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**REVIEW OF *FOREIGN ECONOMIC POLICY
IN THE PROCESS OF MARKET TRANSITION.
THE CASE OF CHINA*, BY KAZIMIERZ STARZYK,
PLACET, WARSAW 2009**

Kazimierz Starzyk's book deals with an important issue of the relationship between external economic development factors and processes of market transition. The context of this relationship, albeit very important in the processes of market transformation in Central and Eastern Europe, as well as Asian countries like China and Vietnam, has not been given attention it deserves nor methodical study in literature.

The aim of this book is to identify the emerging paradigm of interdependences between the market transition, economy opening and foreign economic policy in the context of internationalisation of the transition economies. The case of Chinese economy under transition has been used as a case supporting this view. Based on the findings, further theoretical and applicable motions have been outlined relevant to economies under transition with special reference to the concept of economy opening and evolution of foreign economic policy corresponding to levels of economic development and the respective position of balance of trade.

Professor K. Starzyk is the first researcher to examine this problem in relation to China as his numerous works, including the book subject of this review, are the first to address it. And in such circumstances he can be called the precursor in this specific field in Poland.

The reviewed work is thorough, interesting and timely. It adds a great deal to our understanding of theoretical background essential to the transformation processes called colloquially "from plan to market". It is also useful for bridging the economic divide not through market protection and methods only superficially promoting competition, as we can often observe in publications dealing with market transformation, but through exposing author's model of market transition useful in a successful reintegration of a planned economy into the world economy.

Current financial crisis clearly shows the weaknesses of transformation processes in these countries where market protection had been used to shield against global economic forces. The opposite is true for China. There, global market forces and

external stimuli have played the prevailing role in the long term economic strategy, thus, are responsible for the rise of economic efficiency and international competitiveness of this country.

The book is well structured and gives in-depth analysis of the subject introduced in the title. It consists of four chapters.

First chapter describes the character of transformation taking place in China. The findings are evaluated in the light of Starzyk's professional experience in this field of study and knowledge gained during his academic visits to China.

This chapter discusses the gradual transformation model of Chinese economy, explaining its distinctive characteristic of not heading towards multi-party democracy but remaining within the communist frame throughout the transformation process. Whether this condition is the final phase of Chinese transformation or just a stepping stone in a more classical path of systemic transformation remains open to debate.

In the second chapter the author presents his ideas of economy opening. The process where an economy first follows and eventually catches up with the world economy is a classical model for achieving economic efficiency explaining notion of economy opening. As such, this notion is at the very centre of successful market transformation.

Recognising this fact, China has placed market reforms at the core of its transformation process and has been supporting it from the very beginning of its reforms. Additionally, the author examines problems, political and economic, associated with opening the market to foreign capital inflows. He argues that foreign financial loans are crucial as they supplement domestic savings in the first phase of economic reforms (precisely what happened in China in the 1880s). As reforms progress, loans are replaced by FDI in the later stages of transformation.

Building on the above assumption a thesis is presented advocating that in China and, indeed, other economies in transformation, the need to obtain technology allowing development, modernisation and increasing export, drives the opening to foreign capital used to invest and utilise in excess of the level allowed by size of domestic savings alone.

Chapter three analyses the function of international economic policies and its impact on transformation of an economy. The chapter analyses foreign economic policy of China, putting under a scope its main elements: goals, funds, measures, as well as internal and external conditions. Examining Chinese experience in such a way allows for theoretical elaboration on the concept of foreign economic policy adequate to economy under transformation.

Chapter four looks at the position of China in the contemporary world economy. Here, China's long-term development is examined, distinguishing between two separable stages, 1949-1977, time of the autarkic model, and period after 1978 when the open model of economic development was introduced.

Taking the analysis further, the chapter looks at social aspect of China's transition and economic obstacles the country has had to overcome since the beginning of the

process. These are viewed through the changes happening in Chinese economy until 2008, the start of the global economic crisis.

The focus of the book on economy opening can be said to be its main value added. This is, indeed, the case when one analyses opening of a planned economy, especially as big as Chinese; this experience may ever more matter in the future processes of world's global economic transformation.

When looking back at Central Europe's experiences and in particular our own in Poland, we forget that economic transformation had started in China. Furthermore, the scope of changes in China and their implications for the world economy fully justify their in-depth analysis done in the book. Therefore, results of the analysis should find their own place among the basic assumption of the economics of transition regarded as a new branch of economics. These results should also be present in economic knowledge practiced in the area of international political relations. If not, we risk enforcing views of the "hidden dangers" of Chinese expansion and its desire of domination present and future world's economic leaders. Such views would be flawed, especially, since world's richest nations are entering the period of post-industrial development and become more sensitive to different hidden dangers of the global economy.

Another value added is the fact that the book tries to make use of scientific literature both economic as well as political and sociologic dealing with transformation processes in Central and Eastern Europe in the context of China and thus drawing conclusions of a general theoretical and practical nature. This is rare. Generally, the accepted practice is to compare one country's processes to another within the same geographical region, or continent using a proven methodology.

The book employs modern theories of international trade, production specialisation, and competitive advantage. The author says that, in his mind, the fundamental theoretical argument is: "for an economy, which begins the market transformation, which leads to higher level of development and a new social-economic set-up, such a process is predominantly determined by adoption, right at the very start, of concepts driving the opening by adoption of foreign economic policies relevant to these concepts". This would in effect lead to reintegration of transforming economy into the global economy.

Putting the above notion into a more practical frame leads to a conclusion that the main role in market transformation in China is played by trade turnover, exchange rate and financial capital flows. Lesser role, at this time, play: development of services and their international turnover, exports of intellectual rights, and flows of labour. Having said that, these can be observed in China's relationship with the rest of the world.

As mentioned, the book consists of four chapters. The whole work is balanced, giving, at first, a general overview, later going into a detailed study. The book applies latest statistics which are selected to fully illustrate the topics being analysed. It contains well structured, clear graphs reflecting economic circumstances discussed by the author.

In conclusion we can say that the problems surrounding the development of Asian economies and markets, particularly China, have started gaining more interest among researchers, students, journalists, politicians and business professionals. They will most certainly want to have this publication as it is an exhaustive account of issues surrounding economic transformation and foreign economic policy examined by the author who has been an expert in the field of East Asian studies, in particular China, for many years.

In short, a unique subject and an original approach offered by Starzyk makes this book one of its kind on the Polish book market today.