

China's Economic Success and its Ideological Implications for the World Order

Abstract

As the world's gravitas is clearly changing from the West to the East, particularly China, traditional Western triumphalism is giving way to a debate whether China's post-totalitarian model of state-led capitalism could well be superior to the West's well-practised liberal democratic capitalism, at least for countries at an earlier stage of economic development. China's economy has grown to be the world's second largest, bigger than the rest of the so-called BRICS countries combined. The nation is at the heart of a global production and supply chain sustaining the economic growth of many regional neighbours. Meanwhile, Confucian ideas are being interpreted in the modern context of government for the people, harmony in the society, between states and between man and nature. While Western democracies are revealing various faults, such as the global financial crisis, the European sovereign debt crisis and the "Occupy Wall Street" Movement, it is only natural to conceive the idea that perhaps the ideology of China's model could alter the existing West-dominated world order. However, any such dynamics is unlikely to ensue from China's economy alone. First, China's economy is by no means an unqualified success - more in quantity than in quality. Second, much of the world remains suspicious of the implications of a rising China, seen as an outlier to world-accepted social norms and values. Third, the world's extant superpower, the United States, feels increasingly threatened by an ideologically-adverse challenger, and is rapidly re-focussing its geopolitical strategy to a Pivot to Asia. Moreover, China's perceived foibles in human rights, corruption, gross inequalities, social injustice, pollution etc are having a negative impact on the world's perception of China. If the country is to rise to the historical opportunity for a China Renaissance to influence the world order for the better, the nation must first reform its many failings to create a new attractive civilization with a heart and soul that appeal to the spirit of the times.

Key Words

Beijing Consensus, Confucianism, economic miracle, perceptions of China, China's foibles, political and social reform

Introduction

After the Second World War, the overarching success of the Western paradigm of democratic market liberalism seems to have spelt the End of History (1). In recent years, however, the dramatic rise of economies driven by state capitalism, particularly China's "economic miracle", and their ability to weather the storm of the financial crisis, have called Western triumphalism into question. In the wake of the European sovereign debt crisis and continuing Western economic malaise, questions are increasingly being asked whether *China's model of state capitalism* could be superior to the Western model of liberal democratic capitalism, at least for countries at an earlier stage of development.

An article in The Economist outlines how, despite past ebbs and flows, the invisible hand of the market is now giving way to the visible hand of the state (2). Academic debates are being revived on the relative merits between the so-called *Beijing Consensus* (3) and the *Washington Consensus*. Critical analyses have questioned whether the former was a myth as regards innovation, sustainability and equality (4) and whether the latter could be modified to incorporate a proper role of the state and to become more adaptive to individual circumstances of each country (5).

Such debates, however, seldom delve into the impact of China's economic rise on the *Western-dominated ideological paradigm* which defines the existing world order. The current paradigm is characterised by the sanctity of rights of the individual, which has been enshrined in Western cultures since the Enlightenment. To uphold such rights, and to safeguard the common good, multi-party democracy is taken for granted as the best or at least "*the worst form of government except for all those others that have been tried*" (6).

Over the years, however, the rules of multi-party democracy have become increasingly manipulated by vested interests. Now the *pitfalls* of this Western paradigm are beginning to be laid bare. There is growing scepticism, even mistrust, of politicians in Western democracies in their mandate to safeguard the common good. This is a widespread perception of divergence between electoral promises and their delivery, of partisan gridlocks holding national interests to ransom, and of collusion amongst vested interests such as the "military – industrial (and financial) complex" (7). The interests of the vast majority (the

so-called “99%”) are perceived to be short-changed. A tidal wave of citizen action across the world such as the “[Occupy” (Wall Street) Movement, the Arab Spring, and social activism on the internet is calling for change.

Such *scepticism of partisan politics* is reflected in the low voter turnout-rate of the United States (120th in a world ranking of 169) and plummeting rates across the world since the mid-1980s (8). Moreover, as political parties battle for votes in the middle ground, this has led to relative similarity between party platforms, resulting in narrower majorities or in weak or hung parliaments. Political compromise is becoming more common, often at the expense of long-term national interests. The outcome is that elected leaders are not always perceived as representing the wishes of the majority of the people.

Meanwhile, the global financial crisis and the European sovereign debt crisis have called into question *whether the market so worshipped in the West is all that sacrosanct*. Ironically, it took Premier Wen Jiabao, at the 2009 World Economic Forum at Davos, to remind the West of the folly of blindly following Adam Smith’s Invisible Hand. He asked his Western audience not to forget the other seminal work of the Father of Capitalism - the “*Theory of Moral Sentiments*” - calling for a fairer and more equitable society.

Therefore, a rising China with a strong state, if well-governed, which embodies an egalitarian ideology harking back to Confucian ideas capable of modern-day application, may appear promising in creating a credible and attractive alternative to the world order so far indoctrinated in Western libertarian individualism hooked on the invincibility of the market.

Emerging World Economic Order

A brave new world seems to be already emerging with a fundamental shift of economic gravitas from the advanced to the emerging economies where China is leading the pack. The so-called BRICS economies account for 15% of the world’s economy while China’s economy alone is bigger than the rest of the BRICS combined.

