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Why the Rise of China Will Not Lead to Global Hegemony

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Domestic inadequacies and a loss of international prestige has left a growing number of scholars, analysts, and other experts worried about the imminent decline of the United States of America (U.S.). This coincides with the assumptions of Hegemonic Stability Theory (HST), which presupposes the cyclical transition of world leadership. Said differently, the reigning world leader could soon be replaced by a new power. Over the last few decades military thinkers, journalists, policymakers, and scholars alike, have been watching with a wary eye, the rapid rise of China. Understandably, some are uneasy about the emergence of the People's Republic of China (PRC) as a new superpower. Given the apparent decline of the U.S., many experts even wonder if the PRC is positioning itself to succeed the U.S. as global hegemon.[1] Its impressive economic growth and formidable military buildup could indicate that China is preparing for just such an occasion.

But is China's hegemonic accession inevitable? This is the question being asked by a small, but growing, chorus of futurists; and their arguments are rather persuasive, too. What follows is an examination of China's potential (or lack thereof), and an argument that the Middle Kingdom's internal problems are too numerous to be considered lightly. Since the Chinese Communist Party (CCP) is engaged in a desperate balancing act in an effort to maintain China's renaissance (and thus, its hold on power), these problems could seriously derail the nation's growth, and its prospects of obtaining global hegemony right along with it.

This paper, therefore, will examine the China thesis' lack of viability. While the U.S. may in fact be in decline, an ironic twist of fate has left China's rise dependent on the stability of the U.S. market. Moreover, the anticipated Chinese hegemony lacks theoretical support; and finally, it simply is not feasible in practical terms. Consequently, this paper will first examine U.S.-Chinese economic interdependence in the context of U.S. hegemonic decline. This will be followed by a discussion of HST and an analysis of China's rise through a theoretical lens. After it briefly explores the China thesis' lack of practical viability in terms of demographic decline and environmental degradation, this paper will ultimately conclude that China cannot be the next hegemon.

U.S. Hegemonic Decline and the Rise of China

At present, the U.S. stands at the top of the world in terms of economic and military prowess. Its gross domestic product at purchasing power parity (GDP-PPP) ranks the highest in the world,[2] while the GDP-PPP of China[3], the U.S.'s next closest competitor, is nearly \$5 trillion smaller.[4] Moreover, its military might is a fact of life around the world. After all, the U.S. currently occupies two countries, Iraq and Afghanistan, it is heavily involved in the enforcement of the Libyan no-fly-zone, and it has a global military presence, evidenced by more than five hundred bases at home and abroad. The U.S. Air Force maintains unquestioned superiority over air and space. Meanwhile, the U.S. Navy is the dominant force in every ocean, where it has established safe shipping lanes, and served as a key instrument in U.S. force projection since 1945.[5] George Friedman, founder of the Austin, Texas based strategic and geopolitical forecasting firm, STRATFOR, and author of *The Next One Hundred Years: A Forecast for the 21st Century*, asserts that maritime movement can be guaranteed or denied by the U.S. Navy at will. After all, he notes,

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"[t]he combined naval force of the rest of the world doesn't come close to equaling that of the U.S. Navy."[6]

Given these realities, it is no wonder that the U.S. remains the leader "in a single superpower world."[7] Left unchallenged since the end of the Cold War and the collapse of the Soviet Union in 1992, the U.S. has enjoyed a period of unipolarity in global affairs. However, the emergence of economic giants has resulted in the creation of new power centers all over the world. This threatens to alter the 21st century balance of power in ways that may pose significant challenges to U.S. economic primacy. After all, the U.S. may still possess the world's lead economy, but it has run a trade deficit every year since 1976.[8] More alarming still, notes Niall Ferguson, is that the Congressional Budget Office (CBO) projects that the U.S. national debt could explode to 716% of GDP by 2080, compared with 44% of GDP before the Great Recession (2007-2009).[9] Additionally, it's China—the U.S.'s main competitor—that is financing America's debt through the purchase of U.S. Treasury bonds. Of course, this is significant for other reasons as well: first, China has the largest foreign exchange reserve in the world, totaling \$2.85 trillion at the end of 2010; second, China experienced an estimated economic growth rate of 10.3% in 2010; and, third, Goldman Sachs projects that the size of the Chinese economy will eclipse that of the U.S. by 2041 (or, according to other estimates, as early as the late 2020s).[10]^{-[11]}

