



China as an “Engine” of Globalisation: More Words than Deeds

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As the U.S. under President Donald Trump leans towards protectionist economic policy, China sees an opportunity to become a driving force of globalisation. It presents itself as having the economic potential and political clout crucial to being its champion. However, China's still relatively closed market, use of prohibited trade practices, stalled internal economic reforms, social challenges, and political disputes with neighbouring countries make its claim less probable in the years to come. For now, China lacks the credibility to be an engine of globalisation.

Is China a Protector of Globalisation?¹

Since the beginning of 2017, Chinese leaders have more frequently used the rhetoric that China is a champion of globalisation. It can be viewed as a response to U.S. President Donald Trump's protectionist approach. The rise of protectionism ignited by the change in U.S. policy may have negative consequences for China, the world's biggest exporter and an important investment destination. In other words, for the sake of its own economic development and domestic stability, China's leader Xi Jinping has announced his country's readiness to take the lead on globalisation. Trump's hostility to multilateral free trade and global climate change deals, marked by his decisions to withdraw the U.S. from the Trans-Pacific Partnership (TPP) and the Paris Agreement, have undermined the United States' international position and created more space for others to act. China is prone to use the Taoist principle and Sun Tzu's suggestion to fill the void like water.² This approach is noticeable in various speeches and remarks given by Chinese leaders. The first and the most “globalised” of these was an address delivered by Xi in Davos, during the World Economic Forum in January 2017. The speech can be treated as a template for China's understanding of globalisation.

¹ The authors define globalisation as “a process by which national and regional economies, societies, and cultures have become integrated through the global network of trade, communication, immigration, and transportation” (<http://lexicon.ft.com/Term?term=globalisation>), as well as the dissemination of liberal values such as democracy, the rule of law, respect of human rights, etc.

² Sun Tzu, *The Art of War*, Oxford University Press, 1963, p. 101.

The Chinese “Globalisation” Fever

In Davos, Xi focused on economic globalisation (*jingji quanqihua*)³ as a positive trend and used arguments to defuse concerns about it. He tried to knock down equating economic globalisation to a Pandora’s box. Xi underscored that globalisation is instead a natural process that should not be blamed for many of the world’s problems and highlighted China’s efforts to contribute to economic globalisation and made eye-catching allusions for protectionism. He compared the latter to making a prompt escape from open sea when a storm begins; while one avoids the threat, there is no possibility to reach the other shore. And he described it as locking oneself up in a dark room to protect from wind and storm, but losing access to sunshine and fresh air. A trade war, he said, is similar and harms both sides.

A novelty in his speech were references to the spirit with which the country was fighting protectionism under the current Chinese leadership. Xi, who probably personally modified the draft version of his address to make it more vivid and to underscore China’s proactive agenda,⁴ suggested that blame should not be put on others or responsibility avoided, but instead the world should try to overcome its difficulties. “History is created by brave people,” he said.⁵ Xi also named some of the weaknesses attached to globalisation, such as disappointing world economic growth, the exclusivity of the global governance system (while 80% of global GDP growth is generated by emerging economies), and unbalanced development. The solutions include innovation as the main economic engine, what he called a new win-win development model, a more reasonable global governance system with stronger voices of emerging economies and what he called “fair inclusiveness.”⁶

For the next half year, Chinese leaders used different occasions to reiterate and disseminate Xi’s globalisation agenda. Generally, the main message is the same as he raised in Davos, but was supplemented by additional ideas intended to make globalisation a more comprehensive notion. The “new” content depends on the occasion and audience to which the speech is directed. Globalisation has been a constant theme of major events since: it was raised during the early March session of the National People’s Congress (China’s parliament);⁷ in the Boao Forum for Asia in Hainan (called the “Chinese Davos”) later in March⁸ under the theme “the future of globalisation and free trade;” in the Belt and Road⁹ Forum in Beijing in mid-May;¹⁰ during the “summer Davos” in Dalian in June;¹¹ and again in the G20 summit in Hamburg in July.¹² Chinese leaders argue that the fundamentals of globalisation are the multilateral trading

³ Chinese leaders use the term 经济全球化, *jingji quanqihua*, which exactly means “economic globalisation,” not pure “globalisation” (全球化, *quanqihua*). This vindicates the premise that the Chinese understanding of this (and other notions) is significantly different from the Western perception.

