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ECONOMIC SOVEREIGNTY VS FOREIGN AID: CHALLENGES FOR TECHNOLOGICAL DEVELOPMENT IN THE CONTEXT OF FORMING RECOVERY STRATEGY

The purpose of the article is to highlight threats to economic sovereignty in the context of post-war economic recovery, characterized by heightened geopolitical risks and dependence on foreign aid, which involves an analysis of mechanisms

for ensuring technological development with prospects for integration into extensive networks of interdependent champion companies. This study examines the interrelationships between economic security, technological sovereignty, and global economic integration through the lens of Critical Political Economy (CPE). The research explores the evolution of conceptual approaches to understanding economic sovereignty in the context of globalization, where traditional state power gives way to complex network structures involving non-state actors. Primary attention is devoted to analyzing two key paradigms of international aid – the development paradigm and the redistribution paradigm – which differently impact the economic sovereignty of recipient countries. The study demonstrates how the technological revolution and the formation of the technosphere create new challenges for traditional mechanisms of state economic regulation. Special focus is placed on the Ukrainian wartime experience, which has become a catalyst for forming a “National Ecosystem of Military-Technological Champions” that combines defense needs with long-term goals of economic modernization. In parallel, the study analyzes the American champion strategy as a response to strategic competition with China and the necessity of restoring lost manufacturing competencies. The research substantiates the concept of “Strategic Interdependence,” which involves forming networks of leading companies from democratic countries to counter authoritarian challenges while preserving the benefits of globalization through “friendly reshoring.” The conducted research allows us to draw the key conclusions regarding the transformation of global economic architecture and its impact on national economic sovereignty. The article was prepared as part of the research work 0123U102061 “International mechanisms for providing resources of strategic importance to increase the defense capability of Ukraine.”

Keywords: world order, geopolitics, conflicts, realism, critical political economy, interdependence, national security, strategic resources, threats, key technologies, dual-use technologies, economic security, economic sovereignty, technological sovereignty, strategic interest, economic interest, international aid, champion company, recovery, strategy, military-industrial complex, USA, PRC

JEL Classification: F0; F5; F35, H1, D7, 019, O33

ЕКОНОМІЧНИЙ СУВЕРЕНІТЕТ VS ІНОЗЕМНА ДОПОМОГА: ВИКЛИКИ ДЛЯ ТЕХНОЛОГІЧНОГО РОЗВИТКУ В УМОВАХ ФОРМУВАННЯ СТРАТЕГІЙ ВІДНОВЛЕННЯ

Мета статті полягає у висвітленні загроз економічному суверенітету в умовах післявоєнного відновлення економіки, що характеризуються загостренням геополітичних ризиків та залежності від іноземної допомоги, що передбачає аналіз механізмів забезпечення технологічного розвитку із перспективами інтеграції в розгалужені мережі взаємозалежних компаній-чемпіонів. Збереження економічного суверенітету виступає передумовою можливості всебічного забезпечення безпеки держави: суверенітет дає можливість, за своєчасно реалізованої політики структурної перебудови, забезпечувати національну економічну безпеку. Дослідження присвячене аналізу взаємозв'язків між економічною безпекою, технологічним суверенітетом та глобальною економічною інтеграцією крізь призму критичної політичної економії. У роботі розглядається еволюція концептуальних підходів до розуміння економічного суверенітету в умовах глобалізації, коли традиційна державна влада поступається місцем складним мережевим структурам за участі недержавних акторів. Основна увага приділяється аналізу двох ключових парадигм міжнародної допомоги – парадигми розвитку та парадигми перерозподілу, які по-різному впливають на економічний суверенітет країн-реципієнтів. Дослідження демонструє, як технологічна революція та формування техносфери створюють нові виклики для традиційних механізмів державного регулювання економіки. Особливу увагу приділено українському досвіду воєнного періоду, який став каталізатором для формування «національної екосистеми військово-технологічних чемпіонів», що поєднує оборонні потреби з довгостроковими цілями економічної модернізації. Паралельно аналізується американська стратегія створення «чемпіонів» як відповідь на стратегічну конкуренцію з Китаєм та необхідність відновлення втрачених виробничих компетенцій. Проведене дослідження дозволяє зробити ключові висновки щодо трансформації глобальної економічної архітектури та її впливу на національний економічний суверенітет в умовах трансформації світового порядку. Стаття підготовлена в рамках виконання науково-дослідної роботи 0123U102061 «Міжнародні механізми забезпечення ресурсами стратегічного значення для підвищення обороноздатності України».

