

At Issue:

Will this be the “Chinese century”?



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WRITTEN FOR *CQ RESEARCHER*, APRIL 2014

Until 1820, China and India were always the world's two largest economies. Against that backdrop, the European 19th century and the American 20th century were historical aberrations. But all aberrations come to a natural end, and a resurgent Chinese 21st century is inevitable as the world returns to a natural historical norm.

As I documented in my book, *The New Asian Hemisphere: The Irresistible Shift of Global Power to the East*, China's remarkable economic growth has occurred because they have finally understood, absorbed and are implementing seven pillars of Western wisdom: free-market economies; science and technology; rule of law; meritocracy; and a culture of pragmatism, peace and education (although the last four were also part of traditional Chinese culture). China's share of global gross domestic product (GDP) was less than 10 percent of America's in 1980, but China's GDP is projected to overtake that of the United States by 2019, according to *The Economist*. And by 2030, China's share of global GDP will be 2.5 times that of the United States, according to former World Bank Chief Economist Justin Lin.

Can China stumble? Yes. The Chinese Communist Party can be brought down by corruption, internal party struggles, massive social unrest or conflict with China's neighbors. There will be ups and downs, but that is equally true of the United States, especially given political gridlock in Washington, unsustainable entitlement payments, massive defense expenditures or costly external military engagements.

Strong leadership may well be China's biggest competitive advantage. Through a ruthless meritocratic selection process, China may have the best leadership team in place. The Communist Party also has become a learning organization. Equally important, there has been an explosion of personal freedoms. Under Mao Zedong, citizens could not choose what to wear, where to live or work or what to study, and they certainly could not leave the country. Today, they enjoy those freedoms, and nearly 100 million Chinese travel overseas each year and freely choose to return to China. Are they mad, or have they decided that Chinese society has opened up enough to enable them to realize their personal dreams?

Fortunately, several other Asian states also are re-emerging, and, as China's economy integrates more with open economies, its resurgence will gain more momentum. Indeed, the Chinese century may appear sooner than you think.



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WRITTEN FOR *CQ RESEARCHER*, APRIL 2014

China is one of the world's most powerful countries, and its three decades of growth has been unprecedented. Before pundits label the 21st century “China's century,” however, they should consider four facts.

First, the U.S.-China “power gap” is large: America's economy is twice the size of China's; U.S. high-tech output is three times greater than China's; the U.S. defense budget is six times larger than China's; and the average American is eight times wealthier than the average Chinese citizen.

Second, that power gap is growing. From 2000 to 2012, the gap in defense spending (excluding U.S. spending in Iraq and Afghanistan) between the two countries increased by \$154 billion, the amount of China's entire 2012 military budget. The gap in high-tech output grew by \$1.2 trillion, roughly equivalent to China's total high-tech output. And the difference in per-capita income widened by \$10,000 — double the average Chinese income.

It is true that China will likely become the world's largest economy sometime this century. But size matters less than some other factors. After all, China was the world's largest economy for most of its “century of humiliation” (1839-1945), when it was ripped apart by smaller, more advanced countries, including Britain, which ruled a quarter of the globe despite having a GDP half the size of China's. In short, wealth, innovation and military power trump sheer economic size, and by those measures, the United States will outpace China for the foreseeable future.

Third, the days of rapid Chinese growth are over. In the coming decades, China will confront debt and environmental crises and the worst aging crisis in human history. Its labor force will shrink 15 percent by 2050, while its elderly population will quadruple. Economists expect this demographic swing alone to cut China's economic growth rate in half. The U.S. demographic picture, by contrast, is less dire: The American labor force will expand by 40 percent, while the elderly population will double.

Finally, China faces an extremely challenging security environment. It is surrounded by 19 countries, five of which fought wars against it in the past century. China has restive minority groups, and North Korea is its only ally. The United States, by contrast, has 66 allies and borders only two countries — Canada and Mexico — and two oceans. While the United States can project power far beyond its borders, China must exert great effort simply to maintain its physical security.