Attila Marján
The new world order and China’s role in it

Thirty years ago China's share of world trade hovered below 1% but has increased more than tenfold since. Every year since the turn of the millennium, China has provided a quarter of the international economy's annual growth.

China's entering the mainstream of the global economy was symbolically completed when it became a member of the World Trade Organization (WTO) in 2001. This added 800 million workers to the international labor force. China is now the biggest market and the biggest economy in the world. The West’s economy and political elite are forced to ride the shock waves caused by China's rise. Western retailers source most of their stock from China. Millions of blue-collar workers have lost their jobs in the West as production is relocated to the Far East, and China's huge untapped rural labor reserve will not run out in the coming decade. The entry of China and India into the global labor market reduced the global capital to labor ratio by 55 to 60%. This is the single most important ratio explaining the phenomenon we call globalization. The development of Chinese capitalism is fundamentally different from the previous British or American models though, where the technological innovations of their own inventors fuelled progress. China, on the other hand, imported ready-made solutions from the more developed parts of the world. China is also becoming an international financial power. It has become the leading holder of US Treasury debt and thus is now officially the American government's largest foreign creditor. China has also accumulated the largest foreign currency reserves in the world.

In 1820, China and India combined accounted for about half of the world output, while Europe only accounted for 24% and the US only 2% (!). China only exported, the West - primarily Britain, the hegemonic power of the 19th century - imported. A huge global trade imbalance was accumulated to China’s advantage and China held an incredible amount of British silver. Today’s situation is surprisingly similar. In the 19th century this led to the opium wars and to the end of the once mighty Chinese empire. In 1978 China accounted for less than 1% of global GDP. What the West sees now is indeed the re-emergence of China in an incredibly fast way.

China's middle class is expanding at an unheard of speed, and its wealthy few are becoming the wealthy many. Chinese society is undergoing rapid transformation, which alters people's self-identity as well. A poll published by the Chicago Council on Global Affairs[1] already in 2007 indicated that the Chinese believed that, in ten years' time, their country will be just as powerful and influential in the world as the United States. At the same time the majority of Americans, Chinese, Indians and South Koreans polled were of the opinion that China would pull ahead of the US in the global race. Clearly China is no longer just an economic power but also a political force to be reckoned with, often flexing its muscles to further increase American unease.

The turn of the new millennium saw the emergence of new centers of gravity, often in the form of non-centralized conglomerates of states with large differences among

them and without a single political will. The most important such center of gravity is South-East Asia, which has a growing influence on the global economy and world politics. With the boom in the Chinese economy, the slow but steady recovery of Japan's economy, the reinvigoration of the "small tigers" and the strengthening regional roles of India and Australia, South and East Asia looks set to become the key focal point of the next world order. But with that role and power comes increased responsibility, in particular for the region's leading country: China. Issues that have been considered domestic in nature – such as setting the yuan's exchange rate, the efficient organization of the textile industry, health care reforms, better and more transparent governance or curbing corruption – will have a direct global impact.

As Asia rises, so does the West's economic, demographic, political and military significance erode. The days of the global rules and institutions established by the West are numbered. Most Chinese researchers, politicians and even the man in the street are convinced that, things will soon be back to normal as China is becoming the world's biggest economy just as it had always been until the beginning of the 19th century. (As late as the 18th century, China was the world's largest trading nation, conducting one third of global trade, with India as runner up boasting one sixth of global trade.)

By 2015 the era of G7/G8 – in other words: the era of absolute Western domination with US hegemony - is over. The 21st century will refashion the global political order as well as the global financial world. The hegemony of the dollar -- just as of the USA -- will come to an end. International institutions need to be reformed. It is just absurd for Belgium to have greater voting weight in the International Monetary Fund than India. At the moment international organizations are functioning inefficiently and are on the decline, which is not surprising, as they are institutions of the post-war West-centered world.[2] We are living in an era of G20 but this seems only an interim solution. The question is what world order follows? Suggestions are plenty.

