

By Invitation

# The myths of a China-led global order

Is Pax Americana yielding to Pax Sinica? It's a bit far-fetched now to think that China is ready to take up a global leadership role.



**John Wong**

For The Straits Times

As presidential candidate, Mr Donald Trump had touted many radical anti-globalisation messages, from "America First" to building a wall on the border with Mexico.

Shortly after taking office, President Trump promptly followed up on his campaign pledges with measures against immigration and withdrawing the US from the Trans-Pacific Partnership pact. Most recently, Mr Trump said he was not the President of the world, but only the President of the United States. All these signal an American retreat from globalisation.

Introducing some high-profile anti-globalisation measures by itself might not immediately roll back globalisation, which as a process has been developing steadily since the end of World War II, and cannot be easily reversed by those policies. What is potentially more worrisome is whether Mr Trump would systemically re-orient America politically and economically to become inward-looking in the longer run, as this could eventually harm the globalisation process.

As the world's principal global player and No. 1 economy stumbles, expectations have naturally started to build up on whether the world's No. 2 might quickly step up to fill the leadership vacuum. The idea that China, as the world's second-largest economy and leading trading country, is set to carry the banner of future globalisation has suddenly gained currency.

Chinese President Xi Jinping, in his keynote address to the World Economic Forum in Davos on Jan 17, put up a staunch defence of free trade and the existing global economic order. He specifically pointed out: "Many of the problems troubling the world are not caused by economic globalisation." He further warned: "Pursuing protectionism is like locking oneself in a dark room. While the wind and rain may be kept outside, that dark room will also block light and air." He thus pledged to create "an external environment of opening up for common development".

Much like a dramatic irony, a few days later, President Trump in his inaugural address continued to use

strong anti-globalisation and protectionist rhetoric to support his "Make America Great Again". According to him, globalisation, instead of bringing about mutual benefits, only "made other countries rich while the wealth, strength and confidence of our country have dissipated over the horizon". Thus he promised to bring back jobs, business and capital from overseas. To him, "protection will lead to great prosperity and strength". What a stark contrast between the rhetoric of Mr Xi and that of Mr Trump!

The American economy has been so dynamic precisely because it has been mainly market-driven. Now, as Mr Trump tries to fiddle around with the operation of the American economy, he would inevitably politicise his economic policies, which could undermine the dynamic aspects of American capitalism. This could in turn affect the long-term growth prospects of the American economy. Mr Trump's presidency might just mark the turning point for the decline of the American economy.

