

CHINA: THE RISE OF A DRAGON
THE FUTURE OF THE COUNTRY IN THE INTERNATIONAL ORDER

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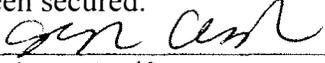
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Abstract

China's rise as a political and economic entity has not gone unnoticed since the end of the Cold War. Over the past few decades, the United States has assumed dominance in both of these realms, but the changing nature of global politics in the 21st century makes it imperative to question whether or not it will remain this way. By using a theoretical framework to describe the structure of global politics today, we are able to understand that empirical evidence negates the conjecture that China's rise will have a discernable impact on global politics, not only because it is not capable of altering it in a significant way, but also because it does not desire to do so.

“The week that changed the world”

- President Nixon, on his visit to China

For eight days Americans were glued to the television, watching as President Nixon made his historic visit to China in 1972. Every handshake, fanfare, and executive visit was captured, relaying the sights and sounds of a country that had been considered an enemy for decades.¹ It had been more than twenty years since relations between the United States and China had been normal, and the President was determined to get it right. In fact, to prepare for the pomp and extravagance of the Chinese banquet, Nixon had practiced beforehand with chopsticks – a small gesture on his part, but one that did not go unnoticed by his hosts.² Though this anecdote captures the lighter side of a momentous occasion, it is the start of what can be considered one of the most delicate, confusing, and powerful courtships. Forty years ago China was an enigma, swathed in a sea of red; Americans were exposed to a country that would, in time, come to dominate more than just the airwaves. In 2012, the country remains just as mysterious, not because the world is unaware of China’s economic or political prowess, but because of what exactly China wants for itself in the future.

According to the CIA World Factbook, China’s population is an estimated 1,343,239,923, and its GDP (purchasing power parity) is approximately \$11.29 trillion.³ With numbers like this, its ascent to becoming a powerhouse in the international realm is undeniable. The dynamics under which this occurs, however, are interesting to monitor (to say the least). It was clear after the Cold War ended that the United States had assumed the role of premier *superpower*, a title which carries not only an ample amount of respect and mobility, but also responsibility and criticism. However, the prolonged stalemate with the USSR unfortunately masked emerging trends, ones that include China’s upward trajectory over the past decades.⁴ It is important to understand the circumstances under which the country is discussed; while people watched in fascination by how spectacular the 2008 Beijing Olympics were, the country’s stance on human rights and similar social campaigns have been less well received. It is acceptable to question and indeed ponder over what China hopes to see for itself. Keeping this in mind, it is worth considering the following question: *Does China's rise as a political and economic entity have a discernable impact on the structure of global politics?* It is the hope of this paper that the answer is made clear through the following pages.

The term *global politics* no doubt raises a few eyebrows; admittedly, many international theorists discredit *any* international institution in global politics as irrelevant in political science discourse. Naturally, one who agrees with such a notion would be quick to dismiss the question addressed now as extraneous. However, the term encompasses a variety of exchanges between countries, both independent and facilitated.

¹ "The Nixon Visit." *American Experience*. PBS, 1999. Web. 10 Feb. 2012.
<<http://www.pbs.org/wgbh/amex/china/sfeature/nixon.html>>.

² MacMillan, Margaret. "Don't Drink the Mao-Tai." *Washingtonian Magazine*. 1 Feb. 2007. Web. 10 Feb. 2012. <<http://www.washingtonian.com/articles/people/dont-drink-the-mao-tai/>>.

³ "China." *The World Factbook*. CIA, 12 Feb. 2012. Web. 16 Feb. 2012.
<<https://www.cia.gov/library/publications/the-world-factbook/geos/ch.html>>.

⁴ Tammen, Ronald L. "Chapter 1: Power Transition Theory for the Twenty-first Century." *Power Transitions: Strategies for the 21st Century*. New York: Chatham House, 2000. 3. Print.

While bilateral relations (i.e. independent) are an acceptable part of international theory – most notably used through a Realist perspective, facilitated interaction falls under more scrutiny. Sudhir Rajan, Senior Fellow at Tellus Institute, writes in his paper “Global Politics and Institutions” that “...the very framework of sovereignty has acquired a completely different meaning as a result of the strong institutions of subsidiarity...and freedom of movement across the globe...Moreover, national governments are themselves forming a variety of networks with each other, and sometimes with non-state organizations, recognizing the need for broad strategic cooperation on critical issues.”⁵ By acknowledging that *global politics* necessitates an inclusion of state interaction through IGO’s alongside one on one dialogue, this paper can provide an improved context.

Theory in international relations is an important element in creating a context for how case studies are interpreted. Today, myriad theories exist - some in tandem with each other, some opposite. How does one distinguish between them which is appropriate and which is not? The functions of theory are a starting point of selecting which one provides the best answer to the unknowns involved. This paper should be able to set up a framework that helps to understand if China is powerful enough to change the nature of international politics. The question involving China’s rise and its affect on global politics premeditates a spotlight on *what* the structure of the world order is at the moment, and the following theory will help to explain this.

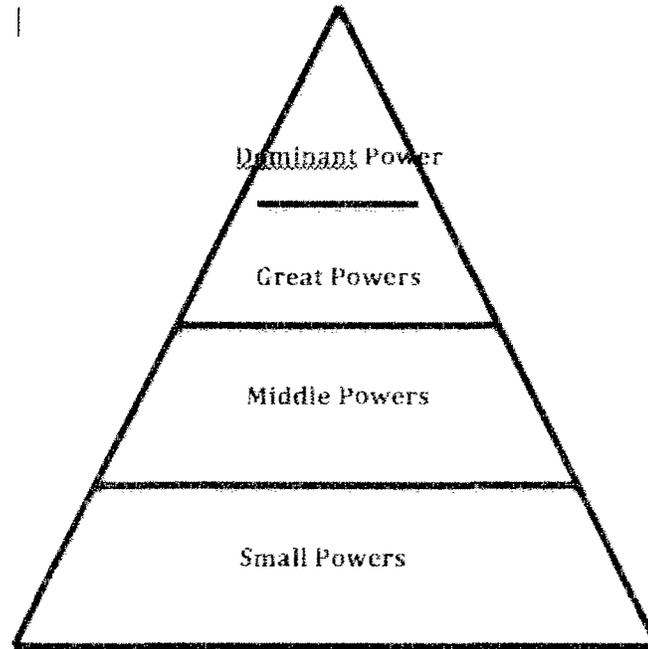
As mentioned before, the end of the Cold War brought about many uncertainties for how the international community would progress. The United States especially had operated under the notion of one sovereign threat, and had maneuvered its foreign policy and objectives to counter the USSR. Once the Soviet Union collapsed, there were many unknown variables to contend with. Would new powers rise? Where else had threats been ignored or dismissed which were now imperative to focus on? A new explanation was necessary, one which analyzed states that were no longer drawn to the sides of a bipolar world. **Power Transition theory** was born out of the mind of international theorists, most notably Ronald L. Tammen, A.F.K. Organski, Jacek Kugler, and Douglas Lemke to name a few. In their book, *Power Transitions: Strategies for the 21st Century*, these authors use the theory “...to deal with the management of alliances and international organizations, coalition building, political economy concerns, and threats to international order.”⁶ Their collective thoughts are an attempt to explain the world post Cold War, in a time where new changes facilitated new clarifications. By explaining the structure, dynamics, and policy (in terms of conflict and management) of world power through the lens of Power Transition theory, we hope we are closer to answering our initial question.

