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# 1. Introduction to the *Handbook on China and Globalization*

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The world economy's performance in 2017 was widely believed to be better than that of the previous year. But even as the global economy shows all the signs of a full recovery, anti-globalization and trade protectionism are two major threats causing widespread concern and which have the potential to damage the development of world economy and trade. Britain's exit from the European Union, America's sudden withdrawal from the 2015 Paris Agreement and the United Nations Educational, Scientific and Cultural Organization, and repeated challenges to the world's multilateral trade system and threats to leave the World Trade Organization (WTO) add new uncertainties for the cooperation among the major powers to resolve global issues and future globalization development.

Over the last two years voices for de-globalization and anti-globalization could be heard from many parts of the world, not only in some developing countries but also some developed ones. As Joseph Stiglitz, American economist, professor at Columbia University, and a recipient of the Nobel Memorial Prize in Economic Sciences in 2001, put it in 2017:

There are three responses to globalised discontent with globalisation. The first – call it the Las Vegas strategy – is to double down on the bet on globalisation as it has been managed for the past quarter-century. This bet, like all bets on proven policy failures (such as trickle-down economics), is based on the hope that somehow it will succeed in the future. The second response is Trumpism: cut oneself off from globalisation, in the hope that doing so will somehow bring back a bygone world. But protectionism won't work. Globally, manufacturing jobs are on the decline, simply because productivity growth has outpaced growth in demand . . . Trump will fail even in his proclaimed goal of reducing the trade deficit . . . Trump may not like it, but as he is slowly finding out, there are some things that even a person in the most powerful position in the world cannot control. There is a third approach: social protection without protectionism, the kind of approach that the small Nordic countries took. They knew that as small countries they had to remain open. But they also knew that remaining open would expose workers to risk.<sup>1</sup>

However, as Kofi Annan, Former Secretary-General of the United Nations, once said, "It has been said that arguing against globalization is like arguing against the laws of gravity."

It is widely agreed that globalization has an impact on nearly all aspects of the world and people's lives, and that globalization provides a net benefit to all economies around the world by making markets more efficient and foreign direct investment (FDI) easier, increasing competition and exports if the products are competitive, reducing military conflicts and possibilities of wars, and spreading the image of a Global Village. In addition to these, according to the Milken Institute's *Globalization of the World Economy*, globalization also accelerates FDI; tends to increase at a much greater rate than the growth in world trade, technology transfer, industrial restructuring, and the growth of global companies; promotes technological innovation and new technology development;

and enables large companies to realize economies of scale that reduce costs and prices, which in turn supports further economic growth.<sup>2</sup>

I agree there are problems in the globalization process, such as benefit distribution and the difficulties of some developing countries and small and medium-sized enterprises (SMEs) in facing worldwide competition as well as social issues arising from the poor administrative capacities of some governments in dealing with changes in international markets. Some scholars argue that globalization leads to interdependence of nations, and that multinationals harm the national sovereignty of economically weak countries. But I think, when talking about the problems, we should also see the benefits; and when talking about benefits, we should also notice the problems. What we need to do is to expand the benefits and solve the problems.

Since most scholars and political leaders agree that globalization is irreversible, what we should do next is review all aspects of globalization in past years, and, after full discussions, reach an international consensus, especially as to the future direction of globalization and countermeasures to the problems it brings. The most effective and proper platform to address these issues is the WTO, while some other organizations, such as the United Nations Development Programme (UNDP), the World Bank, and the International Monetary Fund (IMF), can contribute to the progress. Even though developed countries, such as the United States, should take the lead to present their solutions for how to reform the current systems and help developing countries, developing countries, such as China, should not hesitate to actively participate in the process. In addition, a platform for enterprises is also necessary. Healthy ties and smooth investment channels are two basic fundamental factors to promote world economic growth, while international trade rules and organizations are essential in the realization of this target.

