

CHINA- FUTURE SUPERPOWER OR NUMBER 2 IN THE WORLD?

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Many analysts see in China an emerging superpower which could replace the United States as the preponderant power of the world in the next 20 years. These predictions on the future geopolitical order are supported by major international organizations such as the World Bank. However, even reports that consider a continuous ascent of China note that this depends on the evolution of many factors that can not be foreseen and which can adversely affect the growth of the Asian country.

China is the first country in the world history where growth has managed to be maintained a very long time, almost 30 years. Many analysts of the Chinese phenomenon consider that China's impressive development will follow the usual course of economic development by falling into recession. In current global conditions this crisis would affect the Chinese economy for many years in a row, predicting a similar crisis to that of Japan in the 90s, but which would also strongly affect the rest of national economies due to the intense trade existing between them and China. The analyst Jinghao Zhou believes that in order to maintain internal and external equilibrium, China should pursue three lines of gradual reform, which have as goal the democratization of China: promoting media freedom, improve citizen participation and promote free accession to religion¹, which are not currently given much importance by the Beijing government.

Thus, the future of China is marked by numerous obstacles that can cause, in the most optimistic scenario, a slowdown in the development of the state. A possible classification of these obstacles could be:

- Internal obstacles: economic, social and political;
- International obstacles: economic and technological, socio-political.

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¹ Jinghao Zhou, China's peaceful rise in a global context (Maryland: Lexington Books Press, 2010), 3.

Internal Obstacles

These barriers are caused by internal policies adopted by the Chinese government and the nation's response to them. The degree of danger determined by these obstacles can be very large, the recent riots and revolutions from the Northern Africa and from Asia stand as evidence. This danger is no stranger to Beijing. It fears the possible protests among the Chinese population: the so-called "Jasmine Revolution", that could be catastrophic for the Communist Party. Possible causes of these protests may be numerous but specialists give more importance to the following:

- Economic Causes

Business analysts consider that maintaining the explosive growth of Chinese economy can not be achieved and that the usual economic cycle will follow its course: growth will be followed by recession. Also, despite the world's dependence on economic exchanges with China, it is in turn limited by its' need for energy and raw materials. This, in conjunction with regional disparities creates the framework for a major internal crisis. Also, "in China, a slower development involves substantial social and political problems."²

In economic terms, economists point to the Chinese banking system, as opaque as many other sector of the economy in China, but whose imbalance is much more dangerous. This is because of the way in which were granted loans, both internally, where the loans reached an average value /capita of \$ 1,500 while the nominal income /capita is of \$ 4,000, and internationally where because of the economic crisis, China has become a major creditor even to the U.S. The factor which created this situation is the Chinese government's approach to periods of economic downturn. Unlike capitalist states, where banks reduce interest rates to initially increase consumption and investment and try to keep inflation under control as they reduce interest rates, banks in China do not use interest rate as a control instrument. During periods of economic instability, the Chinese government stimulates lending, and as they trigger inflationary effect, they adjust the maximum rates that may be granted as loans.³

² George Friedman, *The next 100 years. A forecast for the 21 century* (Bucharest: Litera Press, 2009), 83.

³ Davis Case, "The Decoder: Is China headed for financial meltdown?", GlobalPost, <http://www.globalpost.com/dispatch/china/110108/global-economy-china-economy-loans> (Accessed January 15, 2011).

Also, many market analysts expect a housing crisis caused by the large number of investments in such projects without a corresponding demand. This lead to "ghost towns", cities which remained uninhabited especially because of high prices demanded by constructors for rental or for selling.

- Social Causes

Revolutions in the Arab world have shown the extent and effects they can have on states where popular discontent occurs. It's hard to say whether Chinese people can sustain a protest for a long period of time or whatever a large number of them want this. What happened in Tiananmen Square in 1989 proved that isolated movements in an authoritarian state run are doomed to failure simply because the army and the police are subordinate primarily to the state and to the leading party and then to the security of people.

One of the effects of explosive growth is the increasing regional disparities and income differences between social classes. The Eastern regions are richer and more developed than the western ones, urban areas are richer than rural areas and the north of China is more developed than the south, with annual per capita income of \$ 7,000 compared to \$ 300⁴. These facts can generate sufficient discontent to trigger a revolution. Anyway, for now, Chinese civilians don't expect the West to equalize the East as richness merely because it has never been so.

Another factor that could fuel discontent with the Chinese people is the bad situation in which the Chinese social services are. Many citizens do not have access to medical assistance, education services, labor security or pension system, and this is not good for the internal stability of the state. Also, many families can not afford to buy a home because of high prices for apartments. However, according to the Chinese Premier, Wen Jiabao, due to the stimulus package that included, in addition to economic incentives, social stimulus in order to develop social programs, the Chinese authorities have developed a social protection program covering both urban and rural areas, an insurance scheme for older people in rural areas covering 60% of China's administrative regions, 90% of the Chinese population have now access to medical assistance and to the urban and rural cooperative scheme for medical help. Also, the entire population has access to free

⁴ Joshua Kurlantzick, „The Asian Century? Not Quite Yet”, Current History January (2011a), 28- 29 www.cfr.org/china/asian-century-not-quite-yet/p23794.

compulsory education, as a result of the increased expenditures which rose to 3.69% of GDP.⁵

Last but not least, the violations of human rights in an increasing process of globalization and market penetration which more and more Western European and American products, which symbolize a different, freer lifestyle, can lead to discontent among the population.

