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**China's Global Engagement at Times of Decoupling
and zero-Covid Strategy: An Assessment**

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1. Background
2. Questions
3. Analyses
4. Insights
5. Zero-Covid
6. Limitations

Background

Decoupling: New meanings, old debates

Decoupling, intended as the prospects of **separation between US and Chinese economies** at the dawn of the trade war in 2018, quickly extended beyond trade boundaries getting a more **tech-oriented characterization** and even a more **comprehensive meaning** (e.g. EUCCC 2021 and AFET Draft Reports).

As old as China's opening and reform (early eighties)

1. Asymmetrical and strategic participation in the world economy and allegiances of
 - Selective coupling, Strategic participation, Industrial policies

Made in China 2025
Belt and Road Initiative
Trade War
2. China as a model for developing countries and the west (especially circa 2008)
 - China's Economic Miracle (e.g. Wu, 2008)
 - The Birth of a new Global Order (Jaques, 2009)
 - A Beijing Consensus (Halper, 2010)

Covid 19 pandemic

Swift Recovery from
Covid 19 Pandemic
3. State vs (and better than) Market and State Capitalism
 - China should be (e.g. Huang, 2008) or is becoming/will be a market economy (e.g. Lardy, 2014)
 - China is a peculiar form of market socialism appropriate to the new global environment (e.g. Gabriele, 2010, 2020)
 - China's development challenges conventional economic wisdom (Huang, 2017)

Zero-Covid Strategy

Several different perspectives about decoupling between US and Chinese economies (trade, supply chains, technologies, de-globalisation/*slow-balisation*/regionalization) on:

- whether it is happening or not and with what effects (e.g. Williamson, 2021),
- which is the Country most affected, whether China (e.g. Byers and Ferry 2019; Hu et al. 2021; Witt et al. 2021) or the US (Zhang and Shi, 2020),
- what about other economies or single industries (Hu et la., 2021; Verbeke, 2020) and,
- whether this debate makes sense (e.g. Pesce, 2017)

Convergence on **integration in Global Value Chains (GVCs) as the key to understand** the myths and realities of decoupling and its effects

The focus of the study is on **the potential of *decoupling policies and mechanism to work***, that is **disconnecting China from GVCs**

Several aspects of *Chinese domestic political economy and changing global conditions*' and a set of *weaknesses* in Chinese status and participation to Global Value Chains (Liu and Tsai, 2020) and Innovation (Petti *et al.* 2016 on) makes of *decoupling* an issue that may hamper China's global projection.

Two inter-related questions:

- 1) How strong is actual China's integration into GVCs?
- 2) To what extent it exposes the Country to the adverse/intended effects of decoupling?

Three of the supposed weaknesses of China's integration into GVCs are analyzed:

1. Limited internationalisation of Chinese Transnational Companies (TNCs)
2. The state's weight in Chinese economy and enterprises relative to privates' ones
3. Chinese participation in GVCs and foreign dependence (components, capital, innovation)

And, after the backlashes of China's zero-Covid approach/tolerance:

- 3) What is or could be the role of zero-Covid approach/tolerance in these perspectives?

Some concluding reflections

Analyses (1) – Chinese TNCs Internationalization

DATA: re-assessment of Transnational Index Scores - UNCTAD World Investment Report

TNI of Top 10 Global and Chinese TNCs 2019

Not so weak in (some) high-tech sectors but...

Ranking by:					Ranking by:								
Foreign assets	TNI	Corporation	Home economy	Industry*	TNI ^b (Per cent)	Foreign assets	TNI	Corporation	Home economy	Industry *	TNI (Per cent)		
1	19	Royal Dutch Shell plc	UK	Mining, quarrying and petroleum	82,6	14	11	CK Hutchison Holdings Limited	Hong Kong, China	Retail Trade	90,2		
2	46	Toyota Motor Corporation	Japan	Motor Vehicles	65,0	18	96	China National Petroleum Corp (CNPC)	China	Mining, quarrying and petroleum	24,7		
3	22	BP plc	UK	Petroleum Refining and Related	82,2	34	79	Tencent Holdings Limited	China	Computer and Data Processing	46,3		
4	41	Softbank Group Corp	Japan	Telecommunications	66,3	36	97	Sinopec - China Petrochemical Corporation	China	Petroleum Refining and Related Industries	22,3		
5	27	Total SA	France	Petroleum Refining and Related	78,5	46	99	China COSCO Shipping Corp Ltd	China	Transport and storage	16,8		
6	54	Volkswagen Group	Germany	Motor Vehicles	60,3	55	89	China National Offshore Oil Corp (CNOOC)	China	Mining, quarrying and petroleum	34,8		
7	17	Anheuser-Busch InBev NV	Belgium	Food & beverages	84,0	58	84	Huawei Technologies Co, Ltd	China	Communications equipment	39,7		
8	29	British American Tobacco PLC	UK	Tobacco	78,2	73	53	Sinochem Group	China	Mining, quarrying and petroleum	60,5		
9	56	Daimler AG	Germany	Motor Vehicles	59,8	74	50	China National Chemical Corporation (ChemChina)	China	Chemicals and Allied Products	64,3		
10	60	Chevron Corporation	US	Petroleum Refining and Related	58,0	93	74	Legend Holdings Corporation	China	Computer Equipment	51,2		
					Average TNI World's top 10 MNEs	71,5						Average TNI Chinese in the top 100 MNEs	45,1

* Industry classification for companies follows the United States Standard Industrial Classification as used by the United States Securities and Exchange Commission (SEC).

