

## The old order, globalisation and the new era

By Shahid Javed Burki

**T**HERE is a consensus among academics as well as those who watch policymaking across the globe that 2017 was a bad year. Why was that the case?

There are a number of reasons why the year that became history about two weeks ago is regarded so poorly. Five of these are worth reflecting on. The first is the near-collapse of the old order put in place in the years after the end of the Second World War. The second is the inability of what came to be called globalisation to spread evenly the rewards of steady growth. The third is related to the second. Fairly significant segments of the population in the West voted into office leaders who promised to kill the old order and replace it with something quite different. The fourth is demographic developments, coupled with political turmoil in the more populous parts of the world, which produced large movements of people. These migrations were seen as threatening precisely by the people who had been hurt by globalisation. The fifth was China's continuing economic as well as military rise that brought to the fore a non-Western power that challenged those that had dominated the old system for three quarters of a century. Each of these five developments is worth closer examination.

In 1956, Nikita Khrushchev, then first secretary of the Soviet Union Communist Party, boasted of the rising power of the country over which he presided. "Whether you like or not, history is on our side. We will bury you," he told the

West. That, of course, did not happen but the claim did not seem ridiculous then. The break-neck speed at which the Soviet Union had industrialised helped it to defeat the Nazi armies during the Second World War. When the Germans sent their troops into Russia, they thought they were invading a rural economy. Instead, they met an industrialised power that was able not only to push them back but bring under its control much of Eastern Europe.

A dozen years later, in 1957, Moscow launched the Sputnik, the first artificial Earth satellite – it was a clear indication that it had become a technological rival to the United States. However, two decades later, this new industrial and technological power was not able to overcome the fierce resistance offered by primitive people when it invaded Afghanistan. The Soviets fought for 10 years but, in 1989, they pulled out of the country. Two years later, the Soviet Union collapsed, bringing to an end the advance of communism into Europe. These were such impressive developments that they prompted the sociologist, Francis Fukuyama, to proclaim "the end of history". The West, liberal democracy and capitalism had won decisively and would become the only system of governance worldwide.

However, globalisation had its discontents, warned the Nobel Laureate Joseph Stiglitz. It was not only academics that saw danger in leaving economies in the hands of private enterprise. Years after globalisation had diluted the presence of the state in domestic economic systems, another economist pointed out the contra-

dictions in the process. Thomas Piketty of France was worried about the widening of income disparities as the return on capital was significantly larger than the return on labour. Profits had outpaced wages by a wide margin. There was discontent and this produced a political backlash. What came to be known as "the base" elected an unlikely leader Donald Trump to the American presidency!

### DEEP RESENTMENT

By reducing not the physical but the effective distance between the West and the populace in the developing world, people displaced by domestic conflict and economic distress moved to the more developed parts of the globe. This brought not only those from the Middle East and North Africa into Europe but also East Europeans into Britain and other western nations in the continent. There was also large illegal and legal migration from Mexico and Central America into the United States. There was deep resentment among those who believed that the newcomers had cost many in the host populations jobs and reduced incomes. This added to the discontent produced by globalisation. As many migrants who made their way into Europe were Muslims, it produced a wave of Islamophobia that led to the rise of extremist parties in several countries.

It was in this turmoil in the West that China continued its economic rise. At the 19th National Congress of the ruling Communist Party of China, the position of its energetic and ambitious president, Xi Jinping, was consolidated.

The "Xi Jinping thought" was incorporated in the party's constitution, giving it the place occupied by Mao Zedong. The most important part of this thought was the reference to the new era, meaning that China would be an important, if not the dominant, player in the new global order. It was obvious that China was now putting forward a new form of governance. In it, one party controls the government and the government controls the people. The party, in turn, is controlled by the supreme leader. This was also the Soviet Union's system that did not work and ultimately collapsed. Why did it fail in Soviet Union but, until now, has worked spectacularly in China? Martin Wolf of the *Financial Times* provides a credible answer.

"The big difference between the two outcomes lay with Deng Xiaoping's brilliant choices," he wrote in a column published late last year. "China's paramount leader after Mao Zedong kept the Leninist political system – above all, the dominant role of the Communist party – while freeing the economy."

Mr Xi is likely to follow the same route as Mr Deng but with one big difference. While Mr Deng wanted to keep his and the party's focus on internal affairs, Mr Xi will have China project itself in what he calls the "new era".

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