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RESEARCH VOLUME 19

THE CHANGING GLOBAL POWER BALANCE: CHALLENGES FOR EUROPEAN FIRMS

TRIBUTE VOLUME TO JOHN CANTWELL

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PREFACE: A TRIBUTE TO JOHN CANTWELL

This PIBR volume is dedicated to John Cantwell for his outstanding contributions to International Business (IB) research. Besides being a key and well-respected author, John has also provided significant, continuous and very generous services to the IB community in a large number of roles.

As an optimist and a strong believer in human progress (Cantwell, 2021), John has always been ready to support other scholars – whether junior or senior – by diligently responding to questions, revising texts or simply confirming (or informing) one's ideas by clear and constructive arguments. One of us still remembers the time he spent, back in 1993, on correcting poorly written English drafts – thus helping to include a non-native speaker into the IB community. As a team player, he has proven excellent at finding ways to overcome conflictual arguments or positions. This has provided him great esteem with colleagues as well as former students. Most of these became friends and are still co-authors – thus helping to advance relevant IB research in multiple directions. Several contributions from those he has influenced can be found in this volume.

John Cantwell as a junior scholar, at the EIBA Conference in Rotterdam in December 1984.

Born and raised in Hornchurch, a town that is now part of Greater London, John holds a B.A. in Philosophy, Politics and Economics, from the University of Oxford, an M.Sc. in Economics, from the University of London, and a Ph.D. in Economics, from the University of Reading. His Ph.D. supervisor was John H. Dunning, who became not just John's mentor but also a cherished friend. As John is the first to recognize (Cantwell, 2021), Dunning's influence on John's career and research path has been very important. The imprint of the Department of Economics of the University of Reading, where John H. Dunning was the undisputed leader, was also significant: John walked all the steps, from Research Librarian (1980–1984), through Lecturer, when he was still a doctoral student, to Professor in International Economics (1993–2002). He took over the Professorship in International Economics from John H. Dunning, after the latter's (mandatory) retirement and move to Rutgers University in the US. Ten years later, John would follow in his mentor's footsteps, moving to Rutgers (2002), where he became Distinguished Professor of International Business in 2010. John held several visiting professorships, including the universities of Rome 'La Sapienza' (Italy), Toulouse (France) and Vienna (Austria). In 2019, he was named the PWC Strategy & Eminent Scholar by the International Management Division of the Academy of Management. In 2021, he received an *honoris causa* doctorate from Complutense University of Madrid.

John Cantwell as a senior scholar, after being named as the Eminent Scholar by the International Management Division of the Academy of Management in 2019.

His significant contributions to society materialized in particular through his participation in public policy-oriented projects in support of international organizations. These include *inter alia* the following activities: consultancy to the UN Centre on Transnational Corporations; involvement in European Commission's Key Action for Socio-Economic Research project on assessing the impact of technological innovation and globalization on growth and employment (coordinated by Jonathan Michie); and contribution to a project on industrial districts' re-location processes, aimed at identifying policies in the perspective of EU enlargement, under the European Commission's programme for Improving the Human Research Potential and the Socio-Economic Knowledge Base.

While keeping some of the tenets of John H. Dunning's thinking, very often with his own twist (see for instance Cantwell, 2015), John Cantwell developed his distinctive intellectual pathway at the juncture between the fields of technological innovation and multinational enterprises (Álvarez, 2021). This really corresponds to his research roots in which he explored the role of technology and knowledge on evolutionary thinking as well as the relevance of international networking. His book *Technological Innovations and Multinational Corporations* (Cantwell, 1989) – based on his 1986 PhD thesis – became a key source for IB scholars, as more than 2,500 Google Scholar citations testify. At the beginning of this book he makes a statement that would become a consistent thread of his research: Multinational Companies (MNCs) 'have become global organiser[s] of economic systems, including systems for allied technological development in different parts of the world' (Cantwell, 1989, p. 10). The MNEs should, thereby, be envisaged as an internationally networked organisation and as a worldwide orchestrator of knowledge, coming from different locations (Cantwell, 1995). In this process, foreign subsidiaries play a key role by accessing and synthesising relevant knowledge. Under specific conditions, subsidiary evolution might lead to the emergence of supply-driven R&D activities in competence-creating subsidiaries (Cantwell & Mudambi, 2005). However, subsidiary activity is not necessarily beneficial for host countries, as he for instance showed with regard to the automotive industry in the UK (Cantwell, 1987).