Without Hong Kong SAR

Source : Data elaborated from UNCTAD World and Investment Report: Annex Tables 2020.

TNI of Chinese High-tech TNCs and Global Counterparts 2019

...intangible side, stronger LoF, the HKTW effect

TNI Ranking	Corporation	Home economy	Industry *	TNI (Per cent)	TNI Ranking	Corporation	Home economy	Industry *	TNI (Per cent)		
74	Legend Holdings Corporation	China	Computer Equipment	51,2	81	Apple Computer	US	Computer Equipment	43,2		
79	Tencent Holdings Limited	China	Computer and Data Processing	46,3	80	Microsoft Corporation	US	Computer and Data Processing	43,6		
					70	IBM Corp.	US	Computer and Data Processing	53,8		
					93	Amazon.com	US	E-Commerce	30		
					35	SAP	Germany	Computer and Data Processing	71,4		
					91	Alphabeth	US	Computer and Data Processing	33,3		
						AVG Computer and Data Proc.			46,4		
84	Huawei Technologies Co, Ltd	China	Communications equipment	39,7	52	Samsung Electronics	Korea Rep.	Communications Equipment	61,2		
79	Median Position	Average TNI Chinese High-Tech TNCs			45,7	80	Median Position	Average TNI World's High-Tech TNCs			48,1

* Industry classification for companies follows the United States Standard Industrial Classification as used by the United States Securities and Exchange Commission (SEC).

