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THE IMPACT OF SOCIAL CREDIT SYSTEM ON CHINA'S ECONOMY

Introduction. China's social credit system is introducing new tools to monitor, rank and manage market participants' behavior more broadly than existing credit rating mechanisms. The Social Credit System (SCS) will have a significant impact on the behavior of individuals, companies and other institutions such as NGOs. The above indicates the relevance of the research topic.

Review of recent publications. The issue is reflected in the works of M. Meisner, J. Burke, N. Nittle, G. Kostka, D. Chin, G. Wong, and Lin Yun.

Objectives of the paper. The paper aims to research the impact of social credit system on Chinese economy.

Results of research. The SCS is a national reputation system being developed by the Chinese government. By 2020, it is intended to standardise the assessment of citizens' and businesses' economic and social reputation, or Social Credit. The system will be one unified system and there will be a single system-wide social credit score for each citizen and business [1].

Under the system, both financial behaviors like "frivolous spending" and bad behaviors like lighting up in smoke-free zones can result in stiff consequences. Penalties include loss of employment and educational opportunities, as well as

transportation restrictions. Those with high scores get perks, like discounts on utility bills and faster application processes to travel abroad [2].

According to the research conducted by the Mercator Institute for China Studies, the SCSs are already widely used in China: more than 80 percent of respondents reported to use a commercial pilot program, with Sesame Credit being the most popular system. In contrast, only 7 percent were aware of being part of local government program (fig 1) [3].

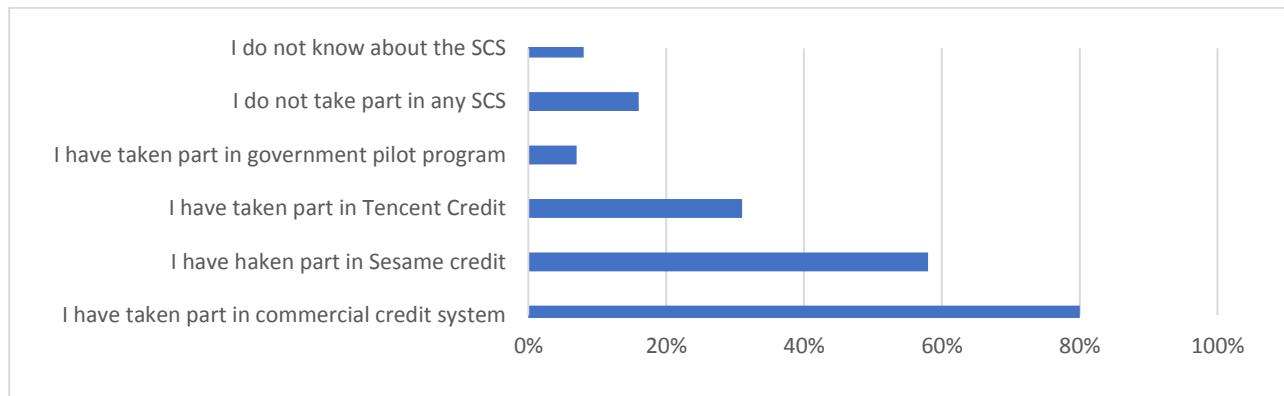


Fig. 1 Participation in social credit systems, %
Source: created by the author based on [3]

Wealthier, better-educated and urban residents show the strongest approval of social credit systems, along with older people (fig. 2). This is because higher educated and wealthier citizens, particularly in urban areas, have access to a wider range of benefits offered via social credit systems, such as deposit-free sharing economy services, fast-tracked check-ins for hotels, and mobile payment options [3].