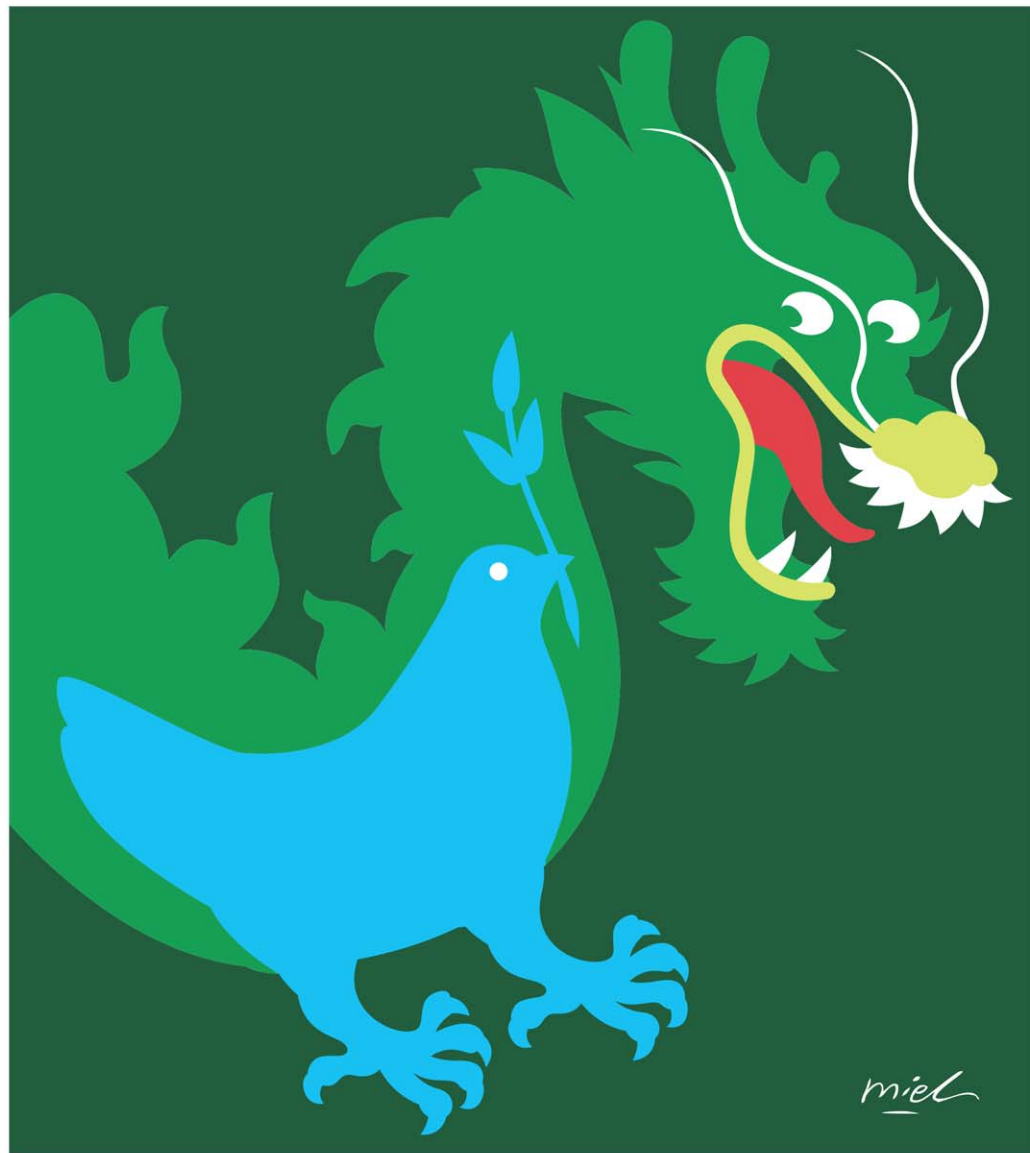
The US has been instrumental in creating an open and market-oriented post-World War II international economic order with the establishment of the World Bank, the International Monetary Fund and the rules-based GATT international trade system, along with the Marshall Plan that facilitated Europe's post-war recovery. Subsequently, the US-led international economic order also facilitated Japan's post-war recovery and the successful economic take-off of East Asia's "Four Little Dragons" of South Korea, Taiwan, Hong Kong and Singapore.

The US, in providing easy access to its vast domestic market, along with liberal capital flows and technology transfers, has been singularly beneficial to these export-oriented East Asian economies. To some extent, China's economy later also benefited from the relatively open US market, though in a much restricted way.

Many Third World countries may have strong misgivings about the political and ideological aspects of the global economic order under Pax Americana, which inevitably embodies America's institutional biases and its dominant political and social values, particularly during the Cold War era.

But the economic aspects of Pax Americana are basically about maximising economic growth and efficiency gains. An emerging economy that has successfully plugged itself into the American-led global economic order would benefit from rapid economic growth.

Mr Trump's current economic



policies with politics in command might well herald the gradual demise of the American-led global economic order along with the possible long-term decline of the American economy. Many American scholars have long argued vigorously against such a "declinist" scenario, pointing out that the US is still economically, militarily and technologically the most powerful in the world, which is further bolstered by its unmatched soft power. In fact, the US supremacy is so many notches above its next potential competitor. Thus, the US' total gross domestic product (GDP) last year, at US\$18.6 trillion (\$26.2 trillion), equals the combined GDP of the next three largest economies of China, Japan and Germany. Such is the absolutist and static argument.

