

## THE CHINESE PHENOMENON OF ECONOMIC GROWTH

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Modern China should be considered as an unique experiment and great world project of human civilization, effectively a co-product of the Communist Party of China (CPC) and the West. The centuries-old concept of a free-market economy fell on fertile ground of the hardworking Chinese people and in a short historical period since the beginning of the reform has finally bore fruit. Globalization and digitalization have greatly helped the Chinese economy to expand around the world and have become powerful catalysts for Chinese economic development, providing it with new approaches to doing business. The article attempts to analyze this phenomenon and systematize the factors of China's growth. Key aspects of the Chinese economy transformation are studied, such as GDP (in current and constant prices) and GNI per capita, manufacturing and trade, finance and capital. Special attention is paid to the global leadership role of China or/and the USA: Economy, Manufacturing, and International Trade. An in-depth comparative analysis of the economic growth indicators for China and the USA is based on extensive international statistical data. The author focuses on estimates of key indicators published by international bodies, such as the United Nations, UNCTAD, UNIDO, OECD, WTO and others. Various think tanks, independent agencies and other institutions such as McKinsey Global Institute, Primakov Institute of World Economy and International Relations RAS, Congressional Research Service (CRS), United States–China Economic and Security Review Commission, Committee on Foreign Investment in the United States (CFIUS) have been analyzing Chinese phenomenon of economic growth. Quantitative assessments of China's economic growth are discussed. As shown, China plays a major role in the world economy and manufacturing. It is now the world's first country by many economic indicators. In 2007, China became the world's largest merchandise exporter. In 2009, it took the 1<sup>st</sup> place in manufacturing value-added output. Measured by purchasing power parity (PPP), in 2017 China stood as the world-largest economy in terms of GDP in current US dollars. Over the past decade, China has provided at least 30 percent of global GDP growth, while the United States was half as much. China is in the world's top two for receiving and being the source of foreign direct investment (FDI). In 2020, China had 124 Global Fortune 500 companies compared to 121 American. At the same time, the US remains the world leader in many other quantitative indicators, for example in GDP at official exchange rates, innovation, research and development, finance, and services. It also ranks first in the world in terms of quality indicators of economic development. The author gives his vision of the China's economic growth fundamental factors. Four of them are identified: a) low labor costs, b) well-designed legal environment for attracting foreign capital, c) massive FDI influx, d) imports of capital goods as well as modern Western technologies, including transfer of critical technologies, intellectual property and know-how (mainly through acquisition of Western firms). The general conclusion is that the reforms completely transformed the lives of Chinese people. China of the 1970s–80s and today's China are two different economic, industrial, scientific, technical, socio-humanitarian entities.

**Keywords:** economic growth, GDP, manufacturing, foreign trade, capital, world economy, globalization, China, USA.

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The evolution of humankind is best understood through understanding the dynamics of the development of large populated territories that acted at certain historical stages as economic and military leaders of their time. The trajectory of their development is similar to the wave – from the origin to the rise due to increased growth rates, the latest civil and military technologies, and territorial conquests. Then comes stagnation, crisis, and, finally, disintegration, sometimes – rebirth. In the distant past, such territories were Ancient Egypt, Mesopotamia, and Ancient China. In the days of Antiquity – Ancient Greece and

Ancient Rome. In the Middle Ages – Byzantium and the Holy Roman Empire. In the era of the Industrial Revolution, there were the Netherlands, England, Prussia, and France.

From the end of the 19th – the beginning of the 20th century, the economic leadership in the world was intercepted by the United States, which significantly strengthened its industrial, scientific, technical, and financial positions as a result of the First and Second World Wars. The last decades of the 20th and the beginning of the 21st century brought China to the role of a new contender for world leadership – however, so

far only as the world's largest industrial center, since in a number of indicators, especially in the scientific and technical sphere and finance, it is still inferior to the United States.

The identification of causal dependencies and the driving forces of the formation of states and regions as world leaders is an extremely interesting and at the same time complex research topic. What exactly are the drivers and factors of development, and how is the potential of the territories and the population living on them mobilized? What contributes to the outstripping growth of some communities of people in comparison with others? Due to what, in recent centuries, the terms of the dominance of world leaders have been sharply reduced in comparison with ancient historical epochs? Within the framework of an academic article, it is impossible to answer these and other questions of the theory of world development. Therefore, the author of this article set a specific task: to identify the main driving forces, factors, and results of China's unprecedented civilizational breakthrough in world history, relying on modern methods of analysis and available statistics.