Drawing on these intellectual roots, John Cantwell has gradually enlarged his perspective to grant an increased role to geography, location and institutions while espousing a more complex approach to evolutionary thinking. As he put in his speech at the investiture as Doctor *Honoris Causa* of the Complutense University of Madrid, to understand 'social evolution we must address the co-evolution of the various parts of a social system' (Cantwell, 2021, p. 8). The trajectories of the two Johns (Cantwell and Dunning), converged again, now joined by Sarianna Lundan, cooperating in 'a stream of research investigating the processes of co-evolution of MNCs and their institutional environment' (Cantwell, 2021, p. 8). *Co-evolution* became the key word to translate the multi-directional interaction between international business actors, local societies and their associated institutions and knowledge creation and preservation processes (Cantwell et al., 2010; Lundan & Cantwell, 2020). These dynamics have taken new patterns in the information age (Alcácer et al., 2016), in which global cities play an increasingly key role in knowledge creation, as greater compatibility between local and non-local knowledge sourcing facilitates the development of new knowledge combinations (Cantwell & Zaman, 2024).

Besides his research contributions, John has rendered numerous services to our profession as well as to the IB field, as he likes to call it. Between 2011 and 2016, he served as the Editor-in-Chief of the *Journal of International Business Studies* (JIBS); he actively promoted interdisciplinarity (Cantwell & Brannen, 2011 and 2016), while encouraging the openness to younger scholars and to a wider range of IB contributions. He is Fellow of the Academy of International Business (AIB) as well as of the European International Business Academy (EIBA). John was one of the four Founding EIBA Fellows; he became Dean of the EIBA Fellows in December 2015. He served as President of EIBA (in 1992) and from 2019 to 2024 served as co-editor (together with Barbara Jankowska) of *EIBAzine*. He is also one of the authors of the book on the history of EIBA (Simões et al., 2025).

For all these reasons, this tribute to John Cantwell is well deserved. He is not just a wonderful person and colleague but also an outstanding academic, strongly devoted to IB research, following a humanistic, evolutionary and interdisciplinary perspective in which service to the wider society has been a recurring theme. He fits well with a string of eminent IB scholars who were honored in previous *PIBR* volumes: Danny Van Den Bulcke, Alan Rugman, Louis Wells, Rosalie Tung, Lorraine Eden, Peter J. Buckley, D. Eleanor Westney, Geoffrey Jones and Alain Verbeke.

We conclude this tribute with a quote from John Cantwell, which not only illustrates his personal intellectual philosophy, but can also provide relevant guidance and inspiration for every IB scholar:

> I have proposed supplementing the discipline-grounded study of efficient causal determinants of events with an analysis of complex, co-evolving systems of purposive, knowledge-based human endeavors, and our institutional and our natural environments. However, this study of the workings of complex systems should not be solely of the quantitative or mathematical kind, as is indeed already now becoming quite fashionable in some circles as it fits better and can be more easily reconciled with our inherited notions of scientific respectability. It should also allow scope for us to return to some of our traditions of qualitative and philosophical modes of inquiry and explanation in science, and most especially in the social sciences, and not just leave these forms of reasoning to the humanities, literature and the arts. (Cantwell, 2021, p. 14).

Lisboa, Rotterdam and Leiria,
August 8th, 2024
Vítor Corado Simões, Rob van Tulder,
Nuno Fernandes Crespo and Cátia Crespo

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CHAPTER 1

THE CHANGING GLOBAL POWER BALANCE: CHALLENGES FOR EUROPEAN FIRMS – AN EXTENDED ESSAY

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ABSTRACT

The aim of this chapter is to provide an overall perspective of the issues related to the global changing power balance, taking a more essayistic style, to set the scene for the research articles brought together in this volume and to identify avenues for promising and relevant IB research now and in the future. The chapter includes six sections. The first three sections provide a longitudinal perspective of the changing global power balance, and advance ideas regarding its evolution. They address how global institutional and political developments have been addressed by academic research, including IB research. The first section contrasts contrasts the IB contexts and dynamics between 1993 and 2023; the next section provides a historical retrospect of the changing global power balance between the two main contenders (USA and China); and the

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third section discusses how scholars have been trying to assess the likely consequences of this rivalry for the future of the world economic system. In the next two sections, the focus turns to Europe: how Europe fits in this changing and fracturing world and the likely implications for international operations by European firms Assuming that firms' moves are based on managerial perceptions, the analysis is framed on the basis of three inter-related considerations: capabilities, location decisions and partnerships. The chapter concludes with a summary of the key issues addressed by the articles included in PIBR#19 as a guide for readers to select relevant articles and insights for further research.

