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## The Rise of China and the Future of the West

### Can the Liberal System Survive?

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Summary: China's rise will inevitably bring the United States' unipolar moment to an end. But that does not necessarily mean a violent power struggle or the overthrow of the Western system. The U.S.-led international order can remain dominant even while integrating a more powerful China -- but only if Washington sets about strengthening that liberal order now.

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The rise of China will undoubtedly be one of the great dramas of the twenty-first century. China's extraordinary economic growth and active diplomacy are already transforming East Asia, and future decades will see even greater increases in Chinese power and influence. But exactly how this drama will play out is an open question. Will China overthrow the existing order or become a part of it? And what, if anything, can the United States do to maintain its position as China rises?

Some observers believe that the American era is coming to an end, as the Western-oriented world order is replaced by one increasingly dominated by the East. The historian Niall Ferguson has written that the bloody twentieth century witnessed "the descent of the West" and "a reorientation of the world" toward the East. Realists go on to note that as China gets more powerful and the United States' position erodes, two things are likely to happen: China will try to use its growing influence to reshape the rules and institutions of the international system to better serve its interests, and other states in the system -- especially the declining hegemon -- will start to see China as a growing security threat. The result of these developments, they predict, will be tension, distrust, and conflict, the typical features of a power transition. In this view, the drama of China's rise will feature an increasingly powerful China and a declining United States locked in an epic battle over the rules and leadership of the international system. And as the world's largest country emerges not from within but outside the established post-World War II international order, it is a drama that will end with the grand ascendance of China and the onset of an Asian-centered world order.

That course, however, is not inevitable. The rise of China does not have to trigger a wrenching hegemonic transition. The U.S.-Chinese power transition can be very different from those of the past because China faces an international order that is fundamentally different from those that past rising states confronted. China does not just face the United States; it faces a Western-centered system that is open, integrated, and rule-based, with wide and deep political foundations. The nuclear revolution, meanwhile, has made war among great powers unlikely -- eliminating the major tool that rising powers have used to overturn international systems defended by declining hegemonic states. Today's Western order, in short, is hard to overturn and easy to join.

This unusually durable and expansive order is itself the product of farsighted U.S. leadership. After World War II, the United States did not simply establish itself as the leading world power. It led in the creation of universal institutions that not only invited global membership but also brought democracies and market societies closer together. It built an order that facilitated the participation and integration of both established great powers and newly independent states. (It is often forgotten that this postwar order was designed in large part to reintegrate the defeated Axis states and the beleaguered Allied states into a unified international system.) Today, China can gain full access to and thrive within this system. And if it does, China will rise, but the Western order -- if managed properly -- will live on.

As it faces an ascendant China, the United States should remember that its leadership of the Western order allows it to shape the environment in which China will make critical strategic choices. If it wants to preserve this leadership, Washington must work to strengthen the rules and institutions that underpin that order -- making it even easier to join and harder to overturn. U.S. grand strategy should be built around the motto "The road to the East runs through the West." It must sink the roots of this order as deeply as possible, giving China greater incentives for integration than for opposition and increasing the chances that the system will survive even after U.S. relative power has declined.

The United States' "unipolar moment" will inevitably end. If the defining struggle of the twenty-first century is between China and the United States, China will have the advantage. If the defining struggle is between China and a revived Western system, the West will triumph.

#### TRANSITIONAL ANXIETIES

China is well on its way to becoming a formidable global power. The size of its economy has quadrupled since the launch of market

reforms in the late 1970s and, by some estimates, will double again over the next decade. It has become one of the world's major manufacturing centers and consumes roughly a third of the global supply of iron, steel, and coal. It has accumulated massive foreign reserves, worth more than \$1 trillion at the end of 2006. China's military spending has increased at an inflation-adjusted rate of over 18 percent a year, and its diplomacy has extended its reach not just in Asia but also in Africa, Latin America, and the Middle East. Indeed, whereas the Soviet Union rivaled the United States as a military competitor only, China is emerging as both a military and an economic rival -- heralding a profound shift in the distribution of global power.

