge plan in the new century, as it seeks to achieve economic and social development (Rayhan et al., 2012: 74) and continued in those plans until the thirteenth plan of the year (2015-2020) We can explain the net Chinese budget by the study period through Table (1), which shows the amount of the deficit and surplus of the Chinese budget.

Table (1) Evolution of the net budget 2004-2020 (thousand dollars)

year	Public revenues	Overhead expenses	General budget	year	Public revenues	Overhead expenses	General budget
2004	660,334,841.09	709,145,649.03	-48,810,808.94	2013	2,545,341,191.2	2,747,352,397.2	-202,011,205.04
2005	752,817,393.57	18.807,189,994	-54,372,600.61	2014	2,799,455,837.6	2,985,466,191.1	-186,010,354.5
2006	874,992,177.66	913,360,285.74	-38,368,108.08	2015	3,113,827,191.7	3,489,919,996.3	376,092,804.61
2007	1,066,107,224.6	1,033,093,760.2	33,013,464.43	2016	3,369,634,689.7	3,818,761,725.5	-449,127,036.81
2008	1,379,949,446.3	1,405,538,739.5	-25,589,293.24	2017	3,656818,948.2	4,124,507,511.5	-467,688,562.35
2009	1,560,173,515.5	1,751,354,515.1	-191,180,999.65	2018	3,922,536,743.2	4,489,260,317.6	-566,723,574.68
2010	1,706,470,902.9	1,895,323,370,94	-188,852,468.15	2019	4,010,124,608.5	4,882,201,617.7	-872,077,099.16
2011	2,152477,843.7	2,243,509,201.6	-91,031,358.907	2020	3,917,232,695.1	5,174,255,127.2	-1,257,022,431.1

| 2012 | 2,378,871,652.7 | 2,512,766,867.8 | -133,895,214.14 | | | | |

Source: Worked by the researcher based on the link to Scientific Development Indicators 2022 https://api.worldbank.org/v2/ar/country/CHN?downloadformat=exce

l It is noted from the table above that China's budget suffers from a deficit. In 2004, the size of the deficit amounted to (48,810,808) billion dollars due to the high value of public expenditures over public revenues, especially since China depends on its spending policy by nature, except for the year 2007, when it was characterized by a surplus amounting to (33,013,464) billion. Dollars. The Chinese recovery reflects the significant economic growth, the increase in the volume of investments and exports, and the improvement of the role of the banking sector. The decline in the price of the Chinese currency gave Chinese exports a competitive advantage, which helped them increase their public revenues over their public expenditures (International Monetary Fund, 2007: 4), after which they continued in a state of deficit. Permanent, especially after the mortgage crisis. The amount of the deficit in 2009 amounted to (191,180,999) billion dollars due to the increase in the size of public expenditures, which amounted to (1,751,354) billion dollars, which is higher than the size of public revenues, which amounted to (1,560,173) billion dollars, and the deficit in China's government budget continued. Until the year 2019 and 2020, the amount amounted to (872,077 - 1,257,022 -) billion dollars, respectively, to increase the volume of expenditures on the health sector due to the Covid-19 crisis, the closure of many companies and factories, and the decrease in the volume of public revenues of the state. The size of China's general budget deficit and its percentage of the gross domestic product for the period from 2004-2020 can also be shown through the following figure (6), which shows the extent of the state's general budget's ability to increase the gross domestic product. Figure

(1) shows China's government budget.
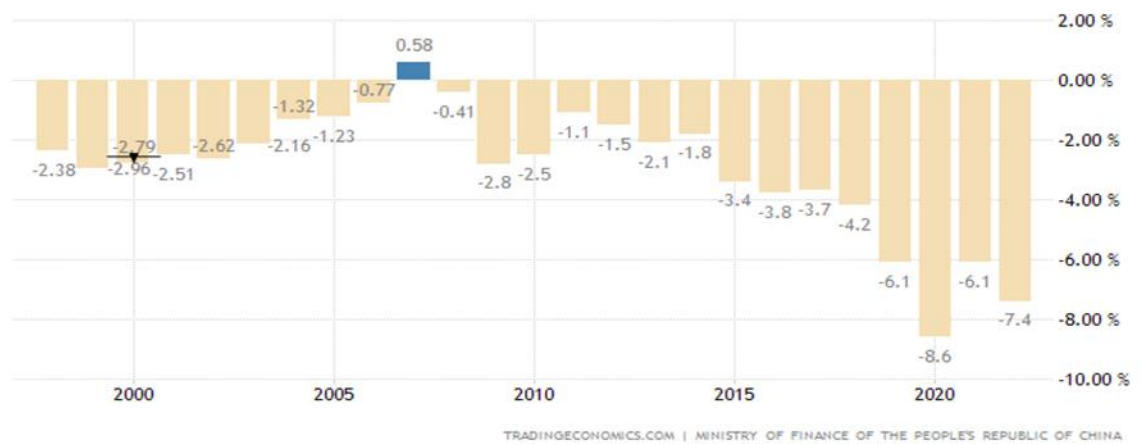
Source: International Bank for Reconstruction and Development. For more information, visit the link https://ar.tradingeconomics.com/china/government-revenues