According to Goldman Sachs, *by 2050* the top ten economies in the world are projected to be, in descending order, China (\$70 trillion), US (about \$38 trillion), India (about the same as the US), Brazil (barely over \$10 trillion), Mexico (just under \$10 trillion), Russia, Indonesia, Japan, United Kingdom, and, lastly, Germany (about \$5 trillion). Only four of the current G7 would

remain on this list. Except the US, the other three G7 countries, Japan, UK, and Germany, would fall to the bottom of the league table of ten leading economies. The combined economic weight of the six so-called *Emerging and Growth-leading Economies* (EAGLE), what may be called the E6, would be over two and half times more than the remaining G4. Although it is a bold prediction and many a black swan may appear, by 2050 the E6 would have soared well above the G7 to rule the world's economy.

How successful is China's economy?

However, economic size and volume belie the reality that China still lags far behind the West in break-through scientific discoveries and technologies, as evident by comparing with the West's impressive lists of Nobel laureates in the sciences. Home-grown technologies still account for a small proportion of China's exports where Western proprietary technologies and brands are capturing the lion's share of profits. Apart from a handful of gigantic state-owned enterprises, Chinese brands are hardly prominent in the commanding heights of Fortune 500 companies.

Perhaps the limitation of China's economic success is best summarized in an article in the summer of 2011 by Professor Peter Nolan, a China expert with Cambridge University and Director of the University's China Big Business Program (9).

“After more than two decades of rapid growth, there is still a wide development gap between China and the high-income countries. China's national income is only one-fifth of that of the high-income countries, and national income per person is only 16 percent of that of the high-income countries. Its exports are only 13 percent of those of the high-income countries. It has just nine firms in the G-1400 list of companies and none in the top 100. Its household wealth is only 4 percent of that of the high-income countries. Even after the latest round of reforms is completed China's voting rights in the International Monetary Fund will be only one-ninth of those of the high-income countries. There still are almost 500 million people in China who live on less than \$2 per day.

“It cannot be assumed that China will grow indefinitely at its current high speed. The passage from lower middle income to upper middle income will be extremely difficult. China is fast approaching the end of the so-called “Lewis” phase of “economic development with unlimited supplies of labour.”

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“It faces the prospect of a sharp rise in the proportion of old people in the population, reflecting the drastic restriction on births from the late 1970s onward under the one-child policy. These factors will fundamentally reshape the Chinese political economy. They are coming into play at an unusually early stage in China’s development, in which it is still a lower-middle-income country. The high degree of inequality in income and wealth is a threat to the country’s social and political stability. China also faces an increasingly hostile international political environment with a wide range of popular books and newspaper articles warning about the threat posed by “China’s Rise.”

Suspicious of a rising China and changing geopolitics

Economic success, however spectacular, is not everything that defines the world order, especially in ***a changing world full of suspicions of China’s geopolitical intentions***. In particular, the United States, the world’s only superpower and leader of Western democracies, is feeling increasingly uncomfortable with China’s rise as a challenger imbued with a diametrically-opposed ideology and political outlook.

Such suspicions are brought into sharp focus in the ***East and South China Seas***, which are at the heart of America’s new ***“Pivot to Asia”*** geopolitical strategy. This is right on the heels of launching an economic Trans-Pacific Partnership (TPP), deliberately excluding China, at least initially. The newly-minted Pivot has happened in anticipation of America’s military withdrawal from Afghanistan. It reflects the need to re-focus the United States’ military might to the regional theatre that most matters. Such prioritizing is necessitated in part by curtailed resources after the global financial crisis.

The South China Sea contains vital sea lanes for the transportation of energy and other essential resources for China’s on-going industrialization and urbanization. It also holds vast potential gas and other valuable resources. Above all, it contains various strategic islands or islets under territorial dispute with China’s Asian neighbours. Now, backed by a resurgent U.S military deployment in the area, these neighbours have become emboldened in their postures and manoeuvres in asserting their own territorial claims. This strikes at the most sensitive core of China’s national interest – territorial integrity. Regional military tension may therefore flare up if not properly managed and is not helped by a rising, militarily stronger China.



Nevertheless, an economically strong China has some advantage in containing these regional tensions. As the world's second largest economy and the heart of a global supply and production chain, China has become the largest market and trading partner for most of China's Asian neighbours, including Japan. Economic relations with China account for much of their growth and job creation. So while a number of China's regional neighbours flock to the *US military umbrella for a "free ride" to hedge against China*, they would be reluctant to form a rigid anti-China military bloc at America's beck and call.

What is more important, however, is how China conducts herself in this regional theatre. There are quite a few regional alliances or bodies involving China, such as ASEAN +1, ASEAN+2, ASEAN+3, ASEAN-China Free Trade Area, the Asia Pacific Economic Cooperation (APEC), the East Asia Summit, etc. Throughout these forums and organizations, China has been careful to adopt *a relatively non-aggressive and unpresumptuous profile*, based on equality of status, mutual respect, mutual benefits and a win-win mindset. This benign and reassuring relationship is what can be described as *"influence without authority"*, or according to Qin Yaqing and Wei Ling, *"socialization of power"* (10). To a certain extent, this benign stance helps to mitigate some of the military and geopolitical tensions in the region.

Fresh insight on America's "Pivot to Asia" strategy

In assessing the impact of the U.S. Pivot to Asia on the world order, it is important to understand first what America ultimately wants to achieve .