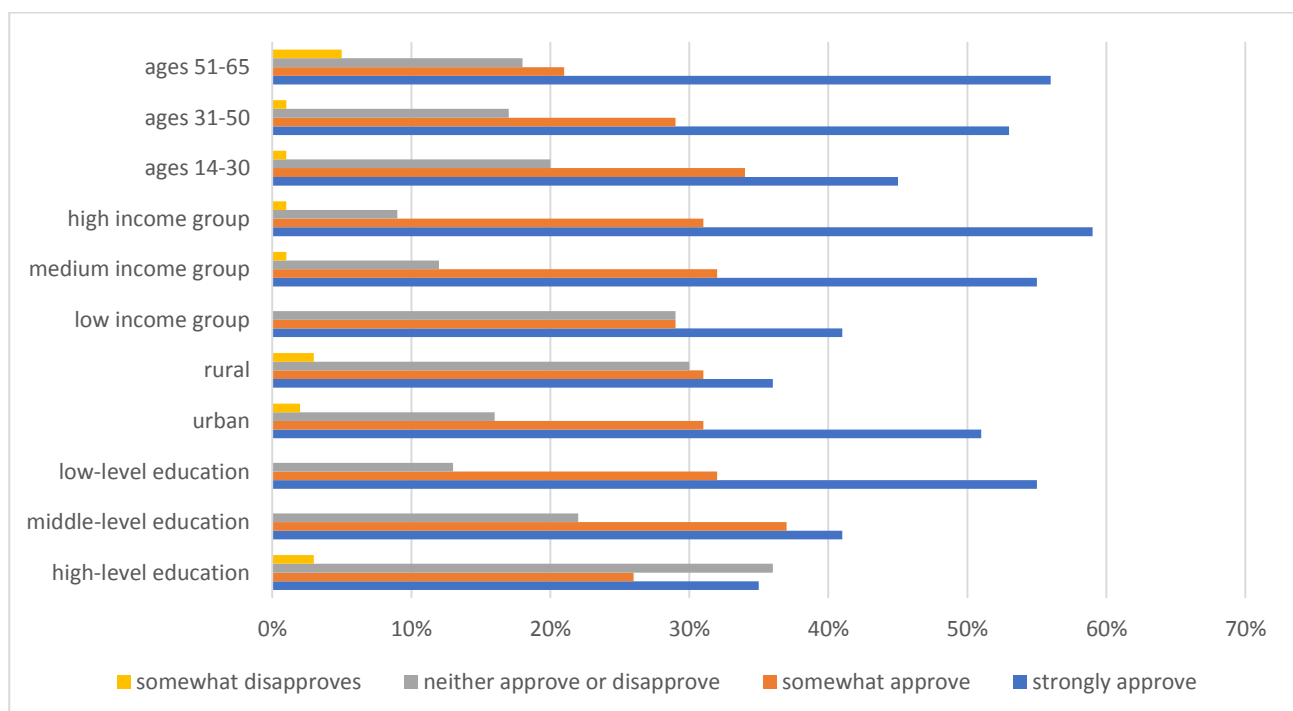


Fig. 2 Approval of social credit systems by population of China, %
Source: created by the author based on [3]

China's social credit system can have very specific positive effects on the China's economy if it is fully implemented as planned [4]:

- the SCS can prevent illegal behavior, help strengthen economic confidence in companies, and foster a new culture of socially and environmentally responsible behavior;

- this system can ensure the availability of comprehensive company information and their social credit records to all companies on centralized online platforms can increase the transparency of companies;

- China will try to significantly improve the quality of the collected data, which will have a positive impact on the reliability of existing economic statistics, if used properly;

- the SCS and its large database create new opportunities for companies specializing in big data;

The introduction of the social CSC will also have significant negative consequences. Possible examples are [4]:

- a significant number of companies may not be able to bear the cost of adhering to government regulations (for example, adhering to environmental standards during production), which will result in business closure or investment restriction;

- China's SCS is likely to be prone to errors due to technology mismatches, especially during the implementation process, so certain companies may get poor ratings and vice versa, which will inevitably lead to economic loss;

- the SCS can pose a constant risk to the protection of the company's own data (data leaks or theft can easily lead to serious economic losses through the transfer or sale of the company's data to competitors or other countries);

- the Chinese government has much more space to collect and use data, compared to other countries, so the fundamental problem of the system may be misuse of data by Chinese governmental organizations, which can be very detrimental to businesses;

- public access to information creates transparency, the algorithms of different credit rating services remain conflated when calculating credit scores, despite the fact that public access to information creates transparency, which can make China's business extremely unpredictable.

For international stakeholders, the social credit system poses significant challenges. International companies will be fully integrated into the mechanisms of the SCS. The integration of international companies can actually create a more level playing field for international companies and their Chinese competitors, since they are both subject to the same social credit rating mechanisms that affect their business opportunities [4].

Conclusion. The Social Credit System embodies China's vision of creating a highly efficient, yet adaptable, political-led economy. The system has the potential to become the most global, sophisticated and well-defined model for market regulation with IT and big data support. It would profoundly transform the Chinese economy and provide Chinese policy makers with an instrument to respond effectively and

quickly to future social and environmental problems, as well as to new technologies and industrial developments. The Chinese government will seek to use the social credit system to direct investment in state-of-the-art technology and to target companies with behaviors that are useful for solving social and environmental problems.

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THE ROLE OF EUROPEAN TRANSNATIONAL COMPANIES IN MODERN GLOBAL ECONOMY

Introduction. Transnational corporations play an important role in enhancing economic globalization, contributing to further interdependence of national economy and increasing opportunities for the international movement of goods and services, capital, labor and modern technologies.

Review of recent publications. Theoretical and methodological foundations of the functioning of multinational corporations determined the research of both domestic and foreign scientists: Gladiy I.Ya., Karpenko V.G., Rococo V., Soroka I.B., Lukyanenko D.A., Makogon Yu.V., Bulatov A.S., Samofalov V., Boyko B.F., Friedman M., Fisher I., Dunning J., Draker P., Davis L. and others. The activities of TNCs are addressed by numerous reports from the UN, the WTO, the IMF, and the United Nations Conference on Trade and Development. Despite the large number of scientific publications, the problem of the influence of international companies remains under-researched.