China's Burgeoning Economic Power

China's economy is growing rapidly. Since a number of economic reforms were instituted in the 1970s, China's economy has had a thirty-year run, officially growing at 9.5% and doubling three times over. With *ho equal in modern history*,"[12] rapid industrialization, modernization, and economic growth have given the government, the people, and the businesses of China an insatiable appetite for resources and other needs. Take as an example, the Thyssen Krupp steel mill of Dortmund, Germany. In the early 2000s, a privately-held Chinese company, Shagang, purchased the entire steel mill, paying its price in scrap. Shagang then had the entire mill disassembled, shipped 5,600 miles, and then reassembled near the Yangtze River, in Jinfeng, China in less than a year.[13] In essence, China's ravenous consumption is being felt across the globe. Its need for natural resources has been felt from Germany to Indonesia and Latin America and from the Middle East to Australia. The Chinese need natural gas from Russia, iron ore from Brazil and Australia, oil from the Middle East, and soybeans from the U.S. In fact, China's need for timber has resulted in a massive illegal logging operation in Indonesia, where "an area the size of Switzerland" is cut down and sold on the black market each year.[14]

The People's Republic is also attractive to foreign investors. In fact, China currently only ranks second to the U.S. in terms of foreign investment. It accounts for 40% of all capital flowing into the developing world, and Geoffrey Murray predicts that China will become "a bottomless pit in this regard." Moreover, China's export growth rate is three times stronger than the world average, and the country is holding down imports through currency manipulation and tariffs, while still encouraging investment by playing foreign companies against one another. Increasingly, China is also awarding contracts "only if there is a trade-off of advanced technology being supplied."[15]

China's Expanding Military Might

Before an incumbent hegemon falls from its leadership position, it typically faces a period known as hegemonic decline. After about seventy to one hundred years, it seems that decline is almost natural. Historically, examples of hegemonic decline come in two prime sectors: the leading state's military, and its economy. Excluding U.S. Special Forces covertly operating abroad, training missions, and technical support missions, the U.S. has troops deployed to more than fifty-five countries at a time. Citing the wars in Iraq and Afghanistan, operations in South Korea, a presence in Japan and Germany, a campaign in Libya, a commitment to protect Taiwan, as well as maintaining the security of the nation, it would be easy to suggest that the U.S. military may be suffering from "imperial overstretch." Imperial overstretch is the process by which a military force is extended so much that it nears a breaking point. One fine historical example of hegemonic decline can be seen at the end of Dutch hegemony, when the Netherlands simply could not maintain its military after the rapid technological advances caused by the Thirty Years War (1618-1648). Furthermore, the hegemon usually has to dedicate inordinate amounts of capital to its military adventurism. The Netherlands in this case, did not have the capital to keep up with British innovation, allowing for the English to begin their first leadership reign. The tendency to direct resources away from economic development

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and towards military spendthrift can be very dangerous by making it more challenging for a state to weather major depressions and other economic downswings.[16] Of course, it might also make it more difficult for a country to meet the challenge of a rising power.