Keywords: Global power balance; USA; China; Europe; IB research; longitudinal perspective; global institutional and political developments; possible future developments challenges for European firms; managerial perceptions and decisions

INTRODUCTION

The 2023 conference of the European International Business Academy (EIBA) was held in Lisbon, three decades after the previous EIBA Lisbon conference in 1993. Over this 30-year period, the international business (IB) environment changed dramatically. Initially, an upsurge in globalization – strongly influenced by the creation in 1995 of a supranational free trade regime through the formation of the WTO – created an enabling environment for international investment and trade, which significantly increased the worldwide relevance of multinational enterprises (MNEs). Since the mid-2010s, however, the pace of globalization started to decline, under the influence of nationalistic sentiments in a large number of countries as the backdrops of the day-to-day realities of globalization also became apparent in the form of a 'cascade of crises' (UN, 2022) or a 'poly-crisis' (WEF, 2023; also covered in PIBR 16 - van Tulder et al., 2022). The present operating space of MNEs, consequently, is to a significant extent affected by a global changing power balance, with China and its allies challenging the hegemony of the US and its allies. For European MNEs as well as for policy makers, the world economy is no longer characterized by a clear set of relatively stable enabling IB conditions but rather by increased volatility, uncertainty, complexity and ambiguity (VUCA), a theme earlier addressed in PIBR 14 (van Tulder et al., 2020).

This book constitutes the latest volume (#19) of the *"Progress in International Business Research" (PIBR)* series. It covers three vectors that are relevant for present and future IB scholarship (reflecting the *motto* of the EIBA Lisbon-2023 conference): (1) how to address the changing global power balance in the world economy?; (2) how to deal with one particularly strategic area of contention – technology and innovation?; and (3) how to assess the resulting challenges for Europe. The book encompasses various contributions addressing different scientific and policy dimensions of these changes, including for instance one contribution by Elisa Ferreira (Chapter 8), the European Commissioner for Cohesion and Reforms, who takes stock of the present situation and looks into the future from a European policy perspective. By choosing innovation as a major area of contention, we could also pay tribute to one of the leading IB authors in that area, and a long-term EIBA member (John Cantwell), and invite other leading IB scholars to elaborate on that particular theme as well.

This introductory chapter takes stock of extant knowledge on the above themes, as it has progressed within the IB discourse. The aim of this chapter is to set the scene – in a more essayistic style – for the research articles brought together in this volume and identify avenues for promising and relevant IB research now and in the future. The chapter includes six sections. The first three sections address how global institutional and political developments have been covered by IB scholars: the first section contrasts the IB contexts and dynamics between 1993 and 2023; the second section provides an historical retrospect of the changing global power balance between the two main contenders (USA and China); the third section discusses how scholars have been trying to assess the likely consequences of this rivalry for the future of the world economic system. In the next two sections, the focus turns to Europe: how Europe fits in this changing and fracturing world and the likely implications for international operations by European firms. Assuming that firms' moves are based on managerial perceptions, the analysis is framed on the basis of three inter-related considerations: capabilities, location decisions and partnerships. The chapter concludes with a summary of key issues addressed by the articles included in PIBR#19 as a guide for readers to select relevant articles and insights for further research.

HOW THE IB CONTEXT CHANGED IN 30 YEARS: CONTRASTING 1993 AND 2023

Over the 30 years that run between the two EIBA conferences in Lisbon (1993–2023), the international socio-political-economic power context for IB scholarship experienced significant changes. These changes can be presented along five inter-related dimensions contrasting the two benchmark years.

Peace Through Regional Trade and Economic Integration?

First, the prospects for enduring peace on the European continent have fundamentally changed. The fall of the Berlin Wall in 1989 precipitated the end of the Cold War and – to some – even the 'end of History' (Fukuyama, 1992), envisaged as the winning out and consequent universalization of Western liberal democracy as the standard form of governance. The resolution of the Yugoslavia war in 1993 further increased the overall prospects of sustained peace inside Europe. Most former Comecon-countries chose a market economy.