## ECONOMICAL ACHIEVEMENTS

A little over 40 years ago, the leadership of the Communist Party of China (CPC) announced a course to change the development model, opening the country to cross-border flows of people, goods, services, technology, and capital. This political decision was aimed at accelerating development by carrying out radical internal reforms and integrating the country into the global economic, political, and socio-humanitarian space. The result is the transformation of one of the marginal and poorest countries in the world into a powerful industrial, innovative, and financial power, a world leader in a number of macroeconomic indicators.

*Gross domestic product (GDP).* In China's economic dynamics, the defining period, from the author's point of view, was the 1990s and the first decade of the 21st century, not the 1980s. It took more than 10 years to clarify the tasks and concepts of the new model, to fine-tune its regulatory framework and regulatory mechanisms, since institutionally the country was not ready to force a transition to an open economy. In the initial period of reforms, the annual GDP growth rates were extremely unstable: with average indicators in the range of 5–10%, in 1984 there was a jump to 15%, and in 1989–1990, there was a reduction to 4%.

Annual GDP growth has been consistently high (8% or more) only since 1991. In some years, it reached 14% (1992 and 2007). After the global financial and economic crisis of 2008–2009, China, like the

entire world economy, has moved to a lower trajectory of economic dynamics.

Currently, depending on the methodology of cross-country analysis, China is the first (in terms of purchasing power parity of currencies, PPP) or the second after the United States (calculated at current exchange rates) economy in the world<sup>1</sup>. If in 1980 its share in world GDP was 1.7% (at the exchange rate), then in 2020 it was 15–18% (depending on the calculation method) [1]. Dynamic development has led to the fact that by 2017, in terms of GDP calculated by PPP, the country was ahead of the United States and came out on top in the world, and the gap is steadily growing<sup>2</sup> (Table 1). According to the degree of influence of the two powers on the growth of the global economy, 2000 can be considered a turning point, since which China has outstripped the United States in terms of contribution to world GDP growth (Figure 1). Now China provides at least 30% growth, and the United States – by 2 times less (Figure 1).

The topic of changing the balance of forces in the global economy between the United States and China, especially after the global financial and economic crisis of 2008–2009, has become one of the most relevant in scientific research and journalism. There is an increase in the number of works on the comparative analysis of the economic development of the United States and China, their contribution to global economic growth (see, for example, [4, 5, 6, 7, 8, 9]).

*Gross national income (GNI) per capita and overcoming poverty.* During the time of market reforms, China has achieved tremendous success in improving the well-being of its citizens: per capita income (in current prices) has increased by almost 50 times. In 1980, when the country was just beginning to transform, GNI per capita was 220 dollars per year, that is, less than 1 dollar per person per day (according to the UN methodology of that time, the poverty threshold). The poverty threshold was overcome only in the early 1990s: 1991–350 dollars, 1992–390 dollars. In 2020, the figure was an impressive 10610 dollars [10].

However, in terms of GNI per capita, China cannot yet move into the group of high-income countries. The threshold value of this indicator, calculated by the World Bank, in 2020 was 12535 dollars [11]. However,

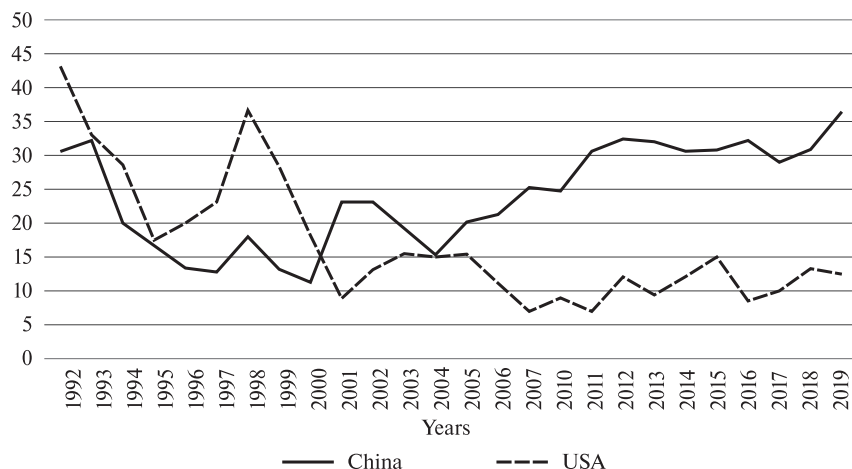
<sup>1</sup> The World Bank gives the following GDP estimates, 2020: USA – 20.937 trillion dollars, China – 14.723 trillion dollars (according to the exchange rate) and 24.3 trillion dollars (according to PPP) [1].