The second section: Analysis of the current account in the Republic of China for the period from 2004-2020: The current account consists of the trade account and net current transfers, plus net transfers (investment income, compensation for workers abroad). We first explain: The trade account: In its foreign policy, China relied on The principle of a "multipolar world" is based on many international powers, which called for a multipolar international system that seeks to achieve the interests of all parties, and the formation of multipolarity, according to the Chinese point of view, is an important basis for achieving lasting peace in the world. It also seeks a just political and economic system and achieves a surplus. In the size of the current account (Mohammedin, 2022: 158). The first item of the current account, which is the development of the commercial account, can be stated

through Table (2) below, which shows the development of the size of the commercial account during the period of the study. In the period from 2004-2007, it increased significantly, reaching In 2004, the amount was (103,973) billion dollars, and the economic exposure index reached (59.49%). Then the commercial account rose after that in 2006 to (378,199) billion, with an economic exposure rate of (64.46%), while in 2007, there was a wide development in the three communications, which are (communication Direct postal mail, direct flights, sea routes, navigation and trade on the dual carriageway between the two banks of the Taiwan Strait), which helped increase the trade account until it reached an amount of (493,494) billion dollars, achieving a growth rate of exports of (12.32%), which is higher than imports of (7.48%). In 2008, the Democratic Progressive Party lost the presidential elections in Taiwan, which had a positive impact on Taiwan, which helped in the development of Chinese relations with Taiwan, as the organization signed a joint statement guaranteeing the three communications (Chang Bai Jia, 2017: 155). Exports declined at a growth rate. Annually, it amounted to (0.89%), and imports amounted to (2.47%). Then, China's trade with the countries of the world decreased due to the global financial crisis, as economic growth decreased, and the trade balance in 2009 amounted to (293,599) billion US dollars, according to table (4) below. However, China was able to expand its trade with the countries of the whole world, that is, China's superiority in the world in foreign trade and its control of many markets and became the first competitor to the United States of America (Mohamed and Ahmed, 2020: 21). The Chinese trade surplus was achieved in 2014 in the trade account according to the table (2) By (1,525.2) thousand billion

Table (2) Development of China's trade balance for the period 2004-2020 (thousand US dollars)

year	Exports of goods and services	Exports of goods and services annual growth rate %	Exports of goods and services (% of GDP) China	Imports of goods and services	Imports of goods and services annual growth rate %	Imports of goods and services (% of GDP) China	Commercial account (Exports - Imports)	Economic exposure index
2004	1,232,570,813		31.06	1,128,601,134		28.44	103,973,990	59.49
2005	1,495,025,499	21.29	33.82	1,254,106,251	31.06	28.37	240,919,248	62.18
2006	1,795,328,483	20.08	36.03	1,417,128,561	33.82	28.44	378,199,922	64.46
2007	2,016,667,323	12.32	35.43	1,523,172,949	36.03	26.76	493,494,374	62.81
2008	2,034,660,875	0.89	32.60	1,560,946,886	35.43	25.01	989,473,713	57.60
2009	1,689,220,691	-16.97	24.74	1,395,621,298	32.60	20.44	293,599,392	45.18
2010	2,053,204,034	21.54	27.18	1,777,479430	24.74	23.53	275,724,691	50.71
2011	2,197,993,522	7.05	26.56	2,000,207,207	27.18	24.17	197,786,314	50.73
2012	2,275,326,020	3.51	25.49	2,032,529,363	26.56	22.77	242,796,656	48.26
2013	2,365,455,023	3.96	24.59	2,129,775,282	25.49	22.14	235,679,739	46.73
2014	2,429501909	2.70	23.51	904217001	24.59	21.39	1,525284908	32.26
2015	236,164,158	-2.79	21.35	200,324,726.1	23.51	18.11	35839431.9	39.46
2016	231,418,615.1	-2.00	19.58	204,589,184.3	21.35	17.31	268,294,308	36.81
2017	2,488,861,565	7.54	19.69	226,765,746.7	19.58	17.94	204,049,226	21.48
2018	2,578,592265	-89.63	19.11	248,953,570.2	19.69	18.45	2,329,638,694	20.95
2019	,2630527372	2.01	18.40	249,900,100.3	19.11	17.48	2,380627,271	20.14