However, in the long sweep of human history, there are numerous examples of the rise and fall of empires. The inevitable power transition from Athens to Rome, or later from Pax Britannica to Pax Americana, has been very much an iron law of historical evolution. Furthermore, the US may not be in decline relative to the economically near-stagnant Western Europe and

Japan, but this looks strongly possible relative to the rapidly rising China, the world's second-largest economy.

## PAX SINICA BIDDING ITS TIME

Currently, China's economy is just about 60 per cent of the US size. The US' long-term growth rate is around 2 per cent owing to its relatively low productivity growth and its mediocre human resource development – the US ranks near the bottom in skills level among Organisation for Economic Cooperation and Development countries. Furthermore, increasing political and social division in the US may accelerate America's economic decline.

China's economy is likely to continue growing at around 6.5 per cent a year till 2020 under the current 13th Five-Year Plan, and around 5 per cent to 6 per cent for the next Five-Year Plan, so that its total GDP will in any case surpass the US', for China to become the world's largest economy by 2030.

For the world's largest country to become the world's largest economy is actually no big deal. According to eminent economic historian Angus Maddison, China and India were historically the

world's two largest economies in terms of GDP based on purchasing power parity. Specifically for China, it remained the world's largest economy until the early 19th century.

When China's total GDP has overtaken the US level by 2030 to become the world's largest, it will have also crossed the threshold of a developed economy. But China by then will still be a low-income developed economy.

According to the World Bank, China's per capita GDP will then be only around US\$17,000, which was Singapore's level in 1993 and Japan's in 1970. China may be nominally a developed economy by definition, but it will still be years away from being a truly affluent society, which is better reflected in a much higher per capita GDP.

Mr Xi is a cool and patient man. Currently, he is preoccupied with preparing China to realise its Xiaokang (moderately well-off) society by 2020.

To realise his "Chinese Dream", Mr Xi has aimed higher and set his long-term vision of developing China into a fully developed Fuqiang (rich and powerful) country by 2049 – exactly 100 years after the founding of the

People's Republic in 1949. Such is the timeframe for the possible emergence of the Pax Sinica Global Order – about the same time span needed for the transition of Pax Britannica to Pax Americana!

## A RELUCTANT OR A DIFFERENT GLOBAL PLAYER

It is thus too far-fetched to speak of China filling the US leadership vacuum, even though America is visibly turning inward. China is also far from being ready to fully embrace globalisation. China itself has always been ambivalent towards an open global order. Mao Zedong had preached self-reliance and imposed on China its self-isolation. Deng Xiaoping reversed this policy by taking to the open-door policy, thereby unleashing three decades of double-digit economic growth. China's economy has been a truly outstanding beneficiary of globalisation.

Yet, China's leaders have always been wary of some negative effects of globalisation. Deng had once said: "When you open the window, some flies would come in." Not surprisingly, China has continued to maintain strict censorship on foreign media and a tight firewall on its cyberspace. It is not ready to be fully open to globalisation. It will remain a "reluctant global player" for a long time to come. This is not just because China today is ruled by the Communist Party. The mindset of Chinese leaders has been shaped by their culture and history.

As Sinologist Martin Jacques, in his famous volume, *When China Rules The World*, has argued, historically China as the "Middle Kingdom" is essentially a "civilisation state", very different from the Western concept of nation-state. China used to see itself as the centre of the globalised world and pursued interstate relations with non-Chinese societies under its concept of a "Chinese World Order" based on the Confucian framework. There is still too much uncertainty as to how a China-led global order will evolve. What is sufficiently clear is that China will be a different global player.

During the transition, a less assertive Pax American global order will continue, gradually giving way to a multipolar global order. China in the meanwhile will continue to expand its political and economic influence in the emerging countries, particularly in Africa and Latin America, where it has already built up a strong economic presence through trade, investment and economic assistance. China's One Belt, One Road programme will further reinforce its endeavour. Together, these add up to the possible scenario of a China-led economic order in the developing world.

stopinion@sph.com.sg

• The writer is a professorial fellow at the East Asian Institute, National University of Singapore.