Since 2004, the power balance in Europe started to change not only after most C.E.E. countries (the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Slovakia, Slovenia and, later, Bulgaria and Romania) entered the

European Union (EU), but also because most of these countries became member of the North Atlantic Treaty Organization (NATO). According to some (Sachs, 2024) – more than the economic enlargement of the EU – the unilateral NATO enlargement towards Russian's borders has been considered a leading rational for president Vladimir Putin's (Kremlin's) decision to annex Crimea in 2014, as the prelude of a full-scale invasion of Ukraine in 2022. Following western sanctions, the prospect of 'peace through trade' – which had been the leading philosophy of European engagement with Russia since 1989 (for instance by linking Russia to Europe via gas pipelines or inviting Russia to participate in G7+1 meetings) – instantly diminished. The accession of Finland and Sweden in 2022–2023 to NATO as a response to the Russian invasion further decreased the number of neutral countries in Europe and increased the membership of NATO to an all-time high of 32 countries. The result was an increased polarization within Europe in both economic and military relationships between 'western' oriented countries and a limited number of 'Russian/eastern' oriented countries. In less than 30 years, the prospects for peace changed into a state of actual war inside Europe.

Changed Prospects of 'Free' Trade

Secondly, the prospects of reaping the full benefits of the global trade regime also changed drastically. The creation of the WTO was founded on neo-classical trade theory and western-type free-trade rules. It was (implicitly) assumed by the most developed nations that labour-intensive manufacturing activities would continue to be transferred to lower cost locations, including China, provided they became member of the WTO (as China did in 2001); therefore, developed countries could be able to specialize in higher value-added products and services (Godinho & Simões, 2023), also profiting from the intellectual property rights protection as provided by WTO's Trade-Related Aspects of Intellectual Property Rights (TRIPS) agreement (Athreye et al., 2020).

While these multilateral institutions provided the basis for further development of Global Value Chains (GVCs), the reality turned against many of the neo-classical assumptions, as the upgrading of the innovative capacity in several developing countries, especially China (Anand et al., 2021; Buckley et al., 2020), entailed a decline of developed countries' hegemony and an increased economic dynamic in South-East and East Asia – even when most of these countries did not completely abided to the international trade rules.[1] Under Xi Jinping's presidency, China became confident enough to start challenging the economic, technological (and partly also military) supremacy of the US. What was envisaged as a commensalism arrangement between the US and China, led by the first and navigated through WTO dispute settlement procedures, turned into a situation of increasing rivalry between different versions of capitalism; liberal versus state capitalism (van Tulder & van Mil, 2023). To put in more political terms: between democracy and autocracy. IB scholars started to characterize the present situation not only as a case of techno-nationalistic behaviour on the part of China, as

Petricevic and Teece (2019), but rather a situation of techno-nationalistic rivalry (Luo, 2022; Luo & Van Assche, 2023).

Changed Prospect of Supranational Trade Regulation

Thirdly, the prospects of supranational regulation and dispute settlement changed drastically in the 1993–2023 period. The establishment of the WTO in 1995, attributed supranational arbitrage powers to the organization in the form of independent Dispute Settlement Bodies (DSBs) that could over-rule national policies of member states.[2] The WTO played a key role in establishing a level-playing field that significantly contributed to stimulating world trade, especially the international segmentation of tasks that is behind the mushrooming of GVCs (Baldwin, 2012). The WTO was the key driving force behind globalization, especially after China's entry in 2001 [the Russian Federation only entered in 2012]. In 2013, the signing of the Bali Package agreement further contributed to the loosening of global trade barriers.

Paradoxically, the Bali agreement also marked the beginning of WTO's decline. A 'spaghetti bowl' (Bhagwati, 1996) of bilateral trade agreements materialized which supplanted Multilateral Trade agreements and over the course of the 21st century even slowed down trade relations (PIBR 7: van Tulder et al., 2012). The spaghetti bowl was followed by a 'noodle bowl' of bilateral treaties in the Asian region (Kawai & Wignaraja, 2009).

The legitimacy of the WTO as an effective supranational organization was further eroded due to the failure in 2011 of the Doha Round, which was aimed at taking the negative effects of free trade for developing countries into account. Under the Trump Administration the American commitment to multilateralism as well as to regional Trade Agreements was almost abandoned.[3] Perhaps more directly relevant – and independent of the political orientation of the government – became acts of the US barring the nomination of new DSBs' judges and the blockage (in 2020) of the appointment of a new CEO of WTO. As a consequence, the WTO as a supra-national institution became prey of the US–China contest for global leadership (Caporal et al.,, 2019). In less than 30 years, an organization which had been at the forefront of globalization lost relevance and legitimacy, while nationalistic forces militated against multilateralism.