2020	2709906491	3.01	18.54	234,449,300	18.40	16.04	2,475,457,191	20.14

Source: The researcher's work based on the World Development Indicators 2023. For more information, visit the link
https://api.worldbank.org/v2/ar/country/CHN?downloadformat=excel

With an annual growth rate of exports of (2.70%) compared to imports of (8.75%) and an economic exposure rate of (32.26%) of output, this demonstrates the extent of the ability of the Chinese economy to resist dependence on foreign countries. The trade account for 2015 amounted to (520,137) billion and amounted to (520,137) billion. The economic exposure rate was (39.46%), while in 2018 and 2019 the commercial account decreased and reached its amount respectively (2,329.6, 2,380.6). In 2020, it witnessed a significant contraction in its first quarter due to the Corona pandemic by 6.8%, while in the three quarters of the same year, China was able The recovery achieved a surplus in the trade balance, and thus it was able to increase its share in the international market and improve the performance of foreign trade in a way that exceeds the major economies (Press, 2021: None) until the trade account reached the amount of (2,475.4) billion dollars in 2020 and the percentage of the economic exposure index reached a percentage of GDP (20.14). %), which is a very low percentage, and this continuous progress demonstrates what many Arab economists have emphasized, that the content of the Chinese experience is an export-oriented economy. China has been able to advance due to the success of Chinese exports in conquering all countries of the world (GuoXiaoying, 2019: 276). Also, the decline Economic exposure index due to the high value and size of China's gross domestic product, which was able to meet the needs of the local economy.

Second: Net transfers:

Net transfers include investment income and compensation for workers abroad. China has occupied an important and prominent position in attracting foreign direct investment, and many multinational companies and international institutions have expressed their confidence in China's markets because China's investment environment is the best if it relies on a policy of openness and economic reform through... Establishing many collective and mixed institutions to reduce the state's monopoly on economic activity. In 2003, China occupied first place in terms of foreign investment, in 2004 it occupied second place, third place in 2005, fifth place in 2006, sixth place in 2007, then it occupied third place in 2010 after the United States. And France (Al-Jaafari, 2018: 244). This is what we notice in Table (3), which shows the development of net transfers, including investments, as the volume of investments in 2004 amounted to (138,098,873) billion dollars, and net transfers amounted to (2,289,818), and in 2005 the volume of investment reached (201,134,418) billion dollars, and the rate of foreign investment continued to rise, as its percentage of the gross domestic product reached (4.55%) until the year 2007, it amounted to (250,446,972) billion dollars, with a percentage of the GDP amounting to (4.40%).

Table (3) Development of the Chinese current account and its components for the period 2004-2020 (billion dollars)

year	Foreign investment	Percentage of foreign investment as a percentage of GDP (2)	Net current transfers from abroad at current prices of the US dollar (3))	Year	Foreign investment	Percentage of foreign investment as a percentage of GDP (2)	Net current transfers from abroad at current prices of the US dollar (3))
2004	138,098,873	3.48	2289818	2013	292,435,269	3.04	-871234
2005	201,134,418	4.55	2386549	2014	26,351,466.9	2.55	143560
2006	224,727,489	4.51	2806750	2015	24,224,801.2	2.19	-1274615

2007	250,446,972	4.40	3710228	2016	18,319,655.4	1.55	-958392
2008	232,800,155	3.73	4315595	2017	16,937,910.0	1.34	-1188970
2009	175,476,846	2.57	3165874	2018	22,803,877.1	1.69	-201542
2010	302,163,949	4.00	4063773	2019	18,728,211.1	1.31	1022626
2011	307,023,944	3.71	2467912	2020	25140448.6	1.72	935279
2012	252,615,638	2.83	343500				

Source: World Development Indicators 2023. For more information, visit the link https://api.worldbank.org/v2/ar/country/CHN?downloadformat=excel

