



Horizons of Politics
2016, Vol. 7, N° 21

MICHAŁ MŁODY

Poznań University of Economics
Department of Strategic Management
e-mail: michal.mlody@ue.poznan.pl

DOI: 10.17399/HP.2016.072108

China's Strategic Challenges on the Road to Becoming a Global Superpower

Summary

RESEARCH OBJECTIVE: The main goal of the article is to diagnose the current position of China in the international arena and to identify the strategic challenges that the government in Beijing will have to face within the currently implemented 13th Five-Year Plan.

THE RESEARCH PROBLEM AND METHODS: Article has a descriptive and analytical nature. The purposes of this study required constructive criticism of literature and making an analysis of selected statistical data provided by international institutions.

THE PROCESS OF ARGUMENTATION: The state of Chinese economy was presented, noting the gradual change of development model and implemented internal reforms. The next part includes the outline of the main international initiatives which are aimed at strengthening the political and economic position of the PRC. Then the strategic challenges for the PRC, which condition its further development were presented. The final part of this article includes a summary and conclusions.

RESEARCH RESULTS: Firstly, the issue of economic relations built by China is strictly subordinated to the government policy, which is reflected in the 5-year plans, catalogues of preferred inward and outward foreign investment and the initiatives taken at international level. Secondly, the further pursuit of China to become a superpower

Suggested citation: Młody, M. (2016). China's strategic challenges on the road to becoming a global superpower. *Horyzonty Polityki*, 7 (21), 205-225.
DOI: 10.17399/HP.2016.072108.

will require profound changes, mostly related to the liberalization of investment policy, reforms of state-owned enterprises, further internationalization of RMB and demographic issues.

CONCLUSIONS, INNOVATIONS AND RECOMMENDATIONS:

Despite the growing opinion among scientists, politicians and journalists, China is not yet holding the leading position in the political and economic world, although it should be noted the weakening role of the United States and EU in certain regions of the world.

KEYWORDS:

China, superpower, economic development, the 13th five-year plan, economic relations

INTRODUCTION

Economic literature has paid a lot of attention to the international order. Since the end of the Cold War, the United States has been an economic, political and military leader and its huge potential is currently beyond any discussion. However, the scientific community and the public opinion more and more often wonder what kind of balance of power in the international arena will emerge in the coming decades. Among the BRIC countries – often perceived as natural contenders for the position of a superpower, China holds definitely an outstanding position.

China has shown that a large economy can grow quickly, and the accepted concept of the gradual transformation of the economic system has proven to be a success. They caught up on the integration of their economies into the world economy, taking into account the commercial, capital, and institutional relations. Considering China's balance of trade, it is worth noting that while in the eighties China recorded a trade balance deficit (-15 billion USD in 1985), then in the nineties, this trend began to reverse to achieve in 2015 a trade surplus of 593 billion dollars (China Customs, 2016). Opening up to the world resulted also in a greater dependence of the Chinese economy from external conditions. In the face of new threats, China began to perceive the conditions for future development from the point of view of national security (Heath, 2016).

The profound changes that have occurred in China resulted in a change of perception of this country in the international arena. Christine Lagarde, Managing Director of the International Monetary Fund said that China is gradually becoming an economic superpower (IMF 2016b). Among academics (e.g. Brooks & Wohlforth, 2016; Schweinberger, 2014; Angang, 2011), in the media (e.g. Kaplowitz, 2015; Kemrany & Jiang, 2015) and political circles the attention is drawn to superpower aspirations of the PRC. The question is how China intends to realize its ambitions, what development directions it will adopt and what challenges the authorities in Beijing will have to face in the next few years?

After years of significant successes, developing countries are forced to confront the new reality. Economic growth rates are falling, and, at the same time, some structural problems emerge. In these circumstances, China has plans to implement an ambitious long-term plan to transform its economy towards slower but more balanced growth, which in the long run is expected to bring benefits to all. However, in the short term, this transition will generate some side effects, ranging from the decline in trade growth through lower demand for raw materials (negatively affecting other developing economies), and ending with the financial channels. Therefore, the primary purpose of this article is to assess the current political and economic position of China in the world and identify the key challenges and risks on the way to achieve superpower status by the PRC.

INSTRUMENTS AND THE RESEARCH TOOLS

The study is essentially descriptive and analytical in nature. Critical analysis of the literature was performed based on the latest thematic publications identified by the scientific databases. In addition, the study involves analysis of statistical data published in reports and materials provided by organizations at international level (IMF, World Bank, WIPO), government institutions (General Administration of Customs of the PRC, the SASAC, the US Bureau of Economic Analysis) and independent analytical centers (American Enterprise Institute, the Pew Research Center, BBVA Research). It should be noted that there are quite significant differences in the data provided

by individual institutions, which raised the need for a thorough verification of their reliability.