Power transitions are a recurring problem in international relations. As scholars such as Paul Kennedy and Robert Gilpin have described it, world politics has been marked by a succession of powerful states rising up to organize the international system. A powerful state can create and enforce the rules and institutions of a stable global order in which to pursue its interests and security. But nothing lasts forever: long-term changes in the distribution of power give rise to new challenger states, who set off a struggle over the terms of that international order. Rising states want to translate their newly acquired power into greater authority in the global system - to reshape the rules and institutions in accordance with their own interests. Declining states, in turn, fear their loss of control and worry about the security implications of their weakened position.

These moments are fraught with danger. When a state occupies a commanding position in the international system, neither it nor weaker states have an incentive to change the existing order. But when the power of a challenger state grows and the power of the leading state weakens, a strategic rivalry ensues, and conflict -- perhaps leading to war -- becomes likely. The danger of power transitions is captured most dramatically in the case of late-nineteenth-century Germany. In 1870, the United Kingdom had a three-to-one advantage in economic power over Germany and a significant military advantage as well; by 1903, Germany had pulled ahead in terms of both economic and military power. As Germany unified and grew, so, too, did its dissatisfactions and demands, and as it grew more powerful, it increasingly appeared as a threat to other great powers in Europe, and security competition began. In the strategic realignments that followed, France, Russia, and the United Kingdom, formerly enemies, banded together to confront an emerging Germany. The result was a European war. Many observers see this dynamic emerging in U.S.-Chinese relations. "If China continues its impressive economic growth over the next few decades," the realist scholar John Mearsheimer has written, "the United States and China are likely to engage in an intense security competition with considerable potential for war."

But not all power transitions generate war or overturn the old order. In the early decades of the twentieth century, the United Kingdom ceded authority to the United States without great conflict or even a rupture in relations. From the late 1940s to the early 1990s, Japan's economy grew from the equivalent of five percent of U.S. GDP to the equivalent of over 60 percent of U.S. GDP, and yet Japan never challenged the existing international order.

Clearly, there are different types of power transitions. Some states have seen their economic and geopolitical power grow dramatically and have still accommodated themselves to the existing order. Others have risen up and sought to change it. Some power transitions have led to the breakdown of the old order and the establishment of a new international hierarchy. Others have brought about only limited adjustments in the regional and global system.

A variety of factors determine the way in which power transitions unfold. The nature of the rising state's regime and the degree of its dissatisfaction with the old order are critical: at the end of the nineteenth century, the United States, a liberal country an ocean away from Europe, was better able to embrace the British-centered international order than Germany was. But even more decisive is the character of the international order itself -- for it is the nature of the international order that shapes a rising state's choice between challenging that order and integrating into it.

## OPEN ORDER

The postwar Western order is historically unique. Any international order dominated by a powerful state is based on a mix of coercion and consent, but the U.S.-led order is distinctive in that it has been more liberal than imperial -- and so unusually accessible, legitimate, and durable. Its rules and institutions are rooted in, and thus reinforced by, the evolving global forces of democracy and capitalism. It is expansive, with a wide and widening array of participants and stakeholders. It is capable of generating tremendous economic growth and power while also signaling restraint -- all of which make it hard to overturn and easy to join.

It was the explicit intention of the Western order's architects in the 1940s to make that order integrative and expansive. Before the Cold War split the world into competing camps, Franklin Roosevelt sought to create a one-world system managed by cooperative great powers that would rebuild war-ravaged Europe, integrate the defeated states, and establish mechanisms for security cooperation and expansive economic growth. In fact, it was Roosevelt who urged -- over the opposition of Winston Churchill -- that China be included as a permanent member of the UN Security Council. The then Australian ambassador to the United States wrote in his diary after his first meeting with Roosevelt during the war, "He said that he had numerous discussions with Winston about China and that he felt that Winston was 40 years behind the times on China and he continually referred to the Chinese as 'Chinks' and 'Chinamen' and he felt that this was very dangerous. He wanted to keep China as a friend because in 40 or 50 years' time China might easily become a very powerful military nation."

Over the next half century, the United States used the system of rules and institutions it had built to good effect. West Germany was bound to its democratic Western European neighbors through the European Coal and Steel Community (and, later, the European Community) and to the United States through the Atlantic security pact; Japan was bound to the United States through an alliance partnership and expanding economic ties. The Bretton Woods meeting in 1944 laid down the monetary and trade rules that facilitated the opening and subsequent flourishing of the world economy -- an astonishing achievement given the ravages of war and the competing interests of the great powers. Additional agreements between the United States, Western Europe, and Japan solidified the

open and multilateral character of the postwar world economy. After the onset of the Cold War, the Marshall Plan in Europe and the 1951 security pact between the United States and Japan further integrated the defeated Axis powers into the Western order.