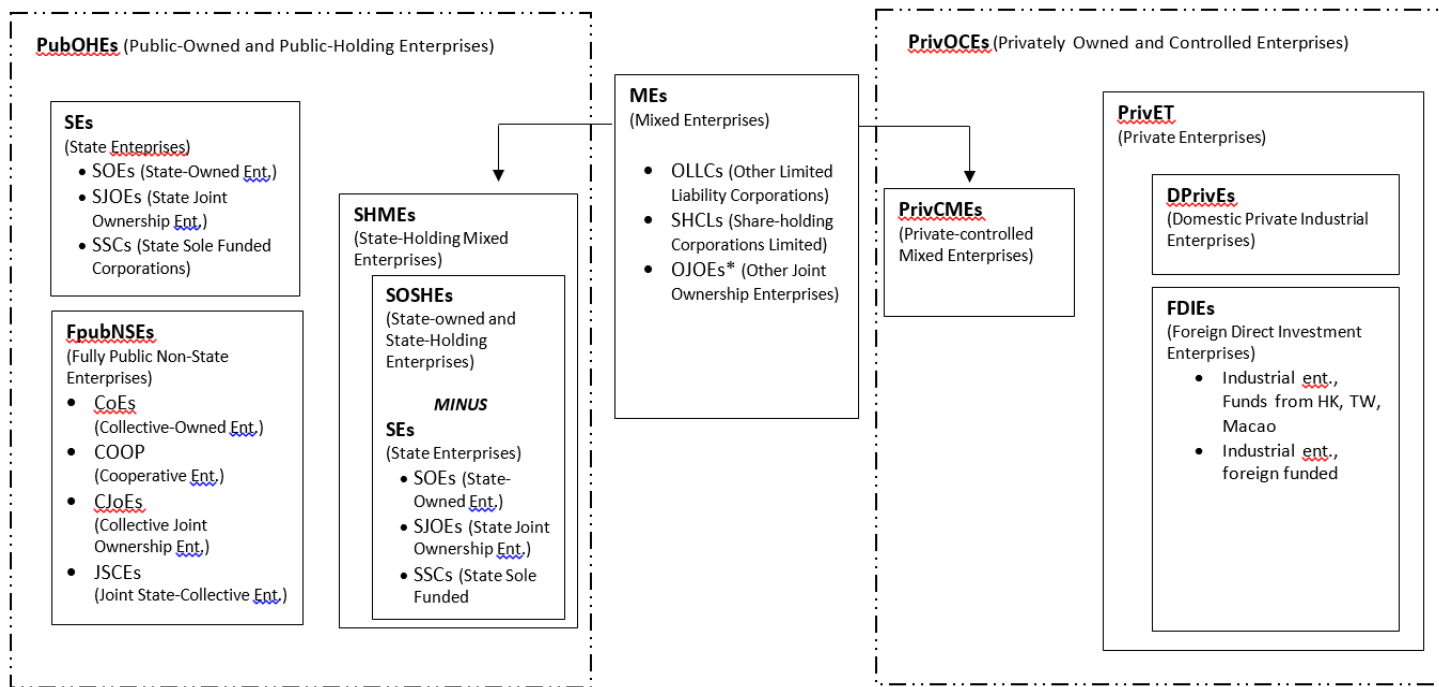
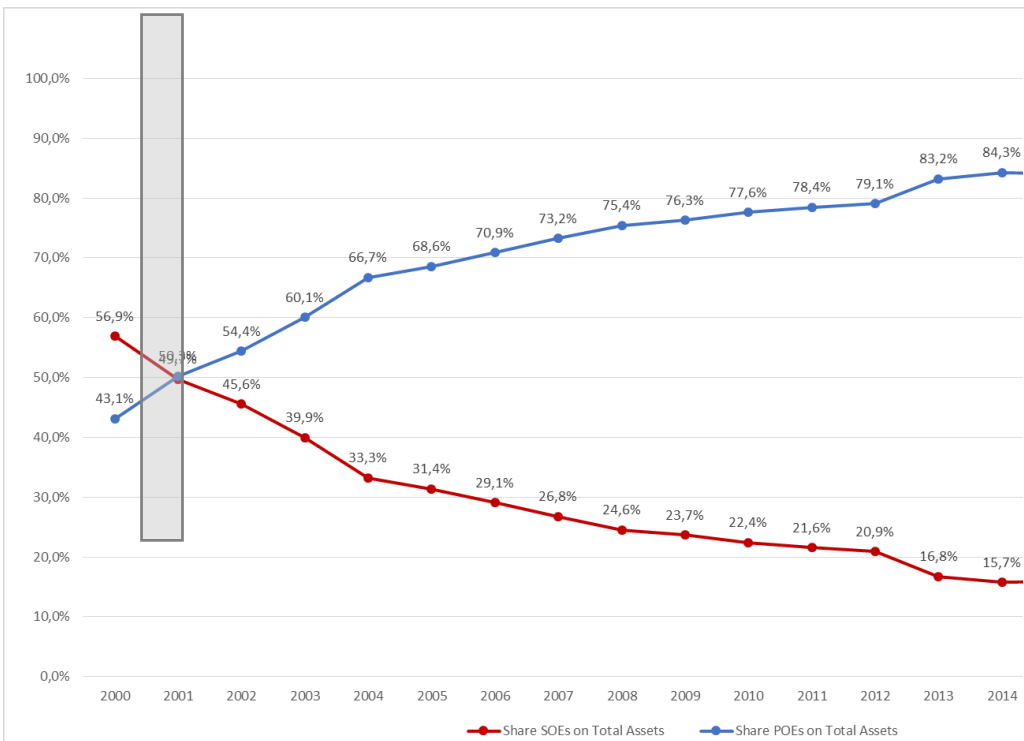
Source : Data elaborated from UNCTAD World and Investment Report: Annex Tables 2020.

...more than TNI – qualitative/in-depth methods

Analyses (2) – Liability of Stateness

DATA: Re-calculation of State's Weight using a control-based approach on CNBS data/qual. evid.