On the demographic side, but with major social implications, is China's growing aging population, caused by the "only child" policy. This process is faster than the growth of the country, which makes it impossible for China to create a viable system of social protection for the elderly and determines the possibility for the population to be old before it can be considered wealthy. Decrease in the number of the working age population will increase wages and so the Chinese competitive advantage will disappear. Elderly population should be maintained by their only child, which puts huge pressure on the incomes of the working age Chinese. "According to one comprehensive study by the Center for Strategic and International Studies, a Washington think tank, by 2040 China will have at least 400 million elderly, most of whom will have no retirement pensions." Another demographic aspect is the disproportion between genders. The preference for boys would cause their number to increase. A state in which the male population proportion is higher than the female may face numerous political protest movements, high crime or accelerated immigration.

All these threats are carried out amid a massive environmental pollution, which affects mostly rural areas, which provide basic food for Chinese population. Also, according to World Bank, 20 of the 30 most polluted cities worldwide are located in China.

Growing discontent, fueled by forced population relocations, already triggered numerous protests especially in rural areas, and their violence is increasing. There were incidents in which protesters attacked members of the Communist Party. This concluded in taking responsibility by Chinese authorities through the Five-Year Plan for the years to come according to which the Chinese official are trying to correct regional disparities and to create a viable social protection system.⁶

- Political Causes

⁵ Wen Jiabao, "How China plans to reinforce the global recovery", Financial Times, www.ft.com/intl/cms/s/0/e3fe038a-9dc9-11e0-b30c-00144feabdc0.html#axzz1QP07ZBxO (Accessed June 23, 2011).

⁶ Joshua Kurlantzick (2011a), *op.cit.*, 28.

A political destabilization in China is likely to jeopardize its ability to overcome the U.S. as the world superpower in the next 10 years. Political instability can be directly correlated to social and economic instability and to a decline in popularity and legitimacy for the Chinese Communist Party. This is why nationalist projects are promoted to regional level.

George Friedman, in his book "The Next 100 Years", notes that a political crisis is almost certain to happen during an economic crisis as a result of the way in which the state is governed. He says that because of mitigating the influence of ideology, the support for the Chinese regime is assured by the state bureaucracy and military security. A possible economic crisis, inevitable in Friedman's perception, would lead to a destabilization of communist ideology and to the need of replacing it, increasing nationalism and xenophobia. The usage of force to preserve internal order is unlikely, given that central and regional authorities are made up of people against whom it would be necessary to act.⁷

Zbigniew Brzezinski agrees with Friedman's ideas and considers that the liberalization and opening to the outside is not compatible with China's communist regime. "The declared Communism of this dictatorship is becoming less and less a matter of ideological commitment and more a matter of bureaucratic interest in disguise." Although his work was published in 1997, China's political aspect has not changed as much as economics. Thus, from his point of view, the subject of China's democratization can not be avoided forever, and economic growth and social stability is conditioned by the reformation of the political machine. Also, the American author considers as probable a forced democratization dictated by public discontent, as the population will not have enough patience to allow a gradual reform of the Chinese political system to take place.⁸

International Obstacles

Today the dangers coming from outside are equally harmful for China as for any other state. China's tradition to isolate itself from the rest of the world cannot be applied in the present context in which international organizations have an increasing role in national policies and international cooperation becomes a major factor in ensuring economic growth, international development and security of world's population.

⁷ George Friedman (2009), *op. cit.*, 90-91.

⁸ Zbigniew Brzezinski, *The grand chessboard* (Bucharest: Univers Academic Press, 1997), 181- 183.

- Economic and technological causes

Like many other Asian countries except Japan, immigrants aren't always welcomed. One reason for this situation lies in the very essence and history of communism as children are taught in school how Westerners, especially Americans, are responsible for most adverse events that happened in China in the last decades. This attitude is supported by the highest state institutions and a change in mentality is far from happening. One objective of this "barrier" against immigrants from Western countries is to prevent "imported ideas". Countries of Europe and the U.S. have an undeniable advantage in terms of technological advances. Therefore, few Chinese companies have managed to become global, much less to innovate the technological sector.⁹ The case of Lenovo, one of the best known Chinese companies, demonstrates this. Despite significant market share held in China, the advantage which has facilitated the accession on international markets was not technological innovation, but the financial ability to acquire the computer division of American company, Dell.