⁴ “Is China challenging the United States for global leadership?,” *The Economist*, 1 April 2017.

⁵ *Xi Jinping zhuxi za Shijie Jingji Luntan 2017 nian nianhui kaimushi shang de zhuzhi yanjiang (quanwen)* [Speech Delivered by Chairman Xi Jinping at the World Economic Forum in 2017 (full text)], 17 January 2017, Davos, www.fmprc.gov.cn.

⁶ *Ibidem*.

⁷ *Zhengfu Gongzuo Baogao (quanwen)* [Government Work Report (Full Text)], part 3 (2017 nian zhongdian gongzuo renwu), point 6 (*jiji zhudong kuoda duiwai kaifang*), 5 March 2017, www.gov.cn

⁸ *Zhang Gaoli zai Boao Yazhou Luntan 2017 nian nianhui kaimushi shang de zhuzhi yanjiang* [Zhang Gaoli delivered an important speech at the opening ceremony of the Boao Forum for Asia], *Xinhua*, 25 March 2017.

⁹ This term refers to the Xi Jinping flagship initiative announced in autumn 2013. There are at least three interchangeable names of the initiative. In 2013, two names were in use, both in Chinese and English: *sichouzhilu jingjidai*, “Silk Road Economic Belt,” and *ershiji shiji haishang sichouzhilu*, “21st Century Maritime Silk Road.” In 2014, Chinese leaders and experts started to promote, *yidai yilu*, “One Belt, One Road.” But since March 2016, the Chinese name has not been changed but the official English translation is “Belt and Road.” Currently, “Belt and Road Initiative” (BRI) is being used very widely. Nevertheless, some experts and pundits outside China also use the term “New Silk Road.”

¹⁰ *Xieshou tuijin “yidai yilu” jianshe—Xi Jinping zai “yidai yilu” guoji hezuo gaofeng luntan kaimu shi shang de yanjiang* [Working together to promote setting up Belt and Road—Speech delivered by Xi Jinping at the opening ceremony of the International Belt and Road High Level Forum], 14 May 2017, www.fmprc.gov.cn

¹¹ *Li Keqiang zai 2017 nian xiaji dawosi luntan zhici (quanwen)* [Li Keqiang’s speech at the summer Davos forum in 2017 (full text)], 27 June 2017, www.sina.com

¹² *Xi Jinping zai ershiguo jituan lingdaoren Hanbao fenghui shang guanyu shijiejingji xingshi de jianghua (quanwen)* [Xi Jinping’s speech about global economy situation delivered at the G20 summit in Hamburg (full text)], 7 July 2017, www.xinhuanet.com.

system, free-trade areas, as well as trade and investment liberalisation. China and all of Asia are active contributors to globalisation. The most visible vindication of these premises is the Belt and Road Initiative (BRI) and Asia's other own development solutions. Furthermore, to China, economic globalisation means a new phase of the industrial revolution.

What Does Globalisation Really Mean for China?

A review of speeches from the above-mentioned events shows how China understands globalisation, why it is important to the country, and where it is being utilised. It seems plausible that China's interpretation of globalisation differs from the Western understanding of it. In China, **globalisation is perceived narrowly**. This notion is **limited to the economic dimension** such as free trade, which literally means lifting barriers and expanding access to markets. It leads to the conclusion that Chinese globalisation does not include other principles such as liberal norms and values, important in the Western world. Vindication of this assumption is the Chinese use of the expression "economic globalisation" instead of simply "globalisation" without an adjective. The language China uses is *almost* the same as in the West but the meaning is different. For example, when talking about "global governance," Chinese Vice Premier Zhang Gaoli, in his speech at the Boao Forum, mentioned the need to reform the "global economic governance system" (*quanqiu jingji zhili tixi*).

