



THE INSTITUTE OF ECONOMICS, RUSSIAN ACADEMY OF SCIENCES

The rise of a new world order: Does it offer new prospects for China's state-owned enterprises?

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Roadmap

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<https://www.b17.ru/foto/article/364281.jpg>

1. The outgoing world order



How we describe world order?

- The world order is “a relatively sustainable and fairly stable state, although limited in historical time, of the international system, characterised by the dominance of rules of conduct in the international arena recognised by the majority of actors (state and non-state) and based on **the balance** of forces and interests of **the leading world power(s)** and political force(s)” (*Nikitin 2018: 32-33*).
- Leading world powers have the highest indicators of **national strength** incl. the level of development of education and professional competencies in the country, innovation and technology, overall competitiveness, demographic potential, the power of the armed forces, the level of development and scale of production, trade and finance, resource availability, reserve status of the currency, etc.



The outgoing world order

The outgoing world order was defined as **globalisation with US leadership** supported by most Western countries.





Negative consequences of globalisation

- Globalisation of markets leads to an improvement in the situation for some and deterioration for others, **increasing social inequalities** and contradictions (*Rodrik, 2017; Stiglitz, 2017; Piketty, 2014*).
- Countries that enter into economic partnerships with US domination **experience a drop in GDP and labour growth rates** (example: Mexico when joining NAFTA).
- In addition, global hegemony poses **a threat to democracy**, as a superpower is tempted to use its position for its own benefit, without taking into account the interests of other countries (*Köchler, 2020*).

