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TRANSFORMATION OF THE CHINESE MODEL OF INNOVATIVE DEVELOPMENT: INSTITUTIONAL FOUNDATIONS AND GEOPOLITICAL IMPLICATIONS

Key words: innovation system, state capitalism, economic transformation, technological sovereignty, global economic relations, geopolitics, international competitiveness, China, post-globalization.

The transformation of China's innovative development model represents one of the most significant phenomena of the post-globalization era, reshaping both the global balance of economic power and the institutional logic of modernization. Against the backdrop of the weakening of neoliberal globalization, the Chinese experience reveals the emergence of a new

paradigm of innovation-driven growth, characterized by the synergy of state coordination, market adaptation, and technological sovereignty. China's model transcends the traditional dichotomy between state capitalism and liberal market economy by integrating institutional mechanisms of strategic planning, industrial policy, and scientific advancement into a coherent system of national innovation governance.

The relevance of studying this transformation lies in its multidimensional nature. On the one hand, it reflects the internal evolution of China's political economy – the transition from extensive industrial expansion to an innovation-intensive stage of development, in which human capital, digital infrastructure, and intellectual property become key production factors. On the other hand, it highlights the broader reconfiguration of global economic relations, where China positions itself as both a producer and regulator of technological standards, seeking to influence global value chains, investment flows, and innovation regimes.

The analysis of the Chinese innovation model is also crucial for understanding the institutional responses to the challenges of deglobalization, technological decoupling, and systemic crises of the international economic order. In this context, the study of China's experience offers insights into how an emerging economy can establish a sustainable system of innovation governance that ensures competitiveness, social stability, and political legitimacy in the face of global uncertainty.

The theoretical and empirical foundations of the Chinese model of innovative development have been extensively examined through the lenses of national innovation systems, institutional economics, and political economy. The national innovation system framework, proposed by B. Lundvall [1] and C. Freeman [2], provides the conceptual background for understanding the interaction between the state, business, and science in generating innovation. Within this paradigm, R. Nelson [3] emphasised the evolutionary dynamics of institutional change.

Recent studies have highlighted that China's innovation trajectory embodies a hybrid form of governance that combines state coordination and market mechanisms. Dai and Taube [4] note that the institutional foundations of Chinese innovation encompass both structural and normative transformations. Sun [5] and Shi et al. [6] analyze the adaptation of this model in the context of global economic fragmentation, emphasizing its political and geopolitical dimensions. Ai and Peng [7] demonstrate how innovation capacity has become an instrument of resilience and legitimacy during crises. Thus, the existing scholarship provides a solid theoretical basis for interpreting China's innovation model as an institutional construct that simultaneously pursues technological advancement and geopolitical influence.

The transformation of China's model of innovative development reflects the evolution of its political economy from export-oriented industrialization to knowledge-intensive and technology-driven modernization. At the

institutional level, this transformation has been anchored in the formation of an integrated innovative governance system, in which the state functions as a strategic coordinator rather than merely a regulator. The key feature of this system is the institutional symbiosis between government, business, and academia – a “triple helix” that generates cumulative technological competitive advantages and sustains long-term international competitiveness.

China’s innovation policy architecture is based on several fundamental principles. First, the state formulates long-term strategic programs, such as Made in China 2025 and the Science and Technology Innovation 2030 Agenda, which define priority sectors, funding mechanisms, and performance indicators. Second, the institutionalization of innovative incentives within state-owned and private enterprises ensures the diffusion of technological capacity beyond the public sector. Third, universities and research institutes serve as key nodes in the knowledge production network, contributing both human capital and applied research and development outcomes.

This institutional configuration has yielded a distinctive hybrid governance model that combines elements of state capitalism and market experimentation. It departs from the Western neoliberal conception of innovation, where market forces alone are expected to stimulate progress. Instead, the Chinese approach employs coordinated industrial policies, state-guided venture investment, and public procurement as instruments for shaping technological ecosystems. Such a model not only enhances the international competitiveness of the national economy but also consolidates the political legitimacy of the ruling party by linking innovation success to social stability and national pride.

At the same time, China’s innovation system reveals internal contradictions. The heavy reliance on state direction risks bureaucratic inertia and the crowding-out of grassroots entrepreneurship. The rapid accumulation of intellectual property and R&D expenditure does not automatically guarantee creativity or institutional openness. Moreover, the increasing international fragmentation of technological supply chains and geopolitical tensions create pressures that test the flexibility and adaptability of China’s institutional design.

Nevertheless, China’s capacity to reconfigure its innovation governance under conditions of post-globalization demonstrates the resilience of its institutional architecture. By combining adaptive policy mechanisms, multi-level coordination, and strong digital infrastructure, the Chinese model has turned innovation into both an economic and political resource. It simultaneously functions as an instrument of domestic modernization and as a projection of global influence, shaping the emerging norms of technological sovereignty and developmental pluralism.

Conclusions. The transformation of China’s innovative development model exemplifies a systemic shift in the architecture of global economic modernization. Building upon the institutional synergy among the state, business, and science, China has established a governance framework in

which innovation serves as both an economic catalyst and a political resource. The country's capacity to align technological advancement with national strategic goals illustrates a distinctive form of developmental pragmatism that challenges the traditional dichotomy between state control and market freedom.

This model demonstrates that sustainable innovation can emerge within a system of coordinated capitalism, where the state actively shapes technological priorities while maintaining market incentives for enterprise-level creativity. The effectiveness of China's approach lies in its ability to integrate macroeconomic planning with micro-level experimentation, thus fostering both structural stability and dynamic adaptability.

At the same time, the Chinese case underscores the economic implications of innovation-led growth under post-globalization conditions. Technological sovereignty, diversification of value chains, and the localization of production capacities redefine competitiveness as an institutional, rather than purely market-driven, phenomenon. The resulting hybrid economy – simultaneously centralized and entrepreneurial – reflects China's effort to balance efficiency with resilience.

Ultimately, the Chinese model presents an alternative vision of economic modernization, one in which innovation is embedded in long-term state strategy, industrial upgrading, and global positioning. Its institutional design, oriented toward technological self-reliance and policy coherence, may become a reference point for economies seeking to maintain growth and autonomy amid the structural turbulence of the post-global era.

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