A report (11) by Xenia Dormandy, Senior Fellow, of London's Chatham House, suggests that for the new strategy to work better, it is necessary for the U.S. to move beyond fixation on "war fighting" and "boots on the ground." There should be a move to *a more flexible, diversified, and cooperative strategy, including diplomatic, legal and economic dimensions*, applicable to a host of countries including both close U.S. allies as well as China. This move is to be implemented through a panoply of manoeuvres embracing transparency, dialogue, and strategic burden-sharing. This could take place, for example, in addressing non-traditional security threats such as nuclear proliferation, space, cyber, food, water, health, humanitarian and other regional security challenges. Not only would this approach achieve more with less, but it would also build strategic trust with China, mitigating the latter's fear of military containment by way of *"strategic assurance"*.

Separately, an insightful glimpse of *a possible U.S. "Grand Strategy"*, of which the Pivot to Asia forms part, is offered by Zbigniew Brzezinski, a doyen of American foreign policy, in his article (12) in Foreign Policy, drawing on his soon-to-be published book, *"Strategic Vision: America and the Crisis of Global Power"*.

Brzezinski's "'Grand Strategy'" consists of two strands -

(a) *building a "Larger West" by drawing Russia and Turkey into the European Union* through gradual democratization and eventual conformity with Western norms; and

(b) *balancing a "Complex East"*, where the U.S. best interest would be served by acting as the "regional balancer", "replicating the role played by the United Kingdom in intra-European politics during the nineteenth and early twentieth centuries." The United States is *to "help Asian states avoid a struggle for regional domination* by mediating conflicts and offsetting power imbalances among potential rivals".

Instead of popular rhetoric of American military power projection in the Asia-Pacific, Brzezinski points out that "the United States must recognize that stability in Asia can no longer be imposed by a non-Asian power, least of all by the direct application of U.S. military power. Indeed, U.S. efforts to buttress Asian stability could prove self-defeating, propelling Washington into a costly repeat of its recent wars, potentially even resulting in a replay of the tragic events of Europe in the twentieth century. If the United States fashioned an anti-Chinese alliance with India (or, less likely, with Vietnam) or promoted an anti-Chinese militarization in Japan, it could generate dangerous mutual resentment".

A salient theme of Brzezinski's "Grand Strategy" is his recognition that "*in the twenty-first century, geopolitical equilibrium on the Asian mainland cannot depend on external military alliances with non-Asian powers*".

Instead, Brzezinski advocates that America "should respect China's special historic and geopolitical role in maintaining stability on the Far Eastern mainland. *Engaging with China in a dialogue regarding regional stability* would not only help reduce the possibility of U.S.-Chinese conflicts but also

diminish the probability of miscalculation between China and Japan, or China and India, and even at some point between China and Russia over the resources and independent status of the Central Asian states. Thus, the United States' balancing engagement in Asia is ultimately in China's interest as well.”

It is clear that Brzezinski’s Asia covers a much wider region which includes Central Asia connecting all the way to the “Larger West”

The lynchpin of Brzezinski’s geopolitical realism is a “***U.S.-Japan-China cooperative triangle***” to be nurtured through progressive, but lasting reconciliation between China and Japan, similar to that between France and German and between Germany and Poland after the World War II. In this context, “the guiding principle of the United States should be ***to uphold U.S. obligations to Japan and South Korea while not allowing itself to be drawn into a war between Asian powers.***”

“In that context, China should not view U.S. support for Japan's security as a threat, nor should Japan view the pursuit of a closer and more extensive U.S.-Chinese partnership as a danger to its own interests. A deepening triangular relationship could also diminish Japanese concerns over the yuan's eventually becoming the world's third reserve currency, thereby further ***consolidating China's stake in the existing international system and mitigating U.S. anxieties over China's future role***”.

Three sticking points in US-China relations

What is perhaps the most striking feature in Brzezinski’s strategy as regards China is his open recognition of and suggestions for resolving the following ***three sticking points in US-China relations***:

“***First***, the United States should reassess its ***reconnaissance operations on the edges of Chinese territorial waters***, as well as the periodic U.S. naval patrols within international waters that are also part of the Chinese economic zone. They are as provocative to Beijing as the reverse situation would be to Washington”.

“***Second***, given that the ***continuing modernization of China's military capabilities*** could eventually give rise to legitimate U.S. security concerns, including over U.S. commitments to Japan and South Korea, the United States and China should engage in regular consultations regarding their long-term military planning and seek to craft measures of reciprocal reassurance”.



“**Third, the future status of Taiwan** could become the most contentious issue between the two countries. Washington no longer recognizes Taiwan as a sovereign state and acknowledges Beijing's view that China and Taiwan are part of a single nation. But at the same time, the United States sells weapons to Taiwan. Thus, any long-term U.S.-Chinese accommodation will have to address the fact that a separate Taiwan, protected indefinitely by U.S. arms sales, will provoke intensifying Chinese hostility”.

“An eventual resolution along the lines of former Chinese leader Deng Xiaoping's well-known formula for Hong Kong of "one country, two systems," but redefined as "one country, several systems," may provide the basis for Taipei's eventual re-association with China, while still allowing Taiwan and China to maintain distinctive political, social, and military arrangements (in particular, excluding the deployment of People's Liberation Army troops on the island).”

“Regardless of the exact formula, given China's growing power and the greatly expanding social links between Taiwan and the mainland, it is doubtful that Taiwan can indefinitely avoid a more formal connection with China”.

It is interesting that Brzezinski suggests that the first of these sticking points, about U.S. reconnaissance at the edge of China's territorial waters, be resolved in the near future. The second point about concern over China's military modernization is to be addressed during the course of the next several years. The third point on *the future of Taiwan* is to be addressed probably *within a decade or so*.