<sup>2</sup> If one compares the GDP of the two countries at the current exchange rate, and not by PPP, then China is inferior to the United States, which is primarily due to the undervalued exchange rate (yuan against dollar). The question of the correctness of the comparison of economic indicators by the exchange rate and PPP is not considered in this article. For more information, please, see, for example – [2].

**Table 1.** GDP of China and the USA by PPP, billion dollars, current prices

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
China	13 844	15 125	16 185	17 121	17 797	18 712	19 887	21 739	23 444	24 273
USA	15 543	16 197	16 785	17 527	18 238	18 745	19 543	20 612	21 433	20 937

Source: [1].

**Figure 1.** The shares of China and the United States in the growth of world GDP, 1992–2019, %, GDP by PPP in dollars, constant prices 2017

Note. The figure does not show 2008 and 2009 due to the negative values of the US GDP growth in these years and the world in 2009.

Calculated according to [3].

given the high annual growth rates of GNI per capita in recent years (2018: +860 dollars; 2019: +790 dollars; 2020: + 220 dollars), it can be expected that China's transition to the category of high-income countries will take place in a few years.

China's successes in the fight against poverty are unprecedented. During the years of reforms, 800 million citizens were removed from the state of mass poverty, which is 3/4 of the total reduction of poverty in the world during the period under review [12, p. 1].

*Manufacturing industry.* During the reforms, the country has made a genuine revolution in national industrial production. There has been a radical re-equipment of all sectors and spheres of the economy, enterprises, infrastructure, agriculture, and services on a modern technical and technological basis. Thousands of new enterprises and infrastructure facilities have been built; production of the widest range of goods has been established.

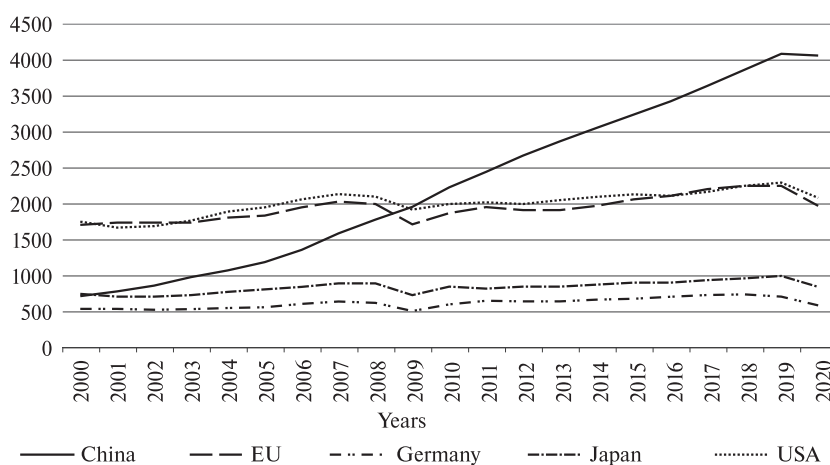
If in 2000 China lagged behind the United States in terms of manufacturing output by almost 2.5 times (value added in billions of dollars, 2015 prices): 726 versus 1750, then by 2009 it had become a leader in this sector of the world economy (Figure 2). In 2009, the value added created in the manufacturing industry of the People's Republic of China amounted to 1980 billion dollars, and the one created by the United

States was 1910 billion dollars. Since then, this sector has been developing at a much faster pace in China than in other leading industrial countries, including the United States.

Now and for the near future, China is the dominant player in the world market of manufacturing products. According to the results for 2020, it is almost twice ahead of the United States. China produces almost 1/3 of its global volume, and significantly more than the United States, Germany, and Japan combined (value added in the manufacturing industry, 2020, billion dollars, 2015 prices): the global economy as a whole – 12986; China – 4062; the United States, Germany, and Japan in total – 3518 [13].