Chinese "globalisation" presumably consists of several elements or buzzwords: free trade as the cornerstone; openness to the world closely connected to inclusiveness, fair development, and reasonable membership of the global governance system; multilateralism; access to innovations as the main economic drivers; and, an appreciation for Asia's role in the globalisation process.

The focus on these slogans signals profound implications for China's capability to assume leadership of globalisation. First of all, the prompt rhetoric about globalisation is **driven from the outside**, namely U.S. policy, and personally by Trump. This means China sees an opportunity to use the U.S. approach to take the initiative. But China is not ready yet to take the lead, not only globally—for example, to improve the existing international order, adjust, or change it—but even narrowly in the economic dimension. The reason is the profile of the Chinese economy, which is still mostly closed and beset by problems that have not been resolved. In other words, China is not a world power ready yet for its own openness and greater inclusiveness. In that sense, China uses "globalisation" to mean a **one-direction process** that focuses on lifting trade barriers to get or preserve access to outlet markets and technologies. The BRI, which generally assumes setting up huge free-trade area along new or revamped trade routes, is a tool for the implementation of a Chinese-led globalisation vision. The BRI example leads to another conclusion, that globalisation **serves China's "hard" economic and political interests**. In that understanding, globalisation should preserve China's domestic stability because it helps maintain its traditional export and investment-oriented economic model in the transition period to the announced consumption-based economy. The values or principles that this globalisation should be based on seem to be closely connected to Chinese interests. The call for innovative development as an important globalisation factor is now a mantra for the Chinese leaders because it is one of the pillars of its "new normal" theory of economic development.¹³ The appeal for openness and inclusiveness—one of the main descriptions of the BRI—serves to gain access to new markets where Chinese overproduction could be exported and excessive manufacturing capacity utilised.

China's globalisation agenda also seems to be used to **beef-up nationalistic pride**, particularly important before the 19th Party Congress to be held in autumn this year. Xi is seeking legitimacy and public support for

¹³ In 2014, Xi announced the "new normal" as a slogan that offered a theoretical explanation of the economic situation and the need for reforms. This consists of three pillars. The first one is the pace of growth, which will be transformed from fast to medium speed. The second feature is optimisation of the economic structure, and the third indicates that innovation should be the main economic driver. Under the "new" conditions, economic growth will be slower but stable and high quality because the drivers will be diversified. For more, see: "Xi Jinping shouci xitong changshu 'xinchangtai'" [Xi Jinping for the first time systematically elaborated "new normal"], *Xinhua*, 9 November 2014.

his achievements, which may help him consolidate power for his second term. It seems he has two main goals to achieve through his globalisation mantra. On the one hand, he would like to **make China the sole leader of Asia**, through his appreciation of the region, its experience, and its own development model. In that sense, China is trying to be Asia's spokesperson. On the other hand, Xi supposedly is working on a **new foreign policy agenda** as a new phase or step forward in the implementation of what he calls "great power diplomacy with Chinese characteristics." In his first term, Xi has underscored that China is playing a greater role in global trends, widening the space for its international activities and making a greater contribution to the global order. Vindications of this view are China's expanding activities outside of Asia, the setup of new institutions and norms such as the BRI along with new global institutions such as the Asia Infrastructure Investment Bank (AIIB). Nevertheless, the official explanation is that all these actions are undertaken within the existing global order. In that sense, they should be seen in line with global norms and values, which means that their goal is to make the current order better, more efficient, and fair.¹⁴ But, in the long term, the ultimate goal is to reshape the order to Chinese conditions.