1. DIRECTIONS OF DEVELOPMENT OF THE CHINESE ECONOMY

1.1. Chinese two-track economy, the 13th Five-Year Plan and internal reforms

According to the data shown in Figure 1, China's economic growth was above the targets designated by the Chinese Communist Party in the last five-year plans. Currently, however, a slowdown is noticeable in the economy and we should not expect further double-digit increases. Forecasts indicate about 6% economic growth in the coming years. Despite this, according to IMF forecasts, China is expected to continue being the largest contributor to world GDP. It is expected that the Chinese economy in purchasing power parity terms will account for about 20% of world GDP by 2020 compared to 15.5% for the European Union and 14.9% for the US. To compare, economic growth forecasts for the years 2016-2017 are respectively 2.5% and 2.4% for the US, 1.6% and 1.9% for the Eurozone, and for the entire world economy – 3.2% and 3.4% (BBVA Research, 2016).

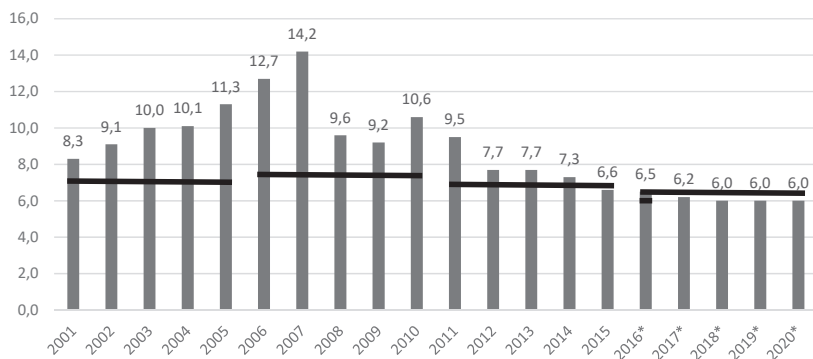


Figure 1. China – economic growth vs. five-year targets (2001-2020, %).

* the horizontal line indicates the target of economic growth within the five-year plan.

Source: IMF (2016a) and China's governments reports.

The economic slowdown raises some concerns among the authorities in Beijing, associated with a decrease in investments and rising unemployment. The increase in private consumption will probably not be able to fully compensate for the excess of production capacity in the real estate sector and heavy industry. The current growth is largely based on service-related sectors. In particular, e-commerce is one of the basic pillars of growth, allowing to reduce costs and barriers of market entry, price reduction and generating demand for new segments. These factors contribute to the sustainability of small growth of exports dynamics and the manufacturing sector.

Analysis of the structure of the Chinese economy shows the emergence of a two-track economy, based on secondary and tertiary sector (with a simultaneous decline in the importance of primary production) (Figure 2). Relatively slow growth, and at the same time decreasing participation in the economy are experienced by traditional sectors: real estate, industrial production and steel (decrease from 45.5% in 2003 to 42.7% in 2015). Currently, companies in these sectors face many challenges. Growing pressure on the modernization of the Chinese economy also drew attention to the problem of excess production capacity and issues related to upward movement of companies in the added value chain, which is associated with the need to adapt to international standards of operation, including environmental standards. Weakening global demand additionally exacerbated these problems. The second, faster growth path covers the tertiary sector, which includes companies focused on production and service activities based on modern technologies. E-commerce, modern services and innovative manufacturing sectors are characterized by the strongest increases.

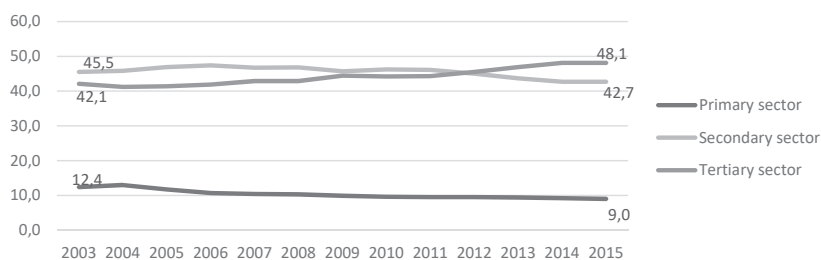


Figure 2. Evolution of Chinese economy structure (distribution of GDP, %).
Source: Own elaboration based on data of China Statistical Yearbook (2015).

These changes in the structure of the economy are reflected by the FDI flows into China. The pattern of investment in China has undergone significant changes in recent years, as a result of changes in the catalogues of preferred investment (MOFCOM, 2015), and, at the same time, the desire to transition to a high value-added economy. Official figures of NBS (National Bureau of Statistics of China) show that in 2006, the manufacturing and service sectors accounted for 63.6% and 31.1% of the total FDI. By 2011, the service sector surpassed manufacturing as the largest recipient of FDI, and in 2015, FDI directed to the service sector accounted for as much as 61.1% of the total FDI, while investments in the manufacturing sector amounted to 31.4% of the total (KPMG, 2016). Investment growth in the service sector indicates that investors no longer see China as a source of cheap labor, but to a greater extent, as an ‘end-destination’ market. For this reason, the companies more focus on the production of goods of higher quality, which are tailored to market needs.