While other theories are easier to pinpoint and categorize under the traditional umbrella, Power Transition theory is a bit harder to typecast. According to the authors, it can be considered *rationalist*, simply because it is equal parts structural and dynamic, fully aware of how states have differing policy and how this impacts the general progression of the international dialogue. The first question we must tackle is one that

⁵ Rajan, Sudhir C. "Global Politics and Institutions." *Tellus Institute* (2006): 16+. [Http://www.tellus.org](http://www.tellus.org). 2006. Web. 20 Feb. 2012.

⁶ Tammen, Ronald L. "Chapter 1: Power Transition Theory for the Twenty-first Century." *Power Transitions: Strategies for the 21st Century*. New York: Chatham House, 2000. 6. Print.

addresses the structure of the world today. Tammen, Organski, Kugler etc provide an illustration of what they call the “Classic Power Pyramid,” one that I have tried to recreate. The pyramid has four groupings in order of top to bottom: Dominant Power, Great Powers, Middle Powers, and Small powers. It is hierarchical in nature, with the distribution of power unequal.



The **Dominant Power** is not to be confused with a hegemon, though its control over resources is by far the largest of all included within the pyramid. “It maintains its position as a dominant power by ensuring power preponderance over potential rivals and by managing the international system...”⁷ *Managing the international system* is an important concept, for it includes a set of responsibilities the dominant power must be willing to accept, ones which has positive and negative consequences (this point will be referenced again). The dominant power today can be considered the United States. **Great Powers** currently include China, Japan, Germany, the UK, France and Russia; their role is to help facilitate resources and maintain the international order. A caveat to the relationship between the dominant and great power(s) – challengers oftentimes arise from the latter, threatening to supplant the dominant power. This happens if the challenger assumes eighty percent or more of the dominant country’s power, and if they are unsatisfied with their position in the hierarchy (what constitutes satisfaction versus dissatisfaction will be addressed later). The authors note that China remains the only country that could be a potential challenger to the United States. **Middle Powers** consist of countries like Brazil, and Italy – each one’s resources are sizeable but they are not enough of a challenge to unseat the dominant country. Most countries fall into the last and largest part of the pyramid, **Small Powers**. They have few resources and are no threat to the upper echelons. Tammen etc point out an interesting trend that works within

⁷ Tammen, Ronald L. "Chapter 1: Power Transition Theory for the Twenty-first Century." *Power Transitions: Strategies for the 21st Century*. New York: Chatham House, 2000. 6. Print.

the “Classic Power Pyramid.” They have noticed *regional hierarchies*, in which one country in that specific area acts as the dominant power, with a similar diffusion of state power underneath. “These regional hierarchies are influenced by the global hierarchical system, but cannot, in turn, control that larger system...regional hierarchies [are] subordinate to the global hierarchy.”⁸

The word *power* has been used generously up until this point, and while its definition may be simple, what it entails (in terms of the theory at hand) is a bit more complicated. Generally, it is thought of as the ability to persuade or command others to act in a certain way, and power transition theorists go a few steps further. In the context of the global hierarchy, *power* is defined by three categories: population, economic productivity, and political capacity. These are the *dynamics* of power, and taken together, provide a much better snapshot than the simple definition.

Population is an indispensable part to power; economic productivity and political capacity are malleable and can be controlled in part by individual and state action. However, **not** having a sizeable population is an undeniable detriment. It is the least influenced by change, and determines which countries remain and which countries fall out of dominant and great power status. In fact, “...capable governments [create] an environment conducive to demographic transition, thus boosting human capital and economic growth. Governments in developing nations that can increase government capacity will take control of the population expansion, accelerate investment in human capital, and attain self-sustaining growth.”⁹ Tammen and the others observe that the modernization of Asian nations (particularly China and India), prove that based on how vast populations are in both countries, there exists no other potential for transition in power other than from the two mentioned.

Economic growth, additionally, is a pertinent component for power. Much of the debate since the Cold War has ended shifts towards the economic prowess of nations; no longer is it just military capability that determines the potential of a nation – economic vitality is essential. Power transition relies off an additional economic theory, one that helps to explain how and where growth comes from (an essential aspect to power). Phillippe Aghion and Peter Howitt in their book *Endogenous Growth Theory* write that: “The most basic proposition of growth theory is that in order to sustain a positive growth rate of output per capita in the long run, there must be continual advances in technological knowledge in the form of new goods, new markets, or new processes...Thus in the absence of population growth and technological change, diminishing returns will eventually choke off all economic growth.”¹⁰ Ronald Tammen and his co-authors interpret this to mean that if a country is on an upward trajectory in terms of population *and* economic growth, then serious challenges exist to the dominant power. In fact, they consider one of the most perilous situations in the international order to be when a country (like China) experiences such conditions, while the status quo power (the United States) has a smaller population and sustained, steady growth. The

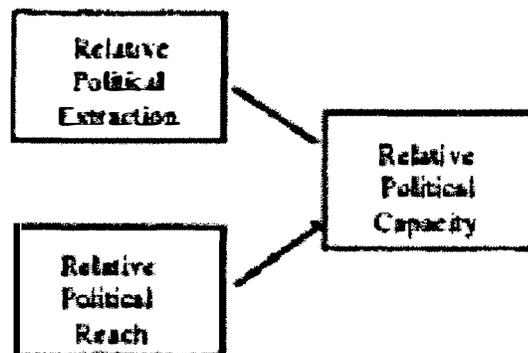
⁸ Tammen, Ronald L. "Chapter 1: Power Transition Theory for the Twenty-first Century." *Power Transitions: Strategies for the 21st Century*. New York: Chatham House, 2000. 8. Print.