After joining the WTO in 2001, China has been more and more involved in the international economic system. On December 11, 2011, China held a forum in Beijing to mark the tenth anniversary of China's entry into the WTO. The then Chinese president, Hu Jintao, said at the forum that, during the ten years it had been a member of the WTO, China had widened its knowledge of how to develop globally and gained more confidence regarding opening up. "Reform and opening-up, which propelled China's rapid growth over more than three decades, will continue to underpin China's future development, and China will implement a more proactive opening-up strategy and open more areas to the world," he said. From 2001 to 2011, and continuing up to now, China, as the world's second-largest economy and the largest trade country as well as an increasingly important investor, has become an active and important member of the WTO and contributor to world economic issues; meanwhile, the world also expects more ideas from China, regarding China as one of the key players in promoting globalization in the world today.

In the past two years, China's Belt & Road Initiative (BRI) has attracted worldwide attention, and some projects have already been initiated. "The BRI essentially promotes 'strategic international economic partnerships and multilateral credit to address investment, infrastructure, employment and economic development', with the goal of reinvigorating global economic growth," Anastas Vangeli, a fellow at Xi'an Jiaotong-Liverpool University, said. "The outcome of the BRI as a vehicle of a new type of globalization, therefore, cannot be framed in absolute terms. Nor it will be clear-cut. But it does have the potential to greatly affect the trajectory of the global order as a whole, as well as the trajectories of particular regions and countries, and the way we think about the world."<sup>3</sup>

Chinese President Xi Jinping gave his clear support to globalization at the Davos World Economic Forum in 2017, the first time a top Chinese leader had spoken on this issue. From 2005 to 2016, the world witnessed China become an emerging big investor from having been one of the largest receivers of foreign investment, and Chinese exports are no longer merely shoes, clothes, and toys, but include high-quality electronic and machinery products.

Since 2012, the world has also seen an increasingly active China take a role in international affairs and global issues, and heard stronger responses from China in defending its interests. Chinese leaders, such as the Minister of Foreign Affairs and other officials, can be seen at all important international events and attending meetings in many countries, while every year dozens of foreign top leaders are invited to China. Now, China's voice on global climate change, world trade and investment issues, the North Korean nuclear issue, and Syria and the Middle East under the United Nations mechanism is widely recognized and respected. Xi Jinping has appealed for reform of the current global governance system, and said many times at different occasions that China can and should contribute its ideas to the reform process. Nathan Gardels, editor-in-chief of the *World Post*, believes that with Trump's America First policy, and Europe mired in inward-looking disarray, China remains the only major power with a global outlook. "Ready or not, China has become the de facto world leader seeking to maintain an open global economy and battle climate change."<sup>4</sup>

The Center for China and Globalization (CCG), as a top independent think tank in China and also ranked among the world's top 100 think tanks by the University of Pennsylvania Think Tank and Civil Society Program is pleased to work together with Edward Elgar Publishing Group to publish this *Handbook on China and Globalization*, with the hope that this book will contribute new ideas and perspectives for readers to better understand China and globalization. This book comprises five parts, with 24 chapters contributed by scholars from Australia, Britain, Canada, China, Denmark, France, India, Japan, Qatar, the United States, and China's Hong Kong and Taiwan regions.

In Part I, "China Goes Global: Outward Direct Investment," Huiyao Wang, President of the CCG, reviews the globalization efforts of Chinese companies and gives his analysis of the trend of China's outward FDI (OFDI) and modes. He believes that investment in manufacturing has grown strongly, and the overall industrial chain layout and brand strategies are new features of companies expanding overseas. Six significant challenges that Chinese companies face in overseas development, including measures and suggestions, are another interesting aspect of his discussion.

Dickie Liang-Hong Ke and Enrique de Diego, with their practical expertise of several decades of extensive work experience in technological innovation and acting as advisors to startups and venture capital funds in a global context as well as engaging in academic study, give a brief summary of the current status of innovation and entrepreneurship in China, especially in the technology, media, and telecommunications sectors, and the journey of Chinese innovation going abroad. They explore the reasons for this shift toward innovation in order to help readers understand why this is happening and what Chinese innovation may bring to the world.