The Foreign Investment Catalogue of 2015 shows that more FDI will be directed to the advanced manufacturing industries related to environmental protection, acquiring new sources of energy and service industries. In 2010, the Chinese authorities decided on the development of “strategic emerging industries” (SEIs) to increase the competitiveness of the economy and lead to its greater independence. The key sectors include: environmental protection, biotechnology, new energy, new materials and new energy vehicles (Xu and Wang, 2015). It is also worth mentioning, approved in 2015 by the State Council, “Made in China 2025” plan, whose aim is to move away from labor intensive production to the manufacturing driven by innovation, quality, smart technology.

The 13th Five-Year Plan (2016-2020) provides guidance for structural economic reforms in China. Chinese authorities believe that full implementation of the Plan will have a positive impact on the business environment in China, which in turn will lead to the creation of many opportunities for both Chinese enterprises and foreign TNCs operating in China, especially in those sectors, which contribute to the economic transformation of the country. Broadly defined areas of activity in the next five years include, among others, development of innovation and high-tech sectors, further urbanization and investment in infrastructure, strengthening environmental protection in the

context of green growth, the development of culture, education and health services, as well as the further development of international cooperation in trade and investment (PWC, 2015). The attention is also drawn to the reform of the banking sector, reorganization of state-owned enterprises and the next steps towards full internationalization of renminbi (RMB). As of October 1 2016 the renminbi was officially declared a 5th reserve currency and entered the so-called, currency basket next to the US dollar, euro, yen and pound, becoming an element of an international settlement currency SDR (Special Drawing Rights) (IMF, 2016b). Prestige associated with recognition as a global reserve currency was one of the main arguments used by Chinese liberals trying to convince the more conservative members of the Communist Party of China to liberalize the financial market of the Middle Kingdom.

China is in the midst of a profound transformation that aims to shift from investments based on export-led model of growth, to innovation- and consumption-driven. This is an extremely difficult task, which will certainly have some adverse consequences for society and some less advanced industries. However, there are large reserves in terms of private consumption. The authorities in Beijing introduce a whole series of reforms aimed at achieving a more sustainable development.

1.2. Exports, imports and FDI – a comparison of the position of China and the US

China and the United States are next to the EU the world's largest exporters. As indicated by the data presented in Figure 3, a decade ago, the value of exports of both economies was quite similar. However, since that time, very dynamic changes took place. Chinese exports to advanced economies increased 2.5 times over the period 2005-2015, from 608 billion to 1500 billion USD, while exports to emerging and developing countries increased five times, reaching in 775 billion USD in 2015. Although the US has also recorded significant increase during that period, their results were not so spectacular.

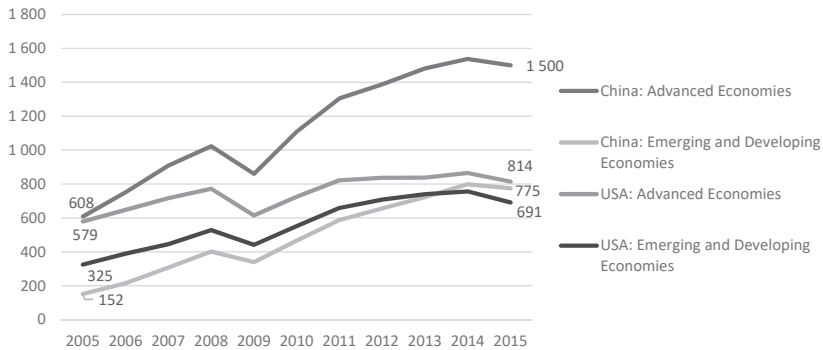


Figure 3. The US and China – the importance of advanced economies and emerging and developing economies as export markets (billion USD).

Source: own elaboration based on IMF data (2016a).

The high growth of exports from China results from several factors. Approximately, half of Chinese exports is based on processing trade, which means that the parts are imported to China for mounting the finished products that are exported to third countries. Thus, international corporations account for a large portion of China's exports. In addition, China continues its policy to subsidize certain industries, often contrary to the rules imposed by the WTO (Heath, 2016).

Since 2015, the Chinese government also has been trying to manage exports by raising or lowering the value-added tax rebate. These practices have caused enormous disruption and uncertainty in the global markets of some products, especially processed goods, where China is the world's leading exporter, as well as products manufactured by the steel and aluminum industries (NTE, 2016). The actions of the Chinese government and financial support for industrial production contributed to a huge excess of production capacity in China in certain sectors, which resulted in the oversupply in the global markets. Although China recognizes this serious problem and took some steps to solve it,¹ the results of these activities are rather minor. One of the recent initiatives of the Chinese government – *Guiding Opinions of the State Council on Promoting International Cooperation in*

¹ E.g. local authorities and central departments are prohibited from approving any new capacity-expanding projects in some sectors (Xinhaunet, 2015).

Industrial Capacity and Equipment Manufacturing, aims to adjust productivity of Chinese industry to global demand (Mizuho Research Institute, 2015).

