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U.S. PROTECTIONISM AGAINST CHINA'S MERCANTILISM

Stanislav V. ZHUKOV,

ORCID 0000-0003-2021-2716, zhukov@imemo.ru

Primakov National Research Institute of World Economy and International Relations, Russian Academy of Sciences (IMEMO), 23, Profsoyuznaya Str., Moscow, 117997, Russian Federation.

Alexander O. MASLENNIKOV,

ORCID 0000-0001-5377-4702, maslennikov@imemo.ru

Primakov National Research Institute of World Economy and International Relations, Russian Academy of Sciences (IMEMO), 23, Profsoyuznaya Str., Moscow, 117997, Russian Federation.

Oksana B. REZNIKOVA,

ORCID 0000-0002-9742-5026, rezxana@yandex.ru

Primakov National Research Institute of World Economy and International Relations, Russian Academy of Sciences (IMEMO), 23, Profsoyuznaya Str., Moscow, 117997, Russian Federation.

Mikhail V. SINITSYN,

ORCID 0000-0001-5630-0799, sinitsyn@imemo.ru

Primakov National Research Institute of World Economy and International Relations, Russian Academy of Sciences (IMEMO), 23, Profsoyuznaya Str., Moscow, 117997, Russian Federation.

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Abstract. “Trade wars” have become a persistent phenomenon in the escalating geo-economic competition between the United States and China. Simulations of several “trade war” scenarios using the GTAP computable general equilibrium model show that increased protectionism will have a negative impact on the economies of not only the United States, but also China, although for both countries the decline in economic growth rates will be limited. The fewer countries are involved in “trade wars” on the side of the United States, the smaller the economic losses for China will be. The unique structural feature of the Chinese economy is the phenomenally high rate of investment and the low ratio of consumer spending to GDP. The growing gap between investment and consumption is covered by a growing positive foreign merchandized trade balance. During the 2000s, Chinese exports largely displaced American manufacturing in labor-intensive, low-tech industries. This process was called the “Chinese shock”. We are currently witnessing a China shock 2.0, as Chinese companies rapidly increase export of not only labor-intensive but also medium and high-tech industrial products. At the same time, China is rapidly expanding exports to new markets. The continuation of the mercantilist course by the economy, whose share in world GDP reached 17% in 2023, is turning into what Joan Robinson in 1936, observing the collapse of the first format of globalization, defined as the “beggar-my-neighbor” policy. China continues to strengthen its position as a global industrial powerhouse. Most countries cannot compete with an increasingly mercantilist China, and their international specialization is obviously limited to raw materials. The problem of foreign trade imbalance, which the US used as a pretext for initiating a policy of protectionism, is not being solved, but is being spread more widely throughout the world economy. China is absorbing effective demand generated in other countries. In 2023, China maintained a trade surplus in goods with 174 countries and territories. 81 countries had a negative trade balance with China exceeding 3% of their GDP. For many developing countries, the growing negative trade balance with China increasingly threatens the maintenance of macroeconomic balance in the national economy.

Keywords: China, US, protectionism, mercantilism, private consumption, investment rate, manufacturing, world misbalance.

About authors:

Stanislav V. ZHUKOV, Dr. Sci. (Econ.), RAS Corresponding Member, Deputy Director for Scientific Work.

Alexander O. MASLENNIKOV, Cand. Sci. (Econ.), Senior Researcher.

Oksana B. REZNIKOVA, Cand. Sci. (Hist.), Senior Researcher.

Mikhail V. SINITSYN, Researcher.

ПРОТЕКЦИОНИЗМ США ПРОТИВ МЕРКАНТИЛИЗМА КИТАЯ

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О.Б. Резникова, М.В. Сеницын

*ЖУКОВ Станислав Вячеславович, доктор экономических наук, член-корреспондент РАН,
ORCID 0000-0003-2021-2716, zhukov@imemo.ru
ИМЭМО им. Е. М. Примакова РАН, РФ, 117997 Москва, ул. Профсоюзная, 23.*

*МАСЛЕННИКОВ Александр Оскарович, кандидат экономических наук,
ORCID 0000-0001-5377-4702, maslennikov@imemo.ru
ИМЭМО им. Е. М. Примакова РАН, РФ, 117997 Москва, ул. Профсоюзная, 23.*

*РЕЗНИКОВА Оксана Бениаминовна, кандидат исторических наук,
ORCID 0000-0002-9742-5026, rezhana@yandex.ru
ИМЭМО им. Е. М. Примакова РАН, РФ, 117997 Москва, ул. Профсоюзная, 23.*

*СИНИЦЫН Михаил Владимирович, научный сотрудник,
ORCID 0000-0001-5630-0799, sinitsyn@imemo.ru
ИМЭМО им. Е. М. Примакова РАН, РФ, 117997 Москва, ул. Профсоюзная, 23.*

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Аннотация. Усиливающаяся геоэкономическая конкуренция, в которой США опираются преимущественно на торговый протекционизм, а Китай — на комплекс экономических политик меркантилизма, оказывает значимое влияние на трансформацию мировой товарной торговли. В основе спровоцировавшего обострение геоэкономической конкуренции глобального дисбаланса лежит нарастающий разрыв между инвестициями и потреблением в китайской экономике, который покрывается за счет растущего положительного сальдо внешнеторгового баланса. Симуляционное моделирование нескольких сценариев торговых войн с помощью вычислимой модели общего равновесия показывает, что усиление протекционизма окажет негативное влияние на экономику не только США, но и Китая, хотя для обеих стран снижение темпов экономического роста будет ограниченным. При этом чем меньше стран включится в торговые войны на стороне США, тем меньшими окажутся экономические потери для Китая.

