GLOBALIZATION AND ECONOMIC GROWTH IN CHINA

Monograph

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CONTENT

ABSTRACT

Chapter 1 of this book analyses the Economic Power of China. It is shaped by the size of its economy and industrial and agricultural sectors, including continuous and dynamic economic development in recent decades, availability of resources, leadership in exports of goods, growing role in international finance, high propensity to save and invest, the largest number of population and qualified labor forces, and a special model of economic regulation. National economic power can be defined as an ability to use economic means to influence foreign and domestic economic entities, global economic trends and to resist external shocks and influences. Economic power can be used to improve social and economic well-being and to increase the overall national power of a country.

As for historical retrospective, for centuries China and India constituted a half of the global economy (until almost the middle of the XIX century). In the XXI century China became again one of the global economic leaders (together with the US and EU). Nowadays China is the 1st or 2nd economy by GDP (almost 1/5 of the world economy) and the 2nd economy by national wealth. It is a global leader by investments, agricultural and industrial sectors. PRC was able to maintain fast economic growth for decades and positive growth even under the recent global crises. It is one of the leaders by natural capital thanks to its vast land area. In foreign trade China is the main exporter of goods, especially creative goods, IT equipment and wearing apparel, which helps it to maintain positive trade and current account balances. It has the largest foreign reserves and increasing importance in international finance. Several dozen countries depend on the business cycles primarily in China. It outperforms other global powers by patent applications, hi-tech exports and researchers. 23 % of the global labor force are located in PRC.

Regulatory system is based on the powerful role of state. But at the same time it demonstrated flexibility and ability to adjust to the global economic trends. On a local level SAR Hong Kong was able to outpace the EU and US by Ease of doing business index. Beijing and Hong Kong are in top-10 cities of global importance. Global influence of China increases, and One Belt One Road initiative contributed to it. Advantages of the soft economic power of China are based on its image as the

second global economic leader, positive impressions of the citizens about economic situation in the country, interest in trade and investment opportunities, powerful Chinese corporate brands in several industries (IT, food, media, construction and real estate, finance and insurance, retail trade, tourism, and air transport etc.). There is a significant positive nonlinear relationship between Chinese outward investments and its image in recipient economies.

At the same time there are challenges for China in the areas where the US and EU preserve dominance and better performance. China is still an emerging economy with medium income per capita and moderate energy efficiency. It lags by exports of services, internationalization of renminbi, influence in the IMF, receipts for use of intellectual property, life expectancy, education, some criteria of economic regulation and governance. Imperfections in soft economic power are caused by the image of a powerful competitor, large variance in attitude to China among countries, relatively lower presence of information in English language segment of Internet, a gap in country-of-origin image, domination of American and European corporate brands in a number of sectors. Nevertheless, China has made a significant progress in most of these areas to decrease the gap with the Western powers. Maintaining fast economic growth, further improvement of quality of life and products and international initiatives may help to improve economic power of China in future.

Chapter 2 seeks to appraise and reinterpret experience of China's industrialization. By the second decade of the 21st Century China has returned to the state of economic excellence by global standard that it had lost in the past two to three centuries. It has now become the largest manufacturer nation, the largest exporting economy and national economic system with the largest GDP by PPP calculation in the world.

Before the economic reform in 1979, China benefited from its forced withdrawal from the world market, which allowed it to protect its infant industries and benefit from the late-comer advantages in industrialization. With political stability and a possible military threat from the US, China implemented a self-reliant rapid industrialization that relied on a strong buildup of heavy industry. It was able to achieve an average economic growth of 6.1 % in almost 3 decades.

The change of policy of the US towards China after the Vietnam War produced a rapprochement of the two countries. This allowed China to reintegrate with the world market dominated by the US and have access to foreign direct investment from the US and its allies. China launched economic reform and open door policy in late 1978. The timing was very good. It was at the time when the US tried to reduce trade surplus with Japan and China provided another low cost production base alternative to Japan and the flying geese pattern of East Asia regional system of production under its control. China's pro-foreign business special economic zone policy, its huge labour surplus and its low production costs helped US importers and retailers (and European firms that followed) to establish a huge industrial processing system in China for the US market. Investors from Hong Kong has transferred the preexisting industrial processing base in the city state in totality and expanded the cross-border processing system with production in China Mainland and services in Hong Kong to such a scale that it has replaced most of the labour intensive manufacturing exports from Japan and East Asian NIEs to the US.