Quite high growth in China's imports from advanced economies (Figure 4) is due to the previously mentioned processing trade and the higher demand from growing Chinese middle class. It is worth noting that China prohibits the import of remanufactured products, which are usually classified as second-hand goods. These regulations contribute to weakening the development of certain sectors (mining, agriculture, transport and communication) due to the fact that companies in these industries are not able to purchase high-quality remanufactured products produced outside of China (despite their lower prices).

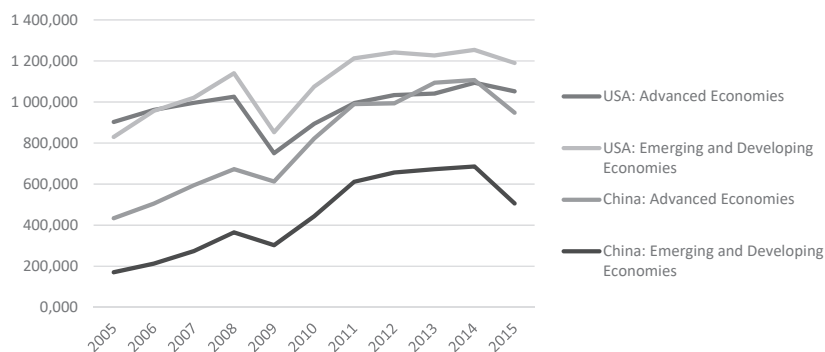


Figure 4. The US and China – the importance of advanced economies and emerging and developing economies as a source of imports.

Source: own elaboration based on IMF data (2016a).

The investment expansion is one of the measures of the PRC position in the world. The implementation of *Go Global* strategy caused that China, from little significant investor, has turned into one of most important players in the world. In 2015, Chinese companies invested more than \$ 121 billion in more than 150 countries and regions. This value is similar to FDI made in China by foreign companies in the same year. Figure 5 compares the value of the investments made by the Chinese and US-based companies in 2010 and 2015. It is interesting to note the inconsistencies in collecting data on the value of investments by the Chinese Ministry of Commerce, which lead to a number of doubts about

the official statistics on FDI flows.² For this reason, they were compared to data collected by the American Enterprise Institute (AEI).

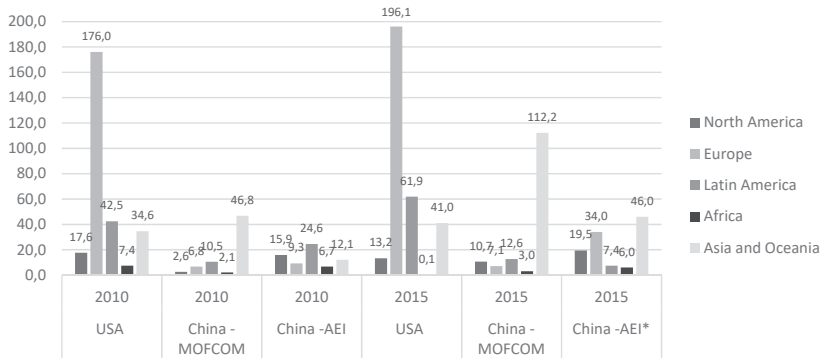


Figure 5. Comparing the level of outward FDI of China and the US in 2010 and 2015, broken down by regions of the world (USD billion).

* AEI data for Africa also include the Arab Middle East

Source: BEA (2016), MOFCOM (2016), AEI (2016).

Asia is the only region where Chinese investors dominate. The importance of Chinese investors (regardless of the data source) in other parts of the world is relatively small. Therefore, it is difficult to find in the above data rational confirmation of charges that China operates on the principle of “neocolonialism.” Further intensification of the expansion of Chinese enterprises will depend on the extent the Chinese authorities will allow the investment activities by private companies, which have enormous potential. Data for 2013 on the accumulated value of Chinese outward FDI by type of investor indicate that state-owned companies account for investments worth more than 300 billion USD, that is, the vast majority (MOFCOM, 2016). This also results from the complicated procedures for approving investments and the catalogues of projects supported by the government. However, recent years show an upward trend in the share of investments made by private companies.

2 E.g. tax havens are indicated as locations but ultimately FDI goes to other countries; another problem are round-tripping FDI whose mechanism allows corporations for the withdrawal of capital for a period of time, after which it returns back to the home country of origin in the form of FDI.

Although the aggregate value of Chinese non-financial FDI (724 billion USD by 2015) is still relatively small compared to the world's leading investors, comparing this value with other countries of the BRIC, it turns out that the dominant position of the PRC in this group is undeniable. The current upward trend suggests that China may, in the coming years, become a key source of investment capital in the world. It is expected that the growth of Chinese FDI will be around 10% over the next few years, however, the number of troubled transactions remains problematic.

