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An analysis of China's global position. Dimensions and perspectives

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Abstract: *In the current context, triggered by complex political events, geostrategic conflicts, broad social movements, international cooperation is vital in order to maintain and enhance prosperity and sustainability globally. A consensus among the planet's major commercial forces on what constitutes fairness in the commercial system based on competition, intellectual property rights, data governance, inclusive growth and ecological sustainability requires a new global agreement. Among the many areas requiring urgent attention are the creation of a new multilateral trading system, the fight against global climate change, the achievement of a consensus on digital governance (such as data sovereignty) and the resolution of the tricky deficit problem within the international investment stock estimated at 350 billion dollars.*

Key Words: *economic policies, international economy, competition.*

JEL Classification: F50, F51, O19

Introduction

In this paper we intend to address the power relations established at the global level, the influences of each major power on the international trading system, the main advantages and limitations of international trade recorded in the present, and the context in which they can be transformed into viable long-term commercial policies, in the context of shaping a sustainable growth-based development strategy.

Achieving the unison in terms of perceptions of the international economic system becomes vital in order to hope for the reform of the institutions of global governance and the mitigation of the deficit in their legitimacy. The big economic players in the world are reconfiguring their positions of power through repeated attempts to change the rules of operational gaming in the international trade, initiated by the US in particular. Coming to the

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White House amid a change in politically dominant logic, over the early days, the current US President has expressed his discontent of the United States' current position in the global trading picture. He considered that the level reached by his country's trade deficit was unacceptable and announced a set of measures aimed at boosting US production capacity by capitalizing on domestic resources while supporting the competitiveness of the supply of economic goods through protectionist means. This contradicts the principles of market fundamentalism established by the US in the post-war decades. On such a threatening background for stability in the world trading system, China also responds to changes in its trade policy, which affect the balance of international trade. China has already expressed an interest in playing a more prominent role in defining new game rules by setting up new institutions, mobilizing capital and participating in international climate agreements. However, much remains to be done and China's commitments will have to grow in line with its global impact.

China and the US are broadly in a form robust enough to cause short-term commercial tensions, but further tensions with China would clearly create high risks for both economies and for the whole global trading community. China can use its trade leadership position that it has already conquered to help develop a new approach to global prosperity, continuing to reform its national economy. This will create opportunities for both own economic growth and the prosperity that can be gained by the entire mapamomd. China, the US, and the rest of the world need a vision that will allow them to look beyond the current pure trade dispute and focus on winning together rather than losing it separately.

The present international trade system

The international trade system is currently significantly influenced by the moves that take place within the US-China-EU trio. On this complex axis, we have been witnessing a series of extensive, protec- tionist, power-based movements. In this profoundly changing landscape, there are signs that the US-China relationship is primordial as a result of the struggle of the two great powers to redress the spheres of influence and to gain the supremacy of the world economy. Despite some undeniable economic progress, there are growing signs that China's economy has entered an economic rebound from its overheating and the exodus of large companies as a result of the reversal of the delocalisation process. The increasing trade tensions between the US and China tend to take the form of a cold war between the two major economies of the world. Several experts (Carney, 2009, Wallison, 2009) argue that such a state of affairs reflects the change of the center of gravity for trade placed between the two world giants, saying: "When it comes to the trade war, there are more than two players," "This is a remark of war, China's loss is someone else's gain." The loss of America is the gain of someone else, it is Europe.[1]" the available statistical data confirm the intensity of trade relations between the EU and Asia, the volume of mutual trade between the European Union and Asia amounted to about $ 1.6 trillion in volume, far exceeding that achieved by Americans with any of the regions. And prospects are in the same basic logic, analysts'

[1] https://www.scmp.com/business/companies/article/3003194/us-china-trade-war-reflection-shifting-centre-global-trade

estimates suggesting that this transaction will grow to $ 2.5 trillion in a decade [2]. In this context, the US should maintain a reciprocal relationship with China, in relation to the role that the European Union, as a "geo-economic competitor"[3], exerts globally. The US and the European Union are reluctantly looking for China's opening, although the European Union has concluded mutually beneficial free trade agreements with several Asian states.

Chinese economy and science have changed over the past few years, significantly contributing in order to change the whole picture of the world economy. Until 2017, China accounted for 15% of world GDP. It surpassed the United States to become the world's largest economy in real terms as early as 2014, according to data provided by the International Monetary Fund (IMF), this being the first time since 1870. In nominal terms, China's GDP was $ 12.24 trillion in 2017, becoming the second largest economy in the world. China is a major player on a global scale and its strategic choices are considered essential for global economic growth.