In 1950, China's total exports were only US$ 550 million and reached only US$ 9.8 billion by 1978. The economic reform and open door policy had pushed total exports to US$ 1,400 billion in 2008 with an average annual growth rate of 18%. The ratio of total exports to GDP was less than 5% in 1978. It rocketed to 34.5 % in 2006. China's economic success has been an export led one and it had been supported by the great expansion of industrial processing.

China has also pursued a dual industrialization strategy. Apart from industrial processing and its spill-over effect on import-substitution development, it has continued to maintain a strong state industrial sector but subjected it to vigorous reforms and investment. In 2021 the state controlled sector contributed 25.7 % to total business incomes of all firms registered in the nation, and 26.1 % of total profits. The state sector still performed a strategic role in the Chinese economy.

The role of the reformed state sector separates the Chinese case from other success stories of developmental state. The state controlled corporate system bears some resemblance to the Japanese keiretsu and Korean chaebol, but not the American Fordism. The overall strategy and governance system might represent a hybrid system that integrates central redistribution and management with market regulation and the exact pattern of hybridization/integration is not fixed but flexible subject to the interplay of power and interests of stake holders in response to changes in domestic and overseas environment, the macro framework, in which the Chinese economy and its reformed state enterprises operate. It goes beyond the conventional concept of developmental state.

However, despite the massive fiscal and monetary expansion for investment after the 2008 global financial tsunami, China has witnessed a slowdown of its economic growth since 2015. It is probably because China has completed the catch up industrialization and enters the uncharted waters of post catch up industrialization just like what Korea has experienced. It has lost the late-comer advantages and would face a less favourable external environment. First, there is the unfinished adjustment to the 2008 financial crisis that has been weakening the external demand for China's export oriented economy. Second, the political relationship between China and the US has worsened with trade war and even a new Cold War are in the making.

China's industrialization experiences confirms that there is no simple and standard way of industrialization and economic development for late-coming countries. Not just economic factors but also political factors, embedded in the macro politico-economic trends beyond the countries that determine the success or failure of industrialization attempts.

Chapter 3 analyses slowdown in economic growth as the defining characteristic of the 'New Normal' of the Chinese economy post-2008, amid the Great Recession that has engulfed the world as a whole. Initially, in the years 2008-2011, thanks to the government's massive fiscal stimuli, Chinese economic growth continued to maintain a fast pace that is close to 10 % a year. The growth rate then dropped to below 8 % levels in the years 2012-2015, and below 7 % levels thereafter. As of late 2021, irrespective of the impact of COVID-19, there is little evidence that the growth slowdown would be reversed in the foreseeable future. Since the early 2010s, China's internal and external developments have been associated with its 'New Normal'. These developments represent the cumulative outcome of China's economic transformation over the era of systemic reform.

Is the growth slowdown cyclical in nature? Or is it a long-term trend? The term New Normal, which has been formally used by the Chinese state leadership, suggests that the slowdown is more likely long-term than short-term. Or at least that is the view of the leadership, not least in its openly stated vision that a 'L-shape' curve is almost definite for characterizing the transition from the high-speed growth phase of the previous three decades to a new phase of medium-speed growth. State economic policy and development strategy have thus been designed on the basis of this vision. Insomuch as the growth slowdown is indeed a long-term trend, there arises the question as to what are the structural-institutional conditions that have accounted for the transition. Answers vary, mostly coalescing around two theses: namely, demand deficiency and profitability decline. These answers are with different degrees of theoretical substantiations, and empirical backings, and hence have yet to yield a consensus. The Chinese state leadership, for its part, has been eclectic in the face of the different answers and have designed policy measures to address the relevant concerns raised by these answers. The catchwords '(demand-side) rebalancing' and (supply-side) restructuring' has been frequently used in government statements.