⁹ Tammen, Ronald L. "Chapter 1: Power Transition Theory for the Twenty-first Century." *Power Transitions: Strategies for the 21st Century*. New York: Chatham House, 2000. 19. Print.

¹⁰ Aghion, Philippe, and Peter Howitt. "Chapter 1: Toward Endogenous Growth." *Endogenous Growth Theory*. Cambridge, MA: MIT, 1998. 11. Print.

aftermath would suggest an overtaking, where China is now at the top of the power pyramid. However, it is imperative that we ask ourselves if a situation where a great power is predicted to have the world's largest economy necessarily means that it will become the dominant country. (Does economic size equal power? This point will be expanded upon later).

Political capacity completes the trifecta for how power is measured. It is an important determinant of power if countries model the endogenous growth theory; there must exist a positive correlation between a population and how productive it is. Therefore, the following diagram helps to illustrate what political capacity entails (taken from the book *Political Capacity and Economic Behavior*).



Marina Arbetman elucidates what Relative Political Reach and Relative Political Extraction are: "RPR focuses on human resources and measure's the scope and breadth of government influence on population. RPE centers on material resources and gauges the flexibility of the government to gather revenues required to implement desired policy. Governments increase their political capacity by expanding reach over the population or by extracting more from groups already mobilized."¹¹ Political capacity can become a deciding factor in power transition if a government is adroit in taking advantage of what it produces.

The last overarching aspect to Power transition theory is in policy. Not only is it about managing world affairs (think back to the pyramid and the potential to either ascent or descent), but also about what happens if countries overtake each other and assume additional leverage in the international community. Conflict, to proponents of this theory is defined as war, and can happen in two ways: parity, and overtaking. The former has been touched upon previously, where challenging the dominant power was the first step. Parity is the transitional phase, and ends when the challenger exceeds the resources of the dominant power by 20 percent.¹² The second precursor for conflict is *overtaking*; it happens when a rising power experiences sharp growth as per the endogenous growth theory, and begins to expand at a quicker pace than the dominant power (notice that overtaking is defined through an economic lens rather than military capability – a product

¹¹ Arbetman, Marina, and Jacek Kugler. "Chapter 1: Relative Political Capacity: Political Extraction and Political Reach." *Political Capacity and Economic Behavior*. Boulder, CO: Westview, 1997. Print.

¹² Tammen, Ronald L. "Chapter 1: Power Transition Theory for the Twenty-first Century." *Power Transitions: Strategies for the 21st Century*. New York: Chatham House, 2000. 21. Print.

of the post Cold War era). This is not an uncommon phenomena; a dominant power is mature and experiences stable growth – great powers, especially if in a developing state, oftentimes have large increases in economic activity because they are making use of their resources in a beneficial way. However, parity and overtaking alone do not equal conflict, an additional incentive is necessary. “[They] must be accompanied by a challenging state’s determination to change the status quo and willingness by its elite to incur significant risk in order to alter the rules of the existing hierarchy.” A *state’s determination* is the driving force, for a country could be quite happy with their general affairs and not want to be a dominant power. This is dependent on (as expressed before) how satisfied or dissatisfied the state is. How exactly is this defined? As Tammen documents, dissatisfaction is present when a country wishes to advance its political position within the hierarchy because it is unhappy with the nature of the system, in an economic, security, or political sense. If this discontent persists, and a takeover occurs, the new dominant power will go one step further – create a new international order with its own rules in place.

As part of the responsibilities the dominant power has, managing world politics means dealing with threats to the status quo. There are two key parts to this: managing alliances, and international organizations. In terms of alliances, Power transition posits that these exist because of common commitments to rules in place, and what this confers (economic and security gains). The dominant power should *always* be looking to expand its alliances, so as to keep nations satisfied and keep the status quo. “The subsequent policy goal of the United States should be the creation of a satisfied China, either by direct integration into the alliance or by creating opportunities to socialize it into the existing international system.”¹³ The United States knows that a dissatisfied China *could* lead to changes in the hierarchy, and for this reason, must keep a watchful eye. While international organizations are a consortium of states coming together to hash out disputes and agree on accepted norms, the dominant power still holds substantial responsibility in these arenas. Two key organizations for this paper, the United Nations, and the World Trade Organization, must constantly reflect the dynamics of power from top to bottom. Whether it is social conflicts (human rights violations), political dilemmas (acting to combat illegitimate governance in intrastate conflict), or economic disputes (violation of an international trade rule), the dominant power is expected to take initiative and encourage other countries to do what is best (i.e. follow the norm). If a state wishes to supplant the top of the pyramid, they must be expected to assume the flagship role.

It is clear that economics are inextricably linked to the political landscape; in our attempt to answer the original research question describing what economic tactics are pursued between powers is essential. Tammen argues that interactions between satisfied nations will overwhelmingly use cooperative strategies to either initiate or resolve issues; Trade, and technology transfers are these key strategies. While it might be natural to assume that the objective in trade is to gain the upper hand vis a vis transfer of resources between countries, it is not uncommon for the dominant power to reach out to countries that do not share its same values, or to engage in aid transfers with competitive countries. Why is this the case? The dominant power recognizes that economic might is an indicator of how relations between itself and another country are categorized, the former seeks to

¹³ Tammen, Ronald L. "Chapter 1: Power Transition Theory for the Twenty-first Century." *Power Transitions: Strategies for the 21st Century*. New York: Chatham House, 2000. 34. Print.

incorporate as many states as possible into the status quo so as to head off potential challengers. For example, by singling out China and forging a cooperative relationship, the United States hopes to derail any threats to its own power.¹⁴ The other major cooperative strategy used is in terms technology transfers. Goel Cohen writes in his book *Technology Transfer: Strategic Management in Developing Countries* that “Technology is believed to be one of the major forces underpinning economic growth; accordingly, an efficient technology transfer system would lead to an efficient use of resources. Industrialism... is now considered to be the most efficient vehicles for comprehensive development...It is also recognized that the ‘engine’ of such development is technology transfer.”¹⁵ In terms of Power Transition, technology transfer is a risky cooperative move. The transfer seeks to raise the economic vitality of the receiving country, a move that could either strengthen the alliance between the powers, or affect the status quo by disrupting the balance. The dominant power should engage in this with a very real understanding of what future expectations are.