Which was reflected in an increase in the growth of the current account, and then it declined in 2008 and 2009 due to the global crisis, after which the current account continued to fluctuate due to the fluctuation in the volume of net investment. The volume of investment in 2010 amounted to (302,163) billion dollars, with a percentage of the gross domestic product amounting to (4.00%). Of GDP, while the percentage of net current transfers reached (406,377), and investment in 2015 achieved (24,224,801.2) billion dollars, the investment percentage of GDP reached ((2.19%), while net current transfers achieved a deficit of (127,461-). As for the year 2020, the amount of investment reached ((25,140,448.6 billion dollars, while its percentage for the same year was (1.72%). This shows the extent to which the current account depends on the level of foreign investment in China.

Figure (2) Development of China's current account
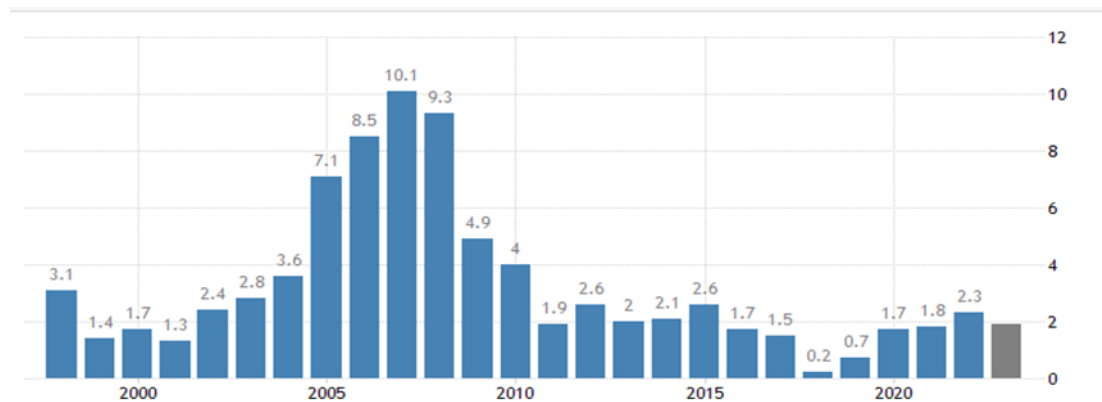
Source: International Bank for Reconstruction and Development. For more information, visit the following link: https://tradingeconomics.com/china/current-account-to-gdp

China is the second largest recipient of foreign direct investments in the world after the United States of America, and the extent of the development of the current account and its percentage of GDP during the study period can be shown in Figure (4)

The third section: An econometric analysis of the nature of the relationship between the general budget and the current account of the State of China for the period 2004-2020.

In order to test the causal relationship between the net general budget and the net current account for the study sample, quarterly data was used for the period (2004-2020) for the net general budget (UNBE1) and the net current account (UNTE1) using the statistical program (EVIEWS9), and the results were as follows: -

First: the results of the standard model

1- Time series stationarity test: Two tests were used to determine the stationarity of time series and to know their degree of integration, which are: Autocorrelation function and extended Dickey-Fuller test (unit root test).

A- The autocorrelation function. The graphic figure (3) indicates that the variables (net general budget) and (net current account) in China are not stationary at the level I (0) through the (Q) statistic, which shows that they are not stationary, as follows: -