Ключевые слова: Китай, США, протекционизм, меркантилизм, личное потребление, норма инвестиций, обрабатывающая промышленность, мировой дисбаланс.

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INTRODUCTION

The so-called trade wars have become a persistent phenomenon of modern global development since the second half of the 2010s. In 2018, President Trump's administration raised import tariffs on steel, aluminium, high-tech goods, solar panels, washing machines and other products, starting trade wars directed against all of its trading partners, but mainly against China [1]. The negative balance of American merchandise trade with China increased after the global financial and economic crisis of 2008–2009, reaching approximately 2% of the US GDP in 2010–2018.

President Biden's administration continued the policy of trade protectionism; moreover, it

started resorting to restrictions on the export of high-tech products, primarily to China [1]. In May 2024, the USA raised import tariffs on a number of steel and aluminium products from 0–7.5 to 25%, semiconductors from 25 to 50%, electric motor vehicles from 25 to 100%, solar cells and batteries from 25 to 50%, marine cranes from 0 to 25%, and medical items from 0 to 50% [source 1]. Former President D. Trump, as a participant in the 2024 presidential race, announced his intentions to raise tariffs on imports from China to at least 60% and impose a 10% tariff on all US imports [2]. China, for its part, is also increasing the elements of protectionism in its foreign trade policy, but, most importantly, as an asymmetric measure, is enhancing state inter-

vention in the preservation and development of the established system of economic growth.

The article aims to construct plausible scenarios of trade wars and assess their consequences for the world's leading economies by modelling, as well as to consider the issue of real restructuring of global trade flows under the influence of the growing economic confrontation between the USA and China. In the first stage, the impact of trade protectionism on the GDP growth of the world's largest economies will be simulated through several scenarios using a computable general equilibrium model. In the second stage, a complex of economic policies used by China to maintain and develop its mercantilist economic growth model will be considered and systematised, with a demonstration of how this affects global trade flows.

PARAMETERISATION OF TRADE WAR SCENARIOS

Scenario modelling of the impact of import tariff changes on economic growth was performed using the computable general equilibrium model *GTAP* (*Global Trade Analysis Project*), version

7.0, and the *GTAP11* database, the latest available version at the time of analysis. Each of the 160 countries included in the *GTAP* is represented in the model by representative households and producers in 65 industries. National economies and linkages between representative economic agents are specified through the GDP structure components by end usage, inter-industry balances, taxes, export-import flows and tariffs (Figure 1).

The model allows a researcher to single out and group countries and industries according to the set analytical objectives. Its important advantage in modelling trade protectionism is detailed foreign trade accounting, which makes it possible to demonstrate import and export tariffs between countries by industry pairwise.

To model trade wars, the authors identified the 20 largest world economies in 2022 in terms of GDP in current prices. The remaining countries were split into three groups: EU states not individually represented in the calculations; countries for which the USA introduced a special regime for trade in high-tech products (see Table 1); and all other states of the world. A total of 65 industries were grouped into 8 sectoral groups: "Agriculture and food", "Raw commod-

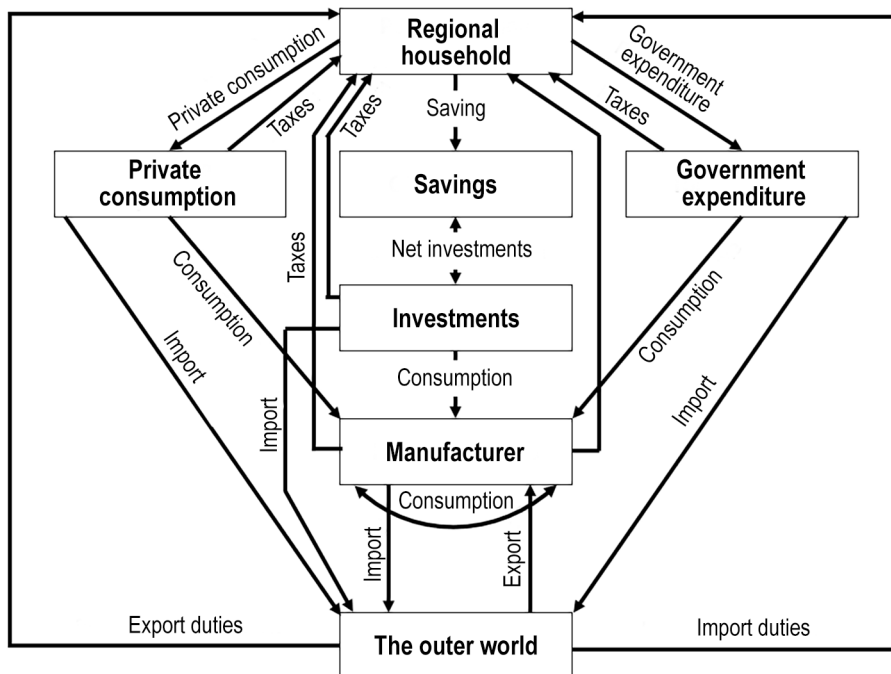


Figure 1. Main cash flows in the *GTAP* model
Compiled by the authors according to: [3].