After exploring the Power Transition theoretical view of the world order, we can use it to explain the initial question asked. As we went through the outline of the model, we first learned that countries, based on their power, have been sectioned off into parts of a hierarchical pyramid – the dominant power is charged with *managing the international order*. Within this, there are two different sub aspects worth considering: first, the concept of the *challenger*, and secondly, how *regional hierarchies* are integrated. Next, power was defined as a combination of population, economic output, and political capacity. In terms of population, the ability of a country to induce *self-sustaining growth* is increasingly essential. Based on the endogenous growth theory, a powerful country is one in which continual advances to create new and better existing resources implies an economic advantage. However, the implication of the *size of the economy* remains to be seen about whether or not this truly does equate to a dominant power status. With political capacity we saw a twofold approach: relative political extraction, and relative political reach; these are deciding factors *if a government can capitalize on what it produces*. Through policy, Power Transition anticipates conflict happening either through *parity*, or an *overtaking*, but this has no bearing unless a *state’s determination to alter the status quo* is also in place – *dissatisfaction* is a potential catalyst for conflict. We learned that the dominant power has *obligations to the international community*, acting as a global manager. Lastly, the economic aspect to our model is explained in a bit more detail, with an assumption that the dominant power *takes active steps to create favorable conditions in the status quo*.

The research question asks if the independent variable, China’s rise in a political and economic sense, has a discernable impact on the dependent variable, the structure of global politics. I choose to define *discernable impact* to mean altering the status quo – a change from **Great Power** status to **Dominant Power** status. We use our approach to explain these conditions, deriving them from the important conclusions noted thus far. There is one consideration to note before anything else. In accepting this theory, we have ruled out other noteworthy explanations as possible theories. Since the creators of Power

¹⁴ Tammen, Ronald L. "Chapter 1: Power Transition Theory for the Twenty-first Century." *Power Transitions: Strategies for the 21st Century*. New York: Chatham House, 2000. 113-116. Print.

¹⁵ Cohen, Goel. "Transferring Technology to Developing Countries." Introduction. *Technology Transfer: Strategic Management in Developing Countries*. London: SAGE, 2003. 20. Print.

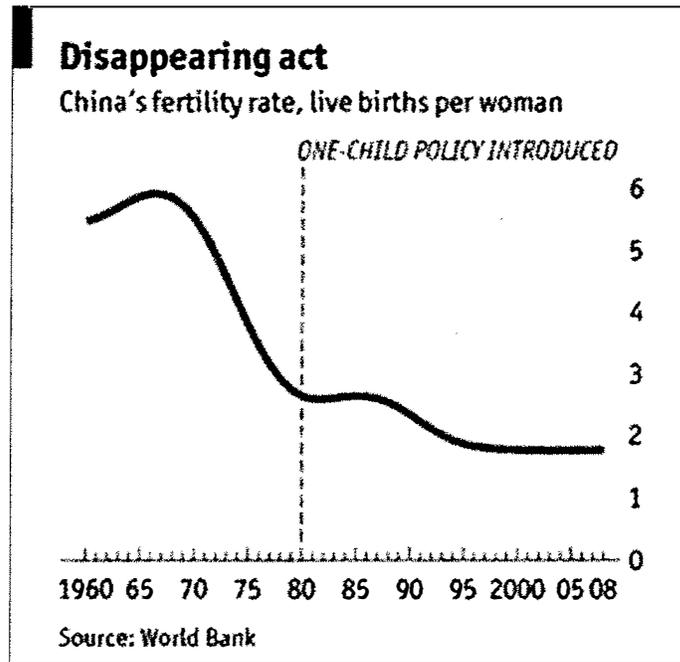
Transition acknowledged that the 21st century meant the rigidity of distinct theories (i.e. Realism v. Liberal Institutionalism) could not sufficiently explain state action, they chose to fuse multiple ideas of how the world works in what they call a *rationalist* theory. It incorporates the power argument (a Realist philosophy) with elements of international arbitration (a component of liberal institutionalism), while also keeping in mind that state determination, and self perception based on a shifting identity all play into the how states interact. Realism alone does not account for what takes place in the research question. They argue that institutions are irrelevant because they do not represent a single state interest, and are unable to accomplish anything of importance. But, self-interests can converge into a greater interest, and this convergence leads to cooperation. Realists do not believe that cooperation is fruitful, nor do they believe that cooperation yields security. States must act independently using their own capabilities, for this is the only way to survive. As chronicled, survival *also* comes with repeated interaction, because states are able to constantly assess capabilities of others. While Liberal Institutionalism would help to explain the exchange of states through international organizations, it does not rely on power as a large motivation for state action, something we know is integral in Power Transition.

Finally, a hypothesis can be laid out. The initial question asked was: *Does China's rise as a political and economic entity have a discernable impact on the structure of global politics?* An appropriate hypothesis to this question: **If China's rise as a political and economic entity is accompanied by its determination to alter the status quo, then yes, its rise will have a discernable impact on the structure of global politics. If China's rise as a political and economic entity is not accompanied by a determination to alter the status quo, then no, its rise will not have a discernable impact on the structure of global politics.** Since *determination to alter the status quo* is the operative part of the hypothesis, there are a few burdens that must be met to know which way the question will be answered. The first burden involves whether or not China is *capable* of moving from great power to a dominant power status. This evokes the crucial underpinnings of power – self-sustaining growth in population, size of economy as a feature of dominancy, and capitalization on domestic production. The second burden involves whether or not China *wants* to move from great power to a dominant power status. Are they dissatisfied with their own role and the operating systems in the economic, political, and security spheres? If so, does it warrant a challenge to the United States? Additionally, once assuming power at the top, would China be willing to manage and change the international order, and have legitimate obligations to the international community? Or is China okay with being at the top of a regional hierarchy? This first burden must be met in order for the second to be true; if the following analysis shows that the first one cannot be met, I will still go through the second burden to explain the country's thought process.

Now that the criteria have been laid out, justifying how we measure them (operationalization) is essential. The only way to put China's rise into a context of global political structure is through the use of empirical evidence. Both burdens involve factual data (whether through diagrams or charts), and commentary on China's perception of itself.

First Burden analysis: Population

Although China's population is gargantuan by any standard, the country has taken steps over the past few decades to control it. As Power Transition explains, a sizeable population is key to being a powerful country, but only if it reaches a point of self-sustainability. The infamous "one-child policy" was introduced in the 1980's, and since has had the kind outcome that the Chinese government may have hoped.



It is clear from the diagram above that fertility rates have dropped to an extremely low level, especially in relation to where it started. In the book *Governing China's Population: From Leninist to Neoliberal Biopolitics*, Susan Greenhalgh and Edwin Winkler provide the impetus for China's reason behind controlling birth rates in the country. "In China, shaping the population – its size, its internal structure and characteristics, its movement, its social security – has become certainly a central end of government, at time an end as important as growing the economy."¹⁶ Shaping population to such an extent is starting to have a negative backlash, as economists look towards the future. In an article from April of this year *The Economist* compares the United States and China, not only terms of demography, but its implication for the future of the latter country.