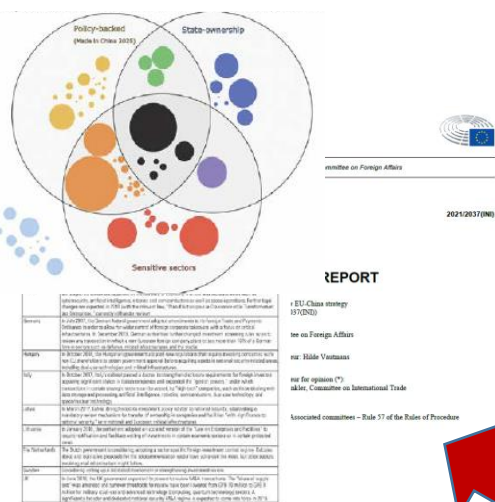
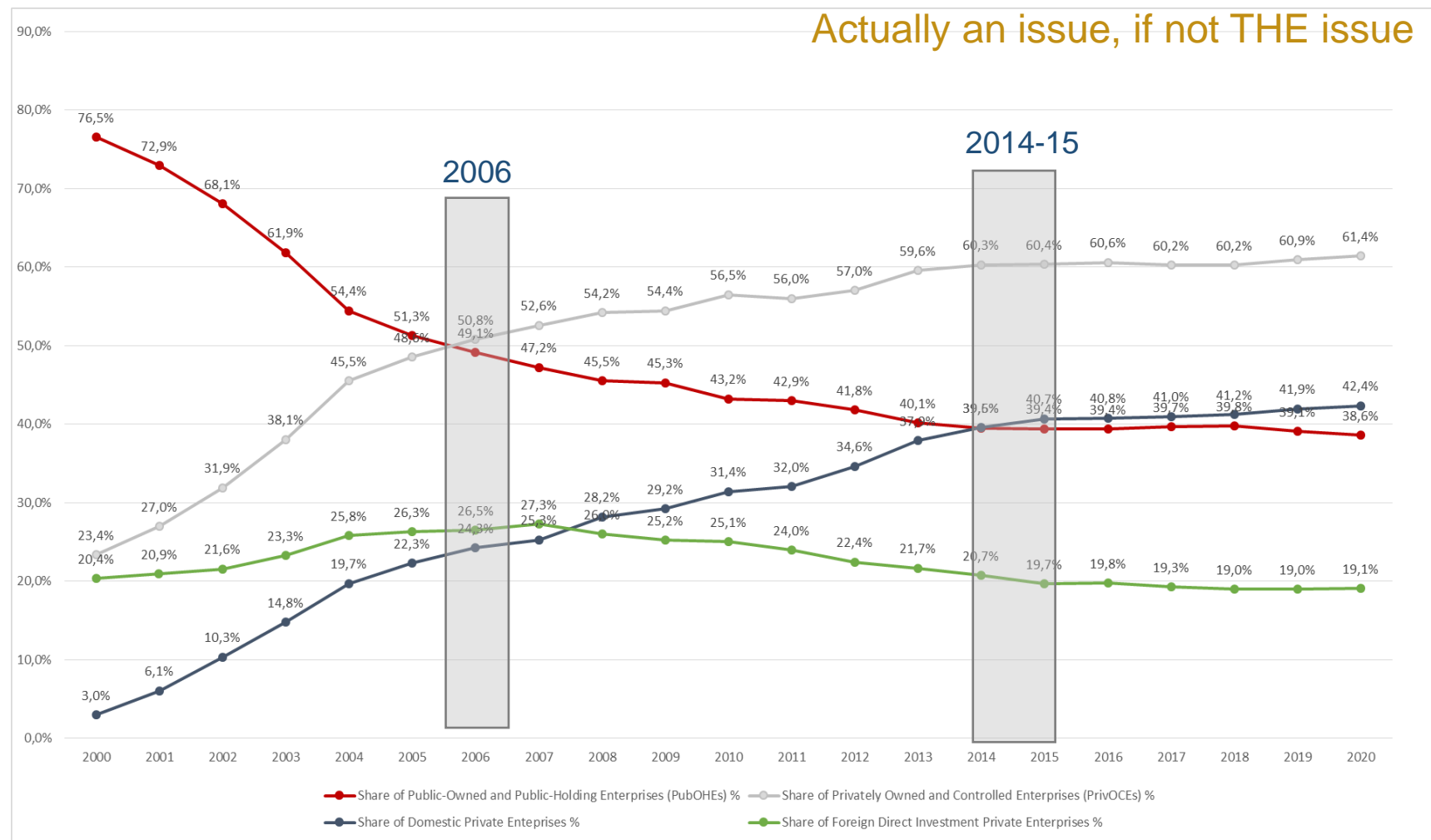
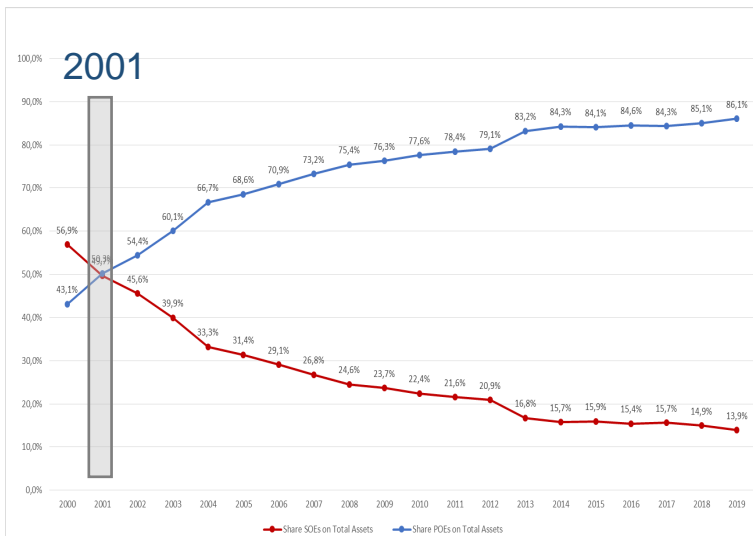
2001 Gauging state's weight by registration status is misleading since many shareholding enterprises have a state's relevant share (Huang, 2008)



a re-aggregation of ownership categories based on state-controlled sector / State-Owned & State-Holding Enterprises (SOSHEs) has been made