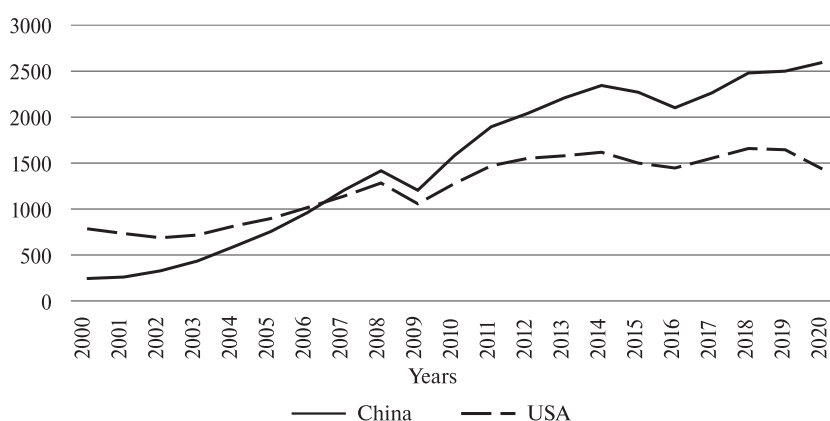
*Export of goods.* In terms of exports of goods, China in 2007 (1220 billion dollars) came in 1st place in the world, ahead of the United States (1148 billion dollars) and since then has only been strengthening its advantage (Figure 3). According to the WTO, in 2020, it surpassed the United States by 1.8 times in terms of supplies to the foreign market of goods (2591 billion dollars versus 1432 billion dollars). In 2015, 481 thousand enterprises with foreign capital worked in the country, accounting for about 40% of Chinese exports [8, p. 6].

*Financial sector.* Low wages, significant volumes of annual commodity exports at world or similar prices,



**Fig. 2.** Manufacturing production, by value added, 2000–2020, billion dollars, prices in 2015

Source: [13].



**Figure 3.** Dynamics of exports of goods from China and the United States, 2000–2020, billion dollars, current prices.

Compiled according to [14].

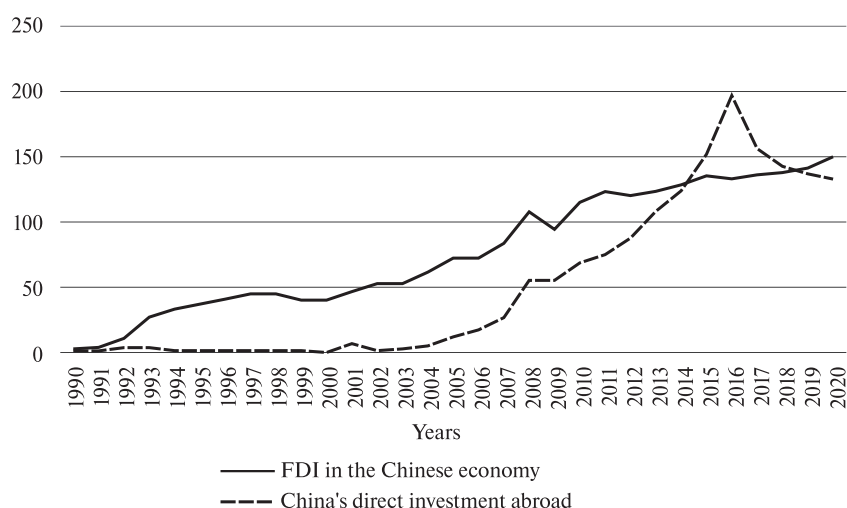
and ultra-high profits in the manufacturing sector have led to the accumulation of large amounts of financial resources in China. This capital, reproduced over the past two decades, has become the basis of the country's external financial expansion in the last 10 years.

Created in the 1980s almost from scratch, the country's banking system has become one of the most powerful in the world over four decades. As of 2018, out of the 10 largest public companies in the world (manufacturing, trading, financial, etc.), 4 are Chinese financial institutions: *ICBC* (the 1st place), *China Construction Bank* (the 4th place), *Ping An Insurance Group* (the 6th place), and *Agricultural Bank of China* (the 7th place) with total assets of almost 15 trillion dollars and a capitalization of more than 800 billion dollars [15]. The market capitalization of all Chinese companies, including banks and other financial institutions, whose shares are listed on world stock exchanges, amounted to 8.5 trillion dollars (2019), which

approximately corresponds to 12% of the global stock market (USA – 30.4 trillion dollars, 2018) [16].

China has pushed the United States in the *Global Fortune 500* ranking. In 2020, 124 Chinese companies and only 121 American companies were among the largest 500 companies in the world. Thus, for the first time, China began to dominate this rating [17]. The total number of Chinese firms operating abroad in 2016 exceeded 37 thousand (as *McKinsey Global Institute* estimates with reference to the Ministry of Commerce of the People's Republic of China) [8, p. 29].