Ключові слова: світовий порядок, геополітика, конфліктогенність, реалізм, критична політекономія, взаємозалежність, національна безпека, стратегічні ресурси, загрози, ключові технології, технології подвійного призначення, економічна безпека, економічний суверенітет, технологічний суверенітет, стратегічний інтерес, економічний інтерес, міжнародна допомога, компанія-чемпіон, відновлення, стратегія, ВПК, США, КНР

Introduction. Critical political economy (CPE) has gained prominence in academic debates about the potential of merging economic and security research and is seen as

a field of critical theory that goes beyond traditional security studies [40]. A fundamental premise of CPE is the recognition of the interdependence of the economic and

political spheres, as well as the security threats that arise from the abuse of power and the uneven distribution of wealth. Within this conceptual framework, CPE theorists emphasize the risks (both academically and politically) of treating economics and national security as separate spheres. One of the representatives of CPE, S. Strange [36], has viewed security as one of four “separate but related” power structures in the global political economy. The central idea of CPE theory is that the structural power of nation-states has been undermined by the integration of national economies into the globalized economy, with power transferred to non-state actors such as MNCs and MNBs.

CPE theorists, including A. Clare Cutler [23], emphasize the role played by private actors in advanced economies in the “production structure” (*control over the production of goods and services necessary for survival*) and the “financial structure” (*control over the supply and distribution of credit*). CPE theorists thus challenged the realist school of thought that recognized the absolute sovereignty of the state [33]. A. Clare, P. Cerney, and A. Pritchard [22] have reimagined anarchic world politics as a system of complex, multi-level, and interdependent structures, processes, and agents (such as transnational corporations) that increasingly undermine the ability of nation states to respond to global developments and, more broadly, to guarantee their internal security.

From the perspective of the CPE, the security of the state can be threatened by the unequal distribution of power and wealth, as well as by private and supranational actors that can influence security conditions. In this regard, the CPE representatives rethink the traditional understanding of threats to national security as those that mostly come from other nation-states, and also consider private corporations as providers of national security and as possible threats to it. The blurring of boundaries in matters of national security between the public and private sectors, as well as the influence of large corporations, A. Verstein calls “corporate management of national security” – a process that involves a kind of outsourcing of the functions of the country's national security to private individuals, which leads to the fact that “... the boardrooms of corporations imperceptibly become instruments of national defense” [39].

Within the framework of CPE, the “varieties of capitalism” approach (VoC) is distinguished, presented by P. Hall and D. Soskice [25], which emphasizes the existence of two types of capitalist market economies: liberal market economies (*including Anglo-Saxon countries such as Great Britain and the USA*), as well as coordinated market economies, represented by the Netherlands, Germany and the Scandinavian countries [11]. The type of market economy affects not only the socio-economic indicators of the state, but also many areas of policy related to national security, including macroeconomic policy, social policy, industrial policy, etc.

The review of the literature. In the 1990s, the concept of “nodal governance” emerged – a theoretical framework that challenges historically conditioned notions of the nation-state as the primary institution responsible for national