Chapter 3 is intended to clarify the reasoning of the alternative answers, and to put them in comparison, with a view of constructing an appropriate synthesis. Granted that the alternative answers do have elements of empirical truth, the paper further seeks to address the question as to what structural-institutional conditions would be necessary for maintaining medium-speed growth – or even returning to high-speed growth. Foreshadowing, it will be argued that, for coping with the problems of demand deficiency and profitability decline, government policy needs to be designed in a way that consolidates a production-oriented model instead of yielding to the pressure of a speculation-oriented model. This amounts to reshaping the Chinese 'model' of economic transformation, in a world of speculation-prone financial expansion. The cause of the slowdown in investment growth, and therefore economic growth, in China under the New Normal is complex. Both demand deficiency and profitability decline are ascribable to a multiple of forces that are rooted in the prevailing structural-institutional conditions as well as the internally divisive state orientation. Reshaping the model of economic transformation is thus needed for sustaining long-term development.

Since the turn of the century, there has been a rivalry between two alternative directions for Chinese economic transformation. These, namely, are the tendency of convergence to the Golden Age Model versus the tendency of financializing the economy. Put another way, the rivalry is between the consolidation of a production-oriented model, on one side, and the transition to a speculation-oriented model, on the other side. It is discernible that the prevalence of the speculation-oriented model has mainly accounted for the economic problems that have actually occurred under the New Normal. Against this background, it is understandable that, after the stock market crash in summer 2015 and the continuous worsening of economic performance, the Chinese state leadership has reoriented itself to turn to emphasize curtailing speculative activities and promoting productive activities. This effectively entails promoting the resumption, or speeding up, of the tendency of convergence to the Golden Age Model. This promotion has occurred not only domestically but also in a broader scope of economic 'Going Out', in the form of the Belt and Road Initiative.

Chapter 4 highlights that one of the manifestations of the globalization of the world economy was the opening of China to the investment of multinational enterprises (MNEs). This process had such a powerful impact on the further development of international economic relations that it changed the structure of world trade and international production. Over the past forty years, both in terms of annual inflows of direct investment and the amount of accumulated foreign capital, China has become a major recipient of foreign direct investment and has turned to biggest world's cluster of MNEs. Also, China has become a key player in global value chains (GVCs). The opening of China's economy to foreign investment has given a huge impetus to further globalization and the economic interdependence of countries.

Thus, over the past forty years, China has accumulated vast experience in attracting multinational enterprises. Although there are various estimates in the Chinese economic literature of the MNEs impact on the country's economic development, most empirical studies show positive long-term effects of FDI inflows. This applies to the growth of industrial exports, the formation of innovation potential, structural changes in industry, and, in general, increasing GDP growth.

Throughout the period of economic reforms and market liberalization, the Chinese government has gradually liberalized the investment climate, reduced the burden of the regulatory environment, and increased the country's investment attractiveness. A stable political system and a consistent, focused policy of increasing the country's competitiveness were extremely important for the inflow of FDI into the country. Such macroeconomic policy has contributed to the creation of new dynamic locational advantages (R&D potential, extensive infrastructure, human capital, growth of welfare and consumption), which today are the main determinants of multinational firm's activity in this country.

China has joined the new globalization wave since its adoption of the "reform and open door" policy in the late 1970s. Its integration to the world economy started with the liberalisation of its investment and trade, initially by attracting inward investment to set up factories for processing trade. Gradually more economic sectors and more regions were opened up. By the time when China entered the World Trade Organization in 2001, China's trade and investment regime had arguably become the most open one among large developing countries. Managing trade and capital flows cautiously, China has been able to make use of the open-door policy to build up its industrial base and realise technological progress rapidly. The expansion of trade in the first two decades of open-up has been accompanied by growing export sophistication.

Chapter 5 argues that China's adoption of the "Go Global" in 2000 represented a new stage of joining globalization. By the early 2000s, China had accumulated international reserves that were larger than any other countries in the world. At the time, China's international reserves were mostly invested in US treasury bonds. This was odd because China, as a developing country, was lending huge amounts of funds to the world's strongest economic power. China therefore started to consider better uses of its external assets. Against this background, China has shifted from focusing on "bringing in" (i.e. attracting inward investment) to "going out" (i.e. encouraging outward investment). The "Go Global" strategy was thus adopted to achieve various strategic goals.

A decade later, China had become an important fund supplier to the world, with a significant share going to the developing countries. Chinese companies have been involved in many overseas investment projects. Various government units and enterprises have made concerted efforts to initiate and complete large projects, with funding from China's two major policy banks, the China Development Bank, and the Export-Import Bank of China. The announcement of the Belt and Road Initiative (BRI) in 2013 represented a milestone in China's global use of its capital. The BRI started as a project with clear geopolitical intention. Soon China has used it as a platform for promoting its global visions and advocating its solutions for major global problems.