Petti, Rubini et al. (2018) based on Gabriele (2010)

Analyses (2) – Liability of Stateness



Consistent with other studies (e.g. Huang, 2008) and anecdotal evidence about a **more significant role of the state both quantitatively and qualitatively** (in decisions, directly and indirectly, i.e. Party Cells, Jack Ma, Zhang Yiming...) and the still relevant role of foreign enterprises

RHG-MERICS (2019)
 EUCC-MERICS (2021)
 AFET (2021)

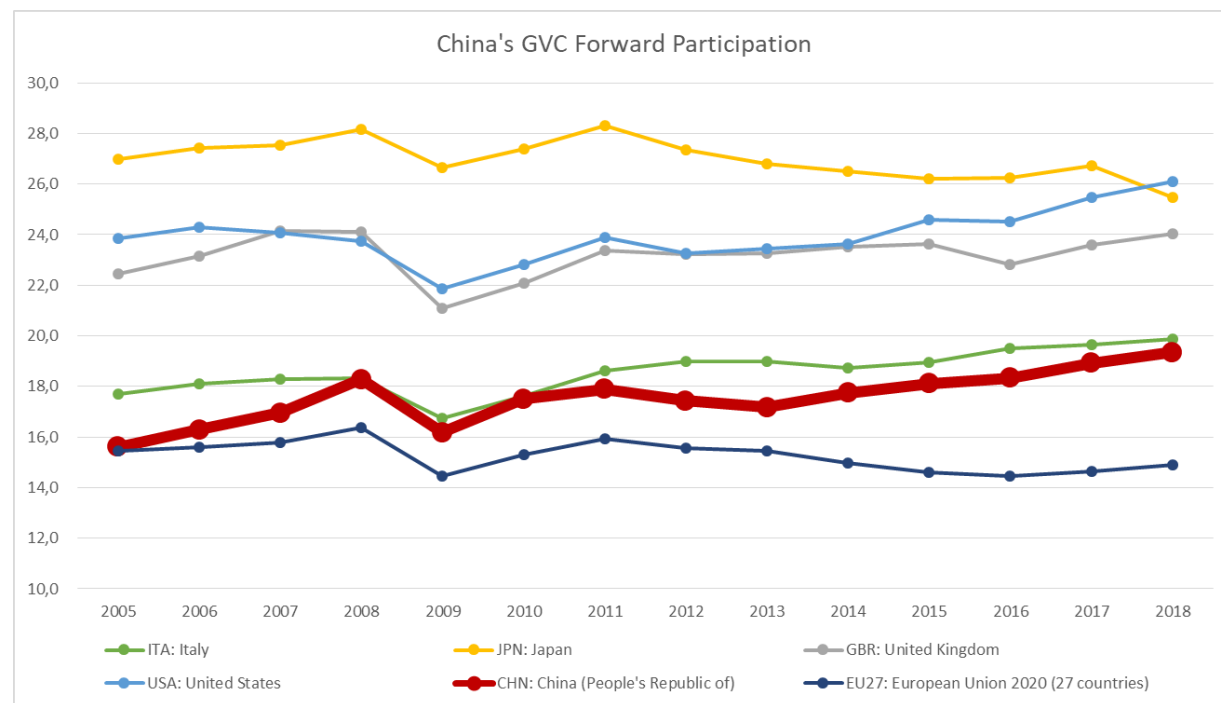
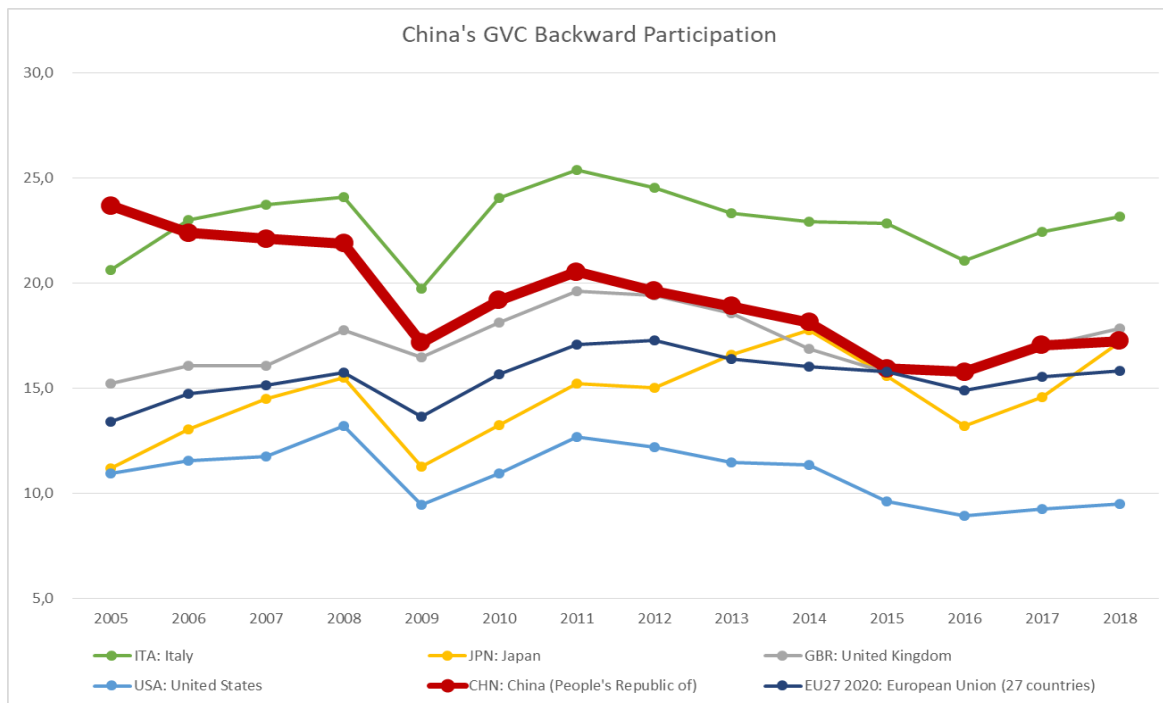
Analyses (3) – Participation to GVCs