China's Economy: Stalled Reforms, Greater State Control

An important barrier to Chinese globalisation leadership is the profile of China's economy. The existing economic model based on cheap production of export products is coming to an end. This model was possible because of the large Chinese population (workforce) with low income requirements and huge domestic investments. But the "one child" policy has resulted in an ageing population and growing salary pressure. Another other reason is the stockpile of structural economic problems. They resulted from or were the "side effects" of China's gradual opening, such as strong interest groups that led to the creation of huge state-owned enterprises (SOEs). These factors are among the reasons for the widening wealth and income discrepancies within society that pose a threat to state stability and hamper reform. Then, state interventions, such as stimulus packages to generate economic growth for the sake of the Chinese people's wellbeing produced vicious circles of rising local debt, overproduction, overemployment, etc.

This situation forced Xi to work out a blueprint for structural reforms, which was the main result of the 3rd Central Committee plenum in November 2013. The goal was to avoid the "middle-income trap," find new economic drivers, and abandon the fetish of double-digit GDP growth. The post-plenum economic agenda was promising. The main assumption was to give economic forces the decisive role, which meant reform of state-market relations. There were plans to reform the SOEs, open up the financial sector, give more freedom to local authorities, and simultaneously strengthen the no-bailout policy, change the employment structure to "move" people out of heavy industry to services, etc.¹⁵

The plenum agenda had a propitious start. There were attempts to introduce economic reforms, including the first free-trade pilot zones in Shanghai, Guangdong, Fujian, and Tianjin, a web-banking pilot project, the Hong Kong-Shanghai Stock Connect mechanism, tackling local government debt, and mechanisms for renting, leasing, or mortgaging land in rural areas.¹⁶

Later, though, the reforms miscarried. When Xi tried to return to the plenum agenda, the reforms were modified or became less market oriented. The best example of this was the decision to focus from 2016 on supply-side structural reform based on a reduction of overproduction; reducing the supply of, e.g., housing stock, which mainly indicates a reinvigoration of lower-level cities (in areas with unsold flats that create the

¹⁴ Zhang Yesui, "Gong jian 'yidai yilu' mouqiu hezuo gongying" [Build together "One Belt, One Road" seeking win-win cooperation], *Qiushi*, no. 10, 2015; Wang Yizhou, "'Yidai yilu' juefei Zhongguoban 'Masie'er jihua'" ["One Belt, One Road" is not a Chinese Marshall Plan], *Qiushi*, no. 12, 2015.

¹⁵ "Zhonggong zhongyang guanyu quanmian shenhua gaige ruogan zhongda wenti de jue ding (quanwen)" [Central Committee's Decision on Major Issues Concerning Comprehensively Deepening Reforms (full text)], *Xinhua*, 15 November 2013; J. Szcudlik-Tatar, "China's New Reform Roadmap: Cautious but Significant Changes," *PISM Bulletin*, no. 131 (584), 29 November 2013.

¹⁶ B. Naughton, "Is there a 'Xi Mode' of Economic Reform? Acceleration of Economic Reform since Fall 2014," *China Leadership Monitor*, no. 46, 2015.

“ghost city” phenomenon); deleveraging; and lowering corporate costs.¹⁷ These have been used more as tools to curb overproduction and overcapacity than structural changes, such as deregulation of the financial market, privatisation, and restructuring of local debts.

The change in economic policy, especially the fear of losing control over the economy, should be linked to the mid-2015 and early-2016 stock market shocks that undermined the Chinese peoples’ trust in their leadership. These leaders had encouraged people to invest their money in the stock markets to decrease the propensity to save. Due to the unpredictability of stocks, when they plummeted, the leadership was seen as weak on the economy. The government eventually intervened and took unprecedented measures, such as wide purchases of shares and reducing the size of the market to protect economic stability and gain public support. A similar approach is seen in the new five-year plan. Its main goal is to manoeuvre between market forces and state intervention via stimulus tools to calm the public mood.¹⁸

In 2017, there have been several signs of economic reform, but in reality they are scant, while economic policy is inconsistent. On one hand, there are new free-trade zones to cut bureaucratic red tape and explore financial innovation. There also have been personnel changes in the financial regulatory system that might be seen as a return to reducing or cutting shadow banking, which expands local government debts. What is more, the problem with the no-bailout policy was discussed during the recent National Financial Work Conference, showing the Chinese leadership’s concern.¹⁹ But on the other hand, 3rd plenum reforms such as mixed ownership of SOEs are still lagging or seem even to have been aborted. What is more, a new policy of curbing capital outflow has created doubts whether BRI, the main Chinese “globalisation-type” tool and idea, is doable.