In the final days of the Cold War, this system once again proved remarkably successful. As the Soviet Union declined, the Western order offered a set of rules and institutions that provided Soviet leaders with both reassurances and points of access -- effectively encouraging them to become a part of the system. Moreover, the shared leadership of the order ensured accommodation of the Soviet Union. As the Reagan administration pursued a hard-line policy toward Moscow, the Europeans pursued détente and engagement. For every hard-line "push," there was a moderating "pull," allowing Mikhail Gorbachev to pursue high-risk reforms. On the eve of German unification, the fact that a united Germany would be embedded in European and Atlantic institutions -- rather than becoming an independent great power -- helped reassure Gorbachev that neither German nor Western intentions were hostile. After the Cold War, the Western order once again managed the integration of a new wave of countries, this time from the formerly communist world. Three particular features of the Western order have been critical to this success and longevity.

First, unlike the imperial systems of the past, the Western order is built around rules and norms of nondiscrimination and market openness, creating conditions for rising states to advance their expanding economic and political goals within it. Across history, international orders have varied widely in terms of whether the material benefits that are generated accrue disproportionately to the leading state or are widely shared. In the Western system, the barriers to economic participation are low, and the potential benefits are high. China has already discovered the massive economic returns that are possible by operating within this open-market system.

Second is the coalition-based character of its leadership. Past orders have tended to be dominated by one state. The stakeholders of the current Western order include a coalition of powers arrayed around the United States -- an important distinction. These leading states, most of them advanced liberal democracies, do not always agree, but they are engaged in a continuous process of give-and-take over economics, politics, and security. Power transitions are typically seen as being played out between two countries, a rising state and a declining hegemon, and the order falls as soon as the power balance shifts. But in the current order, the larger aggregation of democratic capitalist states -- and the resulting accumulation of geopolitical power -- shifts the balance in the order's favor.

Third, the postwar Western order has an unusually dense, encompassing, and broadly endorsed system of rules and institutions. Whatever its shortcomings, it is more open and rule-based than any previous order. State sovereignty and the rule of law are not just norms enshrined in the United Nations Charter. They are part of the deep operating logic of the order. To be sure, these norms are evolving, and the United States itself has historically been ambivalent about binding itself to international law and institutions -- and at no time more so than today. But the overall system is dense with multilateral rules and institutions -- global and regional, economic, political, and security-related. These represent one of the great breakthroughs of the postwar era. They have laid the basis for unprecedented levels of cooperation and shared authority over the global system.

The incentives these features create for China to integrate into the liberal international order are reinforced by the changed nature of the international economic environment -- especially the new interdependence driven by technology. The most farsighted Chinese leaders understand that globalization has changed the game and that China accordingly needs strong, prosperous partners around the world. From the United States' perspective, a healthy Chinese economy is vital to the United States and the rest of the world. Technology and the global economic revolution have created a logic of economic relations that is different from the past -- making the political and institutional logic of the current order all the more powerful.

#### ACCOMMODATING THE RISE

The most important benefit of these features today is that they give the Western order a remarkable capacity to accommodate rising powers. New entrants into the system have ways of gaining status and authority and opportunities to play a role in governing the order. The fact that the United States, China, and other great powers have nuclear weapons also limits the ability of a rising power to overturn the existing order. In the age of nuclear deterrence, great-power war is, thankfully, no longer a mechanism of historical change. War-driven change has been abolished as a historical process.

The Western order's strong framework of rules and institutions is already starting to facilitate Chinese integration. At first, China embraced certain rules and institutions for defensive purposes: protecting its sovereignty and economic interests while seeking to reassure other states of its peaceful intentions by getting involved in regional and global groupings. But as the scholar Marc Lanteigne argues, "What separates China from other states, and indeed previous global powers, is that not only is it 'growing up' within a milieu of international institutions far more developed than ever before, but more importantly, it is doing so while making active use of these institutions to promote the country's development of global power status." China, in short, is increasingly working within, rather than outside of, the Western order.