DATA: comparison of backward, forward participation and IPR Control on OECD, World Bank and Various Innovation Indicators and CNBS data (Capital and Innovation).

China is still rather dependent on other Countries for its exports

China has reduced dependence on foreign country imported components for its exports

But its ability to provide components for other Countries' exports lags behind other major competing economies

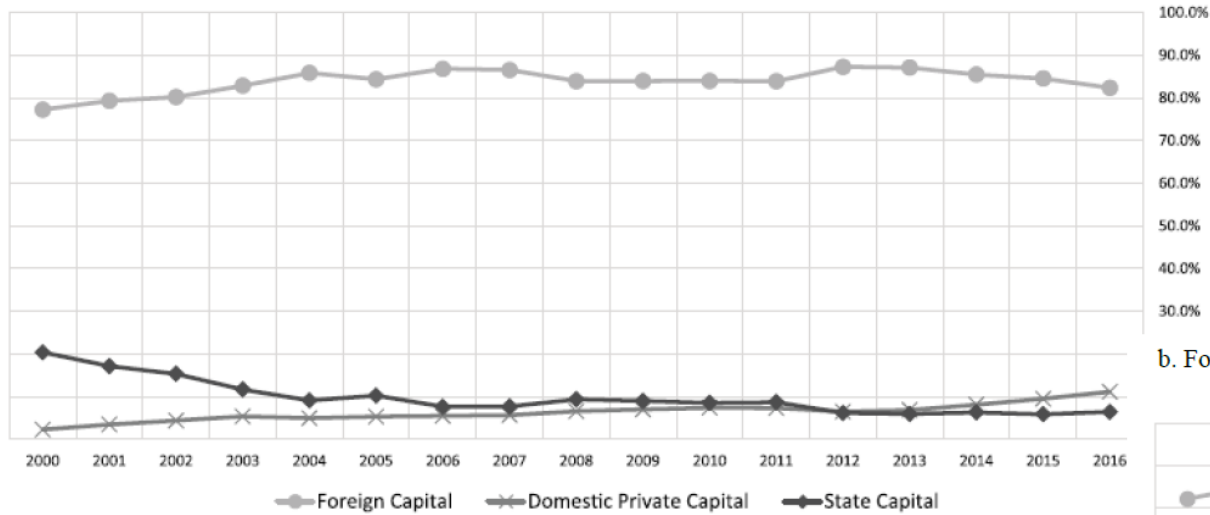


Analyses (3) – Participation to GVCs

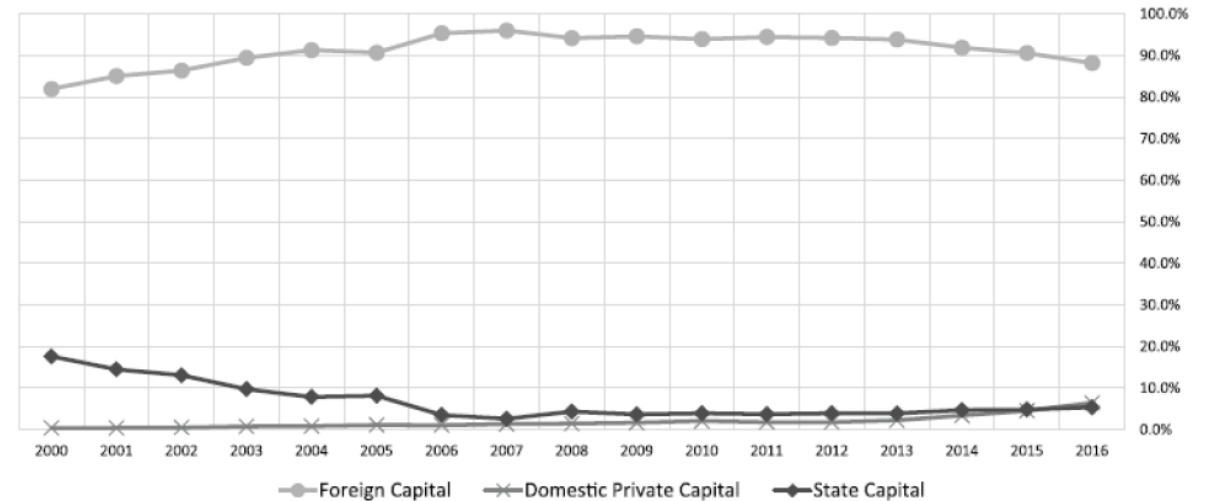
especially for medium and high-tech industries