There are several likely reasons for the slowdown of reforms. One is the visible centralisation of decision-making in Xi’s hands, even though he lacks experience in the economic domain. He has seriously changed the traditional division of work in the country. Until recently, economic affairs were in the prime minister’s portfolio. Under Xi, not only were they shifted from the state administration to the party but also from existing bodies to new ones. In that sense, Xi is trying to bypass the traditional party decision-making mechanism. This may lead to another assumption, that there is strong opposition within the party against the painful reforms, which means that Xi does not have enough political space to implement the plenum agenda. He also could be preoccupied with other issues and has not had enough time to focus on the economy. Among other possible reasons are his prime interest in the anti-corruption campaign, which might be interpreted as a fight with internal opposition or factions.

So far, the outcome of all this is the Chinese economy is still rather closed and controlled by the party. Manifold sectors are restricted to foreign investors, such as energy or telecommunications. In many areas, e.g. agriculture, exporters are obliged to have certain certificates for their products, which entail expensive and time-consuming procedures. Moreover, many companies, especially SEOs, can count on low-interest loans from state banks, which makes them more competitive *vis-à-vis* foreign companies. In that sense, China is not a fully-fledged free market or “globalised” economy and currently, the Chinese domestic situation has created a serious barrier to China’s leadership of globalisation.

¹⁷ “Zhengfu Gongzuo Baogao” [Government Work Report], delivered in March, respectively, of 2014, 2015, 2016; 2017, *Xinhua*; “Zhonghua Renmin Gongheguo Guomin Jingji he Shehui fazhan di shisan ge wunian guihua gangyao” [The 13th Five-Year Plan for the National Economic and Social Development of the People’s Republic of China], *Xinhua*, 17 March 2016; “Zhongyang jingji gongzuo huiyi zai Beijing juxing. Xi Jinping, Li Keqiang zuo zhongyao jianghua” [Central Economic Work Conference was held in Beijing. Xi Jinping and Li Keqiang delivered important speeches], *Xinhua*, 16 December 2016.

¹⁸ J. Szcudlik, “More Market and More State: China’s Economic Development in the New Five-Year Plan,” *PISM Bulletin*, no. 30 (880), 25 April 2016.

¹⁹ B. Naughton, “The Regulatory Storm: A Surprising Turn in Financial Policy,” *China Leadership Monitor*, no. 53, 2017; S. Leng, “Hold local governments accountable for their debt, Chinese president says,” *South China Morning Post*, 18 July 2017.

Actions in the International Arena to Promote China-led Globalisation

Amid the flip-flop on internal reforms, China has been striving to secure its economic interests in recent years through enhanced activity in the international arena. A symbolic moment was accession to the World Trade Organisation (WTO) in 2001.²⁰ China was looking to attract more foreign direct investment (FDI) and better access to consumers all over the world. It was crucial to sustainment of its dynamic growth based on export and investment that made China the “factory of the world.” In effect, after a decade in the WTO, China’s export quintupled and its GDP grew fourfold.²¹ The country had become more open to the world and attracted its attention. The economic success achieved by stronger integration with the world became a base for China’s defence of globalisation.