Table 1. Countries for which the USA introduced licensing of advanced semiconductor products as well as equipment and materials for their manufacture (as of November 2023)

Licence issuance procedure	Countries
Presumption of denial	Afghanistan, Venezuela, Haiti, Democratic Republic of the Congo, Zimbabwe, Iraq, Iran, DPRK, Cambodia, China, Cuba, Lebanon, Libya, Myanmar, Republic of Belarus, Russia, Syria, Somalia, Sudan, CAR, Eritrea, South Sudan
Individualised handling of requests (case-by-case analysis)	Armenia, Azerbaijan, Bahrain, Vietnam, Georgia, Egypt, Jordan, Yemen, Kazakhstan, Qatar, Kyrgyzstan, Kuwait, Laos, Moldova, Mongolia, UAE, Oman, Pakistan, Saudi Arabia, Tajikistan, Turkmenistan, Uzbekistan

Sources: [source 2].

Table 2. Parameterisation of model scenarios of trade wars

	Reference scenario	Trade war scenarios				
		TW-1	TW-2	TW-3	TW-4	TW-5
Sanctions in place on Russian energy exports by the end of 2023	+	+	+	+	+	+
Risk factor 1: NAFTA countries, the EU and UK impose restrictive tariffs (100%) on commodity imports from Russia	-	+	+	+	+	+
Risk factor 2: NAFTA countries impose tariffs on the import of all goods from the PRC (60%) and all other countries (10%)	-	-	+	+	+	+
Risk factor 3: symmetrical response from the PRC and all other countries	-	-	-	+	-	+
Risk factor 4: NAFTA countries, EU and UK impose 100% tariffs on imports of high-tech goods from the PRC and countries against which the USA introduced licensing of exported advanced microelectronics + symmetrical response from the PRC	-	-	-	-	+	+

Compiled by the authors.

ities and petroleum products”, “Key high-tech industries”, “Other heavy industries”, “Other light industries”, “Transport and communications”, “Utilities and construction”, and “Other services”. The group “Key high-tech industries” includes the sectors “Computers, electronics, optics”, “Motor transport vehicles and parts”, “Other transport vehicles and equipment” and “Pharmaceuticals”. This grouping of countries and industries is necessary for the selective and detailed setting of customs tariff levels.

Initially, a reference scenario was constructed involving a hypothesis of no significant escalation of trade and economic restrictions on the part of the USA and the NAFTA bloc (USA, Canada, Mexico); however, the existing sanctions against Russian energy exports as of the end of 2023 were taken into account. After that, five “what if” scenarios were constructed, each including different hypotheses on the development of protectionist trends.

The information on the hypotheses, or risk factors, is summarised in Table 2. The scale and intensity of trade wars consistently increase from scenario TW-1 (Trade War-1) to scenario TW-5. The sanctions-imposed restrictions already taken into account in the reference scenario continue to apply in all modelled scenarios. The TW-1 scenario assumes that the NAFTA bloc countries, as well as the EU and the UK, will impose restrictive tariffs (100 per cent) on commodities imported from Russia. In the TW-2 scenario, NAFTA countries introduce tariffs on imports of all commodities from China at 60 per cent and from all other countries at 10 per cent. In TW-3, China and the other countries respond to NAFTA with an equivalent increase in import tariffs. In TW-4, the NAFTA countries, the EU and the UK impose restrictive tariffs at 100% on imports of high-tech goods from the PRC and the countries subjected to America’s licensing introduced on exported top-of-the-line microelectronics, to be

followed by the PRC's symmetric response. In the TW-5 scenario, all of the risk factors under consideration are in force. Unlike TW-4, it also includes a symmetric response from the PRC and other countries to trade duties in respect of a broad group of commodities, as in the TW-3 scenario.

MACROECONOMIC EFFECTS OF TRADE WARS

We assume that the effect on the GDP obtained in the model will be fully realised by 2030. The modelling results show that the introduction of tariff restrictions will lead to a slowdown in global economic growth. At the same time,

the more large-scale and intensive trade wars will be, the greater the cumulative decline in global GDP (Table 3). Although in absolute terms its decline, even in the most unfavourable scenario of TW-5, will amount to 0.5%, the economic losses for individual countries will be more significant.