A larger West and a rebalanced East to accommodate China's rise

Brzezinski's *whole rationale* is summarized in his opening remarks - “*The United States' central challenge over the next several decades is to revitalize itself, while promoting a larger West and buttressing a complex balance in the East that can accommodate China's rising global status. A successful U.S. effort to enlarge the West, making it the world's most stable and democratic zone, would seek to combine power with principle. A cooperative larger West -- extending from North America and Europe through Eurasia (by eventually embracing Russia and Turkey), all the way to Japan and South Korea -- would enhance the appeal of the West's core principles for other cultures, thus encouraging the gradual emergence of a universal democratic political culture.*” (my emphasis).



Drawing distinction from the historical geopolitics governing the separate fates of the Eastern and Western Roman Empires, Brzezinski opines that in a globalized and inter-connected world, “*the West and the East cannot keep aloof from each other* : their relationship can only be *either reciprocally cooperative or mutually damaging*”.

Thus presented, Brzezinski ‘s “Grand Strategy” would be seen as benefitting not only America, but perhaps the entire world, including, not least, China.

Complexity of 21st century world order

However, *the 21st century world order is becoming more multi-polar and multi-faceted*. We are seeing the convergence of three tectonic shifts: the rise of the middle-class in emerging or emerged economies all wanting to pursue the American Dream; deepening globalization with a linked fate in energy, climate and financial security; and the empowerment of the individual, driven by new-age global connectivity.

This convergence is offering *new perspectives on global issues*, which are presenting a number of challenges and opportunities on the horizon :

(a) A U.S. National Intelligence Council report *Global Trends 2025: A Transformed World* issued in November 2008 (13) outlines how US global leadership will remain but her leadership capacity is declining in a transformed, increasingly inter-connected and multi-polar world. New, diverse powerful actors, both state and no-state, have emerged so that US global leadership will have to work with a host of allies and non-allies in maintaining the world order. This is set to include China, in particular.

(b) Protectionism is driving the impetus of *regional trade blocks*. ASEAN-plus-Three (China, Japan, and Korea) is the largest trade bloc in the world by total population size. Separately, energy security concerns are likely to strengthen regional cooperation such as the Shanghai Cooperation Organization. The SCO has a host of Central Asian countries as Full Members plus Iran, India, Pakistan, Mongolia, and recently Afghanistan (as Observers), with Belarus and Sri Lanka (as Dialogue Partners). India is trying to upgrade itself to a full Member. Most of these countries have a strong Islamic connection. This is significant at a time of *rising global Islamic influence*, including such countries as Turkey, Iran, Indonesia, and Egypt.

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(c) Ongoing breakneck industrialization in the emerging economies will see **rising trade protectionism, commodity and food prices, climate change, as well as energy and geopolitical rivalry**. These are likely to get worse before they get better.

(d) At least for a longer while, the world's continuing demand for fossil fuel is likely to continue to entrench **petro-power and the so-called 'petro-authoritarianism'** (14) of energy-rich but often totalitarian states, including Saudi Arabia, Iran and Russia. As **Iraq** stabilizes after American withdrawal, its potential as a gigantic oil producer with Shiite links to Iran is set to throw a large spanner in the works of Middle East geopolitics. The dynamics can be volatile, as Israel is inevitably involved, alongside with a more pro-Islamic and less Israel-friendly Egypt.

(e) In an age of rising food and resource scarcity, Africa is gaining importance **as a continent-sized food and resource basket to the world**. **Africa** will therefore continue to be on the ascendant economically. Footprints on the African continent of resource-hungry countries including China will become even more apparent.

(f) Energy and resource security concerns will also force China to redouble her efforts to go Green. This national imperative, supported by China's better-educated population, will be spawning **a whole new generation of green technologies, materials, and industries** such as informatics, biotechnology, and life-sciences. Additionally, climate change is coming up-close and personal with more extreme weather conditions and rises in energy and fuel prices. Consequently, a Green mindset is likely to gradually spread from transport, architecture, food, fashion, to become eventually **a universal lifestyle** where less can be more and minimalist is chic (as in the case of Japan). When the whole world goes green, as the world's largest car producer and market for car sales, **China would be well placed to lead a global green car revolution**. When that happens, it will transform the world's entire car industry as we know it today.

(g) Following the 12 Five Year Plan (2011- 15), **China** is balancing her economy, spending more and saving less as **consumption grows from 36% to 50% of GDP by 2025**. This growth will be driven by the massive expansion of China's urbanites growing to one billion by 2030 (15). This is destined to shift the centre of the world's consumer market over time towards China.

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(h) In keeping with China's global outreach and a maturing economy with higher consumption, the ***RMB will continue its internationalization***, even if without early capital account convertibility. Initially, this is being achieved through currency swaps, international trade settlements, and RMB-denominated bond issuance. A more internationally acceptable RMB will facilitate more outward direct investments. This is likely to be encouraged. The objective is not only to acquire overseas resources and international expertise, but also to diversify China's excess capital. This is part of China's strategy to extract herself from what Nobel laureate and New York Times columnist Paul Krugman calls the '***US Dollar Trap***'. This locks China's huge foreign exchange reserve in low-yielding US treasuries effectively tied to the greenback. This is liable to be printed at will by the Fed to suit America's own national interests as America's "exorbitant privilege" as the issuer of the world's most wanted international reserve currency.