security, adding to it a network of public and private organizations [20; 21]. The teams of authors led by Yu. Orlovskaya [6], V. Panchenko [7; 8; 9; 10], O. Ptashchenko [12; 30] focused their research perspective on identifying specific ways in which countries acquire competitive characteristics in the new international division of labor under the influence of transformational changes in the world economic order. B. Kamguia, S. Tadadjeu, C. Miamo and H. Njangang [27], L. Kistersky and T. Lypova [4], M. Rubtsova [15] investigated international mechanisms for increasing the role of international technical assistance in increasing the efficiency and productive capacity of aid recipient countries. In turn, M. Shafiullah [34], focusing his research interest on the problem of irrational distribution of resources, insists that aid can reduce the difference in incomes of the population under the existence of certain initial conditions and channels of mutual influence. In this context, the assumptions of R. Fleck and K. Kilby [24], L. Angeles and K. Neanidis [17], J. Tavares [37] that the main benefits from aid are received by the political elite are perceived as quite expected. Similar facts inspired scientists A. Alesina and B. Weder [16] to investigate the correlation between the corruption of the government of the country that claims to receive aid and the conditions for access to the latter. More specifics can be found in the works of R. Rajan and A. Subramanian [31], devoted to establishing the relationship between aid and the resource curse; in the work of R. Holder [26], which focuses on the problem of distribution of rent payments; between aid and investment in the interpretation of P. Selaya, R. Sunesen [32].

Despite the existing body of work, Despite existing research, the current stage of global interaction consolidates a certain hierarchy of countries according to their status in the system of functional relations of the technosphere, which radically changes the place of the state in the complex of international relations and leads to the erosion of traditional sovereignty. The state loses the ability to effectively apply traditional levers of macroeconomic regulation, and individual economic processes are leaving state control. This forces us to reassess the potential for implementing an effective strategy for economic recovery with a focus on technological development with an emphasis on the production of dual-purpose technologies.

The purpose of the article is to highlight threats to economic sovereignty in the context of post-war economic recovery, characterized by heightened geopolitical risks and dependence on foreign aid, which involves an analysis of mechanisms for ensuring technological development with prospects for integration into extensive networks of interdependent champion companies.

The main material of the article. Different economic systems have different social relations that generate different forms of coordination and different forms of violent distribution and redistribution of resources, different forms of alienation and appropriation relations, different forms of income distribution and redistribution relations. Different types of relations are accompanied by different types of rationality, which affects the nature of the search for economic compromises [3]. The post-war reconstruction of countries can be described by two paradigms – the

development paradigm and the redistribution paradigm. The development paradigm is aimed at supporting recipient countries, at the final elimination of their backwardness. The main thing is the result, that is, achieving a state that can be assessed as fair (*when each country enters a self-sustaining process of sustainable growth*). The main thing in the development paradigm is social progress, that is, the social consequences of the allocated aid. The development paradigm is based on the possibility of economic progress in any given country. International aid and some related restrictions on sovereignty are temporary. The redistribution paradigm is aimed at reducing global inequality, but the main thing in it is procedural justice, that is, the creation of a system of institutions that are managed impartially [14]. What is important here is the correctness of the procedure for distributing international aid, ensuring equal access to it, which makes it similar to the concept of a global public good.

The standard definition of foreign aid comes from the Development Assistance Committee (DAC) of the OECD, which defines foreign aid as financial flows, technical assistance and goods that: are intended, as their primary purpose, to promote economic development and welfare (thus excluding military aid and other non-development purposes); and involve grants or concessional loans [29]. Since the 1960s, aid recipient countries have been more receptive to grants, as loans assume the burden of future payments. From a macroeconomic perspective, this provides an incentive to use resources wisely and to raise taxes or, at least, to maintain current levels of revenue. Instead, grants are seen by them as free resources and, therefore, as a possible substitute for domestic revenue. Moreover, if a significant proportion of loans are provided on extremely concessional terms, and the debt on them is often restructured, officials in the recipient country begin to view such loans as an analogue of grants.

Establishing correlations between official development assistance and the implementation of the recovery strategy allows us to distinguish: (1) technology; (2) the mobility of production factors; (3) the structure of labor migration inspired by globalization; (4) increased economic openness and, as a result, the associated vulnerability to economic and financial shocks; (5) information asymmetry and differences in levels of institutional development. The changes that have occurred in the historical context since the start of official assistance programs give us reason, under the current conditions of the development of international economic relations, to interpret assistance as a kind of act of compensation for the accelerated liberalization of trade and capital markets, which have exacerbated the dependence of the least developed countries on market fluctuations.