¹⁶ Greenhalgh, Susan, and Edwin A. Winckler. *Governing China's Population: From Leninist to Neoliberal Biopolitics*. Stanford, CA: Stanford UP, 2005. 321. Print.

Vincible

Demography in China and America

	China	United States
Total fertility rate, 2010	1.56	2.08
Population growth, 2010-50, %*	-3.4	+30.0
Peak population year	2026	na [†]
Median age 2010	34.5	36.9
Median age 2050*	48.7	40.0
Population aged 20-24, 2010, m	120	22
Population aged 20-24, 2050, m*	63	25
Change in share of population, % points, 2010-2050*		
Under 15	-5.5	-1.3
15-64	-11.4	-6.9
Over 65	+17.4	+8.1

*UN projection (medium variant)

Source: United Nations

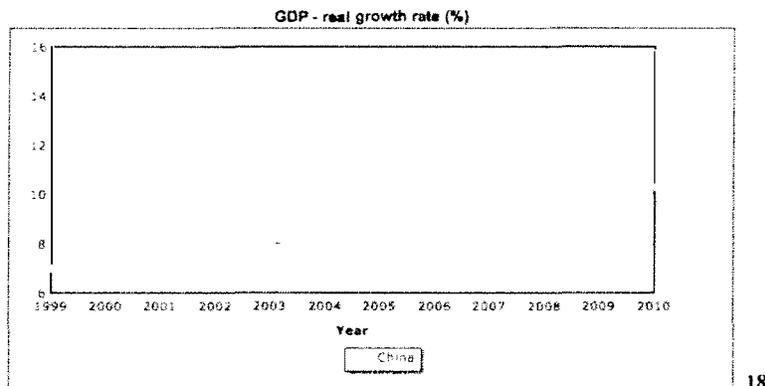
[†]Population still rising

As one can see, fertility rates and population growth are higher in the United States, while the median age in 2010 and in 2050 is higher for China, the signs of an aging workforce. *The Economist* writes that the country will experience multiple people taking out pensions at the exact same time, and in their own words, “Unlike the rest of the developed world, China will grow old before it gets rich.”¹⁷ Equally disconcerting for China is the fact that its cheap labor sources are starting to run out, whether due to losses from immigration or the implications of a shrinking workforce. Clearly, while it may have seemed at the start of China’s attempt to control its own population that a desirable trajectory was possible, it is increasingly starting to look as if their own heavy handed policy, coupled with demographics which are loosely out of their control, results in population statistics which are less than satisfactory. Therefore, as part of the *power* definition, ***China does not seem to be on track to reach a self-sustaining population.***

¹⁷ “China’s Achilles Heel A Comparison with America Reveals a Deep Flaw in China’s Model of Growth.” *The Economist* 21 Apr. 2012. Print.

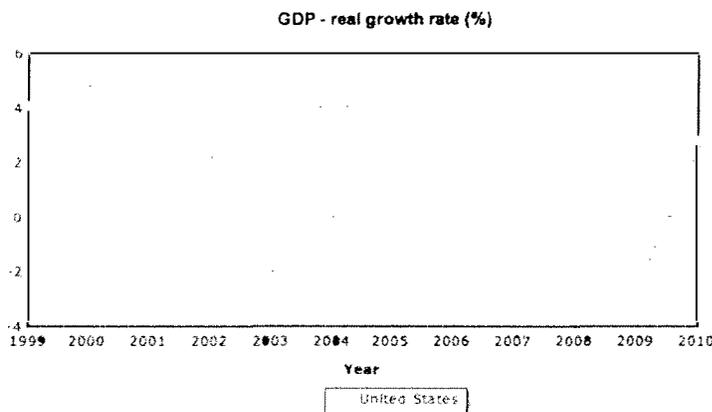
First Burden Analysis: Size of the Economy as a feature of Dominancy

Figure 1: China's GDP (real growth rate) from 1999 – 2010
Source: CIA World Factbook



This simple graph of real growth rate (adjusted for inflation) indicates that since 2003, China's has exhibited growth above 8 percent. While this is admirable, the much-opined phrase of 'China will overtake the United States as the largest economy,' may not equate to a dominant economy. The following graph is the real growth rate for the United States.

Figure 2: The United States' GDP (real growth rate) from 1999 – 2010
Source: CIA World Factbook



While the United States has experienced growth that has not been as steady as China's, what is notable is that it has stayed around or below 5 percent. This is a sign of steady, sustained growth.

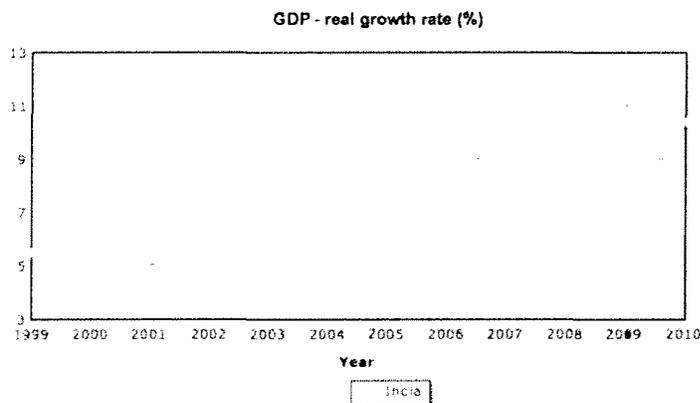
Concerns about an overheated Chinese economy are widespread. In an article entitled "Fast Growth and Inflation Threaten to Overheat Chinese Economy," the *New York*

¹⁸ "China - GDP - Real Growth Rate." *Index Mundi*. CIA World Factbook, 1 Jan. 2011. Web. 30 Apr. 2012. <<http://www.indexmundi.com/g/g.aspx?v=66&c=ch&l=en>>.

¹⁹ "United States - GDP - Growth Rate." *Index Mundi*. CIA World Factbook, 1 Jan. 2011. Web. 30 Apr. 2012. <<http://www.indexmundi.com/g/g.aspx?v=66&c=ch&l=en>>.