China continues its sustained economic growth process, being excessively preoccupied with the degree of urbanization, but also with the potential for GDP growth per capita and labor productivity as the effects of intensive, qualitative economic growth. The comparison with Japan, as happened in the 1990s, when Japan was the second largest economy after the US, is an interesting case study: at that time, GDP per capita of Japan was already about 50% higher than that of the US (about 20% lower on purchasing power parity); China's per capita nominal GDP remains around 15% of the US level (28% based on purchasing power parity); Japan's urbanization rate was already 78%, in China 58%, 20-30 percentage points below that of highly developed economies. Since the mid-1990s, Japan has sought to achieve a significant growth rate based on technological intensification, superior research incorporation, high-innovation products and IOT-Internet of things tehnologies. In terms of the number of inhabitants, China is sensitively different: it has a very large population but relatively low incomes, being mostly located in rural areas whose productivity gains allow for modest income growth [4].

Currently, China's relationship with the rest of the world seems to be at a turning point due to the fact that most countries in the world consider it important to resume production at the local level in order to give the premises of the active involvement of their own populations in order to increase the employment rate. However, China has so far managed to keep production costs at a low level in most of the world's economies, especially the developed ones, which has led to lower prices of imported goods as a result of the use of labor , considered in China as an advantageous factor: Chinese imports have reduced US consumer goods prices by about 27% [5].

[2] http://www.europarl.europa.eu/factsheets/ro/sheet/160/uniunea-europeana-si-partenerii-sai-comerciali
[3] Roberts, Choer Moraes, Ferguson (2018b) Geoeconomics: The Variable Relationship Between Economics and Security. Lawfare, 27 November 2018
[4] McKinsey_Website_Accessibility@mckinsey.com
[5] https://www.reuters.com/article/us-usa-trade-china-tariffs-explainer/who-pays-trumps-tariffs-china-or-u-s-customers-and-companies-idUSKCN1SR1UI

China is still a major market for multinational companies, the level of foreign investment in the country rising 12 times between 2000 and 2017, according to China's National Bureau of Statistics. However, the nature of China's ascension is under control, many countries are militating for the transfer of technology from foreign firms to local ones, the development of industrial policies that favor local actors and are against poor intellectual property protection (IP). China's foreign investment is being analyzed amid fears that foreign transactions facilitate broad technology transfer.

There are global concerns about production capacities in advanced economies such as the US, although automation technologies make a significant contribution to global supply growth, these concerns being grounded in global resource scarcity [6]. One study [7] estimates that at least two million jobs in the US manufacturing industry have been displaced between 1999 and 2011, a period when Chinese imports increased [8].

An element behind China's upsurge was its accession to the World Trade Organization (WTO) in 2001, which led to the removal of the vast majority of the trade barriers faced by Chinese exports to foreign markets. If the Chinese economy, whose very dynamic economic growth was export-oriented, these trade developments were beneficial for China's trading partners, particularly the Asian states as well as the EU and the US, the negative effects were reflected in the increase in their trade deficits , the competition of some national industrial sectors and the emergence of other types of macroeconomic asymmetries. The growing US trade deficit in relation to China, accentuated since 2000, consists of massive imports of raw materials and other inputs from China as well as manufactured products. US exports to the Chinese market, which are primarily made from high-grade products, have fallen, making China's economy the consolidation trading hub for the US-Asia trade relationship. China's global exposure since the mid-1980s, measured by the magnitude of flows with the rest of the world, has declined over the last decade. At the same time, exposure of the rest of the world to China's economy, measured by the magnitude of China's flows towards the global economy) has steadily increased since 2000.

The Global McKinsey Institute (MGI) [9] has analyzed China's and the rest of the world's exposure to trade, technology and capital. In terms of trade, it measured China's importance as a market and supplier of goods and services to the world economy [10]. As far as technology is concerned, it has measured the importance of technology or technology intensive exports in Chinese technology by reference to global spending on R & D[11]. In terms of capital, China's importance was measured as a financial resource provider but also as an investment destination.

[6]http://siteresources.worldbank.org/EXTLACOFFICEOFCE/Resources/870892-1265238560114/PRestrepo_Oct26_2016_PPT.pdf
[7] https://www.nber.org/papers/w20395
[8] Daron Acemoglu et al, “Import Competition and the Great US Employment Sag of the 2000s,” *Journal of Labor Economics*, University of Chicago Press, Volume 34, Number S1, Part 2, January 2016, journals.uchicago.edu.
[9] McKinsey_Website_Accessibility@mckinsey.com
[10] On trade, McKinsey Global Institute considered exposure to a country’s supply (country’s exports divided by rest-of-world consumption) and demand (country’s imports divided by rest-of-world production).
[11] On technology, McKinsey Global Institute considered exposure to a country’s technology exports (country’s exports of intellectual property and technology services and equipment divided by rest-of-world R&D spending).