If the U.S. military is being spread too thin, the PRC is taking advantage by attempting the full scale industrialization of its military. China, quite simply, is using its burgeoning wealth to buy and build a modern military. While the U.S. spends more on defense than any other country, China's official military budget increased by 17.8% in 2007, and 17.6% in 2008, the latter being the eleventh successive time the PRC approved a double-digit increase in defense spending. This was well after China began expanding the size of its submarine fleet, but this spending could bring Andrew F. Krepinevich's predictions to fruition. Krepinevich, the author of *7 Deadly Scenarios: A Military Futurist Explores War in the 21* century, envisions that China's submarine fleet could be two times as large as the U.S. fleet by 2017.[17] Steven W. Mosher insists that China is building up its armed forces "to break America's back in Asia and thus end America's reign as the sole superpower in the world."[18] He claims that China will try to assert its influence in Asia in order to build a foundation from which it may challenge the U.S. globally. After doing this, forecasts Mosher, the Chinese military—even using its new submarines to do so—will try to neutralize U.S. allies, and expel the U.S. military from its bases in the Pacific.[19]

Indeed, notes Krepinevich, the Chinese People's Liberation Army Navy (PLAN)—and the military's high command more broadly—is already actively developing the weapons and forces necessary to deny the U.S. its ability to operate from its forward bases in the Pacific, such as the air base on Okinawa. Moreover, the PLAN is directing its areadenial capabilities at the U.S. military's "freedom of action in the seas, out to...the second island chain," which stretches east of the Philippines and Japan through Guam.[20] Restricting U.S. movement close to Japan or Taiwan would be problematic. Restricting U.S. movement so close to Guam though, could prove a major issue. After all, Guam is home to Andersen Air Force Base, which houses more weaponry than any other base in the Pacific, and more fuel than any in the world. The small U.S. territory in the western Pacific also features an expanding naval base, with a submarine squadron. Said simply, Guam's strategic significance is critical for U.S. force projection in the Pacific. As U.S. forces at Guam grow, the Chinese may try harder to intimidate, threaten, or otherwise neutralize the island.[21]

China's Growing Diplomatic Influence

There is, of course, more to China's ascent than a military build-up, however. Consider that declinists typically insist that the rise of China portends the end of the U.S.'s ability to dominate the world economy *and* international affairs. The PRC's emerging military prowess, and new economic might have simply served as tools to give China an incredible amount of diplomatic clout. China's former president, Jiang Zemin (1989-2002) even pursued a policy of "Big Country" diplomacy, hoping that China would be recognized in international affairs as an equal with the U.S. and the European Union (EU).[22] Perhaps this was a natural extension of the PRC's Cold War policy that sought to position China at the forefront of a non-aligned movement of developing nations.

As early as the 1950s, Mao Zedong expressed China's interest in becoming the leader of the Third World. At the Bandung Conference in 1955, the PRC successfully sponsored *Five Principles of Peaceful Coexistence*, which served as the foundation of China's new leadership role. By the 1960s, China became the self-declared leader and advocate of the Third World. Finally, in 1984, Deng Xiaoping asserted that China's vote at the United Nations Security Council (UNSC) firmly belonged to the developing nations of the Third World.[23] Consequently, Beijing started strengthening its ties with many countries throughout the developing world. For instance, the PRC began providing aid to African nation-states, which has helped build railways, ports, dams, schools, and infrastructure. China contributes more to Africa than the World Bank, and it does so without placing Western-style demands for economic or political reform on the recipients of said aid.[24] This gives incentive for developing states to support the PRC, but stronger relationships also promote reciprocity. More specifically, they give the PRC further reason to support these developing states.

For example, China has been able to block the U.S. at the UNSC on more than one occasion. In one case, China threatened to veto any resolution developed by the international community that attempted to address the violence in

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Darfur by calling for sanctions against the Sudan. As a result, the UNSC had to pass a weak resolution. Of course, the pay off for China has been in Africa's vast supplies of chromium, manganese, gold, and uranium. In the case of the Sudan, China built an oil terminal on the Red Sea, which now supplies the China National Petroleum Corporation (CNPC) with the vital resource.[25] Another, more recent example, took place in December, 2009, at the United Nations (UN) Climate Change Conference in Copenhagen, Denmark. As diplomats and heads of state tried to hammer out an agreement on the global reduction of green house gas (GHG) emissions, PRC representatives continuously blocked substantive proposals for significant unilateral reductions on the part of the West. The U.S., which adamantly fought for a binding agreement that would also require the developing world to play a large role in GHG reduction, refused to accept a treaty exempting developing countries. China, which still considers itself a developing country in need of special treatment, may have been blocking these efforts in order to protect itself from future calls for further action on climate change. However, the PRC successfully obtained a non-binding, watered-down proposal. Then, it effectively orchestrated media spin to make it appear as if the West was to blame for the weak agreement, by unleashing the delegation from its puppet state, the Sudan, in an effort to denounce the document, and the West for its role in creating it.[26]