Figure (3) China's net public budget variable

```
Date: 09/30/23   Time: 20:34
Sample: 2004Q1 2020Q4
Included observations: 65

 Autocorrelation    Partial Correlation        AC      PAC     Q-Stat   Prob
  1   0.897   0.897   54.753  0.000
  2   0.763  -0.214   94.974  0.000
  3   0.616  -0.121  121.64   0.000
  4   0.479  -0.024  138.05   0.000
  5   0.370   0.043  147.98   0.000
  6   0.295   0.065  154.40   0.000
  7   0.251   0.051  159.13   0.000
  8   0.228   0.023  163.11   0.000
  9   0.215  -0.001  166.70   0.000
 10   0.202  -0.012  169.92   0.000
 11   0.183  -0.018  172.62   0.000
 12   0.155  -0.029  174.59   0.000
 13   0.115  -0.054  175.69   0.000
 14   0.058  -0.089  175.97   0.000
 15  -0.015  -0.105  175.99   0.000
 16  -0.098  -0.093  176.84   0.000
 17  -0.174  -0.045  179.60   0.000
 18  -0.225   0.034  184.30   0.000
 19  -0.237   0.084  189.62   0.000
 20  -0.207   0.097  193.79   0.000
 21  -0.148   0.072  195.57   0.000
 22  -0.082   0.013  196.65   0.000
 23  -0.028  -0.016  196.73   0.000
 24   0.006  -0.015  196.73   0.000
 25   0.018   0.004  196.77   0.000
 26   0.018   0.032  196.81   0.000
 27   0.014   0.031  196.83   0.000
 28   0.010   0.010  196.84   0.000
```
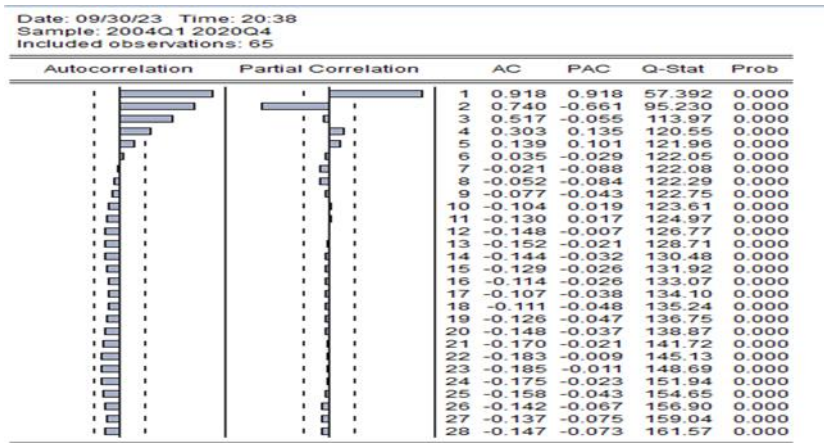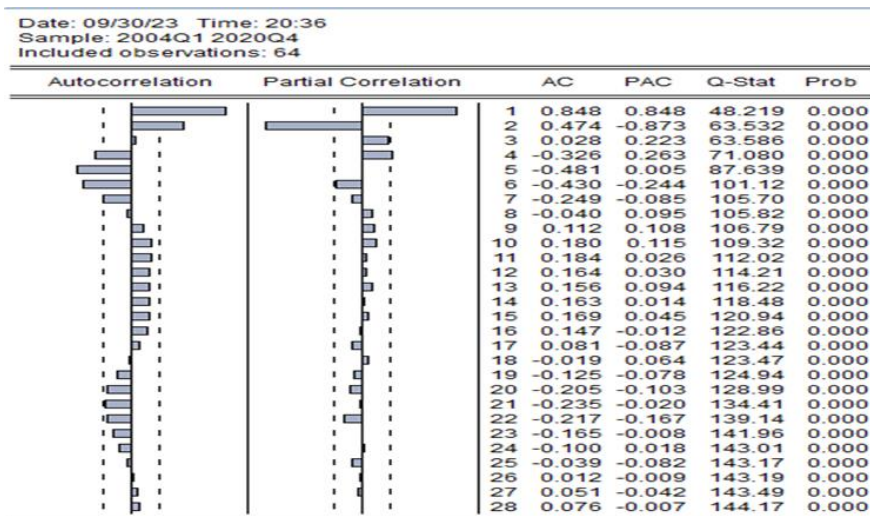
Net current account variable

```
Date: 09/30/23   Time: 20:38
Sample: 2004Q1 2020Q4
Included observations: 65

 Autocorrelation    Partial Correlation        AC      PAC     Q-Stat   Prob
  1   0.918   0.918   57.392  0.000
  2   0.740  -0.661   95.230  0.000
  3   0.517  -0.055  113.97   0.000
  4   0.303   0.135  120.55   0.000
  5   0.139   0.101  121.96   0.000
  6   0.035  -0.029  122.05   0.000
  7  -0.021  -0.088  122.08   0.000
  8  -0.052  -0.084  122.29   0.000
  9  -0.077  -0.043  122.75   0.000
 10  -0.104   0.019  123.61   0.000
 11  -0.130   0.017  124.97   0.000
 12  -0.148  -0.007  126.77   0.000
 13  -0.152  -0.021  128.71   0.000
 14  -0.144  -0.032  130.48   0.000
 15  -0.129  -0.026  131.92   0.000
 16  -0.114  -0.026  133.07   0.000
 17  -0.107  -0.038  134.10   0.000
 18  -0.111  -0.048  135.24   0.000
 19  -0.126  -0.047  136.75   0.000
 20  -0.148  -0.037  138.87   0.000
 21  -0.170  -0.021  141.72   0.000
 22  -0.183  -0.009  145.13   0.000
 23  -0.185  -0.011  148.69   0.000
 24  -0.175  -0.023  151.94   0.000
 25  -0.158  -0.043  154.65   0.000
 26  -0.142  -0.067  156.90   0.000
 27  -0.137  -0.075  159.04   0.000
 28  -0.147  -0.073  161.57   0.000
```
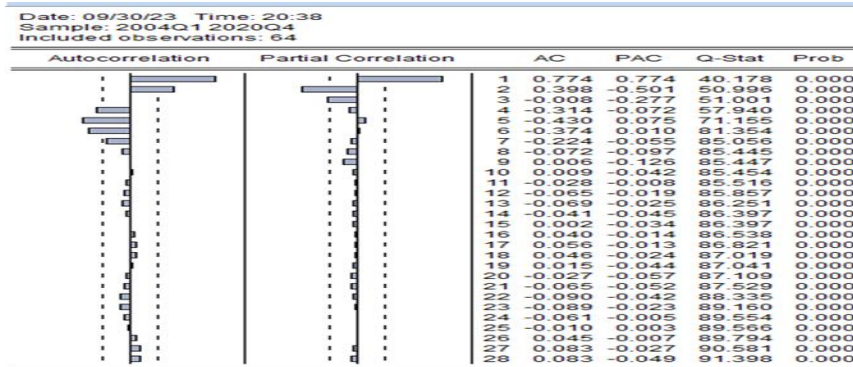
Source: Statistical programme.