Holistic Harmony as applied to international relations

In the increasingly complex world of geopolitics, any suspicions of China's geopolitical intentions are mollified somewhat by China's general non-confrontational diplomatic stance across the globe except where China's territorial integrity is directly threatened.

Ideologically, a non-confrontational approach is consistent with the ***Confucian concept of holistic harmony between states***. This is reflected in the approach China normally takes in addressing international or regional conflicts, whether in Africa, as in the Sudan, or in the Middle East, as in Syria. China has displayed a consistent aversion to the use of force, coercion, or sanctions, preferring diplomatic dialogue and negotiations, at least for much longer than her Western counterparts.

Rather than focussing on single issues such as democracy or human rights, China tends to adopt a holistic approach in foreign relations. This is particularly borne out by ***China's unique engagement with Africa***.

China's African involvement is, of course, not without national self-interests. This is evident from China's acquisition of African resources and building up rapport amongst African states in support of China's One-China policy or over anti-China human rights issues raised in international forums such as the United Nations. However, what distinguishes China's African engagement from the West's efforts is China's unique coordinated package of aid and state/private

investments, regardless of the recipient's ideologies or humanitarian records. These are aimed at building much needed economic infrastructure such as schools, hospitals and roads.

China's holistic, non-discriminatory and value-free approach is generally welcome by many African nations. This, however, is often accused by the West of undermining efforts in sanctioning perceived "rogue states", and is held to be inconsistent with China's expected role as a responsible stake-holder in the global order.

China's conviction is that sanctions seldom work. Poverty in the form of a broken economy and lack of essential infrastructure and skills breeds domestic turmoil, which in turn results in repression. Absent such essential infrastructure, the local economy can hardly take off, thereby trapping the country concerned in endless poverty, the root cause of failed African states (16). Indeed, aid alone without capacity building has become an African addiction. Instead of the solution, it has turned out to be the problem (17).

China's African infrastructural and financial investments are ubiquitous. These have led to such unique initiatives as partnering with host countries to set up and manage regional Special Economic Zones. These engagements are set to boost China-African economic ties in the coming decades. At the same time, China's non-ideological and non-discriminatory African approach will continue to spark controversies, questions and debates, such as whether democracy is the pre-requisite to economic development or vice versa. (See elaborations on these issues in such works as *The Dragon's Gift* and *Dead Aid* in footnotes (16) and (17) above).

Harmony with Nature

Another area where a rising China raises both concern and hope is ***Energy Security and Climate Change***. China's breakneck economic growth has been underpinned by a voracious appetite for energy and other natural resources, resulting in China becoming the world's largest polluter. Paradoxically, however, China is also amongst the world's leaders in the use and development of green energies, including solar, wind, and hydro. This apparent contradiction owes itself to an overriding need for urbanization and industrialization, essential for building a middle-income nation. This process is expected to continue probably until 2030, when China will have become two-thirds urbanized, compared with 50% at present (see Footnote (21) below).



At the same time, however, water, soil and air pollution have posed alarming risks to China's economic, social and political survival. The risks are compounded by a rising level of dependence on energy and resource importation through geopolitically-sensitive sea lanes and choke points, such as the Strait of Hormuz near Iran and the Malacca Strait in the South China Sea under the control of America's 7th Fleet.

For reasons of national security and human survival, therefore, China has *no choice but to go green*. Ideologically, going green sits well with the *Confucian philosophy of harmony between man and nature* (天人合一). Seen in this context, a greener China would no doubt add to the ideological appeal of China's developmental paradigm.

Global perceptions of China

According to the latest PEW Global Attitudes survey (June 13, 2012) (18), "In 2008, before the onset of the global financial crisis, a median of 45% named the U.S. as the world's leading economic power, while just 22% said China. *Today, only 36% say the U.S., while 42% believe China is in the top position.*"

Notwithstanding this change of global perception in favour of China's economic might, the same survey found that "*China's image has slipped in several countries over the last year*. The percentage of Japanese with a favourable opinion of China plummeted from 34% to 15%. In France, China's favourability ratings dropped from 51% to 40% and in Britain from 59% to 49%. And since last year, Americans have become less disposed to rate China positively (51% in 2011, 40% now)."

A *similar BBC World Service Poll*, conducted on 7 March 2011, showed that *negative* perceptions remained over the 50% yardstick in countries including France (64%), Germany (62%), Spain (57%), Japan (52%), and India (52%). For those countries with over 50% positive rating, there was a drop in positive perceptions, including, for example, UK (by 10%), Mexico (by 9%), and Canada (by 8%).

While public perceptions are often influenced by current events, it is clear that *China's economic success, even if combined with military and technological prowess, is not enough* to uphold China's overall respectability in the world order.



What impacts on global perceptions of China?

The factors influencing global perceptions of China fall largely into the following categories -

(a) Divergence of national interests and policies –

- ***Economics***- China's trade surpluses, outsourcing of Western jobs, RMB exchange rate, weak intellectual property protection, policies perceived to compel transfer of Western technologies such as "indigenous innovation" requirements etc
- ***Power transition geopolitics***—China's security dilemma, suspicions (including the military), geopolitical hedging, rival spheres of influence
- ***Approaches to global issues*** –Iran, North Korea, terrorism, nuclear non-proliferation, climate change, China not seen as a 'Responsible Stakeholder'

(b) Lack of understanding of China's response to territorial challenges over Taiwan, Tibet, and the South China Sea.