Interestingly enough, it is not just China's ties to developing states that have improved thanks to its burgeoning economy. Economic ties with Australia have also yielded diplomatic benefits. After China became the number one importer of Australian uranium, manganese, and iron, the Australian government informed the U.S. that the Department of Defense (DOD) could "not assume its automatic backing for any military assistance the United States might offer against a PRC attack on Taiwan," despite the fact that the Australians had been supporters of the U.S.-led war on terror.[27]

Declinism: A Tradition in U.S. Political Thought

From the 1950s to the 1960s, people believed that the U.S. would be overtaken by its Cold War competitor, the Soviet Union.[28] Campaigning for president, John F. Kennedy complained about how communism was advancing all over the globe, and how America's strength was slipping compared to that of the Soviet Union.[29] Nobel Prize winning economist Paul Samuelson, author of *Economics*, the best selling economics textbook written after World War II (WWII), once argued that the Soviet economy would surpass that of the U.S. based on relative growth rates, ushering in an era of Soviet economic primacy. However, Tom Bethell, a writer for the conservative leaning/*National Review*, points out that successive editions of the textbook kept pushing the projected intersection of the Soviet and U.S. economies back. Graphs in each new edition of *Economics* illustrated that the Soviet Union would overtake the U.S. in 1990, then in 2000, and so on. Eventually, Samuelson dropped the graph from his textbooks, but this highlights the nature of U.S. fears regarding the growth of great powers.[30] Kennedy and Samuelson were not the only people fearful of the U.S.'s perceived inability to deal with the Soviet Union. In 1981, *Time* magazine's Strobe Talbott, who would later join the Clinton Administration, argued that the U.S. simply did "not have the military or political power to" end Soviet domination in Eastern Europe.[31]

The 1980s were no different. Declinists were awestruck by the impressive rise of Japan, and many worried that Japan could overtake the U.S.[32] While the U.S. was preoccupied with saving declining industries, the Japanese promoted promising new endeavors and outsourced failing industries to the Asian mainland. Meanwhile, Japan grew its exports, while officials actively pursued policies that would limit the number of imports entering the Japanese markets. Additionally, Japan also developed a high national savings rate, relative to the rest of the world, and especially compared to the U.S. This helped foster a positive balance of payments in the Japanese political economy. From 1960 to 1984, Japan's automobile industry increased its share of global car production from 1% to 23%, challenging the big three automakers in Detroit. Finally, Japan was also responsible for producing half of the new ships being launched all over the world. All of this contributed to Japan's economic growth, which outpaced every other leading industrial country after 1950. Indeed, only the growth of the Soviet Union after 1928 was anything like the growth experienced by Japan. However, the island state managed a more efficient, more impressive, and far less painful rate of growth than the Soviets ever did. Accordingly, some in the West wondered if Japan was on the verge of establishing a *Pax Japonica*, a concept that left many throughout the Pacific Rim, Europe, and the U.S., feeling threatened.[33]