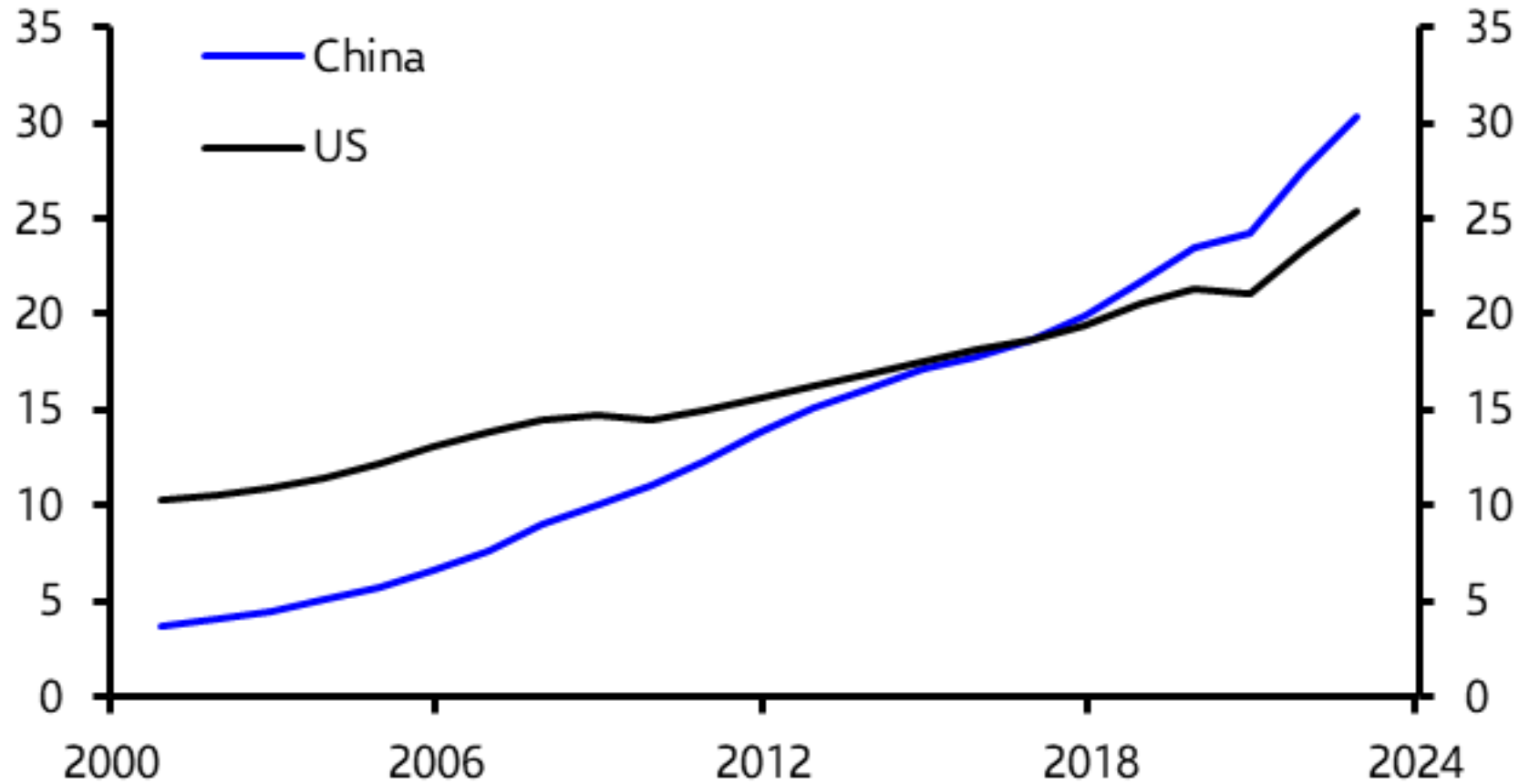


Problems of globalisation

- Globalisation is successful when directed carefully by the "world hegemon". But now **the role of the hegemon (the US) is weakening**. The US is losing its leadership position and its right to world hegemony (*Kagan, 2008*) which is accompanied by a slowdown in globalisation.
- "Whereas in the 1990s, the United States was almost universally viewed as the world's sole and unshakable superpower, by the time of the 2008 financial meltdown, the notion that **US hegemony was in a deep and potentially terminal crisis** moved from the fringes into the mainstream" (*Silver, Rayne, 2020:17*).
- The share of the US in world **production is decreasing**, and also the **de-dollarisation** of the world economy is gradually growing.



The share of the US and China in world production, XXI century



<https://www.capitaleconomics.com/blog/china-versus-us-size-stakes-its-what-you-measure-counts>.



<https://www.b17.ru/foto/article/364281.jpg>

2. The rise of a new world order: what is special?



2.1. Trend towards sovereignty



- Sovereignty means that an individual state has “the right and power **to determine for itself** and independently, and not at the behest of others, the basic questions **concerning its existence**” (*Oji, Ozioko, 2011:259*). Sovereignty means for the state "the right to development".
- Sovereignty and statehood are interrelated: **a non-sovereign state=quasi-state.**



Some economic indicators of sovereignty

- **Reshoring programmes:** since the 2010s there is a return of previously transferred production facilities back to the countries to reduce global risks: the US: "Remaking America", 2010 (Barack Obama); "America first", 2016 (Donald Trump); "Restoring domestic production capacity", 2021 (Joseph Biden); the UK: "Reshore UK"; France: "Colbert 2.0"; similar programmes in Japan, South Korea and other Asian countries (*Mariotti, 2022*).
- **Localisation of production** of critical goods, nationalisation of technical standards, etc



Areas of sovereignty

- Sovereignty affects processes not only in the territories of countries, in the air and at sea, but also in the field of **digitalisation and technology**, e.g. the concepts of "technological sovereignty", "technological islandisation", "new techno-nationalism", which directly connect technological capabilities with the country's **national security** and its geopolitical advantages (*Mariotti, 2022*) .
- In the **cultural, communication and ideological spheres**, the concepts of "value sovereignty" and "cultural sovereignty".



The clash of two trends

- The trend of globalisation, with the hegemony of one player and pressure towards universalisation, **is downwards**. As Francis Fukuyama (the author of the concept of “the end of history”) recognised in his interview on March, 30, 2022, it is **“the end of the end of history”** now (*Fukuyama, 2022*).
- The trend of sovereignty **is upwards**.





2.2. New leaders are not from the West

- Previously, the change of leading countries of world order took place within the group of Western countries of **the capitalist world system**:
 - in the 17th–18th centuries Holland was such a leader,
 - in the 19th century it was Great Britain, and
 - in the 20th century - the US.
- However, now in the 21st century there is a rise of non-Western countries: **2024 Top-5, GDP PPS: China, US, India, Russia, Japan.**



New leaders = new rules?

- New leaders, although continuing to interact with the capitalist world-system, are beginning to change the “**rules of the global game**” based on their values and are promoting the transformation of supranational structures.
- **New leaders of world majority** declare symmetrical mutually beneficial relations taking into account the interests of the parties, mutual security and respect for the values of the parties.