Changed Dynamic of EU Integration

Fourthly, similar diverging forces were at work inside the European institutional setting. On 1st January 1993, the European Single Market was launched. It aimed at achieving a free movement of goods, services, people and capital across the European Community. This provided improved conditions, across Europe, to combine regional integration with corporate integration (Cantwell, 1992; Dunning & Robson, 1987). Enhanced levels of integration enabled MNEs to rationalize their sourcing, manufacturing and marketing activities across the European Community. As a result of the Maastricht Treaty, the EU came into force in November 1993. Over the 1990s, the process of European integration experienced a significant acceleration, that achieved its zenith with the creation of the European Monetary Union (and Eurozone) in January 1999. These were the times of what the then Spanish Prime Minister, Felipe González, called the 'European cavalcade' (Martins, 2017, p. 14). Although not joining the Euro and having serious reservations about other moves taken by the EU, the UK had been an integral part of this process, being one of the main supporters of the Single European Market.

With a view to clarify UK's involvement with the EU, in 2016, David Cameron, then UK Prime Minister, decided to subject the continuation of the UK in the EU to referendum. The result was, for many people, especially in the City, a shock. What became known as 'Brexit' was very much influenced by the increase in nationalistic attitudes, including the idea of 'taking back control to our borders, money and laws while protecting our economy, security and Union' (HM Government, 2018). Brexit triggered a prolonged and disturbing process, not just for the EU but especially for the UK. In the end, both – the UK and the EU – became weaker and less capable to respond to a changing and increasingly turbulent World.

So, in 2022, the issue of failing trade integration and the creation of a really 'single market' was back on the agenda. In 2024, a report by former Italian Prime Minister Enrico Letta on the future of the Single Market reiterated the importance of strategic rethinking due to lacking integration. The Letta report concluded (cf. Letta, 2024), that although the EU economy is (still) comparable in size to the economies of the US and China, it is much harder for European firms to scale across borders. Companies still face regulatory and administrative barriers when doing business inside the EU's 'single' market. Just one in four large firms offer cross-border online sales in the EU, according to data from the European Central Bank. For small- and medium-sized enterprises it is even fewer than one in ten.

Globalization Feeding Nationalism

The fifth contrast between 1993 and 2023 largely epitomizes the previous four: the 1990s globalization drive *versus* the growth of nationalism in the last decade. Danning (1993) defined globalization as a 'cross-border networking of all kinds of commercial intercourse such that each country in the world is linked to others in a network of "spider-web" relationships'. Subsequent definitions in the IB discourse introduced a process dimension (Guillén, 2001; Witt, 2019). The key point became the perspective of 'increasing interdependence among nations' (Witt, 2019, p. 1054) in which firms, especially MNEs, became the main players in the globalization process. They profited from the improved conditions for cross-border networking to further strengthen the interdependencies, through distinct yet mutually-sustaining moves, related to the interdependencies in finance, trade – by setting up and expanding GVCs (Baldwin, 2012; Gereffi, 1999; Gereffi et al., 2001) – and knowledge and innovation (Bathelt et al., 2004; Cantwell, 1995, 2014; Cantwell & Zaman, 2024). These moves had significant effects on the geographical dynamics of IB. While China and East Asia (and a few newcomers to the EU) benefited from globalization on a national scale, other countries faced growing internal tensions between those sub-national regions that were dominated by traditional industries and those that lead globalization and profited from setting up GVCs.

The perception of 'being left behind' became the driver of nationalistic forces in developed countries, aimed at 'taking back control' or 'making America great again (M.A.G.A.)'. These forces were strengthened by a perception of unevenness in sharing the costs of the late 2000s economic crisis (Guillén, 2018; Michie, 2017), and were further fuelled by the emergence of the Covid-19 pandemics. All this generated a policy backlash against globalization. Donald Trump's 2019 speech at the UN Assembly provides an excellent expression of the anti-globalization sentiment: '*The future does not belong to the globalists. The future belongs to patriots*' (The Guardian, 2019).