The largest decline in GDP may occur in China (−1.3%) against which the USA and its allies impose the most stringent trade restrictions. In addition to China, the gross domestic product will noticeably decrease in the USA (−0.8%), the Netherlands (−0.8%), Saudi Arabia (−0.8%), Mexico (−0.7%) and Russia (−0.6%). The USA, as the initiator of trade wars, would experience

Table 3. Leading world economies: cumulative effect on GDP by 2030 under different trade war scenarios, changes relative to the reference scenario, %

	Trade wars scenarios				
	TW-1	TW-2	TW-3	TW-4	TW-5
Australia	0.0	0.1	0.1	0.1	0.1
Argentina	0.0	0.1	0.2	0.2	0.3
Brazil	0.0	0.2	0.4	0.4	0.7
UK	−0.1	−0.1	−0.2	−0.2	−0.3
Germany	−0.2	−0.2	−0.2	−0.4	−0.4
India	0.0	0.0	0.0	0.0	0.0
Indonesia	0.0	0.0	0.0	0.0	0.0
Spain	−0.1	0.1	0.1	0.1	0.1
Italy	−0.1	0.0	−0.1	−0.1	−0.1
Canada	0.0	−0.3	−0.2	−0.1	0.2
China	0.0	−0.5	−0.9	−1.0	−1.3
Mexico	0.0	−0.5	−0.6	−0.6	−0.7
Netherlands	−0.4	−0.4	−0.5	−0.8	−0.8
South Korea	0.0	0.1	0.0	0.2	0.1
Russia	−0.1	0.0	0.0	−0.5	−0.6
USA	0.0	−0.5	−0.6	−0.7	−0.8
Saudi Arabia	0.0	0.1	0.1	−0.4	−0.8
Turkey	0.0	0.1	0.0	0.1	0.1
France	−0.1	0.0	0.0	−0.1	−0.1
Switzerland	0.0	0.0	−0.2	0.0	−0.1
South Africa	0.0	0.2	0.2	0.2	0.2
Japan	0.0	0.0	0.0	0.0	0.0
The world	0.0	−0.2	−0.3	−0.4	−0.5

The authors' calculations.

a 0.5% decline in economic growth even in the TW-2 scenario, which does not assume retaliation to the imposition of duties by China and other countries. Economic growth in India, Indonesia and Japan would be unaffected by trade wars, while Australia, Argentina, Brazil, Spain, Canada, Turkey, South Korea and South Africa might even benefit.

In general, the derived estimates of the impact of trade wars on the dynamics of economic growth of the world's leading economies and the global world coincide with the results of similar studies based on other computable general equilibrium models and tested hypotheses [4, 5, 6, 7, 8, 9]. In the event of an escalation of trade wars, the US economy will also suffer, although not as seriously as the PRC's economy. The fewer countries engage in trade wars on the side of the USA, the less significant China's economic losses will be.

The main mechanisms of the Chinese economy's adaptation to the trade war regime in the *GTAP* model assume an increase in exports and a reduction in imports relative to the reference scenario. In the TW-5 scenario, which assumes the greatest reduction of the economic growth in the PRC relative to the reference scenario, the share of exports in the GDP structure will increase from 19.4 to 21.4%, while the share of domestic consumption will decrease from 39.2 to 38.9%, and the figure of gross fixed capital formation — from 42.5 to 39%. At the same time, the ratio of imports to GDP will decrease from 17.7 to 15.7% (Table 4). In general, if we judge the GDP structure in terms of ultimate use, the modelling shows that investments and ex-

port demand remain the main growth factors of the Chinese economy.

CHINA'S RESPONSE TO PROTECTIONISM — STRENGTHENING OF MERCANTILISM

The practical significance of modelling “what-if” scenarios through computable general equilibrium models lies in the information provided to regulators by model simulation — for them to understand how the economy will adapt to exogenous shocks in order to proactively adjust the economic policy. Faced with an exogenous shock, economic authorities, specifically in a large and centrally managed economy like China, will respond to the shock with a set of countervailing large-scale changes in monetary and structural policies.

China's economy and economic policy with good reason can be characterised, using the terminology and ideas of J. Robinson, as a system of new mercantilism [10]. To support the export-based growth model, Beijing maximally uses and constantly improves a broad range of tools which includes control of the national currency exchange rate, targeted public investment, government subsidies and grants, centralised lending at preferential interest rates, price regulation, tax incentives, etc. China was confidently ranked first in 2014 and 2019 in the global ranking of countries in terms of mercantilism [11, 12]. From the Chinese point of view, maintaining and improving the mercantilist model of economic

Table 4. China: the GDP structure by end use in modelled scenarios, %

	Reference scenario	Trade war scenarios				
		TW-1	TW-2	TW-3	TW-4	TW-5
Personal consumption	39.2	39.2	39.0	39.0	38.9	38.9
Exports	19.4	19.2	20.9	20.8	21.4	21.4
Public expenditure	16.6	16.6	16.5	16.5	16.4	16.4
Imports	−17.7	−17.7	−16.6	−16.2	−16.0	−15.7
Gross fixed capital formation	42.5	42.7	40.3	39.9	39.2	39.0
GDP	100	100	100	100	100	100

The authors' calculations.

growth which relies on the utmost promotion of commodity export and continuous high foreign trade surplus — which, in turn, requires maintaining a high investment rate — is rational and justified.