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Instead, the threat of Japanese economic dominance was a hollow one. Japan's impressive growth led many institutions of higher education in the U.S. to emulate Japanese business practices in MBA programs throughout the country. It turns out though, that Japanese business practices had little to do with the country's economic growth. In reality, it was the Japanese banking system, lending money at artificially low levels. Japan's banks lent cheap money to the businesses with which they were linked. So, while companies in the U.S. were borrowing against interest rates in the double digits, the cost of money was much lower in Japan. It is no wonder, therefore, that Japan's companies were able to outdo American businesses. Likewise, Japan's people were forced to save higher amounts of money due to the virtual absence of a national retirement system in the country. Japan's banks facilitated a number of bad loans, as relationships became a primary aspect in their business models. Since Japanese citizens had to save their money, they could not generate domestic demand, which in turn necessitated the high export economy the Japanese lived on. Eventually, nonperforming loans required additional loans to keep companies on life support. Inevitably, the Japanese debt structure became too cumbersome, and an economic collapse sent the market plunging in the early 1990s, triggering the Japanese economic malaise. The failure of Japan's domestic economy revealed a great deal of corruption, which generated uncertainty and an ensuing lack of confidence in the market. Resultantly, the effects of the malaise were still lingering at the onset of the Great Recession.[34]

Previous declinist assumptions were based on four factors: 1) the perceived rise of Japan; 2) the perceived permanence of the Soviet Union; 3) the perceived decline of American hegemony, and 4) the belief of some scholars, that the collapse of the Bretton Woods monetary accord in 1971 clearly delineated the end of U.S. hegemony.[35] The declinist assumption that American hegemony was fading seemed a potent argument until the end of the Cold War. The breakup of the Soviet Union and the subsequent onset of the Japanese economic malaise, however, demonstrated the virility of the *Pax Americana*, and ushered in a unipolar era. Unchallenged, the hegemony of the U.S. shifted into full throttle.

The "Rise of the Rest" and the Declining Influence of the U.S.

Still, the rise of China specifically, and the "rise of the rest" [36] more generically, has dramatically affected the ability of the U.S. to influence international affairs in both politics and economics. In 2001, Goldman Sachs released a report, *Building Better Global Economic BRICs*, which first analyzed the growing importance of Brazil, Russia, India, and China (BRIC) as an economic bloc. By the end of 2000, the BRIC bloc accounted for 23.3% of world GDP-PPP, and the emerging markets of the bloc were projected to grow rapidly. Goldman Sachs asserts that the economies of BRIC could be larger than the G-6 (the U.S., Japan, the United Kingdom [UK], France, and Italy) by 2039. BRIC is also beginning to realize the importance of its growing economic strength; and it has begun to flex its muscle, too. In 2009, the heads of state from the four BRIC nations held their first summit, which ended with a call for a multipolar world order, and a rejection of U.S. hegemony.[37]

The conscious effort to alter the international balance of power is especially troubling given that the U.S. Department of State views Brazil as an "essential partner in the hemisphere and the world." [38] Brazil is forging an independent foreign policy that does not completely align with U.S. interests, so now the State Department has to deal with what could become a serious challenge to the Monroe Doctrine. After all, Brazil is a major regional player aspiring to become a great power in global politics. On at least three recent occasions [39], Brazil has defied the State Department in an effort to establish its position as a global power.

First, in May 2010, when the UNSC was determining the appropriate steps to take in regards to Iran's nuclear program, Brazil and Turkey joined together in opposition against proposed sanctions. Then, the two nations entered into a trilateral agreement with Iran, which actually produced a feasible alternative to sanctions. Iran had initially agreed to swap spent fuel in Turkey in exchange for aid developing nuclear power.[40] Then, U.S. Secretary of State Hillary Clinton accused Brazil and Turkey of making "the world more dangerous" by allowing Iran to avoid international unity.[41] Consequently, the UNSC passed a resolution calling for sanctions anyway. Though the two nations got their fingers burnt, both Turkey and Brazil learned what kind of a role they could play in promoting global peace.[42] Second, on 4 December 2010, Brazil's Foreign Ministry caught the Obama Administration by surprise, when it suddenly recognized the existence of a Palestinian state based on borders defined in 1969. Brazil was joined by Uruguay and Argentina in a move meant to promote a settlement freeze in the Palestinian territories.[43] Third,