1.3. Initiatives on international level – FTAs and *One Belt, One Road*

The Chinese authorities do not reveal the official policy on FTAs. There is also little information on the ongoing negotiations (Salidjanova, 2015). So far, FTAs have been signed with 12 countries. In 2015, the agreement with Australia and the Republic of Korea came into force and other agreements are already planned (China FTA Network, 2016). The Chinese authorities have also expressed interest in negotiating FTA with the EU, but the first step will rather take the form of bilateral investment treaty, which will initially settle certain issues relating to subsidizing, loans and export credits.

A lot will also depend on the development of *The Belt and Road* initiative (also known as the *New Silk Road*). This action plan covers 60 countries (of Asia, Europe, Africa). According to the State Council, the initiative

aims to promote the connectivity of Asian, European and African continents and their adjacent seas, establish and strengthen partnerships among the countries along the Belt and Road, set up all-dimensional, multitiered and composite connectivity networks, and realize diversified, independent, balanced and sustainable development in these countries (State Council, 2015).

The countries involved in the initiative account for 70% of the world's population and 55% of global GNP. It is assumed that B&R will encourage China's advanced industries and their overcapacity to move into countries covered by the initiative, which will contribute

to the development of neighboring economies (Ernst & Young, 2015). Similar initiatives are also taken in other regions of the world, e.g. *the China-CELAC Cooperation Plan* for the years 2015-2019, which was adopted in 2015 in Beijing. This strategy involves increased cooperation not only in trade and investment, but also in the protection of environment, education and culture.

2. STRATEGIC CHALLENGES FOR THE PRC

The PRC is during the process of changing the development model, which is to be based primarily on a highly advanced production technology and modern services. Some Chinese corporations (e.g. Lenovo Holdings, Haier Group and Huawei Technologies) managed to catch up against competitors from Triad countries. This is also evidenced by the increasing participation of Chinese corporations in the list of Forbes Global 2000 and Fortune Global 500. However, despite significant progress in many areas, China still faces many dangers and challenges that will require solutions in the coming years. The most important of them are indicated below.

Domestic consumption. China's economic growth in the past was based on foreign investments and intensification of exports. The financial crisis in 2008 brought a decrease in demand in many economies, which also had some, though ultimately a relatively small impact on economic growth in China. To compensate for the negative effects of future economic shocks, it is necessary to free the domestic consumption from the barriers that have been built partly to raise private domestic savings, finance capital accumulation and cover the social security expenditures. According to World Bank data, the gross savings in China are now extremely high (49% in 2014 compared to 18% for the US)³ (World Bank, 2016), which proves that there are still huge reserves in terms of domestic consumption. Some regulations are also required for internet transactions, which – although having a huge potential (e.g. Alibaba – the biggest online commerce company), are characterized by certain limitations.

³ Gross Domestic Saving consists of savings of household sector, private corporate sector and public sector.

Reforms of SOEs. The government authorities divided state-owned enterprises into two categories of entities: typically commercial companies, and entities dedicated to public welfare. These two groups of companies are characterized by different organizational purposes. According to the assumptions of the 13th Five-Year Plan, some areas of the economy should be to a greater extent open to private capital, but those that are regarded as essential for national security (military power) will continue to be restricted. For many years, Beijing has been paying special attention to the development of central SOEs, which in 2015 included 106 entities (SASAC, 2015). In principle, their aim is to compete in global markets with Western TNCs. So far, the success has been achieved by companies with the majority of private shares. Effective reforms of SOEs can contribute to improving the allocation of resources, strengthen confidence (especially in foreign markets) and free their growth opportunities. Bringing the form of corporate governance of state enterprises closer to the form of private entities would also allow for more dynamic international expansion. Taking into account the share of SOEs in the overall economy, the reduction of the gap in productivity between them and private companies and a better allocation of capital and labor could lift the level of output (IMF, 2016c). In the future, it is expected to increase the possibilities for cooperation between companies on the basis of mixed ownership. This business model can bring new development prospects.

Innovation and liberalization of activities of POEs. China's accession to the WTO has forced greater protection of intellectual property. On the other hand, Western companies have learned to a greater extent how to protect their technologies. Therefore, the improvement of the competitive position will require strengthening the innovation, which should be not measured by the number of patent applications⁴, but rather by their real use in Chinese economic reality. The authorities in Beijing, instead of directing funds almost exclusively to the SOEs, should do more to finance SMEs, often characterized by a strong innovation potential. All levels of education is also important in this

4 Given the amount of patents, according to the World Intellectual Property Organization, China is an absolute leader in the world, almost twice exceeding the number of patents submitted by US-based companies and institutions (WIPO, 2016).

context. The strategy “Made in China 2025” focuses on solutions that will combine advanced ICT tools and products with the manufacturing activities to modernize production processes and to realize smart manufacturing (Liu & Langhammer, 2016).