Some limitations of sovereignty may result from individual provisions of international or national law. Consequently, the concept of economic sovereignty is an economic and legal concept. In economic concepts, the concept of economic independence is sometimes used as a synonym for achieving a high level of development that provides the state with economic independence – the material basis of the state's sovereignty. Economic sovereignty can

be interpreted as a set of legal rules that establishes mutual obligations of states that guarantee each of them and all of them together the sovereign right to freely dispose of their resources, wealth and all economic activity, and the sovereign right to equal participation in international economic relations. Consequently, the concept of “resources” is key to the definition of “economic sovereignty”.

This means that both the concept of “economic sovereignty” and the concept of “economic security” can be interconnected, because economic security is characterized by such a state of the national economy that allows maintaining resistance to internal and external threats, the ability to expanded reproduction and control over its economic resources [18; 19]. Threats to economic security determine threats to economic sovereignty [1; 2]. At the same time, legal support for economic sovereignty can also serve as legal support for a significant part of the components of economic security to counter many threats to economic security.

Maintaining economic sovereignty is a prerequisite for the very possibility of comprehensive provision of state security: sovereignty makes it possible, with the right economic policy, to ensure national economic security [13]. Economic threats to national security include: uncontrolled growth of the debt burden; uncontrolled movement of international capital flows; inability to ensure payments on government borrowings; inability to ensure budget revenues that are capable of covering strategically important expenditure items; dependence on uncontrolled flows of international private capital; the conditional nature of international aid; outflow of the working population; brain drain; disruption of traditional ties in global value chains; disruption of logistics chains; loss of infrastructure facilities that are critical for development within the framework of the catch-up strategy.

The government of the state finds itself in a triad of dependence: market – institution – informal associations. The key principles on which the modern model of institutionalization of global economic development should be based are: the flexibility of the institutional structure, i.e. the formation of an operational economic system capable of timely delegating the necessary powers to the level of the most effective solution to the problem, adequately responding to global threats and involving experts; professional autonomy of decision-making subjects, preventing any pressure from various groups of influence, in particular informal ones; the network nature of the organizational structure as the most favorable for maintaining the complexity and systematicity of decision-making at different levels.

Among other things: preservation and stimulation of cultural differentiation as the basis for sustainable long-term development of global society and at the same time a mechanism for preventing mass ideological impoverishment of nations; economic and ecological symbiosis to ensure sustainable economic development and prevent the redistribution of wealth by force; transparency of the global system, accountability of its elements, adequate professional and impartial response to social transformations; multi-vector monitoring and control in the implementation

of decisions, organization of access by authorized structures to truthful information; ensuring fair, timely and comprehensive awareness of key participants in the global institutional problem; clear distribution of formal and informal powers between various subjects of the global decision-making system in order to avoid duplication of forms and functions of institutions; equal access to public goods and their fair redistribution; organization of a multilateral, multi-level, clear and formalized system of coercion and punishment based on economic sanctions; application of a unified system of norms, rules and regulatory standards to homogeneous participants in the global institutional system.

According to D. Lukyanenko [5], the creation of a global regulatory system does not necessarily mean the formation of a global government with a single decision-

making center. By an effective institutional system of the modern stage of development, the scientist means a poly-vector system that involves the application of the network principle of organizing power at different levels, when the number of power centers is not limited (Figure 1). The approach represented by the team of authors under the leadership of D. Lukyanenko clearly demonstrates that the symbiosis of state (legal and administrative) and market regulators of the economy until recently was a fairly stable system capable of development and self-improvement. Having originated initially as a primitive regulatory system, this combined mechanism gradually evolved, adapted to changes in the environment as economic life became more complicated, in the process of which there were always distortions either towards the market component or towards the state.