Recognition that technological side of the Chinese economy plays an important role in future development of the country is evident in the Five-Year Plan for 2011-2015 which emphasizes the importance of investment in sectors with substantial technological component which are considered of strategic importance for China. Thus, the state invests heavily in industries such as biotechnology and nanotechnology. Hostility towards immigrants is compensated by encouraging Chinese students to study abroad and return in the country to apply the knowledge acquired in prestigious universities in the West.¹⁰

- Socio-political causes

Latest conflicts in African countries revealed resentment against Chinese immigrant population due to their attitude towards indigenous population and to the fact that the Chinese increase unemployment among residents. Conducting business in states where unemployment is high and China's nonintervention policy is a real danger for those Chinese civilians who decide to work abroad. The fact that China maintains close diplomatic relations with African countries do not assure the same treatment for the local new-comers, and in times of protest, they are one of the main targets of violence. This

⁹ Joshua Kurlantzick (2011a), *op. cit.*, 29.

¹⁰ Oded Shenkar, *The Chinese Century* (Wharton School Publishing, 2005), 60.

happened in 2009 during the Green Revolution in Iran when, because of the support shown by the Chinese leadership in Iran, protesters cheered "Death to China." These protests have led Chinese officials to cool down relations with Tehran.¹¹

In Asia, China is the main economic and military power, able to support military intervention for peace. However, recent events and the attitude of Muslim countries cause an uncertain reaction of the Chinese authorities towards the new Arab rulers. However, China is the largest importer of oil from Saudi Arabia and supporter of underdeveloped states. This should give a reason for more intervention in the domestic affairs of other states, especially as more Chinese companies start to internationalize their business on markets dominated by Western products. Some analysts argue that a change in the attitude of Chinese authorities, which appear to be overwhelmed by a more powerful society, is mandatory. China's internationalization requires a clearer and more determined attitude towards countries with which it has economic and diplomatic relations.

Also, the extent to which the Chinese ideas of political and administrative leadership of a country inspire others is reduced. Despite impressive economic growth, China's international image is limited to admiration and fear; Western political and economic models are still preferred.¹²

However, there are voices who say that in the future China will continue to grow. These assumptions are based mainly on the current trend of the economy, but accept that the validity of the theories issued is subject to the changing economic and geopolitical context. Such an analysis was released by the World Bank: "Global Development Horizons 2011. Multipolarity: The new global economy". According to this report, some emerging countries such as Brazil, China, India, Indonesia and the Russian Federation will contribute substantially to the overall economic growth by 2025. Alongside emerging countries, the BRIIC will create the basis for a multipolar world- concept which is a constant of the Chinese diplomatic discourse. The condition for multipolarity is the ability of emerging economies to strengthen their domestic demand by supporting technological dynamism to the detriment of exports. The report states that by 2025 China will provide a third of global growth, more than any other state, although the Euro-zone and the U.S. would continue to

¹¹ Joshua Kurlantzick, China lacks focus in the Arab world, missing a mutual opportunity, *The National*, www.thenational.ae/news/worldwide/asia-pacific/china-lacks-focus-in-the-arab-world-missing-a-mutual-opportunity?pageCount=0 (Accessed April 1, 2011b).

¹² Joshua Kurlantzick (2011a), *op. cit.*, 29.

be the engines for global economy.¹³ Likewise, China's domestic consumption would increase from 41% of national income to 55%, close to the percentage of developed countries.

The same report notes that the international monetary system will cease to be dominated by a single currency. World Bank states that the Chinese renminbi will receive an increasing importance in the international financial system, which can reduce the disparity between the economic power of China on the world stage and its dependence on foreign currencies. Chinese authorities have already started the internationalization of the currency by two measures: the development of the offshore market for renminbi and by encouraging the use of Chinese currency in invoicing. Following the increasing importance of some currencies from developing countries, World Bank has developed three scenarios for the international financial market: a system centered on the U.S. dollar, a multi-currency system and a system based on Special Drawing Rights. From these three scenarios, the multi-currency system is considered by the World Bank as the most plausible. This new order in the international financial market would arise around 2025. This system would consist of dollar, euro and renminbi, which shows the confidence of the international institution in China's continuing growth for another 14 years.¹⁴

To conclude, the evolution of China is based on a delicate balance, difficult to sustain even for a competent government. Lack of clear ideological direction, plus the growing social problems that have not yet peaked and great emphasis on growth to maintain internal stability are divergent directions from the one needed for a positive evolution of a state. The rapid changing of Chinese society can be the basis for a new international order, with China in the foreground instead of the U.S. It can be, as well, the start of the end of the Asian Dragon, which could signify the start point of a consolidation on a more solid basis, even for the center of the ideological leadership of the communist state and economy.

¹³ World Bank, "Global Development Horizons 2011. Multipolarity: The new global economy", Washington D.C., 46, siteresources.worldbank.org/INTGDH/Resources/GDH_CompleteReport2011.pdf (Accessed July 05, 2011).

¹⁴ *Idem*, 2-7.