In the context of the growth of innovation, the attention should be paid to the liberalization of private companies that still face obstacles on their path to international expansion and restricted access to the investment capital offered by state institutions. Chinese private companies are generally more flexible, have a higher growth rate and a more courageous strategy of focusing on the diversification of activities. On the other hand, their frequent weakness is the lack of awareness of investment risks, knowledge of the environment and culture of the host countries and the limited experience in the international arena. In this context, attention should be paid to the need to strengthen the cooperation between the POEs and SOEs, based on the mixed ownership or intensified exchange of information and experience (Ernst & Young, 2015)

Demographic issues and poverty reduction. The future prosperity of China is closely linked with its population policy. In January 2016, one-child policy was formally abolished, ending more than three decades of strict birth control (and replaced by two-child policy) (Philips, 2015). The changes are to counteract the negative effects on the labor market and public expenditure in China resulting from the inverted demographic pyramid. However, Chinese authorities will find it difficult to reverse the trend, the more that the one-child policy was (officially) supported by the majority of the population (PEW Global, 2008). The problem lies also in the fact the previous policy resulted in men outnumbering the women in the population.

One of objectives of the one-child policy was an attempt to reduce poverty. China proved to be an extremely successful country in the world in poverty reduction. It was partly due to the annexation of Hong Kong, development of special zones (such as Shanghai), and investment in human capital including all levels of education. According to Bloomberg, in 2016, 19% of the working population in China (amounting to 770.4 million) earned an average of 12 thousand USD per year (Bloomberg, 2016a). Problems, however, will arise in future decades with the gradual aging of the population, which can have very negative consequences. First, the decline in the labor force

may increase the wage pressure and, secondly, as a consequence of the lack of a comprehensive system of pensions and an increase in the number of people in the retirement age, more and more older people will have to reach into their savings to seek the livelihood.

Labor market. Maintaining the stability of the labor market is one of the main priorities of the Chinese government. As already mentioned, demography and dynamics of the Chinese labor market are changing, though for now it is relatively resistant to fluctuations. Characteristic feature of China's labor market are flows of migrants who seek work in urban areas (which account for 50.9% of non-agricultural employment). However structural reforms and gradual change of economic model can result in reduced job opportunities in the cities and partial return of migrants to rural areas⁵ (Lam, Liu & Schipke, 2015).

Another problem is the fact that wage growth in China has largely outpaced productivity growth, which in turn may slow down transforming of China into a consumption-led economy. In 2015, labor productivity increased by only 6.6% (to 7.318 USD), while in 2003-2010, after entering the World Trade Organization, the average increase was about 10% (National Bureau of Statistics, 2016). According to research by Oxford Economics, labor costs adjusted for productivity are only 4% lower than in the U.S. (Bloomberg, 2016b), what results in an increase of importance of reshoring phenomenon (Młody, 2015). Besides, shortage of skilled labor will result in increased competition between companies seeking employees. Therefore, it seems that Chinese authorities will be forced to reduce the constraints on talent movement between industries (Hays, 2016).

Corruption and intellectual property rights protection. Corruption on all levels of the PRC authorities is the problem, which will require a solution in the coming years. Although the penalties for accepting bribes in various forms are extremely strict (corruption is threatened by the death penalty), every year there are thousands of disclosed violations of the law in this regard. The Chinese authorities claim that their intention is to strive for full transparency of actions. To this end, a whole range of regulations was adapted (after joining the WTO), aimed at protecting Intellectual Property Rights (IPR). On the

⁵ It is estimated that due to the recent global financial crisis about 20-45 million migrant workers returned to their rural homes.

other hand, examples of intellectual theft by institutions associated with the Chinese government show that there is a partial government permission for this type practices (NTE, 2016).

Foreign trade and investment. While it can be assumed that further China's economic development will be based on domestic consumption, foreign trade and investment (both inward and outward) will continue to constitute an important element of future growth. The intention of China should not be the signing of FTAs and BITs on a massive scale, but rather a deliberate selection of appropriate business partners. The earlier part of the article mentioned the initiatives taken in various parts of the world, whose effects are already visible. In recent decades, the relationship between the EU and China were, to a large extent, focused on trade in goods, and recently trade in services has also been growing rapidly. Less attention was paid to investment. Although the EU-China Bilateral Investment Agreement has been under negotiation for several years (preliminary discussions have been initiated immediately after the financial crisis of 2008), the road to its conclusion is still quite long (Ewert, 2016). China-US Bilateral Investment Treaty is a similar case. If it enters into force, it will allow the entry of US-based companies into currently restricted sectors of the Chinese economy. It is difficult to predict which party would gain a greater profit from the agreement.

Monetary policy. The transformation of China into market economy based increasingly on modern services and innovative production requires the establishment and implementation of modern monetary policy framework. IMF consent for yuan to join the prestigious group of global reserve currencies is an expression of appreciation for China's economic development and an incentive to continue the introduction of market reforms, although it should be remembered that yuan is still not fully convertible. In recent years, the Chinese government has implemented a number of regulations liberalizing financial markets, including the banking sector and the stock market and bonds market. On the other hand, the volatility of the financial market as a result of several changes in the exchange rate policy and the rapid increase in the cost of loans makes the problems still exist. Nevertheless, Beijing maintains the commitment to further reforms. Greater exchange rate flexibility will require a larger focus on the government to stabilize the domestic prices in the framework of

monetary policy. According to the IMF (2016c), another important change should include the introduction of inflation targeting.