There is Robert Haass's vision of a non-polar world order[3], more precisely a non-polar disorder, which is inevitably unstable in the long run. G3 is more of a Chinese idea. It is a multiple variable geometry in which different G3 setups can be envisaged (China, USA, Russia; China, EU, USA; China, Japan, USA) according to the needs of and relevance to the issue in question. G2 (a Sino-American tandem) seems for the time-being to be a weird animal to the Chinese. In 2009, some began talking about a G2 in the model of the G7, G8 or G20 and envisioned an Obama-Hu Jintao duo deciding the fate of the world. China was abashed by that talk of a G2 and was quick to deny any speculations about a bipolar USA-China world order. China has at least two problems with the G2 setup: for the time-being, it does not want to expose itself as a real global power nor wants it to be drawn too close to the US.

Chinese politicians and scholars treat the West's loss of influence as granted, but there are people in China who worry about the possibility of America's rapid decline. The more realistic observers in Beijing believe that America's collapse (no matter how realistic this is anyway) would have disastrous implications, because China is not yet ready to build an alternative world order. Hence the objective should be to compel the USA to show more willingness to cooperate rather than bring it down.

"The rise of China is granted by nature. In the last 2,000 years China has enjoyed superpower status several times...China's decline is a historical mistake which should be corrected" -- the political scientist Yuan Xuetong wrote[4] in the Journal of Contemporary China in 2001, the year when the image of the USA's invincibility was shattered. "Isn't it possible that China, like all rising powers of the past, including the United States, wants to reshape the international system to suit its own purposes, commensurate with its new power?" Robert Kagan asked four years later in the pages of the Washington Post.[5]

China is preparing itself, trying to identify the weaknesses and strengths of its rivals. Its vast administration, including the army and intelligence services, is busy calculating, analyzing, generating strategies, and suggesting dos and don'ts for China's rise. Meanwhile, the Chinese economy is growing at breakneck speed and beginning to reshape the global market. Chinese foreign policy has restricted its attention to local, or at most regional affairs, but the isolationist, policy of the nineties is inappropriate in the 21st century. It is unclear whether China's true character is soft power or hard power. They have been undecided for centuries, even though China has been involved in wars or armed conflicts with almost all of its neighbors. Chinese political leaders seem to be uncertain at this point how to define the future role of China in the emerging world order. It is indeed a major problem for the West that it does not see where China is headed; but it is even a bigger problem for the whole world that China itself does not know either. Having said this China is reinforcing its global security focus. Chinese President Xi Jinping already announced the setting up of the Chinese National Security Commission (CNSC). The CNSC has three major tasks.

- To advise the Politburo (which oversees the Communist Party) and the highest levels of the leadership on security strategy.

-To coordinate between different departments throughout the party, the government, the military, and society.

- To conduct crisis management and risk management, for both internal and external security threats.

In July 2015, the Chinese government passed a new national security law that will strengthen its role in China’s national security policy.[6] The Chinese Security Commission decided to establish high-level communication mechanisms with the US National Security Council as security issues between China and the US already affect the entire globe, and especially the Asia-Pacific region. The hotline proposed by China between the Chinese National Security Commission and the U.S. National Security Council is meant to handle emergency situations.

The transformation of the international order, the end of a hegemonic system, the appearance of a new power has often brought disaster in history. The only exception to this rule was the changeover of power between the British Empire and the United States in the 20th century, but this was a special case for two reasons. Firstly, the two nations were closely related culturally (in the broadest sense); secondly, that changeover happened during global wars in which the two Anglo-Saxon powers fought side by side. The map of the world is being redrawn again at the beginning of the 21st century. In a Huntingtonian world the birth of a new world order and the emergence

of new global powers inevitably lead to a crisis or a global conflict. Zakaria and Khanna, two well-known analysts of current times are less pessimistic,[7] they talk about a world coming to terms with a natural multipolarity by the emergence of the second and the third world.