Times chronicles what contributes to this. China's growth was around 9.7%, an extremely high number, but one not unlikely for an industrializing nation. The problem with this, however, is that prices in the country have also shot up, due to inflation. In the ever-important food, energy, and raw materials sectors, prices have increased over ten percent. The housing market also shows signs of instability, as homes are becoming costlier to purchase. "In recent months, the International Monetary Fund and a growing number of economists have warned China that a credit and asset bubble could derail the nation's growth. Some experts are suggesting that soaring asset prices could eventually tumble, leading to a wave of non-performing loans at the big state-owned banks. For now, China's chief concern seems to be fighting inflation and preventing high housing prices from fueling social unrest."²⁰ If China's economy continues to grow at such a high rate, and if they are unable to control aspects, both in terms of production, and purchases, ***the size of China's economy will not be a feature of dominancy.*** On a side note, China's economy (at least in terms of the rate at which it expands) is comparable to what India is experiencing at the moment.

Figure 3: India's GDP (real growth rate) from 1999 – 2010
Source: CIA World Factbook



21

Both countries had moderate growth in the early part of the graph, and as they started figuring out ways to industrialize even more, growth stayed above the 8 percent line. Similar concerns of overheating exist for India as well.

First Burden Analysis: Capitalization on Domestic Production

Recall that political capacity is equal parts extraction and reach. Is China able to extract what it wants from a productive force and use it to its desired benefit? Chinese labor has

²⁰ Barboza, David. "Fast Growth and Inflation Threaten to Overheat Chinese Economy." *New York Times*. 15 Apr. 2011. Web. 1 Apr. 2012.

<<http://www.nytimes.com/2011/04/16/business/global/16yuan.html?pagewanted=all>>.

²¹ "India- GDP - Real Growth Rate." *Index Mundi*. CIA World Factbook, 1 Jan. 2011. Web. 30 Apr. 2012.

<<http://www.indexmundi.com/g/g.aspx?v=66&c=ch&l=en>>.

always been in steady supply not for its own considerations, and also to various companies that export the manufacturing side of their organizations. Chinese survival depends on how innovative the country can be especially at a time when it is thought to be in the Western dominion. A report by the consulting firm McKinsey & Company in their quarterly publication spotlights Chinese innovation on where it stands in 2012. "Three Snapshots on Chinese Innovation" looks at automobiles, semiconductors, and pharmaceuticals.

In the automobile industry, innovation exists, but in terms of pondering over new and improved business ventures, **not** technical innovation. Why does this seem to be the case? The report clarifies this by noting that China's new ideas (or lack there of) on the technical side are "lagging behind" the rest of the developed world. It is not for lack of want, but China suffers from not possessing the research capabilities that are seen elsewhere (for example, the United States). However, "What China does better than any place else in the world is to innovate by commercialization, as opposed to constant research and perfecting the theory, like the West. They're happy to do three to four rounds of commercialization to get an idea right, whereas in the West companies spend the same amount of time on research, testing, and validation before trying to take products to market."²² Does innovating commercially translate into the kind of threshold a nation can reach if innovation is technically based? Secondly, McKinsey chose to look at the semiconductor industry and its struggle with new ideas. For example, China has sought to fortify its domestic production of silicon in regards to this particular area, but the results are not what they hope for. The report lays out a few key obstacles that have kept the country from reaching potential in the semiconductor industry. "Chinese players have exerted little influence on semiconductor design, technology standards, or chip selection for major product categories such as mobile phones, laptop computers, and LCD televisions. Most decisions about design and functionality come from global champions and reflect the preferences of consumers in Europe, Japan, and the United States."²³ Recall that technology transfers are crucial, not only because they are a predictor of expansive growth, but also because they are an economic cooperative strategy, one this is increasingly relied on in the 21st century. Many top semiconductor manufacturers *do not allow the sale of technology* to China. Because of this, the country is two generations behind where it should be in terms of technological progress.²⁴ While the automotive and the semiconductor industry do not reflect China's political capacity as a whole, it does capture the struggle the state has in terms of being recognized for new ideas or trends. The last aspect to the report was the pharmaceutical observation. News here is more uplifting: research and development is under way, and solid foundations

²² "Three Snapshots of Chinese Innovation." *The McKinsey Quarterly*. McKinsey & Company, Feb. 2012. Web. 28 Apr. 2012.

<http://www.mckinseyquarterly.com/Three_snapshots_of_Chinese_innovation_2918>.

²³, ²³, ²³ "Three Snapshots of Chinese Innovation." *The McKinsey Quarterly*. McKinsey & Company, Feb. 2012. Web. 1 Apr. 2012.

<http://www.mckinseyquarterly.com/Three_snapshots_of_Chinese_innovation_2918>.

built. However, the time it takes for example, the idea for a drug to it being sold in society is approximately 10 to 15 years, a sign of bureaucratic hampering.²⁵

China understands that it has traditionally lagged behind in innovation, especially compared to the United States and Japan. Recently though, their patent activity has increased, a possible sign of steering the economy away from the assembly line. The data below is from the World Intellectual Property Organization, and demonstrates that China is catching up to the United States and Japan. In 2008, they ranked third with number of patent applications (203,481), fifth in number the Chinese government granted (48,814), and third in patents in force (828,054).

Figure 4: Patent Information: Applications by Country, Granted by Country, and Patent's in Force for the year of 2008
Source: World Intellectual Property Organization

Patent applications by country (Last data: 2008)			Patents granted by country (Last data: 2008)			Patents in force (Last data: 2008, mixed)		
Rank	Country	No. of Patent Applications	Rank	Country	No. of Patents Granted	Rank	Country	No. of Patents in Force
1	Japan	502,054	1	Japan	239,338	1	United States	1,872,872
2	United States	400,769	2	United States	146,871	2	Japan	1,270,367
3	China	203,481	3	South Korea	79,652	3	China	828,054
4	South Korea	172,342	4	Germany	53,752	4	South Korea	624,419
5	Germany	135,748	5	China	48,814	5	United Kingdom	599,062
6	France	47,597	6	France	25,535			

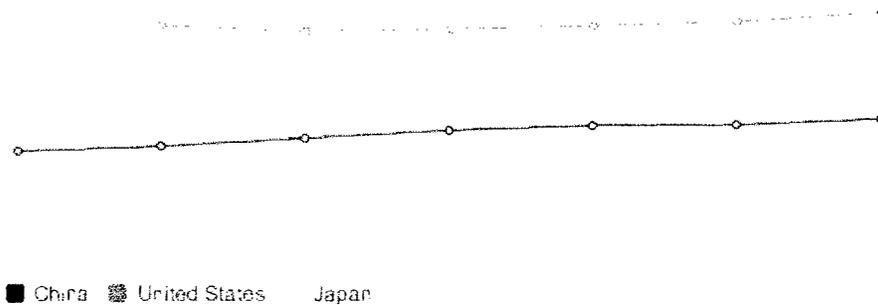
While they have yet to overtake Japan and the United States (historically known for innovation), China has a plan in mind. The *New York Times* says that the country hopes to file 2 million patent applications annually by 2015, an astoundingly large number.²⁶ Total patents in force by either the United States and Japan is less than this number. While this is ambitious, it is an indication that China is actively trying to combat the image that their proficiency lies in imitation. However, the article notes that the United States has a comparative advantage, even in the long run, because they are more open to innovation.