2.3. Not a new hegemony, but bipolarisation? (bipolar model not the centre-periphery model)



<https://www.ipis.ir/en/subjectview/725202/new-world-order-signs-and-requirements>



Bipolar coalitions*

- In the XXI century **the institutional basis of bipolarity** is made up of two planetary coalitions, which can be called non-Western and Western coalitions.
- **The Western coalition** based on NATO (founded in 1949) and the European Union (1993); the composition of their countries almost overlap.
- **The non-Western coalition** based on Shanghai Cooperation Organisation (SCO, founded in 2001, until 2001 called the "Shanghai Five"), BRICS+ (2006) and Commonwealth of Independent States (CIS, 1991), the composition of which is also overlapping.

* a temporary alliance for combined action; group of subjects co-operating to achieve a particular aim.



Core of the Western coalition: NATO and the European Union, 2001–2024

	2001, N of countries	2024, N of countries
NATO	19	32
European Union	15	27
Total (including overlaps)	23	36 ↑ 1,6 (+ 9 applications)



The core of the Non-Western coalition: the SCO, BRICS+ and CIS, 2001-2024

	2001, N of countries	2024 N of countries
Shanghai Cooperation Organization	5	26 (incl. members, observers and dialogue partners)
BRICS +	4	10
Commonwealth of Independent States	10	10
Total (including overlaps)	13	32 ↑ 2,5 (+ 23 applications)