Chapter 5 documents how China has managed the process of capital outflow since the turn of the century, the size and features of capital outflows in various stages. Subsequently, it analyzes the backgrounds to the emergence of the "Go Global" policy, followed by an analysis of the geopolitical consideration behind the launch of the BRI in 2013 and its enriched narratives. The strategy and process of building the Belt and Road will then be assessed. Finally, this chapter indicates that China has been promoting the Health Silk Road, the Green Silk Road and the Digital Silk Road, which will likely be the direction of the BRI in the years to come.

The BRI has been an evolving project. Starting as a geopolitical project, China has tried to enrich its narratives, geographical coverage and focus of development. It has also adjusted its institutions and policies for better achievement of its goals. As the competition and conflict between China and the western countries escalates, its role has also been a centre of controversy. In the wake of the Covid-19 outbreak, China has made tremendous efforts to maintain the momentum of BRI. More importantly, the BRI has been used as a platform for China to build alliances and advocate its solutions to major global problems. First of all, China has tried to use the BRI to cope with the immediate threat of the pandemic, by accelerating the development of the Health Silk Road (HSR). Secondly, under the BRI framework, China makes efforts to promote the Green Silk Road (GSR) to support the international community in combating climate change, which is seen to be humanity's greatest challenge. One of the major actions is to "green" its overseas investment by gradually stopping investment in highly-polluting projects. Thirdly, China has speeded up the development of the Digital Silk Road (DSR). China has promoted it as a way to narrow the digital divide between developed and developing countries and enhance the global digital governance.

All these suggest that China has invested more efforts and resources for the construction of the Green Silk Road, the Health Silk Road and the Digital Silk Road. Because the pandemic is not likely to come to an end very soon, and there is a growing importance of the climate and digital governance agendas, it is necessary for the Chinese government to cooperate with the other countries on the relevant issues. It is likely that these silk roads will continue to be the emphasis for the BRI in the years to come.

Chapter 6 is devoted to the research of peculiarities of scientific and technological development of China in the late twentieth and early twenty-first century and their impact on economic development, especially given the growing role of China in the global processes of the XXI century. In particular, the study deals with the peculiarities of China's technological development at the initial stage of integration into globalization, including rapid growth of China's technology markets; fast commercialization of scientific and technical knowledge; increase in technology trade; use of joint venture model and targeted technology imports; accumulation of experience in working with foreign corporations (including contract execution); mastering the best western management practices; unification of technological and economic policies, etc.

This section also analyses the current stage of innovation development, including the current national innovation system of China, which has been significantly modernized over the past 30 years and is now able to produce and supply innovations and technologies necessary for national development and to promote new scientific and technological clusters. The chapter studies the role of the business sector in China's R&D, the stages of evolution and factors that contributed to the transition of Chinese companies in less than 40 years from direct copying to pure business innovation, along with qualitative economic growth. It is concluded that the period under study is characterized by significant autonomy of China's development (transition to a dual circulation model, development of a sovereign segment of the Internet, own e-commerce platforms, full range of technologies, fundamental and applied science, including megascience projects, etc.), and that implementation of strategic initiatives requires adequate R&D funding.

The chapter reviews current costs and the country's position among the largest R&D investor countries. The connection between costs and their effectiveness is described. Along with government spending, the R&D spending of Chinese corporations and the current state of venture capital investment in private R&D financing systems is analyzed. The conclusion is made about the gradual and constant increase of investments in technology and innovation development from various sources, both public and private. Public spending in development plans forms the basis and sets trends in applied research (including state-owned enterprises), finances research infrastructure, basic research and training. Private companies are creating new technology companies (startups) to attract venture financing. All of the above, combined with growing demand for technology solutions developed and manufactured in China and a wide range of innovation sectors, forms an R&D funding system with broad and easier access to capital which attracts talented scientists and innovative entrepreneurs to R&D and innovation. In turn, this has a positive effect on the overall functioning of the R&D and the growth of high-tech exports.