(c) Human rights – China's postures as regards the Dalai Lama, the Nobel laureate Liu Xiaobo, the world-renowned artist Ai Weiwei, the implosion of the Bo Xilai and Wang Lijun affair, the saga of the blind legal activist Chen Guangcheng, the suspicious death of Tiananmen activist Li Wangyang, etc.

(d) Perceived institutional weaknesses –Rule of law, judiciary independence, power abuses, corruption, pollution, intellectual property, food safety, product quality, lack of innovative designs and global brands.

(e) Biases and prejudices –inadequate appreciation of Chinese culture and political-economic realities.

(f) Moral high grounds across English media worldwide, dictating global headlines towards a West-biased perception.

How China could improve her global image and ability to influence the world order

Regardless of her economic might, China could enhance her global image and influence by -



- Achieving breakthroughs in known institutional deficiencies e.g. rule of law, corruption, human rights, intellectual property protection, pollution, food safety, product quality, innovation , science and technology.
- Taking a more proactive and dynamic role by seizing global moral high grounds in helping to resolve global issues e.g. Poverty, Disease, Climate Change, Doha Round, Iran, North Korea, terrorism, nuclear proliferation, food security, new energies, the world's ecology etc. in such international forums as the United Nations, World Bank, International Monetary Fund , WTO, G20, ASEAN + 3, SCO, APEC etc.
- Intensifying dialogue and partnership with the US and other great powers.
- Proactively engaging influential NGOs and non-government actors in key areas (e.g. Africa).
- Vastly expanding the outreach and overseas presence of prominent Chinese corporate champions and brands.
- Projecting a more relaxed and less repressive image on high-profile cases involving human rights.
- Seizing the English –language commanding heights of global opinion-forming e.g. targeted and effective communications in leading English-language international TV channels, newspapers, journals, forums and conferences.
- Increasing global understanding and appreciation of a changing China - through intensified international collaboration and exchanges, including sponsored visits of leading opinion formers and thinkers to visit China.
- Promoting Chinese philosophies, cultures, values and lifestyles in English-language movies, literature, culture and arts.
- Expanding the network and scope of Confucius Institutes worldwide to cover China-related strategic issues besides Chinese language and culture.

Can the Chinese model replace the Western model?

While managing and improving global perceptions of China may help, it is no substitute for the real *body and soul of China as a nation*.

China's rise so far is characterised largely by remarkable economic success in embracing globalization according to internationally accepted norms. However,

China's internal political and social reform lags far behind her economic advancement. While China has largely converged with the rest of the world in the economic sphere, there remains much ***divergence in the country's political and social fabric***, including weaknesses in the rule of law, rampant corruption, weak intellectual property protection, excessive dominance and monopoly of state-owned enterprises, serious pollution, mounting inequalities, alleged human rights violations, suppression of individual freedoms, and ethnic unrests. Even if China's economy becomes the largest in the world, absent major reforms in these weaknesses, it is unlikely that the rest of the world would admire the ideology of China's model as a convincing success story, let alone wanting to be influenced by it.

In a chapter in "*In Search of China's Development Model – Beyond the Beijing Consensus*" (19) Suisheng Zhao outlines how China's economy is a 21st century variant of the East Asian economic model in the 1970s and 80s, combining strong economic growth with political stability. This is characterized by ***flexible pragmatism, a strong and market-enhancing pro-development state, and selective adaptation of Western ideas and policies***. Ruling out Western democracy as a poor fit for China's particular circumstances, ***political reform*** in China has taken the form of –

- (a) institutionalization of the leadership system, including leadership transition;
- (b) making the government more responsive to an increasingly plural society, including enforcement of officials' political accountability;
- (c) improving citizens' constitutional rights, including the promotion of the rule of law;
- (d) transforming the Communist Party from a revolutionary to a ruling Party, deriding its mandate to govern from economic, social, and environmental improvements in a more prosperous, and harmonious society.

However, as pointed out by S Philip Hsu in the same work, ***China's state-led model is "Janus-faced", with a "malevolent façade"*** plagued by predatory rent-seeking in a typical form of "crony capitalism." The jury is still out on whether the existing political order could be sustained in face of the need for mass participation, political competition, government transparency and accountability, and the upholding of the rule of law. Hsu calls the Chinese model a form of ***"adaptive post-totalitarianism"***.

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In another work “*Why Nations Fail – The Origins of Power, Prosperity and Poverty*”, Daron Acemoglu and James A Robinson view China’s economic growth as under “*extractive* political institutions” and question its sustainability unless China embraces “*inclusive institutions*”. (20).

Crossroads for urgent reforms – 2012 World Bank/DRC report and beyond

After years of breakneck economic growth, *social and political reforms* are long overdue and are being openly called for, not least by Premier Wen Jiabao . Above all, such reform is imperative if China is to escape the so-called “*Middle Income Trap*” which sees many developing countries stagnate at around \$8,000 per capita income. As Premier Wen warned, "Not reforming is no option. It could only lead to ruin."

It is therefore no coincidence that a World Bank report “*China 2030 - Building a Modern, Harmonious, and Creative High-Income Society*” (21) was released on 27 February, shortly before the opening of the 2012 sessions of the National People's Congress (NPC) and the Chinese People's Political Consultative Conference (CPPCC). What is significant about this 468-pdage World Bank report is that it was jointly undertaken with the Development Research Centre (DRC) of the State Council, an extremely rare, if not unique, occurrence.