*Direct investments abroad.* The Chinese capital has been actively expanding abroad in recent years, investing in enterprises of other, primarily developed, countries, and has now become one of the most important sources of financial and productive capital in the world. Until 2004, the country practically did not invest in foreign assets, but as funds accumulated, it sharply increased investment activity in foreign mar-



**Figure 4.** Foreign direct investment (FDI) in the Chinese economy and China's direct investment abroad, 1990–2020, billion dollars.

Source: [18].

**Table 2.** Number of asset acquisition notifications received by the Committee on Foreign Investment in the United States, 2017–2019

State	Industries				Total notifications
	Finance, ICT, services	Manufacturing industry	Extractive industries, utilities, construction	Trade, transport	
China	51	70	14	5	140
Japan	47	35	9	6	97
Canada	31	12	24	7	74
France	27	14	5	2	48
Other	127	133	44	34	338
Total	283	264	96	54	697

Source: [20, p. 23].

kets (Figure 4). During the period from 2007 to 2019, China's contribution to global direct investment increased from 1 to more than 10% (calculated according to [18]). The total volume of Chinese direct investments accumulated abroad amounted to 2.4 trillion dollars [19, p. 253].

In 2020, due to a sharp almost 40% decline in international investment activity, China's share in FDI in all countries of the world increased to 18%. In the future, it will obviously decrease and return to the level of 10–12%.

The geography of the application of Chinese capital is not limited, as is commonly believed, to the developing countries of Asia and Africa. It enters the European and American markets. In recent years, China has become the main foreign investor in the American economy. According to the *Committee on Foreign Investment in the United States (CFIUS)*, during the period 2017–2019, Chinese investors filed the most notifications to CFIUS about the acquisition of assets [20].

Therefore, Table 2 shows the statistics of investments in the American economy by major foreign in-

vestors. It can be seen that in recent years, China accounted for 20% of the total number of acquisitions of assets by foreigners in the United States. Investors from Japan, Canada, and France took the 2<sup>nd</sup>, the 3<sup>rd</sup>, and the 4<sup>th</sup> places in this indicator, respectively.

## GROWTH FACTORS

*Cheap labor power.* In comparison with developed countries in the middle 1990s, China had a high – at least tenfold – margin of wage competitiveness. Prices for products manufactured in the country when entering foreign markets could vary so widely that even with dumping they would bring profit to producers. Chinese goods could not be restricted by customs duties of importing countries, even when some governments wanted to do it.

During the years of reforms, wages in the country grew at a high rate, which gradually weakened this competitive advantage of Chinese goods. According to the National Bureau of Statistics of the People's Republic of China, the average annual salary in 1995 at

state-owned enterprises of the country was 5348 yuan, and in 2019–90501 yuan (in current prices) [21].

In order to determine the real scale of wage growth, it is necessary to calculate it in constant prices. According to this particular estimate, based on data from the National Bureau of Statistics of the People's Republic of China, from the middle 1990s to the present, inflation has been at an average level of 2% per year. This makes it possible to take the 25-year deflator from 1995 to 2019 equal to 1.6 and roughly estimate wages in China in 2019 at constant 1995 prices in the amount of 56563 yuan. In other words, over the past 25 years, real wages in the country have increased by about 10 times. The competitive advantage of China in comparison with developed countries (according to the author, by 2.5–3 times)<sup>3</sup> in terms of labor prices remains similar to the present.

Simultaneously with the weakening of the competitive advantage in the price of labor, China acquired an important positive quality of another institutional property – growing domestic consumer demand against the background of the emerging and potentially the most numerous middle class in the world. This has allowed the country in the last decade to shift the emphasis in economic policy and economic practice from mainly export-oriented production to the domestic economy. The process of such reorientation is far from complete, not so unambiguous, and does not solve all problems, but it is promising and rational.

*Institutional reforms, the adoption of laws on the protection of foreign investments and guarantees of export of profits.* There would be no “Chinese miracle” if the CPC leadership had not created an attractive investment climate in the country. Until the early 1990s, large foreign capital did not enter the country, looking closely at how far the CPC could go in its reforms. Only 12–13 years after the start of the reforms, when the institutional foundations of the market economy were created in the country, laws were adopted to guarantee foreign investment and the possibility of free export of profits, serious Western capital went to China. The legitimization of its attraction, the creation of favorable conditions and preferences for it, and the proclamation of guarantees for the export of net profit have become the most important factor in the growth of China's economy.