An important element of the overall study is the role of foreign trade and its relationship to China's technological development, especially in the context of escalating disputes between China's major technology exchange partners over the past 40 years. Imports of high-tech and innovative goods to the PRC are gradually growing, with a sharp increase in such imports after 2020, they have a certain cyclical nature due to the peculiarities of innovative development and production. At the same time, there is a gradual increase in exports of high-tech products from China, where there is also cyclicality. Based on the analysis, a number of conclusions are made: that the specifics of China is the simultaneous (parallel) development of its own science and technology and adaptation of technologies and innovations developed by other countries in the production and subsequent export of high-tech products; rapid introduction of innovation in production; compensation of expenses for import of high-tech products by incomes from their export; technological products with high added value dominate the country's foreign trade; there are a number of critical technologies where China is still dependent on imports.

The analysis of statistical data shows that the main technological donors for China have been and remain the world's innovation and technology leaders – Japan, Germany (wider EU), South Korea and the United States. At the same time, in the last few years, the ASEAN countries have been actively joining the traditional partners for the import of high-tech products to China. The current practice of 'market in exchange for technology' is considered. It can be concluded that the practice is quite controversial, but when used correctly in the context of under-standing the priorities of strategic economic and technological development policies in individual sectors, this model can be quite successful. It should be also noted that China is becoming an increasingly important player in global value chains in the high-tech sector; its export products are becoming more complex and innovative; the share of high-tech manufacturers in exports is growing.

The transition to the dual circulation model and its role in scientific and technological development is considered separately and it is noted that it acts as a system integrator that combines the functions of strategic and operational economic management, analytical, coordinating and distribution functions, and the transition to such a model testifies to the confidence of the country's top leadership in its self-sufficiency of scientific and technological development.

General conclusions of the study include the following: China has both its own strong scientific and technological tradition and can promptly use the scientific and technological innovations developed in other countries, which also requires appropriate fundamental and applied scientific and technological support on the one hand, their refinement is based on the experience of their own scientific schools and traditions, and on the other, creates their own Chinese technologies. Such hybridization creates additional competitive advantages for the technological sector of the economy, but at the same time involves significant costs of all types of resources. In our opinion, at the moment, no other country, except China, can afford such a model. General features of the historical development of scientific and technological potential of China include: significant influence of the government on scientific and technical activities; big impact of Confucian ethics and scientific tradition; high adaptability of the development model to changes in both the internal situation and the external environment. Foreign trade in high-tech goods continues to play a significant role in technology transfer, and trade and technology links established over the past 40 years, despite problems and even trade disputes, continue to function.

Chapter 7 explores China stock market uppermost in terms of its substantial level of heterogeneity and segmentation. It is argued that despite dominant standing of China in the global economy and its position as one of the two largest economies the country's stock market is substantially underperforming. However, the role of Chinese stock market in the world is increasing over time. It is revealed that its primary features include powerful regulation, substantial symmetry between particular segments and gradualism in development. We show evidence that the two market segments are clearly identified using the market development level criterion. The mainland equity market is identified as the market of emerging type while Hong Kong segment is referred to as the developed equity market. They differ substantially by market size, level of liquidity and level of market accessibility. One of the most substantial directions of China stock market heterogeneity and segmentation includes currency heterogeneity with two currencies (renminbi and Hong Kong dollar) circulating at the same time. Furthermore, renminbi actually implies two exchange rate regimes: onshore (mainland fixed rate) and offshore (foreign markets floating rate).

Internationalization level is proved to be different in different segments while being generally low. Percentage of foreign firms listed on Hong Kong stock exchange is 7.15 % compared to 9.75 % of the world average level as of the end of 2021. Shanghai and Shenzhen stock exchanges do not have listed foreign companies at all. Foreign investor can access the most capitalized market segment with A class stocks via special programs of institutional investing QFII and RQFII. The chapter argues that the development of these programs that are now actually merged into one single program is one of the most immediate objectives of stock market development. It can solve one of the most substantial systemic problems of Chinese stock market which is the extremely low level of institutional investors participation and prevailing of retail agents providing high portion of speculative transactions.

Chapter 7 also shows some other fundamental problems of Chinese stock market. The solving of these problems substantially defines the prospects of the market itself. They are essentially low share of the market owned by foreign investors; poor level of households' resources directed to the stock market (they traditionally prefer banking sector); substantial inequality in financial resources supply – absolute domination of the banking sector compared to stock market; small volumes of equity free float – most of the stock is beyond the stock market mostly in the form of majority holdings.