The policy of mercantilism allowed China to form a unique model of economic growth. The principal structural differences in the Chinese economy include a very high savings rate and a low consumer spending vs. GDP ratio. Many “catching-up” countries have relied on outstripping investment growth as the main fac-

tor of economic growth. Among the countries with a population of more than 20 million people (which generally allows building a fairly diversified economy), China with its population of almost one and a half billion people and an index of 42% is an exception in terms of the ratio of gross fixed capital investment vs. GDP (Figure 2). The unweighted average for 63 countries in the sample is only 23 per cent. At the same time, the PRC’s ratio of consumer spending to gross domestic product in 2022 was 53% against the sample average of 76%.

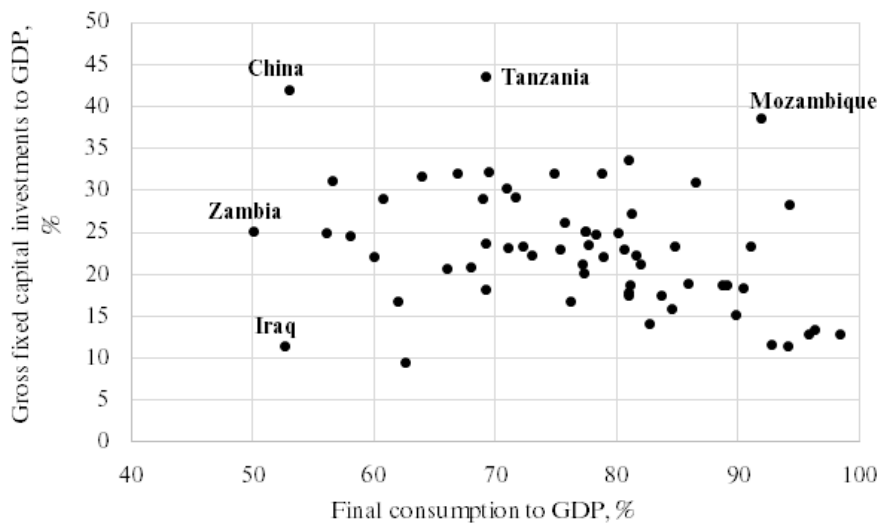


Figure 2. Ratios of gross fixed capital investment and ultimate consumption to GDP in 2022

Calculated by the authors according to: [source 3].

Table 5. GDP structure by ultimate consumption in China, South Korea and Japan in 1960–2022, % of the GDP

Year	Gross investments in fixed assets			Household expenditure			Export of goods and services		
	China	Korea	Japan	China	Korea	Japan	China	Korea	Japan
1960	33	11	32	50	85	51	3	3	10
1970	25	26	39	53	74	46	3	11	10
1980	29	33	35	51	63	51	7	28	13
1990	25	37	35	50	50	50	14	25	10
2000	33	32	28	47	55	54	23	34	10
2010	44	30	23	34	50	57	27	47	15
2019	43	30	26	39	49	55	18	39	17
2020	42	31	25	38	46	54	19	36	16
2021	42	32	25	38	46	54	20	42	18
2022	42	32	26	37	48	56	21	48	22

Calculated and compiled according to: [sources 3, 4, 5].

The comparison with South Korea and Japan which were the pioneers of catching-up development in the post-war period shows that, firstly, the savings rate in these countries, excluding some particular years, was within the corridor of 30–35 per cent, and, secondly, the household expenditures to GDP ratio never declined within so long periods and so significantly as in China (Table 5).

These characteristics of the Chinese economy are well known. They are analysed comprehensively, with regard to their impact on the world economy, in M. Pettis' book *The Great Rebalancing* [13]. He shows that the reason for the low share of consumption in the GDP structure is the targeted policy to limit wage growth. This is promoted by low interest rates on bank deposits for the population, poor development of the pension system, and political subordination of trade unions. These factors exert downward pressure on consumption and at the same time provide an overflow of personal savings into investment. The arguments stating that China is principally suppressing the growth of personal consumption by transforming the high rate of household savings into investments were confirmed in the book by Klein and Pettis *Trade Wars are Class Wars* [14].

Beijing responded to the US protectionist policy by strengthening mercantilism. This re-

sponse was also fuelled by the exogenous shock of the global coronavirus pandemic. Unlike most developed and developing countries which made a policy decision to support personal consumption at the expense of production and investment, China focused on supporting the real sector of the economy.

Centralised pumping of resources in favour of manufacturing companies remains the main tool for maintaining the mercantilist model of economic growth. In terms of the corporate debt to GDP ratio, China significantly surpasses all major economies in the world, including South Korea and Japan (Figure 3).

A study by the OECD found that Chinese companies had a marked advantage over companies in OECD countries in terms of direct government grants, tax incentives and below-market rate loans [source 7]. In 2022, the weighted interest rate on all commercial and industrial loans for publicly traded companies in China was slightly above 4%; however, it was below 0.5% for semiconductor manufacturers, just over 2% for auto companies, and about 3% for electric battery and photovoltaic equipment manufacturers. Direct subsidies to auto companies reached about 7% of their sales in 2022, and to semiconductor manufacturers — about 9%. A significant increase in new loans to industry has been recorded since 2020 [source 8].