The legislative framework for attracting foreign direct investment has been formed for 10 years. By

<sup>3</sup> The estimate is based on the annual salary in China in 2019 in the amount of 90501 yuan, the average rate of 7 yuan per 1 dollar. As a result, according to the author's estimate, wages in China in 2019 amounted to approximately 1,286 dollars per month. At the same time, the value of a similar indicator for the leading developed countries (USA, Germany, Great Britain, France, Japan, the Republic of Korea, etc.) is about 3–4 thousand dollars.

the end of the 1980s, its core consisted of three laws: “On Mutual Joint Ventures of Chinese and Foreign Capital” (1979), “On Enterprises with foreign Capital” (1986), and “On Contractual joint Ventures of Chinese and Foreign Capital” (1988). In addition, numerous subordinate regulations were adopted, such as the Regulation of the State Council of the People's Republic of China “On the Promotion of Foreign Investment” (1986), the Resolution of the State Council of the People's Republic of China “On the Reform of the Investment System” (2004), etc. (for more details, please, see, for example – [22]).

A special role in attracting foreign investment was played by the Law of the People's Republic of China of 1986 “On Enterprises with Foreign Capital”, finalized in accordance with the decision of the Standing Committee of the National People's Congress of the 9<sup>th</sup> Convocation of October 31, 2000. It not only allowed foreign companies and private investors to establish enterprises with foreign capital in China but also guaranteed the protection of their legitimate rights and interests (Article 1). The state undertook not to allow (except in special circumstances) nationalization and/or requisition of enterprises with foreign capital (Article 5); allowed them to purchase raw materials and fuel necessary for carrying out economic activities both inside China and in the international market (Article 15); declared the possibility of a refund from the state budget of the income tax of enterprises that reinvest profits within the country (Article 17); and, most importantly, proclaimed the right of a foreign investor to transfer abroad legitimate profit (Article 19).

The adoption of the law “On Income Tax on Enterprises with the Participation of Foreign Capital and Foreign Enterprises” (1991) and the country's accession to the WTO in 2001 were important milestones in increasing the openness of the economy to foreign investment, as well as the creation of preferential regimes for non-residents.

Thus, a full-scale regulatory framework of conditions and guarantees for attracting foreign investment was created only in the early 1990s. By this time, due to legal and institutional laws and regulations, China has moved up to one of the most attractive economies in the world for foreign investment, especially in export-oriented industries.

In the 1990s–2000s, the legislation of the People's Republic of China regarding foreign investments, foreign and joint ventures was finalized and improved. In 2019, the unified Law of the People's Republic of China “On Foreign Investments” was adopted (Decree of the President of the People's Republic of China No. 26 dated March 15, 2019). It came into effect on January 1, 2020. The Law replaced the three basic laws of the People's Republic of China “On Mutual joint

Ventures of Chinese and Foreign Capital”, “On Enterprises with Foreign Capital”, and “On Contractual Joint Ventures of Chinese and Foreign Capital” that became invalid with its adoption.

*Foreign direct investment in the Chinese economy.* Continuous and high economic growth in any country is impossible without intensive investment processes. Their source can be both internal and external investments.

The level of the capital intensity of China’s GDP is one of the highest in the world. In 2011, the share of investments in the country’s GDP reached a historic high of 47.7%, and then gradually began to decline and in 2017 amounted to 43.6%. However, even now China is still 2 times ahead of developed countries in terms of the capital intensity of GDP [23].

From the author’s point of view, not Chinese, but foreign investments, as well as foreign equipment and technologies, played a decisive role in the dynamic development of China, at least in the 1990s – the first decade of the 2000s. As already noted, for a long time the inflow of FDI into the country was insignificant. Serious foreign investors were in no hurry to invest in the Chinese economy. Even in the 1990s,

that is, more than 10 years after the start of market reforms, the inflow of FDI into the Chinese economy was only \$3–4 billion per year. Only since 1993, the country is gradually becoming a significant recipient in the global economy. In 1997–2002, China reached a steady level of attracting FDI into the economy with an annual volume of 40–45 billion dollars, in 2010 it reached 100 billion, and all subsequent years it was in the range of 120–140 billion dollars per year. In 2020, the volume of incoming FDI amounted to \$149 billion [19, p. 249].

According to UNCTAD, the total volume of accumulated FDI in China by 2021 amounted to 1.9 trillion dollars [19, p. 253]. The largest investors in Chinese manufacturing assets are the USA, Japan, Great Britain, Germany, and the Republic of Korea (Table 3).