To further boost its trade and investment relations, China started to integrate more deeply with its economic partners. China signed 14 free-trade agreements (FTAs).²² Moreover, nine more FTAs are in negotiation.²³ The most complex project in which China is involved is the multilateral Regional Comprehensive Economic Partnership (RCEP), which encompasses 16 states from the Asia-Pacific region (the 10 ASEAN states, Australia, China, India, Japan, New Zealand, and South Korea). It has treated this initiative as a counterbalance to the formerly U.S.-led TPP and an instrument to enhance the country’s influence in the region.²⁴ However, the uncertain future of the TPP since the Trump administration’s decision to withdraw the U.S. from the arrangement makes the RCEP more attractive to the other states in the region.²⁵ However, China’s assumption of the regional integration initiative entails relatively shallow forms of cooperation based on tariff cuts and the elimination of non-tariff trade barriers.²⁶ China seeks through RCEP not only wider economic cooperation but also to promote preferable trade rules. Moreover, RCEP can be perceived as a stepping stone for China to build a bigger trade bloc under the framework Free Trade Area of the Asia-Pacific (FTAAP) in the future.²⁷ The success of RCEP and eventually FTAAP would strengthen China’s position as a leader of free trade and significantly increase its political clout in the Asia-Pacific region.

China’s voice is becoming stronger in global economic forums. A good example of this is its growing role in the G20. It uses this platform to present its responsibility for shaping a world economy affected by the global financial crisis. For instance, China has strongly supported efforts to stimulate global growth, e.g., through cooperation on infrastructure development, technological modernisation, and innovation.²⁸ What is more, on the G20 level, China has also encouraged other countries to ratify the Paris Agreement,

²⁰ Other WTO member states counted on a wider opening of the huge Chinese market for their goods and services and to pull China into the rules-based trade order. To that end, China has eased around 7,000 trade barriers, including duties and quotas. Participation in WTO enabled China’s trade partners to react to the introduction of trade distortion practices, such as export subsidies that make Chinese companies more competitive. See: “All change,” *The Economist*, 10 December 2011, www.economist.com.

²¹ *Ibidem*.

²² They include mostly partners from the Asia-Pacific region, such as ASEAN, South Korea, Australia, or Chile, but also European states (Switzerland, Iceland) and South Asia (Pakistan). See: “China FTA Network,” Ministry of Commerce of the People’s Republic of China, www.fta.mofcom.gov.cn.

²³ Including talks with the Gulf Cooperation Council, Japan, Israel, and Norway. China is also negotiating an Investment Agreement with the European Union, which can be perceived as a first step to a genuine FTA. See: “China FTA Network,” Ministry of Commerce the People’s Republic of China, www.fta.mofcom.gov.cn.

²⁴ Though the RCEP was an ASEAN proposal, it is widely perceived as a China-led project because it is the biggest economy of the group.

²⁵ M. Wąsiński, D. Wnukowski, “Consequences of the U.S. Withdrawal from the Trans-Pacific Partnership,” *PISM Strategic File*, no. 3 (87), June 2017.

²⁶ This approach assumes that deeper forms of integration involving, e.g., stronger protection of intellectual property rights, labour, or environmental issues (which are included in the TPP), could be too stringent for China.

²⁷ This goal was underlined by President Xi during the Asia-Pacific Economic Cooperation (APEC) Summit in Lima in late 2016. See: “Highlights of President Xi’s attendance at the Lima APEC Meeting,” *Xinhua*, 21 November 2016, news.xinhuanet.com.

²⁸ For example, under China’s Presidency of the G20 in 2016, the “G20 Blueprint on Innovative Growth” and “G20 2016 Innovation Action Plan” were adopted. See: D. Wnukowski, “The Importance of the G20 in Shaping Global Economic Governance,” *PISM Bulletin*, no. 58 (908), 14 September 2016.

expressing its willingness to address global issues like climate change.²⁹ In this context, China can present itself as one of the leaders of the emerging “green economy” and build alliances on this issue, such as with the EU.

China’s growing international economic position is also visible in the BRI. Its aim is to enhance infrastructure (such as railroads, roads, telecommunications networks, pipelines, ports, etc.) and thus link Asia, Europe, and Africa. The achievement of this goal, planned to take a couple of decades, would enable China to build stronger economic and political bonds with countries along this “New Silk Road.”³⁰ Moreover, BRI would serve to build a Chinese-style trade architecture and create new regulations³¹ and trade relations. The BRI is also presented as China’s contribution to establishing a stable international environment and building the wealth of all the countries along the route.