Figure 7. Shares of Foreign Capital in China's Exports Sales (Liu and Tsai's, 2020 Elaborations)

a. Foreign (against Domestic Private's and State's) Capital in medium and high-tech industries



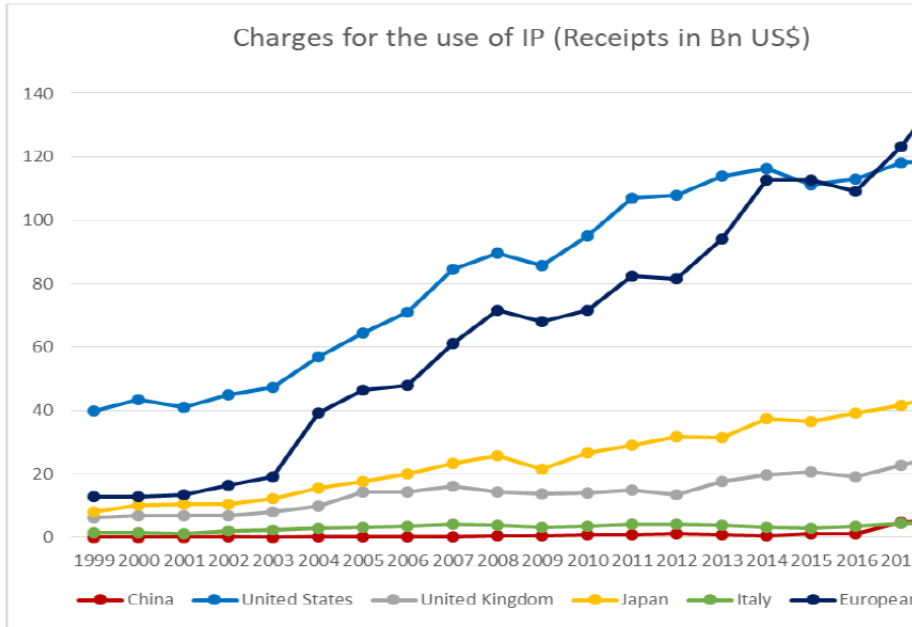
b. Foreign (against Domestic Private's and State's) Capital in communications equipment, computers and other electronic equipment