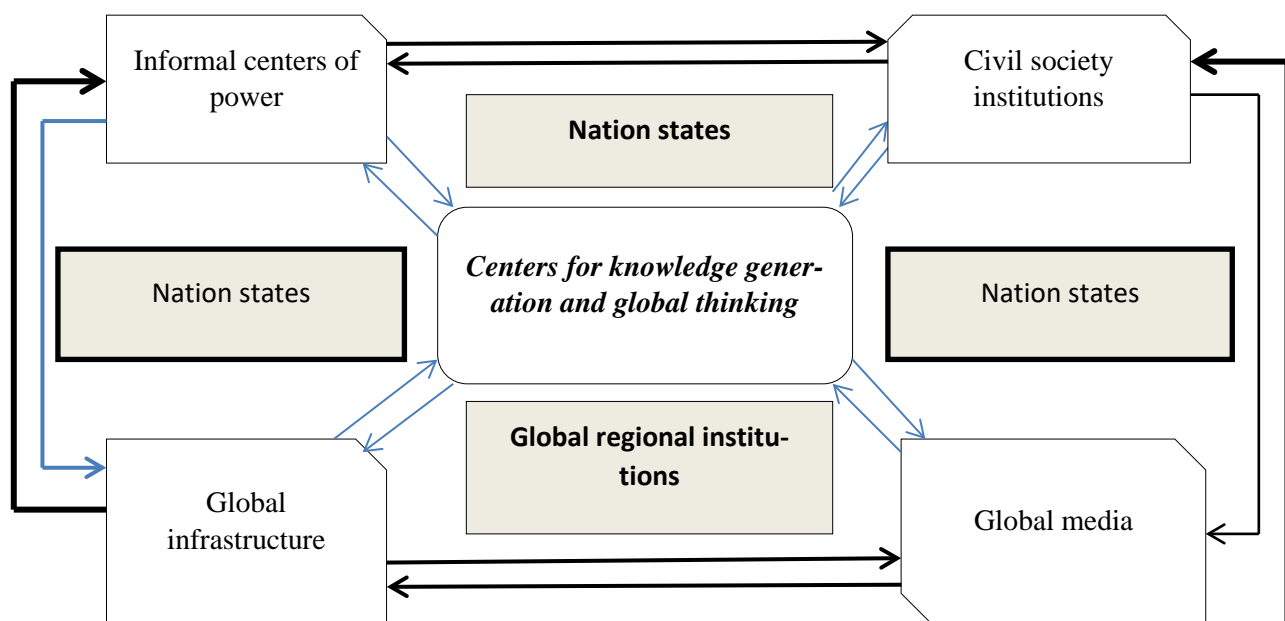


Figure 1. Subjective disposition of global governance

Source: [5]

All this gives grounds to argue that the state, as a basic management subsystem, has encountered a fundamentally new paradigm: (1) first, the state is increasingly losing the ability to effectively apply such traditional levers of macroeconomic regulation as import barriers and export subsidies, the national currency exchange rate and the central bank refinancing rate; (2) secondly, individual economic processes, especially in the monetary and credit system, are no longer subject to state regulation; (3) thirdly, for the first time in history, state sovereignty does not guarantee the government the ability to exercise full control over the economy and other spheres of public life on its own territory, which excludes any from the outside; (4) fourthly, the most important result of the twentieth century was the emergence of the technosphere as an artificial environment for human life, which creates the prerequisites for the development of new globally interconnected types and types of activity in all spheres of the economy, science, culture, and accumulates the financial flows necessary for its needs, attracts organizational structures, not stopping at state borders, transforms traditional development problems into

global ones and generates new ones.

The impact of the new technological revolution on the entire global economy will only increase in the future. Most of the breakthrough production technologies that underlie the technological revolution have been developed since the 1980s and 1990s. It was only in the late 2000s and early 2010s that these technological solutions were comprehensively understood. This made it possible to move on to revolutionary transformations not of individual machines and mechanisms, or even individual production processes, but of entire production systems and industry markets.