All these factors show China’s willingness to play a bigger role in shaping the architecture of the world’s economy. Nevertheless, despite its free trade rhetoric, China’s market remains relatively closed and foreign companies face many hurdles. China is also accused of using prohibited trade tools, such as dumping and state subsidies, on a big scale.³² These issues can affect its credibility to be the leader on globalisation and fair trade, and will make it harder to shape global regulations on trade.

Political Factors: Barriers to China’s Globalisation Efforts

Enhanced Chinese economic power and involvement in the creation of international trade architecture are inevitable but are not sufficient to become the leader of globalisation. The crucial element is that China be perceived as an actor that contributes to the stability of the international environment based on the rule of law, beneficial to the world economy. Given China’s foreign policy course in recent years, it could be hard to convince other countries, especially some of China’s neighbours, that its international activities fulfil that condition.

During Xi’s era, a policy of assertiveness in China’s foreign relations has been carried out. It is based on the firm protection of its national interests, especially territorially, and actively shaping the regional order towards China’s strategic goals.³³

However, this approach has caused tensions in relations with some of its neighbours. In this context, one could mention China’s territorial disputes in the South China Sea involving Vietnam, the Philippines, Malaysia, Brunei, and Taiwan.³⁴ What is more, China has exerted pressure on the other actors by constructing “artificial islets” in the sea and building facilities that can be used for military purposes.³⁵ China’s stance is perceived in many countries as breaking international law and creating a regional order

²⁹ This stance has become more important since President Trump’s declaration that the U.S. will withdraw from the Paris climate deal.

³⁰ It would also serve the internationalisation of Chinese companies and currency (renminbi, RMB), as well as help export the country’s overcapacity (e.g., steel) abroad. With implementation of this project, Chinese capital would be more present in international markets.

³¹ In such areas as transit, creating special economic zones, and economic corridors.

³² That was the main reason for the EU not to grant China market economy status in December 2016. See: “China starts trade battle over Market Economy Status,” *EurActiv*, 12 December 2016.

³³ It has meant breaking the rule coined by Deng Xiaoping to keep the country in the background of international affairs.

³⁴ China claims the right to about 80% of the South China Sea, based on supposed historical ownership, including waters perceived by Vietnam, the Philippines, Malaysia, Brunei, and Taiwan to be their own. Those countries strongly criticise China’s stance. However, the Philippines under President Rodrigo Duterte has refrained from criticising China and instead pushes for closer economic and security relations.

³⁵ China is also criticised by actors not directly involved in the disputes, such as Japan, the United States, or the EU, for threatening freedom of navigation and the stability of sea trade routes through the Malacca Strait. To show its willingness to contain China’s activity, especially through non-recognition of the artificial islands, the U.S. navy conducts so-called “freedom of navigation” operations.

based on power projection.³⁶ Thus, its promotion of an image as a stabilising force in the region is questionable.³⁷ This perception is further fuelled by Chinese policy on the East China Sea, where a territorial dispute over the Senkaku/Diaoyu³⁸ islands is ongoing with Japan.³⁹ Moreover, tensions continue in China's relations with Taiwan, perceived by the former as a renegade province.⁴⁰ What is more, China's ambiguous position on North Korea has also raised questions about its ability and willingness to solve international security problems.

All these issues paint a picture of China not as a security provider but rather a troublemaker. In the short term, China's assertiveness may lead to more conflict with countries in the region and with the U.S., which plays the role of security provider to many Asia-Pacific states. Resolving these issues in a peaceful manner without jeopardising the stability of the world's politics and economy would be a key factor in gaining the position of a leader of world affairs, including shaping globalisation.