Bo Liang, Li Yan, Gary Quinlivan, and Thomas W. Cline jointly give their comments on China's OFDI in the United States. They discuss how the United States is still the top choice for international investment, and Chinese OFDI in the United States has been

surging with a focus on the real estate, high-technology, new energy, and entertainment sectors during the past five years. In addition, they provide valuable recommendations for how to make the process constructive for both China and the United States.

Yi Feng, Zhijun Gao, and Wanjun Jiang study the determinants of China's contracts in Asia, and examine five categories as the sources of determinants for Chinese contracts. In this cross-country analysis, they argue that Chinese contractors are likely to go to a country that has a large population or gross domestic product (GDP), good economic growth, and an accelerating economy, abundant oil reserves, low rent for natural resources, and a relatively effective government with some political openness.

Fei Qin observes that China, after 40 years of Reform and Opening Up, has become the largest trading country in the world and the second-largest source country for OFDI. By reviewing the current state and changing patterns of Chinese outward investment as well as the landscape of China's outward capital flows, he offers a nuanced qualitative account of China's shifting investment patterns and looks into the driving forces behind these patterns.

Guoyong Liang's chapter discusses the surge of Chinese outward direct investment which has been one of the most important phenomena in the global investment arena since the early 2000s, especially after the outbreak of the global financial crisis. The chapter describes how this trend has been driven by both proactive corporate strategy and strong government support, while capital outflows have been driven by a number of critical emerging forces. As a result, Chinese companies have moved up the value chain and boosted their international competitiveness. China's recent initiatives are likely to enhance international connectivity, foster economic development, and inject a key impetus to globalization.

In Part II, "China's New Role in Global Economic Governance," Joergen Oerstroem Moeller, with years of experience as a diplomat in Asia, believes the abdication of the United States and Britain as global leaders offers China an opportunity to shape a new system without breaking up the existing one – evolution and not revolution – while information and communication technology plus social networks introduce a new power game around the shaping of perceptions: the change from nation-state vs. nation-state to the colossal data companies vs. the state.

Duke University professor Bai Gao holds that globalization is cyclical with government policies swinging between openness and protection. One of the major reasons behind this development is that policy makers in developed countries fail to address increasing public fears toward the open economy after a major crisis relying on the old logic legitimized by previous practice in order to tackle new problems in completely different and new environments. But China's BRI could counter the globalization reversal.

Weilin Zhao argues that China, after its extraordinary economic performance depending on exports and a huge cheap labor force over the past 40 years, must change its economic model. Innovation is the keyword and the most crucial element for the economic model shift.

Giles Chance, an observer of China's currency policy for years, shares his research on the change of Chinese currency's influence in the world. The absence of deep, liquid financial Chinese markets and the lack of transparency within China's political system prevent the renminbi's emergence as a major global currency, at least for the time being. However, another major financial crisis that undermines the credibility of the existing

global currencies – the US dollar and the euro – could promote the RMB to global status.

Manuel Pinho, from Columbia University, concludes in his chapter that although there are different views of the prospects for the world economy, current worldwide economic transformation is taking place; the forces of change are globally favorable to China, although the country faces important challenges.

Julien Chaisse and Frances Wang discuss China's international policy toward foreign investment. China has been progressively embracing globalization and has internally and externally liberalized trade and FDI administration. The Chinese government now welcomes companies from all countries to invest in China, and encourages Chinese enterprises to participate in infrastructure construction in other countries along the Belt & Road, and to invest in industrial projects overseas. The authors argue that it is crucial for China to balance its role as an investment recipient with that of a global investor abroad. Doing so will require China to initiate international talks that serve national interests, advance regional integration, and contribute to the evolution of global investment.

Zhiquan Zhu argues in his chapter that Chinese foreign policy has become more active, especially after President Xi Jinping took power. China's active efforts in the economy include its BRI and overseas investment, especially the establishment of the first overseas military logistics base in Djibouti. China seems to be moving closer to realizing its great power ambition. Zhu shares his comments on the challenges China faces on its path to becoming a global power and its future relations with the United States. India is another remarkable emerging country, but its relations with China are becoming more and more complicated.

Rajkumar Singh introduces the history of the relations between China and India, especially the ongoing/on-off tension mode in India–China relations over the course of decades.