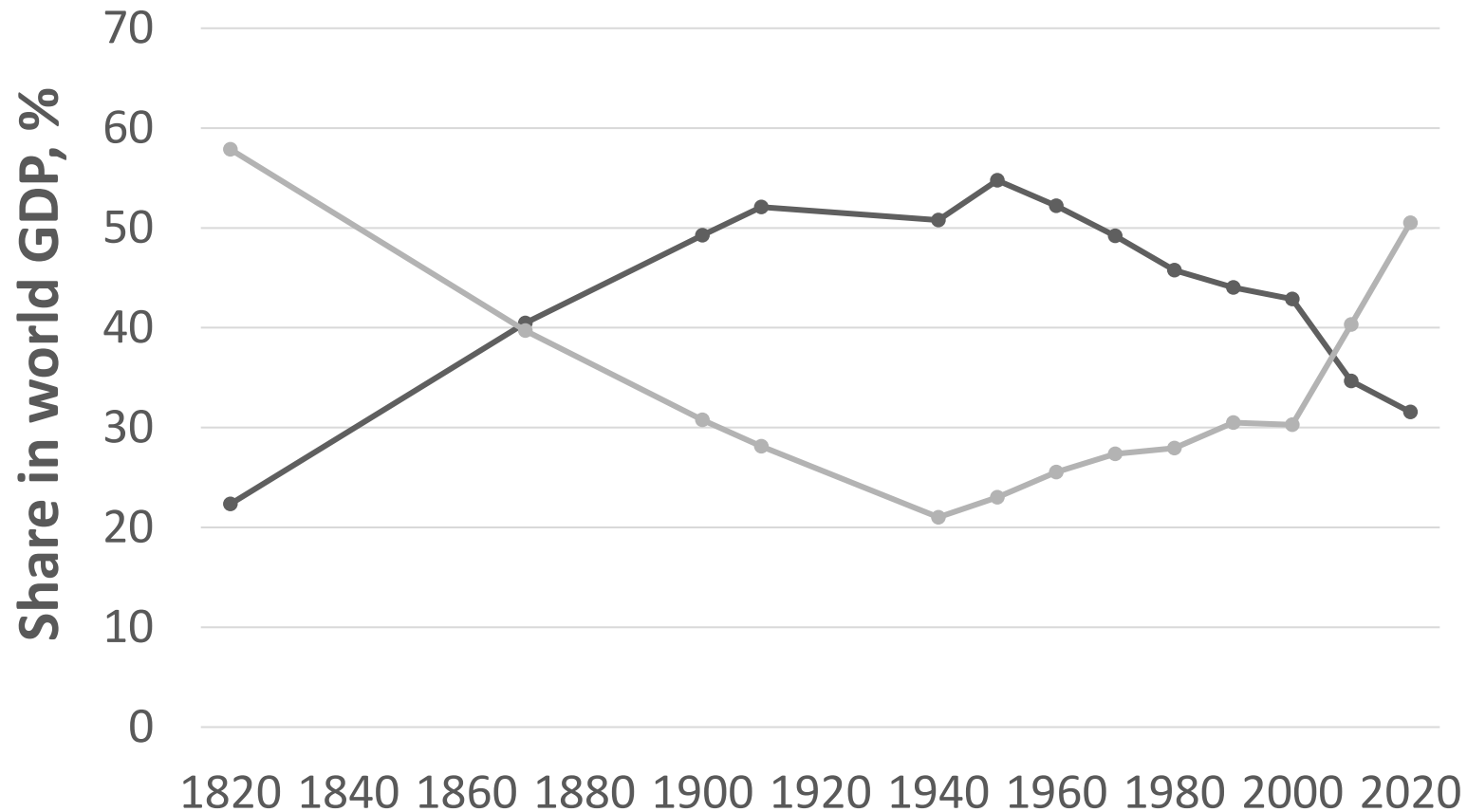
Expansion of Non-Western coalition

- **The commonality of the agenda of the Non-Western coalition countries** was recorded in 2020, when for the first time the **SCO+** format was tested in an international forum, in **which the SCO, CIS and BRICS countries participated together**. This process continues, and **this is becoming a new practice**
- Despite the differences in specific parameters (territory, population, production volume, national wealth, military potential, technology, media power, etc.), in general, **Western and Non-Western coalitions are comparable in terms of total power**; at the same time, **the role of the Non-Western coalition countries is gradually growing**.



GDP shares of Western countries (gray line) and Non-Western countries (black line), 1820-2020s,

from a sample of countries producing ~ 85-90 % of world GDP, *Maddison Project Database*





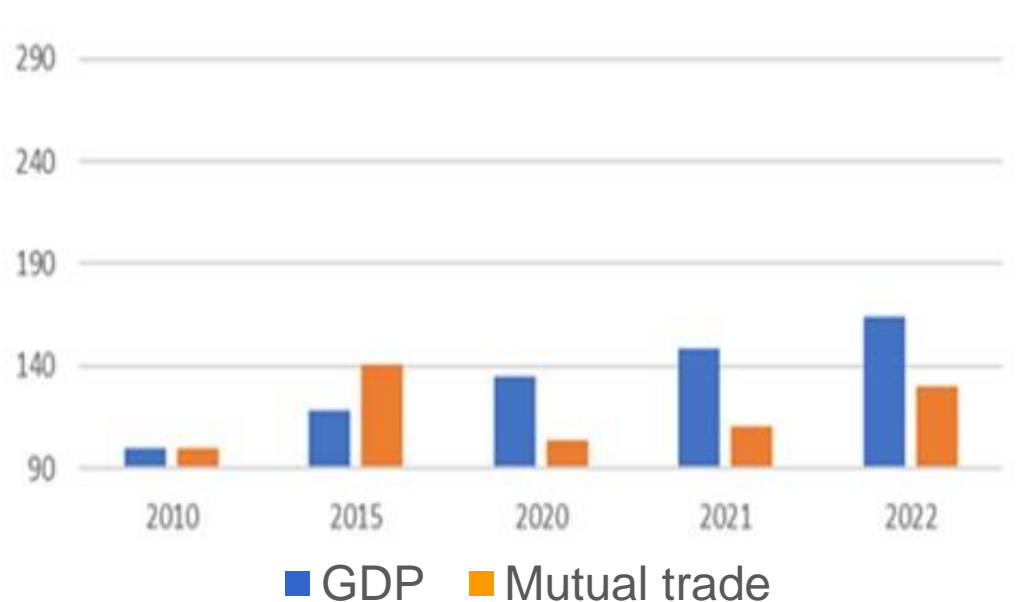
Economic coherence within coalitions

- Draft assessment of the dynamics of economic relations (**mutual trade) within each of the coalitions**: comparison period: **2010-2022**.
- In each of the coalitions, **4 largest countries** were identified, which account for from 75 to 83% of GDP, PPP produced by all countries of the coalition.
- Among them **Brazil, India, China, Russia** (Non-Western coalition) and **Germany, France, UK, US** (Western coalition).
- Data used: The World Bank *data.worldbank.org*; Trade Statistics by Country / Region <https://wits.worldbank.org/countrystats.aspx?lang=en> (2010-2020) and *oec.world* (2021), export prices.