For the purpose of dealing with non-stationarity, the first difference was taken, with which the aforementioned variables became stationary, i.e. I(1) in China, as shown in the following figures:

Figure (4) China's net public budget variable

```
Date: 09/30/23   Time: 20:36
Sample: 2004Q1 2020Q4
Included observations: 64

 Autocorrelation    Partial Correlation        AC      PAC     Q-Stat   Prob
  1   0.848   0.848   48.219  0.000
  2   0.474  -0.873   63.532  0.000
  3   0.028   0.223   63.586  0.000
  4  -0.326   0.263   71.080  0.000
  5  -0.481   0.005   87.639  0.000
  6  -0.430  -0.244  101.12   0.000
  7  -0.249  -0.085  105.70   0.000
  8  -0.040   0.095  105.82   0.000
  9   0.112   0.108  106.79   0.000
 10   0.180   0.115  109.32   0.000
 11   0.184   0.026  112.02   0.000
 12   0.164   0.030  114.21   0.000
 13   0.156   0.094  116.22   0.000
 14   0.163   0.014  118.48   0.000
 15   0.169   0.045  120.94   0.000
 16   0.147  -0.012  122.86   0.000
 17   0.081  -0.087  123.44   0.000
 18  -0.019   0.064  123.47   0.000
 19  -0.125  -0.078  124.94   0.000
 20  -0.205  -0.103  128.99   0.000
 21  -0.235  -0.020  134.41   0.000
 22  -0.217  -0.167  139.14   0.000
 23  -0.165  -0.008  141.96   0.000
 24  -0.100   0.018  143.01   0.000
 25  -0.039  -0.082  143.17   0.000
 26   0.012  -0.009  143.19   0.000
 27   0.051  -0.042  143.49   0.000
 28   0.076  -0.007  144.17   0.000
```

Net current account variable

Source: Statistical programme

B- Unit root test to test the stability of time series data for the variables in question, and after estimating the model represented by a fixed term, a fixed term, and a time trend, without a fixed term, and a time trend at a significance level (5%), and by conducting a test of the stability of the random error term at the level and differences, the results were reached. shown in the following table:-

Table (4) ADF test results at the level and first difference for the net general budget and the net current account In China for the period (2004-2020)

Variable	t-statistic	Prob	t-statistic	Prob	t-statistic	Prob	Stationary
	First model	Critical value	second model	Critical value	Third model	Critical value	Degree of stability
UNBE2	-1.47542	0.99991	-0.52251	0.9991	-1.97412	0.9876	level
UNBE2	-2.21693	0.0455	-2.05261	0.9272	-2.38417	0.07915	1st dif
UNTE2	-1.89467	0.3325	-2.28152	0.4367	-0.83310	0.3506	level
UNTE2	-2.69930	0.0805	-3.67016	0.0256	-2.80665	0.0058	1st dif