On a historical scale, America's rise to global power status was extremely quick: on the eve of World War II the US Army was smaller than that of the Dutch but by 1944 America's military output was double that of the Axis powers. The USA climbed to the top of the world with unprecedented speed and stayed there for a short century. In 2000 the United States was the strongest power in history, whose global supremacy was uncontested. Its budget showed a healthy surplus, its military might was unparalleled, its economic clout colossal. However, since 2001 the US's global position weakened. There is a lot of discussion about the end of the US supremacy and also on why has America's global dominance come to an end and how China found its way up? One obvious explanation is the dynamics of history: it is simply impossible to stop the emergence of new powers. If a civilization, culture, country or region can improve the efficiency of its economy, if it can put human, technological and financial resources at work in a massive way, and if the external environment is favorable, it will become successful. If this happens in a big enough country, it will become a world power. Another explanation is the mistakes committed by the United States: its misguided energy policy, its immensely expensive wars have not produced any tangible results but have emptied the federal coffers, eroded America's international image and gave China the chance to build up its economy, diplomacy and military almost unnoticed by the hegemon. In the meantime the US economy has become dependent on China (and vice versa for that matter): what China produced the USA bought, and as a result China now holds trillions of dollars in US government bonds. The arrival of the turning point has been accelerated by the profound demographic and economic changes, the pace of globalization, 9/11, America's military failures and the economic crisis. As the Japanese prime minister said at the end of an international summit in late 2008: "History teaches us that crises create new order." The shift of geopolitical power towards Asia coincides with the end of a golden age of the West, which brought rapid growth, low inflation and considerable improvements in the standard of living, as well as with an economic crisis unseen in 60 years.

The American intelligence community[8] predicted a fundamental reshuffle of the world as we know it in the next few decades already a decade ago. The international order, as it was created in the wake of World War II, will be unrecognizable by 2025 -- they say, adding that the pace at which wealth and political power will move from West to East is unprecedented in modern history. The world will become ever more dangerous, but richer at the same time, which does not mean that the majority of the Earth's population will not face food and water shortages. Today's oil powers may become tomorrow's beggars, while developing countries and regions that build their economies on hard work will see stunning growth. The rise of the non-Western world, which began in the 1950s with Japan and continued in the '60s with the Asian tigers, became a full-blown trend with the emergence of China, India and Brazil and will continue for decades.

It remains to be seen whether China's rise will happen peacefully in the long run. The West is instinctively wary of geopolitical changes and knows also that dictatorships do not last long. Still, China needs peace in the world to be able to strengthen its economy, annex Taiwan at some stage and build an international order in which Asia and China play a central role. For the time being, China is not aiming at global hegemony or confrontation. Since the mid-nineties, China has been claiming to be a responsible, peaceful and cooperative partner of the West. A confrontation with America is unlikely to pay any dividends and is therefore not a realistic option. However it is encoded into Chinese culture that everything must have a counterbalance. A power without a counterbalance is unnatural and dangerous. Power must be balanced internationally without encroaching upon the independence or sovereignty of nation states. After the collapse of the Soviet Union the Chinese hoped that the Cold War era would be replaced by a multipolar world order, and were disappointed to see the dawn of total American hegemony. China was shocked by the US intervention in Kosovo in 1999; bilateral relations were all but frozen, and China was afraid that the USA would use Taiwan and Japan to keep China at bay. This was the general view held by Chinese politicians and defense analysts at the turn of the millenium. But the world has changed immensely since then. Niall Ferguson talked about the end of Chimerica[9] - a marriage between the US and China in a completely intertwined economy where America consumes and China produces, China lends, America borrows, China exports, America imports. This cooperation was obviously a pretty problematic one therefore did not last for long. Both USA and China maintain strong suspicions of each other's intentions. Accordingly, both sides are hedging their bets and securing their positions should relations deteriorate. As long as the question of Taiwan is not resolved peacefully and definitively, hostility between China and the USA remains a realistic risk. Nonetheless, as long as the USA does not pose a threat to its vital national interests, China is willing to tolerate the current global framework but with an ever-growing determination to gradually change it from inside.

According to Kissinger, the United States must be aware of its supremacy but act as if global security depended on all global actors. This strategy can divide the psychological burden of responsibility and will allow the principles of freedom and democracy to dominate international politics. In other words: share power to hold on to power. Kissinger believes that China, with four thousand years of history behind it, must know something about survival, hence the West should avoid being condescending. Kissinger is convinced that China's rise will be the greatest challenge to the West as well as to China itself. Its political mentality, institutional culture and traditions do not predestine the US to accept easily the loss of its status as the world's number one power and become one of many global actors. Also, for the US multilateralism has a different meaning and importance than to European countries and the EU. For America multilateralism is the means of achieving its end of a stable world order with the USA as the leading power. For Europe multilateralism is the end itself.