The peak of the new technological revolution (*scaling of "breakthrough" technologies and changing market architecture*) is predicted for the 2020s and 2040s. Leading countries are already implementing a whole package of large government programs in the field of advanced technologies in industry and non-industrial sectors of the economy, designed to launch a new technological revolution and radically strengthen competitive positions in global markets. Modern policy measures are increasingly aimed

at boosting the production of technology-intensive products that combine key technologies. The analysis shows a significant increase in the number of competitively destructive government interventions for technology-intensive products in the ten largest economies in the world. It is important to note that the focus on individual key technologies is insufficient. Major innovations in recent years, such as the metaverse or generative AI chatbots, are not fundamentally new technologies, but rather clever combinations of existing ones. This can be illustrated by the example of intelligent robotics, which clearly demonstrates how the integration of artificial intelligence, multimodal sensors, control systems and communication technologies can create innovative solutions that unlock socio-economic potential and solve key challenges such as the shortage of skilled labor. In connection with the above, we must recognize that the current stage of global interaction consolidates a certain hierarchy of countries according to their status in the system of functional connections of the technosphere with the outside world, while the place of the state in the complex of international relations of a global type changes, and its traditional sovereignty is eroded.

The war has radically changed the Ukrainian economic reality, creating both devastating challenges and unique opportunities for a fundamental transformation of the economic model. The traditional Ukrainian economy, built around the export of raw materials and low-tech production, has proven to be extremely vulnerable to war shocks. At the same time, the war has become a catalyst for the accelerated development of high-tech sectors and the emergence of new types of leading companies that demonstrate phenomenal adaptability and innovation. In this context, the American experience of the “power of one” becomes especially relevant for Ukraine. The shortage of human resources makes the concentration of talent and capital in the most efficient companies not just desirable, but critically necessary for national survival. The Ukrainian specificity is that champion companies must be formed not in conditions of peaceful competition, but in extreme conditions of war, where the criteria for success are not only economic efficiency, but also contribution to national security and defense capability. This creates a unique opportunity for the emergence of “military champions” – companies that combine commercial success with strategic importance for the state. Examples of such companies already exist: from IT giants that have adapted their platforms for military needs, to startups in the field of drones and cybersecurity, which in months have reached a technological level that usually takes years.

A key concept for Ukraine is the creation of a “National Ecosystem of Military-Technological Champions”, which would combine defense needs with long-term goals of economic modernization. Unlike the traditional military-industrial complex, this ecosystem would be based on the principles of dual-use technologies, where each development for defense needs simultaneously has commercial potential for peacetime. Ukrainian companies in the field of unmanned technologies, artificial intelligence for pattern recognition, cybersecurity and satellite communications can become not only critical for winning the war, but also

the basis for the future high-tech economy. Strategic competition with China creates a fundamentally new context for American economic policy, requiring not just maintaining competitiveness but also recreating lost manufacturing and technological competencies. China’s model of state capitalism has demonstrated impressive effectiveness in creating national champions through direct government investment, protected markets, and coordinated industrial policies. BYD in electric vehicles, CATL in batteries, SMIC in semiconductors – these companies have grown from regional players to global leaders in a matter of years thanks to massive government support and protected domestic markets. The American Champion Strategy offers an alternative model that combines market efficiency with national strategic focus. Critically important is the concept of “Strategic Reshoring through Champions,” which involves using leading American companies as the nucleus for rebuilding lost manufacturing ecosystems. Apple is already demonstrating elements of this approach by moving some of its production from China to India and considering manufacturing in the United States. But this process is being systematized and accelerated by creating special incentives for champions who invest in rebuilding critical production chains on American soil. The situation is particularly telling in semiconductors, where America has lost a significant share of its manufacturing capacity to Taiwan and South Korea, while maintaining its leadership in chip design and development. Intel, as the American champion in this sector, has received massive government support through the CHIPS Act, but the success of this initiative depends on the company’s ability not just to build new factories but also to recreate the entire ecosystem of skills, suppliers, and processes that make semiconductor manufacturing competitive. This requires coordination between Intel, its suppliers, research universities, and government agencies at a level that approximates the Chinese model of centralized planning, but maintains market incentives and competition [28].