One would think that if China's drive to increase their patent activity is set to increase in the next couple of years, research and development as a percentage of GDP would increase, or at least be comparable to the United States and Japan. The following chart, generated by The World Bank, compares R & D between China, and the two previously mentioned countries.

²⁶ Lohr, Steve. "China's Race for Patents to Build an Innovation Economy." *New York Times*. 1 Jan. 2011. Web. 30 Apr. 2012.

Figure 5: A Comparison of Research and Development Expenditure as a % of GDP between the China, the United States, and Japan from 2002 to 2008

Source: The World Bank



27

The last data available indicates that Japan, as of 2008, has the highest percentage of GDP spent on R & D, with just over three percent consistently since 2002. The United States is second, with over two percent since 2002, and China is behind both with less than two percent. It is not feasible to assume that China would be able to suddenly divest more of their GDP towards this area, but it is not out of line to question *why* China has not attempted to do so. Part of the answer lies in the same reasons for why innovation is hard to come by – the United States and Japan are considerably less hostile to new ideas born out of money spent on R&D.

China is working towards capitalizing domestic production, but many unknowns still exist, in terms of the kind of innovation that is happening, and whether percentage of GDP spent on research and development will ever overtake the United States or Japan in this arena.

The conclusion we gathered from our first burden analysis is *that China is not capable of (and unable to at the moment) of moving from great power to a dominant power status.* As noted before, because this burden is not met, the second burden (if China *wants* to become a dominant power) is considered moot. But, for the sake of addressing China's view of the world order, and its relationship with the United States, the United Nations, the World Trade Organization, and India we will still consider the second burden and the questions it brings up.

²⁷ "Research and Development Expenditure (% of GDP)." *The World Bank*. The World Bank Group. Web. 1 May 2012. <<http://data.worldbank.org/indicator/GB.XPD.RSDV.GD.ZS/countries/IW-CN-US-JP?display=graph>>.

Is China dissatisfied with its own role? If so, does it warrant a challenge to the United States?

Yong Deng, in his book *China's Struggle for Status: The Realignment of International Relations* recounts that democracy promotion, free market capitalism, and international responsibility due to the restructuring of the international order post Cold War must be put into context of how all the powers except the dominant one fit in to comply with "accepted norms." Deng says there are status quo, and non status quo powers – the latter being the ones who do not have an active role in rearranging the world order. He considers China to be a non-status quo power because they *react* to the hierarchy. China has made huge gains in repairing its nationalism, chipping away at its static perception of sovereignty, and getting rid of a foreign policy full of state insecurity at home. However, the gap between the United States and itself persists. While Chinese foreign policy analysts use words such as 'isolated' when discussing U.S.-Sino relations, the disrespect they feel does not have to translate into dissatisfaction. "China's foreign policy [includes] various combinations of status strategies that have overall excluded either a wholesale pro-Western choice or a systematically confrontational choice. Its quest for great power status has entailed laying the material basis for international recognition through power growth and power practice, on the one hand; and, on the other, enhancing international legitimacy through constructive participation in the international society."²⁸ The consequences of this include China's desire for acceptance from the United States, neighboring countries in Asia, and other important members in the global arena. If China feels the slightest bit satisfied, it is *not enough to warrant moves either through parity, or overtaking to alter the structure of the status quo.*

Would China be willing to manage the international order, and keep legitimate obligations towards it?

It does not seem likely that China would be willing to manage the international order. The kind of responsibility that the United States has, whether through leadership on various international organizations, or the reliance countries have on it to intervene in conflict or take action on world issues, is definitely *not* what China wants. The Carnegie Endowment for International Peace in November of 2011 published an article entitled "China's Rise and International Order." In it, the Chinese attitude towards its role in the international community is clear: they are first and foremost responsible to their own people, and participation in global politics reflects this.²⁹ As the dominant power, the United States takes an active role in international organizations, specifically the United Nations and the World Trade Organization. China tends to use its position as a great power in both of these organizations to politically posture with the least fallout. Michael Fullilove, senior fellow at the Brookings Institution and author of the Washington Quarterly article "China and the United Nations: The Stakeholder Spectrum" says that the relationship between the country and IGO is awkward, filled with high hopes, but most

²⁸ Deng, Yong. *China's Struggle for Status: The Realignment of International Relations*. New York City: Cambridge UP, 2008. 22. Print.

²⁹ Xuetong, Yan, and Douglas Paal. "China's Rise and International Order." *Carnegie Endowment for National Peace*. The Global Think Tank, 7 Nov. 2011. Web. 5 Apr. 2012.
<<http://carnegieendowment.org/2011/11/07/china-s-rise-and-international-order/6mtw>>

often resulting in arrogance and uncertainty. Although the country claims to have a “One China” policy (the same presentation in the General Assembly as well as the Security Council, it has two faces. In the General Assembly, China puts on a cold, rigid front; in the Security Council China attempts to be more flexible. “China is mostly in defensive mode, intent on preventing things that hurt it, rather than achieving things that help it.”³⁰ Power Transition explicates that economic cooperation through trade helps to align countries and keep nations prosperous. China’s entry into the World Trade Organization has benefitted itself, and member countries; it is the world’s greatest exporter, and second biggest importer. However, China receives criticism over its actions. Some of the complaints include: flooding the market with cheap goods, relationship with countries like Sudan over natural resources, skewing its own economic market in relation to others, and possessing a lackadaisical attitude when it comes to WTO rules.³¹ Even though as Yong Deng put it, China’s ‘constructive participation’ does not render it walking away from its own needs and interests. It has raised the bar for international trade, but does not take a true interest in upholding it with integrity. “It signed up for multilateral rules, but neglected the rule of law at home. Free trade did not bring wider freedoms, and even the trade was not exactly free. It is in China’s interest to liberalize its exchange rate further, to prevent local officials from discriminating against foreigners and above all to do far more to support the global trading system. The WTO is undermined when any member flouts the rules, never mind one as big as China.”³² The oftentimes antagonistic role China takes in international organization is a sure indicator that the country *is not willing to manage the international order*.