Having said all this, in 2015 US's global military superiority is still beyond question. The US Navy commands a fleet bigger than the next 50 largest fleets together; America spends over a billion dollars a day on defense. The US economy is world leader not only in term of output but also in the use of cutting-edge technology. America's intellectual and cultural impact -- from Harvard through Hollywood to McDonald's -- is

the biggest soft power in the world. Not to mention the fact that the USA is not a status quo power, America is not afraid of change. Apart from its unwavering faith in democracy and in its own specialness, its embrace of change is one of its key distinguishing features.[10]

The rise and reinforced international profile of China and Asia poses some inconvenient but crucial questions for the West. As Asia rises and Europe stagnates, an overhaul of international organizations naturally seems inevitable, however difficult that may be. The French president suggested that India should be given a permanent seat on the UN Security Council, but when the possibility of the EU being given a single seat on the Security Council (instead of the two currently held by France and the United Kingdom), he called it very unlikely that the EU -- which has trouble agreeing on much less contentious issues -- could find consensus on such a sensitive and crucial question.

What guaranteed the prosperity of the West, apart from its military might, was that the world order that emerged in the wake of World War II was shaped by Western ideas, rules and values. Global politics undergo seismic shifts the global order is realigned and the global value set might also be rearranged to a certain extent. This latter is much less talked about but equally important – in the long run, certainly. We are witnessing not only the competition of economies and military capabilities but of values as well. And what we experience is a new phenomenon: the rise of alternative values and institutions in the world in parallel with a certain level of democracy fatigue even in the West.

In parallel with the global power reshuffle new social models are appearing. These new societal models are not hybrids combining elements of Western society. They tend to be forms of state capitalism or non-liberal (pseudo) democracies, where elections are held regularly but a populist elite rules the country nonetheless. Many developing countries go through this stage in their development; the question is whether they will be able to move on and turn themselves into real democracies. At the same time Western liberal democracy shows signs of ageing and becoming rickety as cowardly political elites motivated only by polls discredit democracy altogether. Postmodern politics is drifting towards dim-witted media politics.

Does China's rise really mean that the universal expansion of the Western world and of liberal democracy have come to a halt? When China broke with dogmatic communism and opened itself up to the world, it spent three decades adopting Western principles, particularly in the areas of foreign and economic policy. China is opening a new chapter: it wants to create a new model of its own, which can become an alternative to the Western model and will surely be popular in all countries that have a dislike for the American dominated Western world order. When the "Chinese model" crystallizes it can offer the developing world (Africa, Latin America and the Middle East) an alternative to the Western liberal model. The new China does not only rebuff the West-dominated present, it also rejects eurocentric historiography and the eurocentric worldview as false and distorted, because -- it claims -- these advocate the global supremacy of Greco-Roman culture and underplay the world's oldest culture (i.e. that of China).

The fact that autocracy and state capitalism seem to prevail and flourish in the biggest country in the world is a powerful signal for many countries. There are speculations that the global system might soon have a viable Third Way (as opposed to the Western and the clear cut third world dictatorship models) which could be a desirable option for many Asian and African countries in the 21st century. It is not a certainty though. But if democracy is challenged by a strong and vivid alternative model on the global scale, remilitarization and old-school power politics could come back into fashion. China will have a responsibility as regards how to tackle these developments and their consequences in the long run.

Francis Fukuyama asks[11] in 2010 whether liberal democratic principles are really universal or have been revealed not to be. His answer is that they are universal - but this is not as sure as it was a decade ago. He asks what the democratic world can do with Putin's transformation of Russia into an "electoral authoritarian" state, the undermining of democratic institutions by Hugo Chavez in Venezuela, and the rise of China as a successful authoritarian modernizer. Are these systems true and viable alternatives of old-fashioned democracy? They are most probably not in the long run, but liberal democracy is not the only alternative to all-out dictatorship in worldwide politics anymore. As he puts it: "The next phase of global history will be a challenging one, as America and Europe stumble to get back their economic balance. It seems doubtful that either the US or Britain will achieve the degree of growth in the next generation that they did in the previous one. But one of the great advantages of democracy is that it does not depend for its legitimacy on continuing high levels of economic growth, as the Chinese system does. As we move forward, it is important to keep in mind the simple power of the idea of a government by, for, and of the people. We need to match those high ideals with unglamorous but steady investments in institution-building if liberal democracy is to deliver on its promises."

