China has replaced US and Western economic leadership

Martin Jacques, The Guardian, 10 January 2020

"The rise of China has provoked an existential crisis in the US and Europe that will last for the rest of this century"

By 2010, China was beginning to have an impact on the global consciousness in a new way. Prior to the western financial crisis, it had been seen as the new but very junior kid on the block. The financial crash changed all that. Before 2008 the conventional western wisdom had been that sooner or later China would suffer a big economic meltdown. It never did. Instead, the crisis happened in the west, with huge consequences for the latter’s stability and self-confidence.

Every year for the past decade, China, not the US, has been the main source of global economic growth. In 2014, according to the World Bank’s international comparison program, the Chinese economy overtook that of the US to become the world’s largest, measured by purchasing power parity. Although China’s growth rate over the past decade has declined to its present 6.2%, it is still one of the world’s fastest-growing economies. Today its economy is more than twice as big as it was in 2010. This is the story, as pertaining to the past decade, of the most remarkable economic transformation in human history. Unsurprisingly the west is finding the phenomenon difficult to come to terms with, displaying a kaleidoscope of emotions from denial, dismissal and condemnation to respect, appreciation and admiration; though there is presently much more of the former than the latter.

The rise of China has provoked an existential crisis in the US and Europe that will last for the rest of this century. The west is in the process of being displaced and, beyond a point, it can do nothing about it. China’s rise is one of those world-transforming changes that occur very rarely in history. And only during this past decade has the west begun to realise that China’s rise will, indeed, change the world.

The story keeps moving. Five years, let alone a decade, ago, China was synonymous with cheap manufacturing. The west believed that China would for long remain essentially defined by imitation, unable to match the west’s capacity for innovation. But China has proven itself to have a formidably innovative economy. Shenzhen has come to rival Silicon Valley – while Huawei, Tencent and Alibaba can be counted in the same league as Microsoft, Google, Facebook and Amazon. Far from this being a product of copying, the Chinese are increasingly engaging in groundbreaking innovation: China accounted for almost half of all patent filings in the world last year. But why should we be surprised? People living in a country growing at 10% per annum for 35 years and between 6% and 8% for the past decade are used to rapid change and constant innovation. And don’t forget that China is an extraordinarily rich and intellectually endowed civilization that has always been hugely committed to learning and education.

Perhaps the starkest demonstration of China’s growing influence has been the belt and road initiative – a global network of Chinese-financed highways, railways, ports and energy infrastructure, launched in 2013. The ambition is no less than the transformation of the Eurasian landmass, home to more than 60% of the world’s population. More than 140 countries, overwhelmingly from the developing world, have now signed up; and the great majority were represented by their leaders at the belt and road summit held in early 2019, a level of representation no other country could match, the US included.
With the present international system entering its twilight, the belt and road initiative can be seen as the embryo of a new order, not in the literal sense, but symbolically. First, with the predominance of the developing world, representing 85% of the world’s population; and second, in the overriding priority given to development, hugely important to the developing world but which barely features on the west’s agenda.

For more than four decades the relationship between China and the US was relatively benign. Donald Trump’s election in 2016 marked a turning point. His hostility towards China, however, is far from unique. It is bipartisan. And not unpredictable. At root the new US attitude is based on a fear that China represents a threat to its global hegemony, something that many Americans regard to be part of the country’s DNA. This fear has in part been stimulated by China’s increasingly proactive role on the global stage, most notably with the belt and road initiative, along with the formation of the Asian Infrastructure Investment Bank, to which Britain was the first non-Asian signatory.

The US’s increasing unwillingness to support the international system that it largely created – as seen in Trump’s attitude towards the World Trade Organization and Nato – marks a retreat. It is already clear that Trump’s trade war against China has not achieved its objectives. Nor will its tech war against China: Huawei’s 5G will prevail in much of the world, probably including most of Europe. As US-China relations continue to deteriorate, and begin to look like a new cold war, it will be no replica of the last cold war. Then, the US was on the rise, the USSR in decline: this time the US is patently in decline and China very much on the rise. Whereas a singular characteristic of the last cold war was military competition, China has historically never competed as a military power and its rise – compared with the aggressive expansionism of the US, UK, France and Germany in their equivalent stages of development – has been remarkably restrained.

The next decade will see a continuing fragmentation of the western-centric international system, together with the growing influence of Chinese-oriented institutions. The process will be uneven, unpredictable and, at times, fraught – but ultimately irresistible.

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