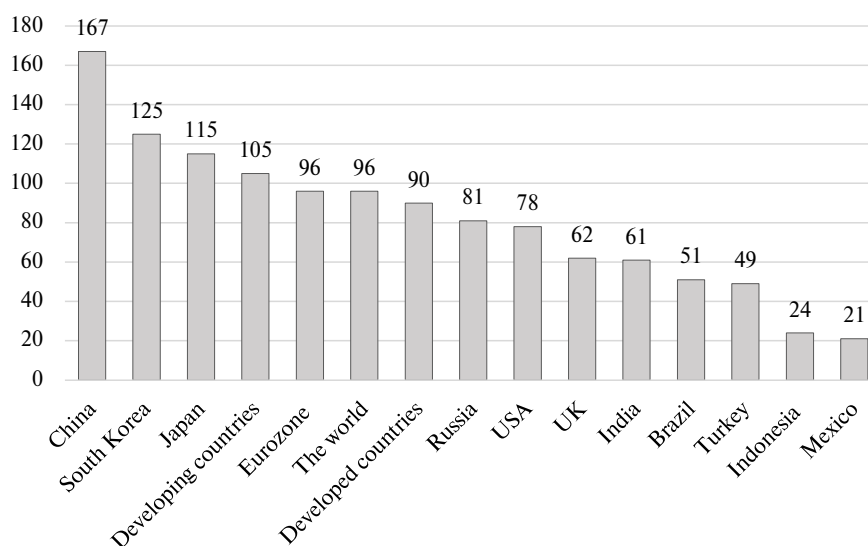


Figure 3. Non-financial corporations' debt to GDP ratio in Q4 2023, %

Source: [source 6].

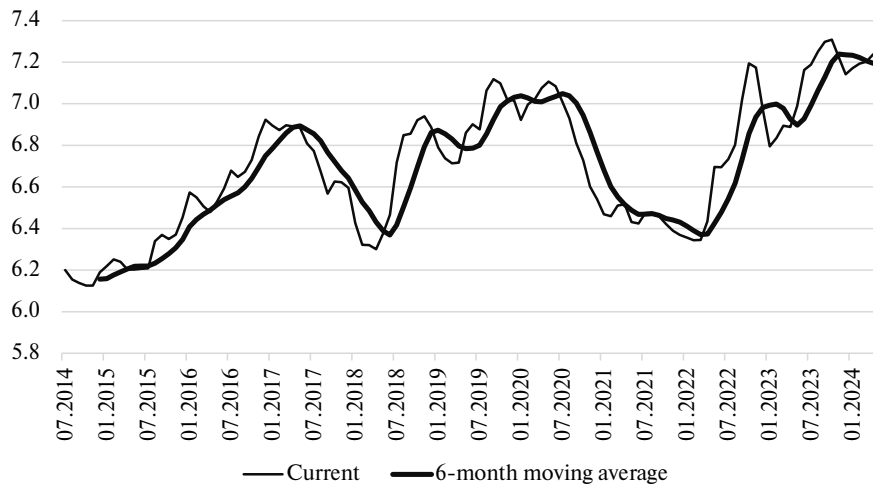


Figure 4. Monthly dynamics of the nominal RMB-USD exchange rate in July 2014 – May 2024

Source: [source 9].

Periodic corrective devaluation measures serve as an auxiliary tool supporting the global competitiveness of Chinese goods (Figure 4).

CHINA “SHOCK 2.0”

In the 2000s, Chinese exports largely displaced the products of the American manufacturing industry in sectors of relatively low technological levels. This process is labelled as the “China shock” [15]. The rise of Chinese exports in labour-intensive industries also had global dimensions. Premature deindustrialisation, especially in large Latin American countries, was a consequence not only of neoliberal reforms but also, to a large extent, of China’s export expansion based on lower labour costs and economy of scale effect [16].

We are currently witnessing China’s “shock 2.0” when China is rapidly increasing exports of not only labour-intensive but also high-tech industrial products. Owing to the large-scale export expansion in 2019–2023, Chinese companies increased the merchandise export value by \$881 bln — from \$2.5 trillion to \$3.38 trillion. Meanwhile, the PRC’s merchandise trade balance in 2023 was positive with 159 countries and territories. It reached \$336 bln in its relations with the USA, with Hong Kong — \$281 bln, India — \$99 bln, the Netherlands — \$83 bln, Mexico — \$63 bln, the UK — \$58 bln, Singapore —

\$46 bln, Vietnam — \$45 bln, Turkey — \$34 bln, the Philippines — \$33 bln, Poland — \$32 bln, Spain — \$31 bln. A positive balance of trade in order of between \$5 bln and \$25 bln in the same year was reached with other 28 countries (calculated according to: [source 10]).

As shown by the research, US customs tariffs did not affect employment in tariff-protected industries [17, 18]. Trade with developed countries, primarily with the United States, is still the main contributor to China’s positive balance of trade. At the same time, in 2023 China managed to secure the excess of exports over imports in trade with the group of “other countries”. Back in 2021, the balance of trade with them was not in favour of China and amounted to \$160 bln, with a figure of \$217 bln in 2019 (Table 6).