Robert Kagan says that ideology still matters in geopolitics, and one should add perception as well to ideology. China's strength comes partly from the fact that the world sees it as strong, the future great power. At the same time, part of America's weakness stems from the fact that it sees itself as a declining power[12]. A change in these perceptions could cause significant shifts in times of uncertainty and global transition. Is China potentially an even bigger a power than we imagine or - as Ari Van Assche puts it – does the West only make a dragon out of a dragonfly[13]?

China is changing geopolitics, surely. Is China going to change the rules of the game? It is doubtful, but this is still a puzzle to the Chinese themselves. China might as well be much less powerful as it seems, based on a shaky "Leninist corporatism" whose development is completely based on stealing know-how and institutions from the West as Will Hutton points out.[14] But there is a high probability that reality will prove otherwise.

---

[1]Chicago Council on Global Affairs: World Public opinion, 2007.

[2]Zhao Kejin concludes that "today it seems that EU states are taking a case-by-case approach toward China's initiatives to constructively reform the Bretton Woods system. They tend to support reform of the international monetary order, thus accepting RMB's inclusion in the SDR, yet they are not committed to sharing governance of the old institutions, as this would limit European influence and prestige." In: China's National Security Commission. Carnegie-Tsinghua Center for Global Policy. July 14, 2015.

[3]Robert N. Haass: The age of non-polarity – What will follow US dominance.Foreign Affairs.May/June, 2008.

[4]Yan Xuetong: The rise of China in the Chinese eyes, Journal of Contemporary China, 2001, Vol. 10.

[5]Kagan, Robert: The Illusion of managing China. Washington Post, 15 May 2005,.

[6]Kejin, Zhao: China's National Security Commission. Carnegie-Tsinghua Center for Global Policy. July 14, 2015.

[7]See more in Khanna, Parag: The second world – empires and influence in the new global order. Random House, New York, 2008. and in: Zakaria, Fareed: The post-American world. W. W. Norton & Co, New York, 2008.

[8]According to the Global Trends 2025 report.

[9]Ferguson, Niall - Schularick, Moritz: "Chimerica and global asset markets". 2007. and "The end of Chimerica". 2009. Harvard Business School.Working Paper 10-037.

[10]A small note: things in the balance of the international order can change unnoticed and sometimes scholars and politicians got carried away by perceptions of visible trends while obviously disregarding the ones less obvious. One good example is the surprise at the collapse of the Soviet Union. In his book (My Country, My People) published in the US in 1935 Lin Yutang described China as a tired old man (in comparison with the dynamic, youthful West.) Some seventy years later my book on the future of Europe bore the subtitle: "The Old Lady and the Bull" (a reference to ancient Greek mythology) describing Europe as an old lady instead of the young girl who she used to be when she had been taken by Zeus disguised as a bull. Probably both of us were right at a certain moment in time, but the lifespan of truths in geopolitics seems to get shorter and shorter.

[11]Is the Age of Democracy Over? Spectator. February 10, 2010.

[12]An example: According to a 2009 survey by Penn, Schoen and Berland Associates, 81% of Chinese think the USA will stay ahead of China in innovation, while 41% of Americans think so. (in Newsweek, 28 November 2009.)

[13]Van Assche, Ari: Are We Making a Dragon out of a Dragonfly? – Understanding China's Role in Global Production Networks. Burgundy Report, CIRANO Network, 2009RB – 03. January 2009.

[14]Hutton, Will: The Writing on the Wall: Why We Must Embrace China as a Partner or Face it as an Enemy. Free Press/Little, Brown.

(First published in *Modern Diplomacy*, 31 August 2015.)