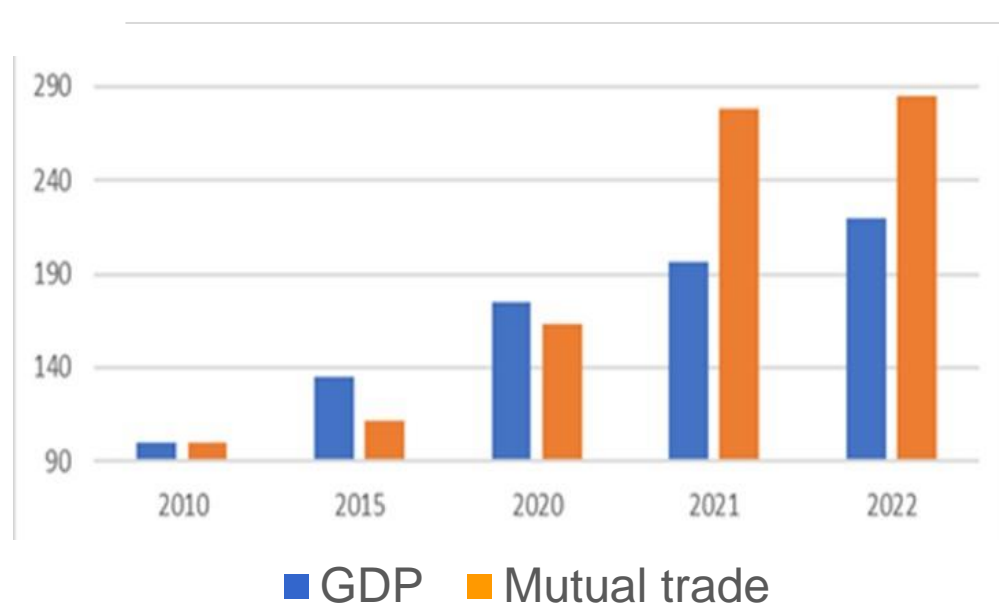


Comparative statistics for largest countries of Non-Western and Western coalitions

Growth rates of GDP and mutual trade for selected **Western countries**, 2010=100%



Growth rates of GDP and mutual trade for selected **Non-Western countries**, 2010=100%





<https://edubirdie.com/blog/how-to-write-a-conclusion>

3. Friendshoring as a possible strategy for Chinese state-owned enterprises in the new world order.





From 'nearshoring', 'reshoring', and 'onshoring' to 'friendshoring'

- **'Friendshoring'** is a growing practice in which economic relationships are focused on countries regarded as political and economic allies.
- It happens when **a government pushes** businesses to restructure supply chains, shifting production away from geopolitical rivals to friendly powers. The policy aims to strengthen trade security. It has a cost: when politics rather than profit determines where goods are made, production is likely to be less efficient. But advocates argue that the price is worth paying **to reduce countries' dependence on not-friendly powers.**



Friendshoring as a development of Go Outward strategy

- Go Outward policy was adopted **in 1997** at the 15th Congress of the Chinese Communist Party to encourage direct overseas investment, and allowed SOEs to establish their companies abroad.
- In **2011**, the SASAC (State-owned Assets Supervision and Administration Commission of the State Council) allowed the establishment of overseas branches for SOEs.
- SOEs are the main recipients of state support innovation programs "Made in China 2025", "Chinese Standard 2035" and many others.
- SOEs are **actively involved in the formation of a new world order**, which is called in China "a community of common destiny".



The growing role of Chinese SOEs in China and the global world

- The total capital of firms with some level of state ownership has risen to roughly **68% of total capital** of all firms in the economy in 2017. The share owned by the central government has declined while that of local governments has risen.
- Mixed state and private ownership is associated with **higher firm growth, productivity, and profitability** (Allen, Cai, Gu, Qian, Zhao, Zhu, Wu, 2022).
- SOEs play an increasingly **important role** in today's global economy (Lin, Lu, Zhang , Zheng, 2020). Since 2020 China has had **the largest number** of companies on **the Global 500** List (most of them are associated with governments).



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4. Conclusion.



The role of Chinese SOEs for the new world order

- For the first time since World War II and the collapse of the socialist system, China has offered an **adequate economic and political alternative to the capitalist market model**. It consists of a combination of market elements and strong state control, and SOEs play a key role in it.
- The Chinese model is based not on further market liberalisation, which has exhausted itself, but on achieving **technological leadership, cooperation and mutual security**.
- The decisions of the Third Plenum of the Central Committee of the Communist Party of China (July, 2024) confirmed the continuation of **market reforms while maintaining the state's "commanding heights" in the economy**.



Thank you for your attention!

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Dynamics of Russia's foreign trade turnover with the largest countries of the Non-Western and Western coalitions, 2010-2022

Trade of Russia with:	2010	2015		2020		2021		2022	
	B \$	B \$	2015/2010	B \$	2020/2010	B \$	2021/2010	B \$	2022/2010
Brazil, India, China (Non-Western)	72.1	75.2	1,04	117.3	1,62	167.9	2,33	238.5	3,31
Germany, France, UK, US (Western)	96.0	71.6	0,75	105.5	1,10	140.2	1,46	116.4	1.21