The five chapters in Part III of this book, "China's Soft Power and its Implications for Foreign Relations," cover China's relations with Gulf Cooperation Council (GCC) countries, Africa, and BRICS. According to Yun-han Chu, a prominent professor of political science at Taiwan University, and his colleagues Min-hua Huang and Jie Lu, China's increasing economic power, military strength, and political influence have been widely acknowledged in the world; in response to this, America is strengthening its alliance system with East Asia and upgrading its engagement with China, while at the same time preparing for the possible need to contain it. But the change of China's foreign policy was not a sudden event, but rather an incremental process which started from the 2008 global financial crisis.

Stan Shih, the co-founder of Acer, Inc., introduces Chinese traditional thought regarding balance and governance that was first espoused several thousand years ago, and discusses the contribution of Chinese wisdom on life and governance to the current world, with an emphasis on a special approach to China's soft power in international affairs.

Hichem Karoui, a scholar on China and Middle East issues for years, argues that the rise of China represents, in the Arab view, the rise of a non-Western nation to the rank of a major power for the first time since World War I. While this view offers hope to all developing countries (Arab countries included), Arabs must now deal with this new Chinese reality that is gradually taking shape next to them, especially the GCC countries.

As a senior fellow from France in the intelligence field, Gérald Arboit analyzes the history of the Chinese intelligence sector's involvement in Africa, and reveals the reasons why China has a close connection with Africa.

BRICS has been a popular topic in international politics: What is it? What will it be? How important is it to China and world? These are some of the questions that Huanyu Zhao discusses in her chapter.

Part IV of this book, "China's Global Migration: Diaspora and Talent," deals with international migration, and the development of the trend of Chinese's students studying overseas. David Zweig, from Hong Kong, discusses the policies introduced in China to attract scientists trained abroad to return to work in China, as well as the problems that have confronted that effort. Every year, some 100 000 Chinese young people leave for the West to study, and some 100 000 graduates return to China. In addition to data and trend analysis, Zweig gives some suggestions for how to cooperate more closely on international education, building a comprehensive platform that deals with returnee employment, intensifying safety education and training for students abroad, and attracting more foreign students to study in China.

Tony Fang, a professor from the University of Toronto, discusses talent management and economic development from a global perspective, and explores how various countries complement each other to drive economic growth. He suggests that the "free flow of goods, free flow of capital and the free flow of people make up the three stages of globalization."

Wei Li, Lucia Lo and Yining Tan demonstrate in their chapter that globalization has resulted in increasing social and personal mobility in China. They examine the relation between some globalization indicators and the migration intention as well as transition behavior of Chinese students/professionals in Canada and the United States. While many Chinese students and professionals want to remain in North America after their study/exchange, in reality, most of them only enjoy temporary work visa status. Increasingly, more graduates are returning to China, attracted by government-initiated incentives and a booming economy. However, some face difficulties in obtaining suitable positions upon their return to China because of the harsh reality of the difficulties of immigrating permanently.

Leigh R. Baker argues in his chapter that talent management is a critical factor for the success of China's globalization. He draws on Western and Chinese leadership theories and a large body of unique survey data, reports on a number of Chinese international projects to test the talent shortage viewpoint, and analyzes survey responses as indicators of global leadership competencies, skills, and attributes.

The final chapter of this book is from Yafei He, Co-Chair of the Center for China and Globalization, and former Vice Foreign Minister and former Chinese Government Coordinator for the G20. As a veteran Chinese diplomat who has witnessed many important international events, he shares his ideas, observations, and experience to discuss why and how China participates in global governance, what we can learn from China's participation in global governance, and the future of globalization.

I am honored to have been asked to provide the introduction to this very interesting and useful book. China is changing and the world is changing, but globalization will continue, and the world will be a better place for it, if the contributions and voices of all peoples can be considered.

## NOTES

1. <http://www.theguardian.com/business/2017/dec/05/globalisation-time-look-at-past-plot-the-future-joseph-stiglitz>.
2. <http://www.thebalance.com/globalization-and-its-impact-on-economic-growth-1978843>.
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