Is China okay with being at the top of a regional hierarchy?

It is not so much that China accepts the recognition, but that it desires this. Whether it is dealing with Japan, Taiwan, or most notably India, China wants to project itself as the dominating power, even if it is just over the nations surrounding it. *Power Shift: China and Asia's New Dynamic* demonstrates that this happens by China actively trying to decrease United States influence in the area. America’s cozy relationship with Taiwan, and its support of Tibet has always irked China. In order to become the point of a regional hierarchy, their eventual goal is to render United States aid or support obsolete.³³ India has always been brought up in conversation about an industrializing Asia. China has consistently been uneasy about regional power changes, and the integration of India into more sustainable alliances with the United States and Japan does not help. While some may have felt that China would make room (so to speak) for an additional powerhouse, their foreign policy tone has become assertive. “Beijing would like to shape

³⁰ Fullilove, Michael. "China and the United Nations: The Stakeholder's Spectrum." *The Washington Quarterly*. Center for Strategic and International Studies, Summer 2011. Web. 19 Mar. 2012. <<https://csis.org/files/publication/twq11summerfullilove.pdf>>.

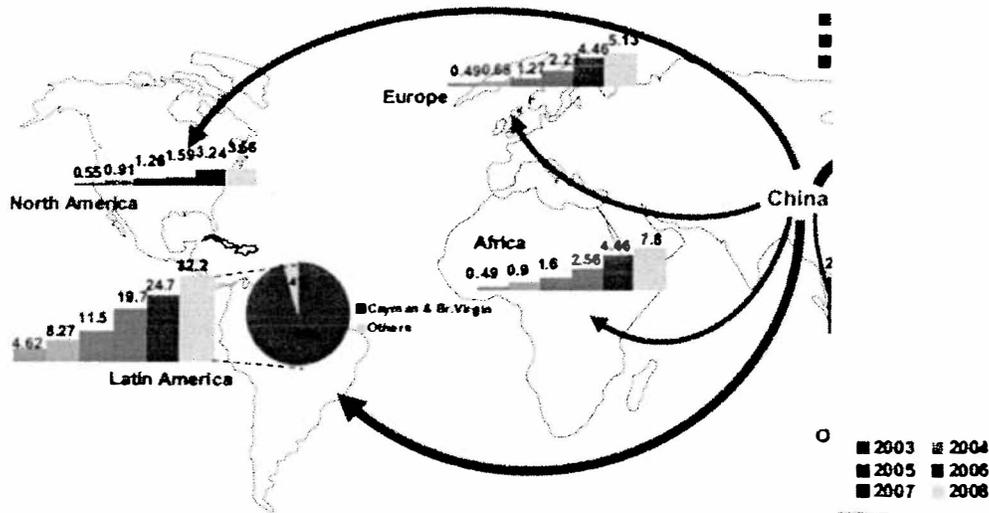
³¹ "Ten Years of China in the WTO: Shades of Grey." *The Economist*. 10 Dec. 2011. Web. 19 Mar. 2012. <<http://www.economist.com/node/21>>

³² "Ten Years of China in the WTO: Shades of Grey." *The Economist*. 10 Dec. 2011. Web. 1 Apr. 2012. <<http://www.economist.com/node/21>>

³³ Ash, Robert, and Richard Bush. *Power Shift: China and Asia's New Dynamic*. Berkeley: University of California, 2005. 292. Print.

territorial and foreign policy while it enjoys large asymmetric power advantages, which can be translated into diplomatic leverage.”³⁴ China is unsure of what to make of India’s rise, but would rather not see the latter come anywhere near to disturbing the balance of power it has (or at least thinks it has) regionally. Therefore, **China aspires to be at the apex of the regional hierarchy**. This is not to say that China does not want to influence areas outside of its reach.

Figure 6: China’s Outward Foreign Direct Investment (OFDI) stock by region from 2003 to 2008 (in billions of dollars)
Source: World Resources Institute



The above diagram is notable for a few reasons. First, China’s increase in investment into Africa is literally mining the continent of natural resources, in what some say has more to do with providing raw material: combating United States presence. Second, while the amount of OFDI into Latin America increased by a vast amount from 2003 to 2008, most of that money was sent to the Cayman Islands and Virgin territories. This might mean that China’s investment into the continent has less to do with resources, and more to do with protection of assets. Lastly, their increase in investment in Europe is notable as well, for the United States has always been the traditional Western ally to the continent. If China is able to secure the trust of European countries, then it would be the perfect opportunity to diminish U.S. presence. These increases overall do not mean China is willing to manage the international order. It means that China is finding ways to a) utilize the resources of other countries for its own benefit; b) court nations so as to be “most favored” in comparison to the United States, while c) dodging the responsibilities of being the dominant power.

³⁴ Dutta, Sujit. "Managing and Engaging Rising China: India's Evolving Posture." *The Washington Quarterly*. Center for Strategic and International Studies, Spring 2011. Web. 26 Mar. 2012. <<https://csis.org/files/publication/twq11springdutta.pdf>>.

Conclusion

Recall that in order to answer the research question (*Does China's rise as a political and economic entity have a discernable impact on the structure of global politics?*), two burdens had to be met, ones that directly speak to what a discernible impact is – determination to alter the status quo. We saw the first burden (that of China's capability to move from great power to dominant power status) could not be met: their population growth and demographics do not equate to a self-sustaining future, the size of China's economy does not mean it is a dominant one, and that although China is working towards capitalizing on production, it is hampered by questions about innovation. The second burden, although contingent on the first, was still worth exploring because it gave insight into whether China wants to assume status as the dominant power. Even though China may be dissatisfied on a few fronts, it does not warrant enough of move to strive for parity or a possible overtake. As well, the responsibilities associated with being the dominant power (managing the international order) are not something China would rationally desire to assume. They are happy being a part of the international conversation, whether it is through bilateral alliances or organizations, but insofar as taking leadership, the United States is expected to step up to the plate. Lastly, the country's focus is on becoming the dominant power in the regional hierarchy, exerting its sphere of influence as far as it can. By trying to reduce the sway America has, and resolving to view India's rise with suspicion, China wishes to set the regional structure as best as it can. Being at the top of the regional hierarchy does not mean the country cannot extend its "friendship" to states. The second burden has not been met either, for China does not want to alter the status quo. Therefore, we can finally answer the research question with utmost confidence. **If China's rise as a political and economic entity is not accompanied by a determination to alter the status quo, then its rise will not have a discernable impact on the structure of global politics.**