It is also worth mentioning the importance of the internal situation in China and the country's attractiveness to societies in other parts of the world. China promotes its model of development based on state capitalism and centralised control as an alternative to the liberal democracy of the West. It portrays the Chinese way as more effective given the pace of the economic development of the Middle Kingdom in comparison to, e.g., the EU and the U.S., and more stable (e.g. Brexit). However, China's record on such issues as human rights, freedom of media, and treatment of minorities, weighs down its image. Moreover, China's cultural attractiveness (movies, music, language, etc.) still lags the U.S. influence, which built up for many decades after World War II.

Conclusions

China already plays an important role in the global economy. It is the second-largest economy in the world,⁴¹ the biggest exporting country, and a significant source of investment and credits based on its huge currency reserves. Therefore, China has the potential to be a driving force of global development in the future. However, various challenges the country has to face in the coming years probably will impede its efforts to become an "engine" of globalisation and a rule-maker in the global economy. It has huge internal issues, such as lagging economic reforms and a still relatively closed market, as well as external ones, including unfair practices in foreign trade and involvement in destabilising the East Asia region. The change in the rhetoric of Chinese leaders on globalisation has meant no significant change in the substance of the country's economic and foreign policy.

Currently, China's perception of globalisation could be summarised as "globalisation with Chinese characteristics." This approach is based on a very pragmatic and selective stance. It prefers to gather elements of global economic liberalisation that meet its own interests. In other words, China treats globalisation as a menu. This perception seriously limits its capacity and credibility as a globalisation champion and proponent. What is more, this "Chinese globalisation" is strictly controlled by the state and party. This trend is clearly visible in the process of economic reforms in the country and its international activities. However, the Chinese pro-globalisation agenda could be only an overture for real globalisation leadership during Xi's second term, after the consolidation of power in both the party and state apparatuses. The reforms and new policy directions or activities need unity within the party and discipline,

³⁶ In July 2016, the Permanent Court of Arbitration (PCA) in The Hague rejected China's claims to the lion's share of the South China Sea. However, China did not even recognise the jurisdiction of the PCA in that case and thus did not accept the verdict. See: R. Tarnogórski, "South China Sea Arbitration: Roots and Consequences," *PISM Bulletin*, no. 43 (893), 18 July 2016.

³⁷ China presents its activity with regard to the artificial islands and elsewhere as a "contribution" to regional stability, "security" of trade sea routes, including the prevention of accidents and crisis management.

³⁸ Islands claimed by both countries—Senkaku (Chinese), Diaoyu (Japanese).

³⁹ In this case, China's assertiveness is visible in, e.g., the establishment in 2013 of an Air Defence Identification Zone that covers the disputed territories.

⁴⁰ Chinese leadership has never excluded the use of force to prevent Taiwan's independence.

⁴¹ China is already the biggest world economy in terms of Purchasing Power Parity (PPP).

which, according to Xi, was relaxed during the Hu Jintao era. In that sense, China's 2017 agenda may indicate that in his second term, Xi will more actively concentrate on making China part of the diplomatic avant-garde and in shaping a new and innovative diplomatic and "globalisation" agenda (including domestic market-oriented reforms).

Nevertheless, when accounting for its recent experience with market reforms, e.g. the turmoil after the shock to the Chinese stock exchange in 2015–2016, and the priority given to the stability of the ruling party, most likely any reforms will be implemented very carefully. Moreover, since its assertiveness in foreign policy, fuelled by nationalist sentiment, most likely will continue in the coming years, China will not be perceived as a security provider. All these make the idea of China as a real "engine" of globalisation hard to imagine in the coming years.

Increased Chinese global engagement based on a mercantilist and egoistic approach at the same time as the U.S. appeals to protectionism make the EU the only truly value-based promoter of the liberal world order. It seems that nowadays, the EU has more room for manoeuvre in its relations with China. As China leans towards Europe to secure free trade access, now is the time for the EU to put more pressure on China, underscoring real reciprocity given the latter's globalisation mantra. This approach could be reflected in limiting unfair trade practices (dumping, subsidies) and adoption of the negotiated Investment Agreement with the EU that could widen Chinese market access for European companies.