The Economist (22) insinuates that the Report may just end up as a mere wish-list of the so-called Party "reformers." However, this seems unlikely. Judging from the moderate and pondered tone of the Report, it is probable that the DRC had already walked through the recommendations to ensure that they are doable, before lending its name to a World Bank publication. It is also widely known that Li Keqiang, China's next Premier-in-waitng, is the Report's strongest supporter.

In line with the directions of the latest Five Year Plan, the World Bank report focuses on the *efficiency, equity, and sustainability* of the existing system of allocation of resources. Its prescriptions include –

(a) redefining sources of revenue and scope of *responsibilities between the central and local* authorities; this is necessary to avoid forcing the latter to resort to “land grabs” as their main source of revenue;

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(b) reforming the inefficiencies of capital accumulation and allocation by **large state-owned enterprises** in favour of competition and innovation of the private sector;

(c) implementing the State Council decision in 2011 of guaranteeing **a decent standard of living for the people by 2020** with comprehensive access to such essential services as healthcare, education and housing;

(d) **unblocking the "hukou" (household registration) system** which deprives migrant workers of access to local social provisions, which is a major hindrance to greater social mobility;

(e) using the rising middle class as a catalyst **for improved governance, standards of services, and the empowerment of civil society**;

(f) **liberalizing the financial system** to achieve higher total factor productivity;

(g) pushing ahead with **the internationalization and eventual capital-account convertibility of the RMB** with a view to its use as an international reserve currency;

(i) delivering a comprehensive economic, social and environmental agenda to achieve **a green economy and society by 2030** (e.g. by capitalizing on a voluntary "cap-and-trade" scheme and introducing green standards in the government's massive procurement program); and

(j) playing a more proactive role **as a responsible stakeholder in helping to shape the global order**, commensurate with the growing size and influence of China's economy.

The Report takes cognizance of a number of critical realities. China has over a million millionaires while some 170 million people still live under the poverty line of \$1.25 a day. The body of university graduates is expected to swell by 200 million over the next two decades, bigger than the entire workforce of the United States. By 2030, China will become two-thirds urbanized, compared with 50% at present. Owing to demographics, China is likely to "grow old before it gets rich".

If anything, the Report seems to err on the side of **caution**. There is, for example, no mention of establishing a **more independent judiciary** to safeguard the rule of law (as distinct from rule by law). A possible suggestion is that

instead of being appointed by local authorities, judges could be appointed for a fixed term by a commission with elected members answerable to the central government. The Report also shies away from scrapping the culprit of China's eschewed and rapidly aging demographic profile - *the One Child Policy* - which seems to be running past its sell-by date.

China's own model has many institutional weaknesses. Amongst them are unbridled corruption, abuse of power, weak rule of law, suppression of individual rights and freedoms, intolerance of dissent, lack of press freedoms, and a somewhat stifled civil society. These weaknesses are becoming more and more critical as China's society is changing rapidly into one dominated by an economically more influential, better –educated, internet-savvy, more vocal middle-class with liberal aspirations. ***The old authoritarian and repressive style of governance is unlikely to cope.***

In an age clamouring for social justice against a flawed Washington Consensus based on market absolutism, China's state-led socialist market-economy with tenets reminiscent of Confucian concepts of good governance (such as “the universal mandate to govern based on the common good” 大道之行也, 天下为公 or “government for the people”) should have a great deal to commend itself. The challenge is ***how a one-party state can ensure that non-democratically elected leaders do not enrich themselves*** instead of having the best interests of the people at heart.

While China may be ill served by simply downloading the Western model of multi-party democracy with all its pitfalls, let alone the chaos this may create in China's current political, economic and social circumstances, perhaps the answer may lie in the following perspectives.

First, the selection of China's government officials is now based on administrative and political meritocracy. The selection at entry levels through competitive examinations and interviews has its origin from China's ancient imperial examinations system. Subsequent promotion through the ranks is increasingly based on administrative and political track record. Eventual elevation to the Politburo and beyond also depends, amongst other factors, on ability and political acumen to carry the Party and the nation forward. This system of grooming and selection of leaders is very much in tune with the Confucian precept of “***selecting the virtuous and the capable***” (选贤与能) in governing the country. This contrasts with the Western system of selecting

leadership through political rivalry. This is often influenced by money and popularism, while Western ministerial appointments are often linked to partisan credentials.

Second, as *China's leaders* are not hampered by the relative short-term horizon of electoral- cycles, their political interests can be more long-term and strategic. This recognizes the fact that the *development and growth of the nation would best serve the long-term stability of the Party, of which the selected leaders are the integral part.*

Third, even if the selected leaders may have different political connections and affiliations throughout their careers, *political rivalry is less likely to escalate* to such an extent as *to rock the stability of the common boat of the Party.*

Fourth, if the Party succeeds in enjoying continuous and sustained popular support , it would then be *tantamount to a popularly elected ruling party*, provided that there are checks and balances to curb individual abuse of power.

Fifth, checks and balance can be institutionalized even in a one-party state. These may include an independently appointed judiciary answerable to the central government rather than local authorities, transparency of public decisions and budgets, political accountability of party leaders and officials, strict inter-party discipline to fight corruption at various levels, and a vibrant civil society with a liberal media as a tool to monitor governance.