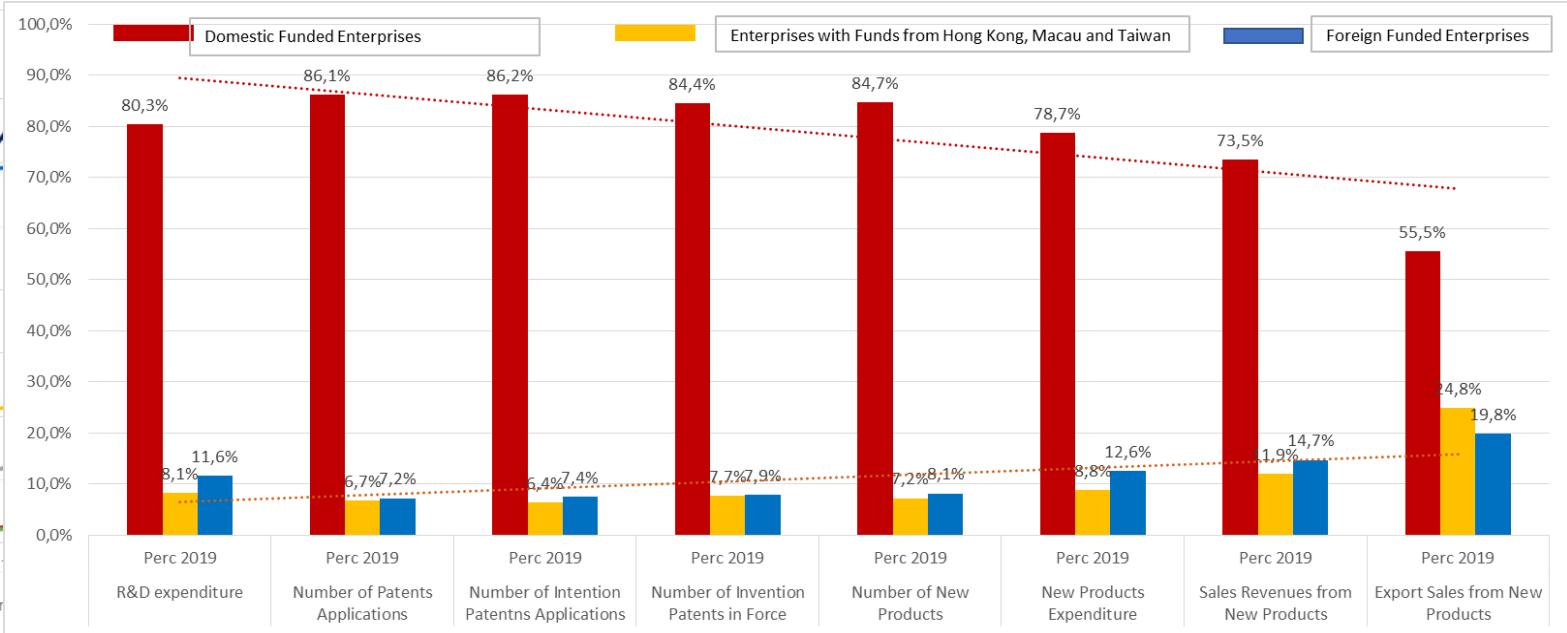
Analyses (3) – Participation to GVCs

A matter of knowledge (*stickiness*) and domestic innovation (*productivity*)

Advanced industrialised countries control IPRs



Domestic firms' innovation share increase but more on inputs than on outputs



And technology transfer didn't (Fu and Long, 2011), don't (Deng, 2010; Petti, Spigarelli et al., 2019) and may be even more difficult (investments screening mechanisms, export bans...) to work as needed

An input-output paradox (Gabriele, 2020)

- ❑ **Decoupling** is now beyond **tech**, it is about **policy models** confrontation
- ❑ China's positioning, participation and dependence, especially in knowledge-intensive hi-tech sectors make of it **an issue to consider** for Chinese *policy-makers* and it has already had a **CLEAR IMPACT ON CHINA'S TECHNOLOGY PUSH**.
- ❑ However with zero-Covid approach/tolerance, this technology push is **at stake**.

For Chinese Policy Makers and Academics

- ❑ **Symbolic** more than concrete **meaning** of decoupling **calls for a review** of the Country's global engagement policies and tools (i.e. B.R.I. prospects, projects and contracts) internal industrial policies (i.e. the role of State-owned enterprises in Country's economy and in global projection) and zero-Covid approach/tolerance and the related communication strategies.

For RoW Policy Makers and Academics

- ❑ The need for a pragmatic – **China's strategies and policies as *units of analyses*** (Gabriele, 2020); scientific – **interdependencies and context** (Pasinetti, 2019); and a smart resilience strategy – **quality of the formulation process** (Di Tommaso, 2020) for rational policy-decision making.

- ❑ Significant economic (on GDP growth and prospects, private firms, youth unemployment, overseas investments...), human (mental health, long-lasting uncertainty) and social (massive tech-surveillance, public health equity, cohesion)
- ❑ But, in the context of this work **a talent failure**:
 - Talents (foreign and domestic) are leaving, expatriates population drastically reduced and 'networking' effects may make it even more dramatic. In 2021 foreign arrivals and departures dropped to only 4.6% of the 2019 level (CNIA data) and, since the end of March 2022 a spike in VISA requests by Chinese Nationals is being experienced.
 - Big reduction in the number of foreign students. Foreign companies in China have troubles in recruiting workers
 - National Immigration Administration plans for developing a globally competitive talent system has been stopped.
 - Scientific collaboration is threatened by lengthy quarantine requirements (before) and sudden unexpected lockdowns (now), which keep scholars away from China dis-incentivising in field collaboration.
- ❑ China's scientific and economic strengths have risen because of, not despite, China's integration into the larger world of international education, research, and technology (W.C. Kirby, Science, 3 June 2022) and now China risks to be in large part self-cut off from the immaterial global value chains that made its fortune.
- ❑ The whole 'transformation' phase of Chinese innovation and final step for the leap is on hold.

- ❑ It is not a study (yet) but a preliminary exploration of a number of topics that needs to be focused, framed, related and analyzed

- ❑ A call for collaboration on:
 - Identification of more sophisticated indexes to measure the real competitiveness of Chinese TNCs/MNEs that takes into account the *intangible side*.
 - Input-output tables to evaluate GVCs participation and position
 - Qualitative, in-depth case studies' analyses
 - Look for more suggestions

Grazie!

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