Globalization lost steam, giving rise to what *The Economist* called 'slowbalisation' (The Economist, 2019). The US government felt threatened by the ascending power of China, not only because of its growing competitiveness as 'factory of the world', but also because of China's expansive international political-economic ambitions after its initiation of the Belt-and-Road Initiative (BRI). International trade flows in the context of GVCs had already been declining since 2011 (Degain et al., 2017). The IB climate further deteriorated due to raised trade disputes between the US and China: 'tariff bullying' of the US (2018)[4] was followed by retaliation from China; restrictions on Huawei 's commercial relations with American and European companies (2019) due to allegations of corporate espionage to steal competitors' intellectual property, triggered a counter-attack by China putting US companies on an 'unreliable entity list'[5] and launching investigations and imposing restrictions on US companies such as Apple or halting the purchase of Boeing airplanes. Part of these conflicts were justified by national security concerns, an issue whose relevance increased after the invasion of Ukraine by Russia in 2022 (Goldberg & Reed, 2023). But there was too a drive towards what Farrell and Newman (2023) call the 'weaponizing the world economy'.

The effects were also felt in FDI flows, which exhibited a sustained decline since the global financial crisis and in which China and Asian countries have been showing the greatest decline (IMF, 2023[6]). The use of FDI screening mechanisms accelerated in the second decade of the 2000s, peaking in 2020–2021 (UNCTAD, 2023). In this changing context, geopolitical similarity – rather than divergence – started to act as the prime driver of FDI (IMF, 2023). The convergence of these multiple, inter-related features led to a clear outcome: globalization is increasingly challenged, while trade and investment conflicts are prevailing (Buckley, 2022; Witt, 2019; Witt et al., 2023).

THE CHANGING GLOBAL POWER BALANCE: AN HISTORICAL RETROSPECT

We face a changing global power balance, with China challenging the US as the World leader. A key predictor for the shape of the global power game is arguably the way the relationship between the US and China has evolved over the years.[7] In long wave theory, this relationship has been characterized as the rivalry between declining and upcoming 'hegemonic powers' (Perez, 2002). The literature on the 'rise and fall/decline of nations' (Kennedy, 1989; Sharma, 2016) shows that every cycle of ascendance ultimately leads to a cycle of decline of a leading economic system and country – including the technologies and leading companies that help shape that position. Four phases may be identified in the recent evolution of US–China relations: [1] re-encounter (1989–2000); [2] honeymoon (2001–2011); [3] disengagement (2012–2017); and [4] confrontation (2018–2023).

Phase 1: Re-encounter

1989 heralded a new phase in China's international involvement. US president George H.W. Bush visited China, to meet Chinese president and party leader Deng Xiaoping – 'the little helmsman'. Deng had put in motion a series of economic and political reforms, introducing elements of market capitalism in China's economy and creating a set of special economic zones. This visit closed a long period of troubled diplomatic relationships between the two states. The spring 1989 student-led *Tiananmen Square* protests led Deng Xiaoping to bow out of party leadership and threatened the emerging positive US–China diplomatic relations. Nevertheless, business connections experienced a sustained increase, with a string of significant US investments in China. According to the World Investment Report, the ratio of FDI to gross domestic investment in China showed a steady increase, from 4.8% in 1991 to 18.3% in 1994 (UNCTAD, 1996; Zhan, 1993). While many investments were market-seeking, the gradual opening of China to international trade created also increasing opportunities for efficiency-seeking investments, to profit from a combination of low costs, work ethics and a stable labour environment. This type of investments functioned as embryos for the later development of full-swing GVCs integrating the Chinese and US economies.

A few years earlier, in 1987, Taiwan Semiconductor Manufacturing Company Ltd (TSMC) had been established as a result of public initiative by the Taiwanese government, engaging Morris Chang, a US trained, well-known engineer. TSMC pioneered a new approach to the semiconductor industry, separating chip design from manufacturing (Miller, 2022). Interestingly, by 2000, as Degain et al. (2017) document in their analysis of the foreign value added embedded in bilateral manufacturing exports, the main trade links of China, in the context of value chains, were with Taiwan, not the US.

Under Deng's '*One Country, Two Systems' motto*, China undertook a double diplomatic move (Simões, 2024). On the one hand, it became increasingly integrated into the world economy, without abdicating from high levels of public control of foreign investments. Negotiations for China's accession into the WTO started in 1986 and resulted 15 years later in China's WTO membership as its 143rd membership. On the other hand, China re-negotiated the sovereignty over the former European outposts in the sea of China: the handovers of Hong Kong (from the UK) in 1997, and Macao (from Portugal) in 1999. Although long