*Import of productive capital, machinery and technologies.* In addition to FDI, the import of large volumes of productive capital – machine tools, machinery, equipment, and technologies – was crucial for the re-equipment of Chinese industry and other sectors of the economy on an advanced technical and technological basis. In 2020, of the total volume of commodity imports in the amount of 2056 billion dollars, almost half (926 billion dollars) accounted for the products of machine-building industries, a significant part of which is productive capital [25].

In total, during 2000–2020, China received a huge amount of productive capital – in the amount of more than 12 trillion dollars (Table 4). The total amount of imports of products of the most important machine-building industries increased by 8 times in the period under review. The import of ground vehicles (except railway and tram rolling stock) grew at the highest rates – by 16 times, electrical machinery and

**Table 3.** The main investors in the Chinese economy, share in the accumulated volume of FDI, %, 2020

State	Share
USA	10.4
Hong Kong	10.4
Japan	7.6
Great Britain	6.1
Germany	4.4
Republic of Korea	2.5

Source: [24].

**Table 4.** China’s import of products of the main branches of mechanical engineering, billion dollars, current prices

Industries	Growth, 2000–2020, number of times	Total, 2000–2020, billion dollars	Among them					
			2015	2016	2017	2018	2019	2020
Nuclear reactors, boilers, equipment, and mechanical devices	4.7	2811	157	148	170	202	190	192
Electrical machinery and equipment	9.8	6315	432	414	455	522	497	549
Means of land transport, except for railway and tram rolling stock	3.0	21	1.4	1.1	0.8	0.8	0.7	0.7
Railway locomotives and tram motor cars, rolling stock	16.3	943	70	71	79	81	75	74
Aircraft and spacecraft	2.1	298	28	23	26	31	19	10
Vessels, boats, and floating vehicles	3.1	29	1.0	1.9	1.9	2.1	2.0	1.0
Control and measuring instruments and optical devices	10.1	1510	100	93	97	103	99	99
Total		11 927	789.4	752	829.7	941.9	882.7	925.7

Source: [25].

**Table 5.** China: share of technology import contracts concluded with leading countries, %

	1996–2000	2001–2005	2006–2010	2011–2016
USA	16	25	23	27
Japan	16	18	19	17
Germany	17	16	13	11
Other countries	50	40	46	45
The sum of all contracts, billions of dollars	83	73	122	210

Note. Due to rounding, the amounts in some cases are not equal to 100%.

Source: [8, p. 37].

equipment – by 9.8 times, control and measuring instruments and optical devices – by 10 times.

Of course, a certain part of machine-building products (in the context of the industries highlighted in Table 4) does not belong to productive capital, since it enters personal consumption and does not participate in the reproduction process. Nevertheless, in the foreign trade flows of this industry complex, most of the imported goods are used as intermediate products and investment goods in the form of capital investments.

The import of technologies, unlike the import of goods, provides for the acquisition (transfer) of scientific and technical knowledge, experience, information for the application of technological processes, the production of products and the provision of scientific and technical and other services under the contract. The technology import contract usually involves the purchase of equipment, intellectual property, technical and other services. The transfer of technologies also includes utility models, know-how, patents for inventions, industrial designs, trademarks, patent-free inventions, licenses for inventions, engineering services, research and development.

According to *McKinsey Global Institute's* conclusions, China has acquired technologies worth almost 500 billion dollars during the period from 1996 to 2016 [8, p. 37]. More than half of the contracts were in the USA, Japan, and Germany (Table 5).

Technology transfer from developed countries to China is carried out not only through imports but also through the acquisition of foreign assets by Chinese firms or direct investment in production facilities in Western countries. Due to the acquisition of advanced production facilities abroad, Chinese companies receive modern technologies, know-how, and property, including intellectual property, which they can subsequently transfer to their homeland (for more details, please, see, for example – [26]).

\* \* \*

China's breakthrough to the world may be considered one of the main historical and economic events

of the world development of the late 20th – early 21st century. This country has achieved success in almost all major macroeconomic indicators – GDP and foreign trade, income and poverty reduction, banking and foreign investment (both incoming and outgoing). Taking into account the size of the population, it can be stated that the country's development potential is still far from being fully utilized.

Modern China is a global project of the CPC and the West. On the one hand, without the decision of the country's top leadership on fundamental economic transformations and the work that continued until the end of the 1990s on the institutionalization of the open economy, culminating in WTO accession, it would not have been possible to reach the peaks of production that are now available in the country. On the other hand, without Western investments, machinery and technology, there would also be no modern China.