China's legitimacy in the world. As long as a few decades ago, Hans Morgenthau, a precursor of the realist school of international relations, suggested that "China may well in the long run carry the gravest implications for the rest of the world" (Morgenthau & Thompson, 1993, p. 377). Morgenthau notes that the pursuit of power is a distinctive element in today's international politics. However, obtaining the status of a superpower requires legitimate recognition on the part of most of the countries. The US is currently a country which is characterized by the most widespread legitimacy (Liu & Langhammer, 2016). China is seen as a global leader especially in the economies of deep economic dependence from the PRC, e.g. some Latin American countries (e.g. Venezuela, Argentina), which, since 2015 were offered loans worth more than 120 billion USD (Gallagher and Myers, 2015). All the countries, which were granted Chinese loans are expected to provide proper treatment for Chinese investors, as well as the specific political concessions (Gwiazda, 2013). Although the previous strategy of China appears to be relatively effective, it seems that the real legitimacy in the world cannot be achieved only through financial assistance.

THE RESULTS OF SCIENTIFIC ANALYSIS AND CONCLUSIONS

A superpower is a country that dominates on the economic, political and military level. Although in this article the attention was focused primarily on the economic aspects, it should be born in mind that they determine the strength of the country in other areas. The economic growth of the PRC has allowed some scholars, journalists and politicians to believe that the country could become the next global leader. However, this theory has as many supporters as opponents.

Given the challenges faced by China, it is difficult to predict when, or if, this country will catch up the status, which has been held by the USA since the end of the Cold War. First, China should solve its internal problems, including poorly regulated financial market, problems with social security, environmental pollution, widespread corruption, declining growth in productivity, and a rapidly aging

society. The technological gap still remains the Achilles heel of China. Some of these challenges are addressed in the 13th Five-Year Plan and the initiatives at the regional level. The assessment of the effects of their implementation will have to wait. The key question remains whether Chinese aspirations will be limited to the economic area. The attitude of Western countries to China's efforts to change the world order and recover the position of superpower is another moot point. China's current expansion path involved the soft power (Nye, 2004, p. 8) based on the economic-political-cultural attractiveness of the economy. If this approach is maintained, and simultaneously followed by further liberalization of the economy and democratization, we should not expect profound objections from major countries.

BIBLIOGRAPHY

- AEI. (2016). *China Global Investment Tracker*. American Enterprise Institute. Retrieved from: <https://www.aei.org/china-global-investment-tracker/>
- Angang, H. (2011). *China in 2020: A New Type of Superpower*. Washington, D.C.: Brookings Institution Press.
- BBVA Research. (2016). *China Economic Outlook*. Retrieved from: <https://www.bbva.com>
- BEA. (2016). U.S. Bureau of Economic Analysis. Retrieved from: <http://www.bea.gov/>
- Bloomberg. (2016a). *Here's What China's Middle Classes Really Earn and Spend*, Retrieved from: <http://www.bloomberg.com/news/articles/2016-03-09/here-s-what-china-s-middle-class-really-earn-and-spend>
- Bloomberg. (2016b). *China's Productivity Growth is the Worst Since the Asia Crisis*. Retrieved from: <https://www.bloomberg.com/news/articles/2016-09-05/china-s-productivity-growth-is-the-worst-since-the-asia-crisis>
- Brooks, S., & Wohlforth, W. (2016). *America Abroad. The United States' Global Role in the 21st Century*. Oxford: Oxford University Press.
- China Customs. (2016). *General Administration of Customs of the People's Republic of China*. Retrieved from: <http://english.customs.gov.cn/>
- China FTA Network. (2016). *China's Free Trade Agreements*. Retrieved from: <http://fta.mofcom.gov.cn/english/index.shtml>
- China Statistical Yearbook. (2015). National Bureau of Statistics of China.
- Ernst & Young (2015). *Riding the Silk Road: China sees outbound investment boom Outlook for China's outward foreign direct investment*. China: Ernst & Young.