Source: Results of the statistical program

The results of the ADF test presented in Table (4) indicate that the variables in question are all non-stationary at their levels, but rather they are stable at their first differences (1st difference) in the China model, so the results of Table (4) indicate With the two variables, net public budget (UNBE2) and net current account (UNTE2), the two variables under study are not stable in the level of the three estimated models, and the results showed that they are stable in the first difference of the first model only, as it is noted that the calculated value of the variable (UNBE2) amounts to (-1.47542).) is less than the tabulated value of (-3.689194), which required taking the first difference, in which the calculated value was (-2.21693), which is greater than the tabulated value of (-3.699871). As for the second and third models, the results shown in the previous table indicated that they are unstable. At the level, the calculated values reached (-0.52251 and (-1.97412), and after taking the first difference for the two models, the results indicated that they contained the unit root, as the calculated values reached (-2.05261) and (-2.38417), which are less than their tabulated values and it appears This is through the probability value that exceeded (0.05), as for the net current account variable (UNTE2), and after conducting a stability test at the level, we find that the absolute values calculated for the

three models of the tau statistic amounting to (-1.89467) for the first model and (-2.28152) for the model The second and reached (-0.83310) for the third model, less than the corresponding tabular values through the probability values that exceeded (0.05), and then accepting the null hypothesis that states the existence of a unit root for the variable, which required conducting a first difference test, which proved that it is stable for the second and third models. That is, rejecting the hypothesis of the instability of the series data. For the first model, the calculated value was (-2.69930), which is not significant as it reached (0.0805), which is greater than (0.05), while the calculated value for (tau) was (-3.67016) for the second model. It is significant as the degree of probability reached (0.0256), while the third model indicates that it is also devoid of a unit root, as the calculated value reached (-2.80665), which is significant at the level of (0.05).

Second: Results of cointegration analysis using the Engle-Granger method.

The results of the ADF test for the country of China showed that the time series variables are unstable at their levels. This means that they are integrated of the first degree. Therefore, the cointegration test can be performed by the two-step Engle-Granger method, which estimates the long-term relationship between the variables. :-

A- The first step: This stage includes estimating the regression of the long-term relationship between the variables in question using the OLS method, as in the following equations:

$$UNBE2 = \alpha + \beta_1 UNTE2_{1t} + \varepsilon_{1t} ----- (1)$$

$$UNTE2_t = \alpha + \beta_1 UNBE2_t + \varepsilon_{2t} ----- (2)$$

Where: - :- The error limit whose stability is to be tested for the above equations. After estimating the above equations using the OLS method, the stability of the error term for each equation was tested using the ADF method and the KPSS method ($\square$). The results are shown in Table (5). The results indicate the stability of the error terms for the two equations according to the ADF and KPSS tests.) at the level of significance (5%), and this is an indication of the presence of cointegration between the two variables in both directions, while the results shown in the table above for the third and fourth equations indicate acceptance of the null hypothesis that there is no cointegration between the two variables in China.

B- The second step: This step includes verifying the long-term relationship between the variables included in the model by estimating the error correction model, as the following equations were estimated: -

$$\Delta UNTE2_{1t} = \beta_0 + \sum_{i=1}^{n} \beta_i \Delta UNTE2_{1t-i} + \sum_{j=1}^{m} \alpha_j \Delta UNBE2_{t-j} + \rho_2 e_{t-1} + V_t ----- (2)$$

$$\Delta UNBE2_t = \alpha_0 + \sum_{j=1}^{n} \alpha_j \Delta UNBE2_{t-j} + \sum_{i=1}^{m} \beta_i \Delta UNTE2_{1t-i} + \rho_1 e_{t-1} + U_t ----(1)$$

Where: - :- the error term estimated from the first step.

After estimation and based on the results of the statistical program (EVIEWS), which is characterized by directly calculating the tau value to determine acceptance or rejection of the null hypothesis to determine cointegration between variables, the results are shown in Table (5).

Table 6: Results of the Engle-Granger test for economic variables China for the period (2004-2020)

equation	Dependent variable	tau – statistic	Prob 5%
1	UNBE2	-1.74411	0.0816

2	UNTE2	-1.268393	0.0915

Source: Results of the statistical program.