China is already a permanent member of the UN Security Council, a legacy of Roosevelt's determination to build the universal body around diverse great-power leadership. This gives China the same authority and advantages of "great-power exceptionalism" as the other permanent members. The existing global trading system is also valuable to China, and increasingly so. Chinese economic interests are quite congruent with the current global economic system -- a system that is open and loosely institutionalized and that China has enthusiastically embraced and thrived in. State power today is ultimately based on sustained economic growth, and China is well aware that no major state can modernize without integrating into the globalized capitalist system; if a country wants to be a world power, it has no choice but to join the World Trade Organization (WTO). The road to global power, in effect, runs through the Western order and its multilateral economic institutions.

China not only needs continued access to the global capitalist system; it also wants the protections that the system's rules and institutions provide. The WTO's multilateral trade principles and dispute-settlement mechanisms, for example, offer China tools to defend against the threats of discrimination and protectionism that rising economic powers often confront. The evolution of China's policy suggests that Chinese leaders recognize these advantages: as Beijing's growing commitment to economic liberalization has increased the foreign investment and trade China has enjoyed, so has Beijing increasingly embraced global trade rules. It is possible that as China comes to champion the WTO, the support of the more mature Western economies for the WTO will wane. But it is more likely that both the rising and the declining countries will find value in the quasi-legal mechanisms that allow conflicts to be settled or at least diffused.

The existing international economic institutions also offer opportunities for new powers to rise up through their hierarchies. In the International Monetary Fund and the World Bank, governance is based on economic shares, which growing countries can translate into greater institutional voice. To be sure, the process of adjustment has been slow. The United States and Europe still dominate the IMF. Washington has a 17 percent voting share (down from 30 percent) -- a controlling amount, because 85 percent approval is needed for action -- and the European Union has a major say in the appointment of ten of the 24 members of the board. But there are growing pressures, notably the need for resources and the need to maintain relevance, that will likely persuade the Western states to admit China into the inner circle of these economic governance institutions. The IMF's existing shareholders, for example, see a bigger role for rising developing countries as necessary to renew the institution and get it through its current crisis of mission. At the IMF's meeting in Singapore in September 2006, they agreed on reforms that will give China, Mexico, South Korea, and Turkey a greater voice.

As China sheds its status as a developing country (and therefore as a client of these institutions), it will increasingly be able to act as a patron and stakeholder instead. Leadership in these organizations is not simply a reflection of economic size (the United States has retained its voting share in the IMF even as its economic weight has declined); nonetheless, incremental advancement within them will create important opportunities for China.

#### POWER SHIFT AND PEACEFUL CHANGE

Seen in this light, the rise of China need not lead to a volcanic struggle with the United States over global rules and leadership. The Western order has the potential to turn the coming power shift into a peaceful change on terms favorable to the United States. But that will only happen if the United States sets about strengthening the existing order. Today, with Washington preoccupied with terrorism and war in the Middle East, rebuilding Western rules and institutions might to some seem to be of only marginal relevance. Many Bush administration officials have been outright hostile to the multilateral, rule-based system that the United States has shaped and led. Such hostility is foolish and dangerous. China will become powerful: it is already on the rise, and the United States' most powerful strategic weapon is the ability to decide what sort of international order will be in place to receive it.

The United States must reinvest in the Western order, reinforcing the features of that order that encourage engagement, integration, and restraint. The more this order binds together capitalist democratic states in deeply rooted institutions; the more open, consensual, and rule-based it is; and the more widely spread its benefits, the more likely it will be that rising powers can and will secure their interests through integration and accommodation rather than through war. And if the Western system offers rules and institutions that benefit the full range of states -- rising and falling, weak and strong, emerging and mature -- its dominance as an international order is all but certain.

The first thing the United States must do is reestablish itself as the foremost supporter of the global system of governance that underpins the Western order. Doing so will first of all facilitate the kind of collective problem solving that makes all countries better off. At the same time, when other countries see the United States using its power to strengthen existing rules and institutions, that power is rendered more legitimate -- and U.S. authority is strengthened. Countries within the West become more inclined to work with, rather than resist, U.S. power, which reinforces the centrality and dominance of the West itself.

Renewing Western rules and institutions will require, among other things, updating the old bargains that underpinned key postwar security pacts. The strategic understanding behind both NATO and Washington's East Asian alliances is that the United States will work with its allies to provide security and bring them in on decisions over the use of force, and U.S. allies, in return, will operate within the U.S.-led Western order. Security cooperation in the West remains extensive today, but with the main security threats less obvious than they were during the Cold War, the purposes and responsibilities of these alliances are under dispute. Accordingly, the United States needs to reaffirm the political value of these alliances -- recognizing that they are part of a wider Western institutional architecture that allows states to do business with one another.