Sixth, China has never publicly shunned democracy. In fact, President Hu Jintao used the D-word 60 times at his address to the 17th Party Congress in 2007. Indeed, the process of further democratisation may have already started, exemplified by the recent turn of events for a genuine, open and fair village election at Wukan. There is also a move towards more intra-Party democratic selection of party leaders. For example, in the run-up to the next top leadership transition, the opinions of all 370 members of the Politburo were polled as a reference for selecting new leaders in the coming Politburo Standing Committee **(China's state cabinet).**

Last but not least, as China's top leaders have warned on various occasions, the *Party must continue to re-invent itself on pain of becoming obsolete.* This is essential to keep up with the times and the changing aspirations of the majority of the people. This admonition is prescient as it echoes the wisdom of China's imperial past when dynasties rose or fell as the "mandate of heaven" was

honoured or forfeited according to how well the leaders looked after the well-being of the masses.

Conclusion

As the world pendulum is decidedly swinging from the West to the East, an economically strong China should be well placed to influence the world's *economic order*. But regardless of how successful China's economy will become, and how academically elegantly the country's culture and ideology are presented, China is unlikely to gain the highest international respectability to influence a real change in the *world order* without some far-reaching reforms to address the nation's list of institutional weaknesses.

According to Jared Diamond in *Guns, Germs and Steel*, "societies with effective conflict resolution, sound decision making, and harmonious economic distribution" are generally better able to influence history. He also outlines how, backed by a strong state, early Chinese civilization overwhelmingly influenced the cultural and economic developments of surrounding regions far into the Pacific, largely through trade and human migration (23). But in another best-selling book, *Collapse*, he also shows how societies and even civilizations, like the Easter Islanders, could perish if they failed to adapt or transform themselves in response to looming threats either within or without (24).

Besides economic and military influence, the future battle for world order is likely to be *a battle of cultures and ideas as they are actually lived or practised*. At a time when the tide is turning from the West to the East, when a historic Chinese renaissance beckons, China is well positioned to rise to the challenge of showcasing a new attractive civilization in keeping with the spirit of the times, delivering good governance, upholding the well-being of the people, creating harmony between nations, harmony between Man and Nature, and providing peace, stability and prosperity for all. Such a civilization, if actually in practice, is likely to be more influential than economic, technological, and military prowess in empowering China to help shape a better world order for tomorrow.



- (1) Attributed to the highly acclaimed essay *The End of History* by Francis Fukuyama in *The National Interest*, 1989, in which he argued that the advent of Western liberal democracy may signal the end-point of humanity's socio-cultural evolution and the final form of human government.
- (2) *The Visible Hand*, *The Economist*, 21 January, 2012 at <http://www.economist.com/node/21542931> (accessed on 17 June, 2012)
- (3) Joshua Cooper Ramo, *The Beijing Consensus*, The Foreign Policy Centre, London, 2004 ; Stephen Halper, *The Beijing Consensus*, Basic Books, 2010
- (4) *The Myth of the Beijing Consensus*, Scott Kennedy, Chapter 2, *In Search of China's Development Model – Beyond the Beijing Consensus*, S. Philip Hsu, Yu-shan Wu, and Suisheng Zhao (Ed.), Routledge Contemporary China Series, 2011
- (5) *More Instruments and Broader Goals: Moving Toward the Post-Washington Consensus*, Speech by Joseph Stiglitz, Senior Vice President and Chief Economist, The World Bank Group, Helsinki, Finland, January 7, 1998
<http://web.worldbank.org/WBSITE/EXTERNAL/NEWS/0,,contentMDK:20025088~menuPK:34474~pagePK:34370~piPK:34424~theSitePK:4607,00.html> (accessed on 23 June, 2012).
- (6) Attributed to Winston Churchill, House of Commons, 11 November 1947
- (7) President Dwight Eisenhower famously warned the U.S. about the collusion of the "military-industrial complex" in his farewell address on January 17, 1961.
- (8) *Voter Turnout Since 1945 - A Global Report*, International Institute for Democracy and Electoral Assistance (International IDEA), 2002
- (9) *Who Are We? Who Are They? The Real Facts of a Globalized Chimerica*, by Peter Nolan, Sinyi Professor of Chinese Management at the University of Cambridge, Chair of the university's Development Studies Committee, and Director of the China Big Business Program at Cambridge University. His summer 2011 article is excerpted from a paper prepared for the US-China Business Council and appeared on the New

Perspectives Quarterly, a world-class publication devoted to the exchange of knowledge globally.

http://www.digitalnpq.org/archive/2011_summer/17_nolan.html

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- (12) Zbigniew Brzezinski, “*Balancing the East, Upgrading the West - U.S. Grand Strategy in an Age of Upheaval*”, in *Foreign Affairs*, January/February 2012.
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- (14) Thomas Friedman, *Hot Flat and Crowded*, Penguin Books, 2009, pp. 138-140
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- (21) *China 2030 - Building a Modern, Harmonious, and Creative High-Income Society*, a Report of the World Bank and the Development Research Centre of the State Council, the People’s Republic of China, February 2012.
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- (23) Jared Diamond, *Guns, Germs and Steel, A Short History of Everybody for the last 13,000 Years*, Vintage Books, London, 2005 (pp. 288, 322-333)
- (24) Jared Diamond, *Collapse – How Societies Choose to Fail or Survive*, Penguin Books, 2005

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