- Ewert, I. (2016). The EU – China Bilateral Investment Agreement: Between High Hopes and Real Challenges. *Security Policy Brief*, 68.
- Fortune. (2016). *Fortune Global 500*. Retrieved from: <http://beta.fortune.com/global500>
- Gallagher, K.P., & Myers, M. (2016). *China-Latin America Finance Database*, Washington: Inter-American Dialogue.
- Global 2000: The World's Biggest Public Companies. (2016). *Forbes Magazine*. Retrieved from: <http://www.forbes.com/global2000/list/>
- Gwiazda, A. (2013). Dążenia Chin do odzyskania pozycji supermocarstwa. *Przegląd Strategiczny*, 2, 73-88.
- Hays. (2016). *China's Top 10 Talent Trends For 2016*. Retrieved from: https://www.hays.cn/en/press-releases/HAYS_312446.
- Heath, T.R. (2016). China's Evolving Approach to Economic Diplomacy. *Asia Policy*, 22, 157-191.
- IMF. (2015). *The Case for a Global Policy Upgrade by Managing Director Ch. Lagarde*. Retrieved from: <https://www.imf.org/en/News/Articles/2015/09/28/04/53/sp011216>.
- IMF. (2016a). International Monetary Fund Data. Retrieved from: <https://www.imf.org/en/Data>.
- IMF. (2016b). *IMF Adds Chinese Renminbi to Special Drawing Rights Basket*. Retrieved from: <http://www.imf.org/en/News/>
- IMF. (2016c). *The People's Republic of China. Selected issues*. IMF Country Report No. 16/271. Retrieved from: <https://www.imf.org/external/pubs/ft/scr/2016/cr16271.pdf>
- Kaplowitz, S. (2015). *Why China is not a global superpower-yet*. Retrieved from: <http://fortune.com/2015/07/30/china-stock-market-superpower/>
- Kemrany, N.M., & Jiang, F. (2015). *China's Rise to Global Economic Superpower*. Retrieved from: http://www.huffingtonpost.com/nake-m-kamrany/chinas-rise-to-global-eco_b_6544924.html
- KPMG. (2016). *China Outlook 2016*. Retrieved from: <https://www.kpmg.com/CN/en/IssuesAndInsights/ArticlesPublications/Documents/china-outlook-2016.pdf>
- Lam, W.R., Liu, X., & Schipke A. (2015). *China's Labor Market in the "New Normal"*. IMF Working Paper WP/15/151.
- Liu, W-H., & Langhammer, R.J. (2016). China's growth challenges. *Kiel Policy Brief*, 101.
- Mizuho Research Institute. (2015). *Guiding Opinions*. Retrieved from: <http://www.mizuhobank.com/service/global/cndb/economics/briefing/pdf/R216-0027-XF-0105.pdf>
- Młody, M. (2015). Istota i motywy podejmowania przez przedsiębiorstwa strategii reshoringu. *Prace Naukowe Wyższej Szkoły Bankowej w Gdańsku*, 40.

- MOFCOM. (2015). *Catalogue for the Guidance of Foreign Investment Industries*. Retrieved from: http://www.fdi.gov.cn/1800000121_39_4830_0_7.html
- MOFCOM. (2016). Ministry Of Commerce People's Republic Of China. Retrieved from: <http://english.mofcom.gov.cn/>
- Morgenthau, H.J., & Thompson, K.W. (1993). *Politics Among Nations: The Struggle for Power and Peace*. New York: McGraw Hill Inc.
- National Bureau of Statistics. (2016). Retrieved from: http://www.stats.gov.cn/tjsj/sjjd/201609/t20160901_1395572.html
- NTE. (2016). *The 2016 National Trade Estimate Report*. The Office of the U.S. Trade Representative (USTR). Retrieved from: <https://ustr.gov/about-us/policy-offices/press-office/reports-and-publications/2016/2016-national-trade-estimate>
- Nye, J.S. (2004). *Soft Power. The Means to Success in World Politics*. New York: Public Affairs.
- PEW Global. (2008). *The Chinese celebrate their roaring economy, as they struggle with its costs*. Retrieved from: <http://www.pewglobal.org/2008/07/22/the-chinese-celebrate-their-roaring-economy-as-they-struggle-with-its-costs/>
- Philips, T. (2015). China ends one-child policy after 35 years. *The Guardian*. Retrieved from: <https://www.theguardian.com/world/2015/oct/29/china-abandons-one-child-policy>
- PWC. (2015). *Prosperity for the masses by 2020*. Retrieved from: http://www.pwccn.com/webmedia/doc/635835257136032309_prosperity_masses_2020.pdf
- Solidjanova, N. (2015). *China's Trade Ambitions: Strategy and Objectives behind China's Pursuit of Free Trade Agreements*. U.S. – China Economic and Security Review Commission, 1-43
- SASAC. (2015). State-owned Assets Supervision and Administration Commission of the State Council. Retrieved from: <http://www.sasac.gov.cn/n86114/n86137/index.html>
- Schweinberger, A. (2014). State Capitalism, Entrepreneurship, and Networks: China's Rise to a Superpower. *Journal of Economic Issues*, 48(1), 169-180.
- The State Council. (2016). Action plan on the Belt and Road Initiative. Retrieved from: http://english.gov.cn/archive/publications/2015/03/30/content_281475080249035.htm
- WIPO. (2016). World Intellectual Property Organization Statistics. Retrieved from: <http://www.wipo.int/ipstats/en/>
- World Bank. (2016). Gross savings (% of GDP). Retrieved from: <http://data.worldbank.org/>

- Xinhuatext. (2015). *Highlights of proposals for China's 13th Five-Year Plan*. Retrieved from: http://news.xinhuanet.com/english/photo/2015-11/04/c_134783513.htm
- Xu, D.B., & Wang, J.M. (2015). Strategic Emerging Industries in China: Literature Review and Research Prospect. *American Journal of Industrial and Business Management*, 5, 486-506.