When estimating and testing the relationship between the net general budget and the net current account in China, the test results indicate acceptance of the null hypothesis in the third equation. The calculated value reached (-1.74411), which is not significant. The same is true for the fourth equation, as it reached (-1.268393), which did not appear. Its statistical significance and thus the lack of cointegration between the two variables in China.

Third: Results of the Granger causality test: Granger indicated that if there are two complementary time series, there must be Granger causality in at least one direction. After we tested the stability of the data of the time series variables, we then tested the integration These variables are in the model. After that, we test the existence of a causal relationship between these variables and determine their direction during the period (2004-2020), as follows:

Table (6) Granger causality results for the relationship between the net general budget

China for the period (2004-2020)

Null hypothesis	F – Granger	Prob 5%
Net budget does not cause net current account	2.4685	0.13000
Net current account does not cause net budget	2.1343	0.18290

Source: Results of the statistical program.

From observing the results of the previous model, it is clear that there is no joint integration of the data of the two variables, the net general budget and the net current account in China. This represents a necessary and sufficient condition for the absence of causality between them, and this is what was shown by the causality test between them. The results shown in Table (6) indicated acceptance of the null hypothesis, which states It indicates that there is no causality between the two variables of the estimated equations (1) and (2).

Conclusions:

1- China is characterized by a high rate of public expenditures, which helps in developing the country's infrastructure and reflects positively on the country's economic level.

2- China is characterized by a high level of foreign investment and this is reflected in the constantly improving trade account.

3- The results of the standard model proved that there is no joint integration of the data of the two variables, the net public budget and the net current account in China, which represents a necessary and sufficient condition for the absence of causality between them.

Recommendations:

1- The Chinese experience is the appropriate path for the development of the Chinese themselves and to help them achieve the Chinese Renaissance. It is an experience that originated in a developing country that can be benefited from, but it cannot be completely transferred to the Arab countries. Rather, one must benefit from its content. Each country has its own development approach that suits its own circumstances.

2- To achieve development in Arab countries requires the necessity of striving to raise the competitiveness of their exports as it is the main engine for achieving economic growth.

3- Striving to benefit from the enormous natural potential, whether it is human potential or various economic potential, and working to manage it wisely. The enormous potential that China possesses has made it move forward and keep away from it the obsession of economic dependency.

References

1- Rayhan et al., Muhammad Attiya Muhammad, Samir Mustafa Abu Mudallala, and Farouk Musa Dawes, the Chinese economic experience and its future challenges, 2012, Master's thesis, Al-Azhar University - Gaza, Faculty of Economics and Administrative Sciences.

2- World Development Indicators 2022. For more information, visit the link https://api.worldbank.org/v2/ar/country/CHN?downloadformat=excel.

3- Muhammad, Iyad Jassim, 2018, Determinants of the Chinese-American relationship in the last quarter of the twentieth century, research published in the Iraqi University Journal on 2/26

4- International Monetary Fund, 2007, Annual Economic Report, International Economic Developments, Chapter One

5- The International Bank for Reconstruction and Development for more information at the link https://ar.tradingeconomics.com/china/government-revenues

6- Mohamadeen, Safaa Khalifa, China towards multi-polar competitiveness in the twenty-first century: the Package and the Road Initiative as a model (2013-2021), research published in the Journal of the Faculty of Politics and Economics, Alexandria University, third issue.

7- Al-Jaafari, Ammar, 2018, The new protectionist policy in light of the World Trade Organization agreements, "Currency devaluation policy as a model - with reference to the case of China," a dissertation to obtain a doctoral degree in economic sciences, international economics, Mohamed Khudair University, Biskra, Faculty of Economic and Commercial Sciences. Facilitation

8- Press, Associated Press, 2021, China is ahead of the world's economies in recovery: $427 billion trade surplus, an article published on the Al-Arabiya page

9- Xiaoying Guo, The Chinese Experience and Arab Development, 2019, published at the Prospects of Arab-African-Chinese Cooperation Conference, researcher at the Sudanese Studies Center at Yangshutou University

10- Yassin and Al-Arabi, Merbah Taha and Guini, 2018, Foreign direct investment and opportunities to benefit from it to achieve economic development in developing countries - presenting the experiences of China and Malaysia -, Algerian Journal of Globalization and Economic Policies, Volume 9

11- Yenug, yue-man and others (2008), China's SEZS at 30 china, Chinese university of Hong Kong, Dep of Geography and Resource Management p231.