

Rising China is a real contender

By Gideon Rachman

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Is China like the US in 1890? Or is it more like Japan in 1980? If the parallel with America is right, China is likely to be the dominant power of the next century. If the Japanese comparison is more accurate, then the Chinese challenge to American hegemony could prove ephemeral.

The current mood in the US certainly feels like an exaggerated version of the "declinism" that set in towards the end of the 1980s, when the US was transfixed by the rise of Japan. A recent Pew opinion survey showed that a majority of Americans now believe that the Chinese economy is larger than that of the US. This is plain wrong. At the time the poll was taken, the Chinese economy was around half the size of America's.

It was this kind of scare that took hold in the late 1980s. Japanese investors provoked angst by buying the Rockefeller Centre in New York - and it was Japan that was the world's largest creditor nation.

The book that captured the declinist spirit of the late 1980s was *The Rise and Fall of the Great Powers*, written by Paul Kennedy, a Yale historian, who introduced readers to the notion of "imperial over-stretch". His argument was that America was staggering under the burden of its global commitments and was now in relative decline - following the path of the British, Napoleonic and Spanish empires.

Prof Kennedy's book caused a sensation when it was published in 1988. But just a year later, the Berlin Wall fell and the Japanese stock market bubble went pop. By the mid-1990s the "Kennedy thesis" was itself in relative decline, displaced by sexier new theories about the US as the "sole superpower" and the "clash of civilisations".

Now America's financial and military troubles - coupled with the rise of China - raise the question of whether Prof Kennedy was right, after all. Perhaps America's post cold-war dominance was just a blip before the resumption of relative decline.

Re-reading the book, more than 20 years after its publication, it seems strikingly prescient in some ways - and strikingly wrong in others. The argument that America's share of the global economy will inevitably decline - and that this will have knock-on effects on global politics - still looks spot on. But Prof Kennedy was also bedazzled by the rise of Japan, arguing that it was "likely to expand faster than the other major powers in the future" and would be "much more powerful" economically by the early 21st century.

I am not dredging up these old comments to make fun of Prof Kennedy. The point is simply that facts and conventional wisdom can change very fast. At the moment, China's rise looks just as unstoppable as Japan's did in the late 1980s. But there are

plenty of analysts who see Japanese-style bubbles inflating in the Chinese economy. Perhaps the Chinese bubble will also go pop, leaving those who have predicted a "Chinese century" scratching their heads in embarrassment and surprise.

In fact in some ways, China is a less plausible rival to the US than Japan was in the late 1980s. Japan is a wealthy, homogenous, developed nation with a stable political system. China is, in many respects, just what its leaders always insist it is - a developing nation.

Although some western intellectuals have lauded China's ability to plan for the long term, the country's political system is inherently unstable. The actions of China's government often suggest that its leadership remains very nervous about its power and legitimacy. China's angry insistence on the unity of the nation also betrays deep anxiety about separatist challenges in Tibet and Xinjiang.

But in other, more important ways, China is a much more serious challenger to American hegemony than Japan ever was. The most obvious point is demographic. America's population is more than twice that of Japan; it is less than a quarter of China's. Japan was (and is) also a democracy, an American ally and the base for some 50,000 US troops. China is, by contrast, a geopolitical rival. If China keeps growing fast then inevitably its economy will, at some point, become larger than that of the US - and that process will certainly change the global balance of power.

So the big question remains: how much longer can the Chinese economy keep booming? Here the differences between the China of today and the Japan of the 1980s are more striking than the similarities. Because China is much poorer than Japan was back then, and has a much larger population, it probably still has tremendous scope for internal development and rapid economic growth.

China is spending a lot on infrastructure, but it needs to - many of its villages, for example, still lack paved roads. Even if the country experiences disruptions, burst bubbles and occasional recessions along the way, its strengths are such that we should expect it to make ground on the other great powers. China, in fact, may be like Japan - but more like Japan in the 1960s than in 1988.

If China has another 20 years of rapid growth in it, then the likelihood is that it will indeed take the title of "the world's largest economy" some time in the 2020s. America probably achieved this status in the late 19th century. It took half a century and two wars for raw American economic power to translate into geopolitical dominance. I'm not sure whether that is a comforting thought, or not.

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