Globalization, generated by Western countries, their multinational manufacturing companies, and major international banks, converged in time with the computer revolution, which ensured the creation of productive forces of a new quality. Both of these factors have drawn China into the race for world domination.

Using the example of China, the West has demonstrated what capital can do with any economy, even one as backward as the Chinese model of the late 1970s, if institutional conditions are created in it for its free functioning. The latest Western technologies, low wages, and hard work of the Chinese people have borne fruit to the benefit of both sides. The West received super profits, and China – economic growth with all its attributes (productive forces, high incomes, middle class, know-how, poverty reduction, etc.).

The main factors of the rapid acceleration of the Chinese economy and the radical renewal of its productive forces were:

- low labor price;
- the institutional environment for attracting foreign capital, primarily a favorable regulatory framework;



- foreign direct investment;
- import of capital goods and modern Western technologies, including the transfer of valuable technologies, intellectual property, and know-how through China's acquisition of Western firms.

The key investor countries, due to which the accelerated development of China, the success of its reforms, and rearmament on modern technical and technological bases took place, were the USA, Japan, Germany, Great Britain, and the Republic of Korea. They brought new goods, means of production (machine tools, machinery, equipment), technologies, know-how, patents and inventions, engineering and management skills to China.

The speed of the Chinese locomotive has been decreasing in the last decade, but the mass of manufactured products is increasing. In the future, its impact on the world economy will be determined not so much by growth rates, but by absolute gross indicators.

Despite the relatively higher growth in domestic consumption compared to the indicators of foreign trade in recent years, strong economic ties with the world remain the key to China's development. The import of high-tech goods and services, unique Western production equipment and technologies contributes to increasing the productivity of the national economy, acting as one of the main factors in introducing innovations and ensuring competitiveness along with the advanced development of national innovations.

In turn, China, with an economic growth rate of 6% per year or even less, will continue to be the locomotive of both developed and developing economies. In relation to the former, it is due to the import of high-tech means of production, as well as goods and services for personal consumption, as the number of the Chinese middle class increases. Imports of labor-intensive goods and primary resources from developing countries will increase.

In recent years, the country's leadership has been looking for new ways and opportunities for development. Economic growth based on resource-intensive production, exports of goods, and low labor costs is running out of steam. Rapid industrialization, urbanization, increasing the efficiency of the economy through external expansion, public investment, and extensive internal development are no longer enough to maintain the previous growth rates. Internal structural problems (high level of public investment, low efficiency of research and development, stratification of society and social inequality, aging of the population, etc. and external challenges (the COVID-19 pandemic, the unstable international situation of the last decade, tensions in trade relations with the United States) reinforce the need to find additional reserves for the country's economic development.

It seems that regardless of what the ruling elite and the CPC can offer to Chinese society, as well as national and foreign economic agents, the potential for the development of the Chinese economy, even on extensive trajectories, from the author's point of view, is far from exhausted. As 2020 has shown, the margin of safety of China, its population, management and response systems to emergency and force majeure circumstances is one of the highest in the world. By the way, the Chinese model of eliminating the consequences of coronavirus infection on a national scale has worked; it is clear that the country has reserves and prospects for further forward movement. Timely implementation of further political and institutional reforms in the direction of solving structural problems, regional integration, improving international competitiveness, improving the quality of management, as well as taking measures to ensure acceptable rates of economic growth, increasing labor productivity, human capital development, science, and technology will further strengthen the position of the PRC in the world.

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## КИТАЙСКИЙ ФЕНОМЕН ЭКОНОМИЧЕСКОГО РОСТА

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Современный Китай является результатом уникального социально-экономического эксперимента. Концепция рыночной экономики упала на благодатную почву трудолюбивого, самого многочислен-

ного на планете народа, в относительно короткий исторический срок дав грандиозные плоды. Глобализация и компьютерная революция выступили катализаторами этого процесса, обеспечив ему сверхдинамичный характер. В течение жизни всего лишь одного поколения создана “мировая мастерская”, способная обеспечить всем необходимым большую часть человечества. КНР 1970–1980-х годов и сегодняшний Китай — два качественно различных экономических, производственных, научно-технических и социогуманитарных явления.

**Ключевые слова:** экономический рост, мировая экономика, глобализация, ВВП, обрабатывающая промышленность, внешняя торговля, капитал, Китай, США.

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