It is proved that large part of Chinese stock market unrealized potential manifests itself in the undersupply of foreign portfolio investments by both Hong Kong and mainland market segments. As of the end of 2020 the total investments volume is only 3.7 % of the respective global figure with the market capitalization being 17.2 %. This share has been permanently increasing since 2000 resulting from market gradual liberalization. However, Hong Kong segment is performing noticeably better compared to mainland market in these terms. Significant imbalance in the structure of Chinese international portfolio liabilities is revealed. The share of equities is almost twice the world average ratio for both market segments while the share of debt securities is extremely small. The main reason for this is the relative unattractiveness of local debt market for foreign investors since most risks on this market are concentrated in China Interbank Bond Market.

Further crucial prospects of Chinese stock market are discovered to be as follows: promotion of market onward liberalization, uppermost in terms of foreign investors access; liberalization of the banking sector; introduction of floating exchange rate regime; further development of institutional investing programs; expansion of clearing and trading platforms between exchanges.

The tremendous expansion of the Chinese economy since the turn of the century, especially in terms of its external dynamics, is of world-scale significance. It seems to justify the quest for appropriate conceptions of China's systemic impact on late development worldwide. A large number of scholarly studies have coalesced to analyze two crucial aspects of the impact, namely: impact on the performance of industrialization and the condition of labour in the developing world. Chapter 8 seeks to critically appraise and reinterpret the existing studies. The appraisal is not so much a critique but rather an attempt to appropriately position the studies in the systemic context. It is submitted that the existing studies' focus on market competition, as the main form through which China's impact manifests, needs to be complemented and underpinned by the more fundamental consideration on productive investment. In the direction of constructing a systematic conception, it is further submitted that the China impact can potentially serve as a countervailing force against the prevailing dynamics of the world economy under neoliberal globalization – i.e., the rising predominance of speculative finance that tends to crowd out productive investment, thereby hampering industrialization and worsening labour condition in the developing world.

The tremendous expansion of the Chinese economy since the turn of the century is of world-scale significance. Between 2000 and 2020, China accounted for more than a quarter of world economic growth, and more than a half of the growth of all developing (i.e., low- and middle-income) economies. In the meantime, China accounted for 47 % of the increase in industrial value-added of the world and 69 % of all developing economies. From 2000 to 2018, China 'raised', in the accounting sense, the average annual growth of the real wage rates of the world from 1.3 % to 2.3 %. Regarding international economic activities, by the 2010s, China became the biggest merchandise-trading economy in the world as well as a major supplier and recipient of international investment. It has also initiated a range of policy programmes, most famously the Belt-and-Road Initiative, aimed at reshaping the economic landscapes of the world.

These developments have given rise to widespread concerns over the nature of the Chinese economy and its interaction with the rest of the world. Given the vastness of the scales, they seem to justify the quest for appropriate conceptions of China's systemic impact on world development. By systemic impact it refers to the space for development that has been created and acquired by China, vis-à-vis the space in the world as a whole. In the context of global economic stagnation, the immediate concern over development space can be pinned down as the sharing of the world total of macroeconomic demand (and with it the scale of economic activities, employment, etc.). Demand comes from income, and it is China's role in the creation and acquisition of world income that defines its systemic impact on world development.

Is China a boon, or a curse, for the development of the Global South? Scholarly studies have provided essential building blocks, while seemingly fall short of constructing a systematic conception. They tend to approach the China impact as per the experience of yet another East Asian successful industrializing economy, following the footsteps of Japan, South Korea, and the like. A large number of the studies have coalesced to analyse two crucial aspects of the impact, regarding the progress in industrialization and the condition of labour in the developing world. The thesis of 'China reinforcing Southern de-industrialization' dwells on verifying whether Chinese manufactures exports have been displacing exports from other developing countries in the world market, and/or whether China's imports of primary commodities have been inducing the export countries to specialize in the primary sector. The thesis of 'China under-cutting Southern labour' dwells on verifying whether Chinese manufactures exports have been driving other developing countries to rely on 'cheap labour' for the survival of their industries, and/or whether China's investment in other developing countries has been mainly pursuing 'cheap labour'.