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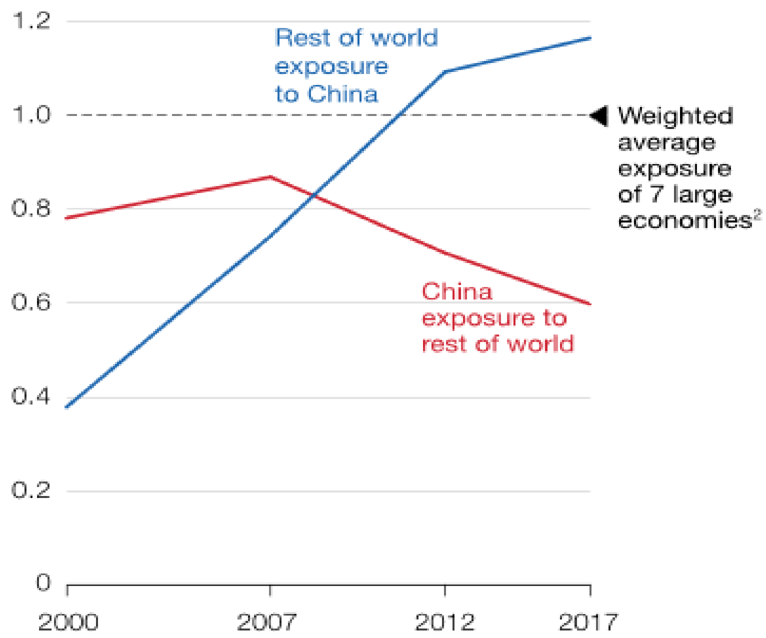
The above mentioned Institute found that between 2000 and 2017 the exposure of the international economy to the Chinese economy increased in all three dimensions and the aggregate index rose from 0.4 in 2000 to 1.2 in 2017. In contrast China's exposure to the world peaked at 0.9 in 2007 and dropped to 0.6 by 2017 (Figure 2).

Figure 1 China and global exposure indexes over time



Includes metrics on trade, technology and exposure to capital.
"China, France, Germany, India, Japan, Great Britain and USA.
China has reduced its exposure to the world, while the world has increased its exposure to China.
Source: IHS Global Insight; IMF; Organization for Economic Cooperation and Development; Analysis of the Global McKinsey Institute

As far as the technological dimension is concerned, the statistical data reveals that this country has increased its capacity for internal R & D and is currently the world's second largest research and development company after the United States. Nowadays, China leads key segments of the digital economy[12], such as e-commerce and on-demand services. However, it is still not a major supplier of technology and exporter of the leading products of the R & D sector. China's intellectual property rights exports account for about 1.8% of R & D spending in the rest of the world. Chinese imports of technology in the form of IP services and equipment and technology have increased significantly from just over $ 11 billion in 2007 to $ 48 billion in 2017, according to data provided by

[12] https://www.mckinsey.com/featured-insights/china/digital-china-powering-the-economy-to-global-competitiveness

the IMF. However, these imports decreased as part of domestic R & D spending from 24% to 16%. (Reformulează..nu este corect..)

In terms of finance and capital, China has become an increasingly important source of global capital flows and has remained a significant destination for investments by other economic actors. China accounted for around 10% of global ISD in 2017, up from 2000 by almost one percent. However, the level of foreign direct investment - ISD has been relatively stable and may have even decreased to some extent. In 2007, foreign direct investment amounted to 9% of domestic investment; by 2017, the number has fallen to 8%. Although exposure to Chinese capital is rising abroad, domestic investment growth has reduced China's exposure to foreign capital and thus investment opportunities.

In the short term, the profile of US and Chinese economies suggests that the risk lies in the practice of customs surcharges leading to the relative slowdown in trade. As a result, the current simulations made by various institutions suggest that the current trade dispute could reduce GDP in China by 0.1 percentage points to 0.8 percentage points in 2019 and GDP in the United States by 0.1 to 0,4 percentage points [13]. According to IMF experts' opinions, a complete trade war could have a cumulative negative impact on China's GDP of 1.6 percentage points by 2020 and 1 percentage point on US GDP [14]. Currently, China's exports to the United States amount to 4% of GDP, while imports are only 1%, while the situation in the United States is the opposite: exports to China are equivalent to 1% of GDP and imports are equivalent by 3%. If China's relationship with the rest of the world is intensifying in terms of resource dependency, it risks climbing and forming a technology dependence, given the highly concentrated nature of technological imports. In China, roughly half of its external R&D procurement comes from only three countries: 27% from the United States, 17% from Japan and 11% from Germany between 2011 and 2016 - and these values have been largely stable over the past 20 years.

Conclusion

Commercial tensions are far from being over. Most economic powers have recently implemented policies that signal a possible change in behavior towards third countries. In August 2018, the United States Foreign Investment Modernization Law expanded the jurisdiction of the United States Foreign Investment Commission to include a number of sectors requiring active minority investment in companies with critical technologies or industries, as well as sensitive personal data of US citizens in the transfer of foreign technologies and in real estate investments near military installations. The EU has approved a proposal extending the list of critical sectors to include sectors such as electoral infrastructure, biomedicine and the automotive industry.Also, more and more governments, especially those within the European Union, are stepping up their control over investments made in partnership with the public sector or technology transfer to third countries. In October 2017, Japan amended

[13] (UBS, Merrill Lynch, și JP Morgan)

[14] *World economic outlook, October 2018: Challenges to steady growth*, International Monetary Fund, imf.org.

its Foreign Exchange and Foreign Trade Act to allow involuntary disclosure of unreported foreign property in Japanese companies that could lead to national security risks.

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