The Chinese “shock 2.0” did not lead to a halt in globalisation. The IMF defines the current trends in global development as fragmentation with the division of the world into geopolitical blocs, arguing that nothing threatens globalisation so far, whereas only bilateral trade relations are changing [19]. The reorientation of global investment processes is also observed. In particular, foreign direct investment in China is decreasing, curtailing by 14% in 2023 to the level of 2022 [source 11]. However, this is only a part of the ongoing processes.

Table 6. China: structure of merchandise trade balance by country and country group in 2019–2023

	\$ bln			%		
	2019	2021	2023	2019	2021	2023
Total	422	676	823	100	100	100
USA	296	397	336	70	59	41
EU, UK	191	270	277	45	40	34
Hong Kong	270	341	261	64	50	32
Taiwan	−118	−172	−131	−28	−25	−16
Other countries	−217	−159	80	−51	−24	10

Calculated according to: [source 10].

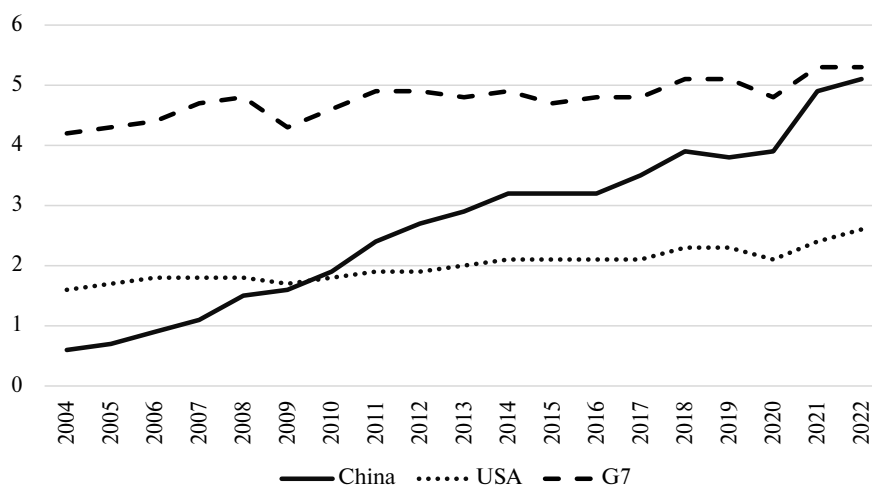


Figure 5. Value added dynamics in the manufacturing industry in China, the United States and the G7 countries in 2004–2022, \$ trillion

Calculated according to: [source 3].

CHINA’S MERCANTILISM AND GLOBAL IMBALANCES

China’s economic growth model, which was established and developed with the active participation of foreign capital, primarily American, in the late 1970s and the first half of the 1980s, proved its effectiveness. This was confirmed by the phenomenally high rates of economic growth and accelerated technological modernisation of the Chinese economy. Another issue is that the continued mercantilist course in the economy, with a share that reached 17% of the global GDP in 2023, ended in the “beggar-my-neighbor” policy, as J. Robinson defined it back in 1936, observing the disintegration of the first globalisation format [20].

It turns out that most other countries, excluding exporters of mineral and agricultural raw materials, food and metal ores, have few niches left in the international division of labour. Their specialisation is obviously limited to raw materials — oil and natural gas, metal ores, food, i.e. items not subject to China’s mass-scale production for objective reasons — due to the lack of sufficient geological reserves, the relative shortage of fertile land, etc. The simulation modelling using the *GTAP* model showed that China’s economic growth led to decreased industrial production in Latin American countries, stimulating their specialisation in resource-based industries [21].

China continues to consolidate its position as a global manufacturing factory. In 2010, it surpassed the USA in terms of gross added value in

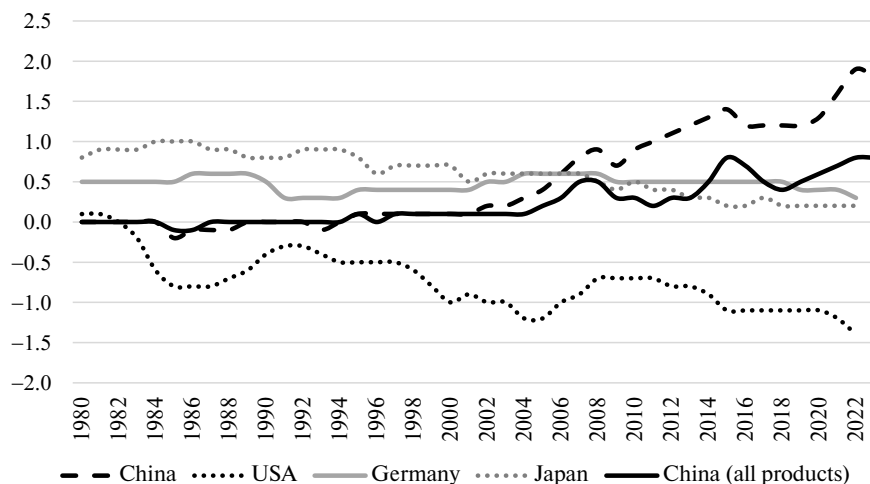


Figure 6. Dynamics of the trade balance ratio for manufacturing products to global GDP, %

Calculated according to: [sources 3, 12, 13].