The concept of “Technological Autarky through Interdependence of Champions” proposes the creation of closed technology ecosystems, where leading American companies rely on each other as much as possible instead of on Chinese suppliers. This involves not just a change of suppliers, but a fundamental restructuring of technological architectures. For example, instead of using Chinese batteries, Tesla is working more closely with American chemical champions to develop alternative energy storage technologies. Microsoft and Google are investing in American production of servers and data center equipment instead of relying on Asian manufacturers. Critically important is the ability of American champions to compete not only in the domestic market, but also in third markets, where competition with Chinese national champions is most fierce. In Africa, Latin America and Southeast Asia, Chinese companies offer not just products, but also complete technological ecosystems, often backed by government funding and political support. American champions counter this not only with technological superiority, but also with an alternative model of economic development based on openness, innovation, and mutually beneficial partnerships.

A unique advantage of the American approach is the possibility of creating “Alliances of Democratic Champions” – networks of leading companies from allied countries that coordinate their strategies to confront authoritarian challenges. TSMC from Taiwan, ASML from the Netherlands, Samsung from South Korea, together with American technology giants, form technological chains that are both highly efficient and geopolitically stable. This concept of “friendly reshoring” allows you to preserve the benefits of globalization while reducing dependence on geopolitical rivals. Of particular importance is the strategy of creating “Championship Bridges” between American companies and their counterparts in allied countries. This includes joint research programs, technology sharing, and coordinated investments in critical infrastructure. For example, American and European champions in renewable energy are coordinating the development of new energy storage technologies, creating technology standards that are becoming global alternatives to Chinese solutions.

The concept of “Strategic Interdependence” involves American champions deliberately creating critical dependencies in partner countries on American technologies and services while simultaneously developing their own critical competencies in areas where the partners have advantages. This creates a network of mutual interests that is more resilient to geopolitical shocks than unilateral dependencies. Apple depends on Taiwanese semiconductor manufacturers, but TSMC also depends critically on American software and chip design equipment.

The final concept is the creation of a “Strategic Autonomy Champion Fund” – an international investment mechanism that finances joint projects of democratic champions in critical technologies. This fund works as an alternative to China’s Belt and Road Initiative, offering countries technological modernization through partnerships with leading Western companies instead of dependence on Chinese state-owned corporations. The success of this approach depends on the ability of American and allied champions to offer not only better technologies, but also better partnership terms that promote the long-term development of local economies instead of creating new forms of dependence.

Conclusions and prospects for further research. Despite its long history, the phenomenon of economic aid – both from the point of view of the motives of donor

countries and the intentions of recipient countries – continues to raise more and more questions against the background of non-transparent rules of the game and obvious miscalculations in determining the scope of aid. It is also interesting that, according to its philosophy, aid as such has a wide range of effects – from combating inequality in its various manifestations (such as hunger, poverty, access to educational and health services) to solving problems of economic growth and economic recovery and reconstruction. The implementation of the economic recovery strategy should be ensured by national long-term, medium-term, short-term plans for socio-economic development with clear goals and specific measures, deadlines for their achievement, and specific responsible executors.

The most important thing is to determine the consensus understanding of the partners who provide assistance and support, the country’s place in the international division of labor, which implies a revision of the mainstream multi-neoclassical approach to defining international specialization. If we accept this hypothesis about the impossibility of imposing on the international community our own vision of the country’s place in global value chains in the context of limited access to financial, and therefore energy resources, then the impossibility of using all resources simultaneously becomes obvious. Another manifestation of the impossibility of predetermining the development strategy is the inability to ensure a deficit-free state budget that accumulates the bulk of national income and is supported by a significant mass of natural resources and fixed assets owned by the state. The experience of countries that are leaders in economic, innovative and technological development demonstrates that national budget expenditures on scientific research and development are significantly higher than in countries whose development is determined by the possibility of obtaining technologies from world leaders. Increasing technological dependence without prospects for creating a national closed innovation system does not allow us to predict “development” or “recovery”, but only the reproduction of situationally promising niches without ensuring systemic structural transformation, taking into account the limitations of growth models accepted at the international level in the form of movement toward climate neutrality and energy transition.

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