The United States should also renew its support for wide-ranging multilateral institutions. On the economic front, this would include building on the agreements and architecture of the WTO, including pursuing efforts to conclude the current Doha Round of trade talks, which seeks to extend market opportunities and trade liberalization to developing countries. The WTO is at a critical stage. The basic standard of nondiscrimination is at risk thanks to the proliferation of bilateral and regional trade agreements. Meanwhile, there are growing doubts over whether the WTO can in fact carry out trade liberalization, particularly in agriculture, that benefits developing countries. These issues may seem narrow, but the fundamental character of the liberal international order -- its commitment to universal rules of openness that spread gains widely -- is at stake. Similar doubts haunt a host of other multilateral agreements -- on global warming and nuclear nonproliferation, among others -- and they thus also demand renewed U.S. leadership.

The strategy here is not simply to ensure that the Western order is open and rule-based. It is also to make sure that the order does not fragment into an array of bilateral and "minilateral" arrangements, causing the United States to find itself tied to only a few key states in various regions. Under such a scenario, China would have an opportunity to build its own set of bilateral and "minilateral" pacts. As a

result, the world would be broken into competing U.S. and Chinese spheres. The more security and economic relations are multilateral and all-encompassing, the more the global system retains its coherence.

In addition to maintaining the openness and durability of the order, the United States must redouble its efforts to integrate rising developing countries into key global institutions. Bringing emerging countries into the governance of the international order will give it new life. The United States and Europe must find room at the table not only for China but also for countries such as Brazil, India, and South Africa. A Goldman Sachs report on the so-called BRICs (Brazil, Russia, India, and China) noted that by 2050 these countries' economies could together be larger than those of the original G-6 countries (Germany, France, Italy, Japan, the United Kingdom, and the United States) combined. Each international institution presents its own challenges. The UN Security Council is perhaps the hardest to deal with, but its reform would also bring the greatest returns. Less formal bodies -- the so-called G-20 and various other intergovernmental networks -- can provide alternative avenues for voice and representation.

#### THE TRIUMPH OF THE LIBERAL ORDER

The key thing for U.S. leaders to remember is that it may be possible for China to overtake the United States alone, but it is much less likely that China will ever manage to overtake the Western order. In terms of economic weight, for example, China will surpass the United States as the largest state in the global system sometime around 2020. (Because of its population, China needs a level of productivity only one-fifth that of the United States to become the world's biggest economy.) But when the economic capacity of the Western system as a whole is considered, China's economic advances look much less significant; the Chinese economy will be much smaller than the combined economies of the Organization for Economic Cooperation and Development far into the future. This is even truer of military might: China cannot hope to come anywhere close to total OECD military expenditures anytime soon. The capitalist democratic world is a powerful constituency for the preservation -- and, indeed, extension -- of the existing international order. If China intends to rise up and challenge the existing order, it has a much more daunting task than simply confronting the United States.

The "unipolar moment" will eventually pass. U.S. dominance will eventually end. U.S. grand strategy, accordingly, should be driven by one key question: What kind of international order would the United States like to see in place when it is less powerful?

This might be called the neo-Rawlsian question of the current era. The political philosopher John Rawls argued that political institutions should be conceived behind a "veil of ignorance" -- that is, the architects should design institutions as if they do not know precisely where they will be within a socioeconomic system. The result would be a system that safeguards a person's interests regardless of whether he is rich or poor, weak or strong. The United States needs to take that approach to its leadership of the international order today. It must put in place institutions and fortify rules that will safeguard its interests regardless of where exactly in the hierarchy it is or how exactly power is distributed in 10, 50, or 100 years.

Fortunately, such an order is in place already. The task now is to make it so expansive and so institutionalized that China has no choice but to become a full-fledged member of it. The United States cannot thwart China's rise, but it can help ensure that China's power is exercised within the rules and institutions that the United States and its partners have crafted over the last century, rules and institutions that can protect the interests of all states in the more crowded world of the future. The United States' global position may be weakening, but the international system the United States leads can remain the dominant order of the twenty-first century.

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