Table 7. China and global imbalances

Year	The world, % GDP		China, % GDP		China's share in global performance, %	
	Personal consumption	Gross fixed capital investment	Personal consumption	Gross fixed capital investment	Personal consumption	Gross fixed capital investment
1995	59	24	46	33	2	3
2000	60	24	47	33	3	5
2005	59	24	40	39	3	8
2010	57	24	34	44	5	17
2015	57	25	38	42	10	25
2020	55	26	38	42	12	28
2021	55	26	38	42	13	29
2022	55	26	37	42	12	29

Calculated according to: [source 3].

manufacturing and in 2022 approached the aggregate figure demonstrated by the G7 countries (Figure 5). After the exogenous shock of the global coronavirus infection, the deflation of the “bubble” in the Chinese real estate market, which used to draw over a significant share of personal savings for many years, additionally reoriented the funds towards the manufacturing industry [source 8].

China's total merchandise trade balance vs. the world GDP ratio was 0.8% in 2022, while the corresponding figure for manufacturing trade

reached 1.9% and, according to preliminary estimates, slightly decreased in 2023 (Figure 6). Whereas the global gross fixed-capital investment ratio was 26% in 2022, the same ratio in China reached 42%. At the same time, the personal consumption to GDP ratio was globally 55%, while in China the figure was only 37%.

The share of personal consumption in the gross domestic product in China has declined rather than increased over the past 30 years (Table 7). China's share in global gross fixed capital investment increased from 3% in 1995 to 29%

Table 8. Country-wise negative balance of merchandise trade with China vs. GDP in 2023

3–5% (33 countries)	5–10% (27 countries)	Over 10 per cent (21 countries)
Albania, Algeria, Bahamas, Bangladesh, Bahrain, Belgium, Cape Verde, Dominican Republic, Egypt, Guatemala, Guinea-Bissau, Kazakhstan, Côte d'Ivoire, Lesotho, Libya, Mali, Morocco, Mexico, Nauru, Nepal, Nigeria, Nicaragua, UAE, Pakistan, Paraguay, Poland, Republic of Belarus, El Salvador, Seychelles, Thailand, Tunisia, Turkey, Czech Republic	Antigua and Barbuda, Belize, Benin, Vanuatu, East Timor, Ghana, Honduras, Greece, Georgia, Jordan, Kenya, Mosquitoes, Madagascar, Macau, Mauritius, Malta, Mozambique, Netherlands, Singapore, Slovenia, Somalia, Suriname, Tanzania, Fiji, Philippines, Jamaica	Vietnam, Gambia, Hong Kong, Djibouti, Dominica, Yemen, Cambodia, Kyrgyzstan, Kiribati, Liberia, Maldives, Marshall Islands, Palau, Panama, Samoa, Senegal, Tajikistan, Togo, Tonga, Tuvalu, Uzbekistan

Calculated according to: [sources 13, 14].

in 2022, and in global personal consumption — from 2% to only 12%, respectively. The growing gap between investment and consumption is covered in the only possible way — by the growing foreign trade surplus. In general, it can be stated that China does not “pumps in” demand into the world economy, allowing other countries to develop, but, on the contrary, “pumps out” the efficient demand generated by them.

According to the simplified calculations by Pettis, if China continues to develop by increasing investment and restraining consumption, then its share in global investment will exceed 37% by 2030. Such growth is possible only if other countries agree to let it absorb an even greater share of the global effective demand [22].

In 2019–2023, the ratio of the US-China merchandise trade deficit vs. the United States' GDP consistently decreased and amounted to 1.1% by the end of the said period, which equals the level of 2001 (calculated according to: [sources 3, 13, 14]). However, in 2023, a total of 81 countries had a negative balance of trade with China exceeding 3% of their GDP (Table 8). Among them are a number of EU member states, Central Asian countries, and large economies of South Asia and Africa.

RESULTS AND CONCLUSIONS

Given the political and geopolitical factors, one can expect the confrontation between protectionism and mercantilism to continue in the coming years. The USA, followed by other developed countries, will increasingly recognize — through a process of trial and error — that trade protectionism alone cannot enhance competitiveness. Consequently, they are expected to intensify their use of technological sanctions. In addition to trade and technological protectionism, they will try to exclude Chinese companies from global value chains by directing investments toward third countries. In essence, the USA is poised to develop its own form of mercantilism.

China, meanwhile, will continue to prioritize exports over imports and expand its presence in new markets. However, from a global perspective, the imbalance between final consumption and investment in China is creating ripple effects throughout the world economy. China is increasingly absorbing effective demand toward itself across a growing number of countries. For many of these nations, a cumulative negative trade balance with China risks jeopardizing their macroeconomic stability to an ever-greater extent.

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