Chapter 8 seeks to critically appraise and reinterpret the existing studies. The appraisal is not so much a critique, in the sense that it is not purported to explicitly and formally test the theses (and hence it would not question the validity of the associated empirical findings). It is rather an attempt to appropriately position the studies in the systemic context. Conceptually, in the face of competitive pressure from Chinese exports (Chinese labour), whether or not displacing (under-cutting) will occur in a particular developing economy hinges on productivity. And productivity improvement depends on productive investment. Hence, the crucial question for judging the systemic impact is whether China tends to undermine, or enhance, the capacity of productive investment in the developing world. The consideration on productive investment should be seen as more fundamental than, or at least complementary to, that of market competition.

Placing productive investment at the centre of the investigation into the systemic impact does have its empirical foundation. The Chinese economy is well-known of its production-orientation, with its rate of productive investment far exceeding the rest of the world. It is also imperative for China to promote productive investment in the broader world. As will be explained below, neoliberal globalization has been associated with the rising predominance of speculative finance that tends to crowd out productive investment (thereby hampering industrialization and worsening labour condition in the developing world). China has been resisting such systemic dynamics of the world economy. The resistance has had to be undertaken in the broader scope from the early 2010s, amid the rapid deepening of the integration of the Chinese economy into the world market. It appears that China constitutes a significant countervailing, instead of preserving, force vis-à-vis the prevailing systematic dynamics of the neoliberal world. It is, ultimately, in this sense, that the quest for systematic conceptions of the China impact is justified.

Chapter 9 analyzes the economic causes and consequences of the trade and economic war between the USA and PRC. The chronology of the introduction of mutual trade barriers by these countries and a temporary compromise in the form of the first round of the Trade Agreement are considered. Based on the systematization of estimates of the effects of additional trade tariffs, a contradictory (albeit asymmetric) effect on economic growth, investment and employment in these countries is shown, as well as a predicted increase in the overall negative effect for a significant number of countries in the medium term. The main scenarios of the possible development of trade and economic relations between the United States and China are considered.

The authors note that the trade war provoked the effects of trade reorientation and the emergence of beneficiaries among third countries, but, due to the transfer mechanism of global value chains, the losses to the world economy can largely overlap the overall short-term gain from such trade substitution. It has been shown that any trade relocation takes time and has additional costs. Alternative suppliers may not have the same transactional supply efficiency.

Particular attention is paid to the impact of the trade and economic war between the USA and PRC on the Ukrainian economy. It is substantiated that Ukraine has also acquired certain export opportunities due to a decrease in the American share in the Chinese market. So, the extremely dynamic growth of Ukrainian exports to China, which has been observed in recent years, testifies to the above effect of reorientation and replacement of trade flows. But, at the same time, the deterioration of world economic dynamics as a result of the trade and economic war increases the overall risks for the Ukrainian economy, especially in the medium term. In the context of the current economic policy of Ukraine, the issue of maximizing the utilization of industrial export opportunities to China and expanding the export of goods with higher added value remains important.

Trade wars are not a new phenomenon in human history. Most often, trade war is generally understood to mean the seizure of foreign markets or the prevention of seizures using instruments such as tariffs, quotas or sanctions. Thus, any country can use a trade war as a foreign policy action aimed at maintaining its economic position or to increase it through a strict trade policy to other countries. The trade conflict between the United States and China, its tools and implications for these economies and other countries in general is of particular interest. The United States sees danger in China's potential absolute dominance in the world economy, given factors such as growing imbalances in their bilateral trade, growing Chinese high-tech companies' competitiveness, and increasing foreign direct exports from China. According to US officials, China conducts an unfair trade policy by taking advantage of trade liberalization and WTO membership. At the same time the PRC keeps its home commerce safe from foreign competition by providing subsidies and promoting exports through currency devaluation. Technology theft and reverse engineering, mishandling of intellectual property rights, environmental concerns and even human rights are among the accusations that the United States brings to China.

The chapter has found that the use of regulatory mechanisms in the trade war between the USA and PRC causes economic damage to both sides. Such conflicts have no winners in the long run, but in some cases some countries may temporarily benefit from bilateral trade disputes because the flow of goods may be redirected through and/or to them. The rapid growth of Ukrainian exports to China, especially in the agricultural sector, is also due to the effects of the trade war between the United States and China. This situation has forced China to look for alternatives to American agricultural products in other markets. Ukraine can also benefit from involvement in infrastructure projects such as the Belt and Road Initiative and inclusion in the global value chains for certain segments of intermediate products. But the overall negative effect of the trade war on the world economy can significantly offset these benefits and pose additional trade and investment risks to the Ukrainian economy.