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Brazil refuses to join the U.S. in calling for the PRC to allow the appreciation of the Yuan. As noted above, China artificially determines the value of its currency, giving it an unfair advantage in global trade. On 7 February 2011, Timothy Geithner, Secretary of the U.S. Treasury, appealed to Brazilian policymakers on this issue, and walked away believing that the U.S. and Brazil could work together. Thanks to Chinese demand for Brazilian iron ore, however, the PRC has dislocated the U.S. as Brazil's principal trading partner. Moreover, Brazil is concerned about the stability of both the dollar and the Yuan. So it was no surprise when a week later, on February 15th, Brazilian Finance Minister Guido Mantega said Brazil would not join the U.S.'s efforts to pressure Beijing.[44] Further, he criticized the U.S. Federal Reserve for its policy of quantitative easing, claiming that it was contributing to rising commodity prices and global inflation.[45]

From the BRIC bloc to Turkey (and South Korea as shall be noted shortly), the rise of the rest is presenting challenges for the U.S. all over the world. It is easy to see, therefore, why many modern day declinists seem to feel differently about China and the rise of the rest. There is something more to it—something different[46]—especially when comparing the rise of other powers with the relative decline of the U.S. The rise of China and the rest really may be ushering in a "post-American world,"[47] to borrow Fareed Zakaria's parlance. The world's developing countries have consciously recognized that they have the ability to challenge the U.S. in many ways. The episode at Copenhagen was just one example of what the future may hold.

Another such episode occurred in December 2010, when President Barack Obama met in Seoul, South Korea, with leaders of the G-20. Working around the G-20 summit, President Obama and South Korean President Lee Myungbak tried to renegotiate certain aspects of the South Korea-U.S. Free Trade Agreement, which was signed in the last months of President George W. Bush's time in office. They failed, however, to resolve disputes over restrictions on U.S. beef imports to Korea that have been in place since a mad cow outbreak in 2003. They also failed to resolve the disparities in motor vehicle trade between the two countries. Trade barriers currently make it difficult for U.S. auto manufacturers to access the Korean market. Consider that, of the over 775,000 Korean-made cars sold in the U.S., only 10,162 cars were exported from the U.S. to Korea. Meanwhile, at the actual G-20 conference, the U.S. delegation found itself on the defensive. Many heads of state opposed President Obama's economic strategy of stimulation followed by deficit reduction. Then, "several major nations" joined Brazil in continuing the accusations that the Federal Reserve has been "deliberately devaluing the dollar" rather than taking "measures to rein in spending." [48]

Indicators of U.S. Domestic Decline

What is more is that the U.S. continues to fall behind in a number of substantive ways. Although U.S. hegemony had been vindicated in the early 1990s, the effects of decline were already being felt. By 1992, the U.S. had slipped to seventeenth place in public spending on education. At the same time, the U.S. remained number one in providing compulsory education, but it ranked eighteenth in providing public education that met the demands of a competitive economy. This was highlighted by the fact that the U.S. had slipped to last in the rankings of students who were good at math, and last in science proficiency among adolescents.[49] According to the Royal Society of the UK, China is on the verge of overtaking the U.S. in scientific output. Fueled by funding from the central government, Chinese scientists are publishing more internationally recognized scientific papers, which are also being cited more often. Both the quantity and quality of Chinese scientific research is improving. By 2013, the U.S. will fall behind the PRC, and by 2020, Chinese scientists will be cited 10% more often in scientific literature than their American counterparts.[50] On top of that, the U.S. has fallen to sixth in higher education enrollment, eleventh in research and development (R&D), eighty-fourth in domestic savings rates, and since 2007, the U.S. has slipped from first to tenth place on the Legatum Institute's prosperity index.[51]

Economic Interdependence and a House of Cards

STRATFOR's Freidman suggests that it is only natural for discussions of the future these days to begin with discussions of China.[52] That does not mean they should end there. If the U.S. really is in decline, as many argue, then China may be in jeopardy, too. Advocates of the China thesis often overlook the interdependence of the Chinese and American economies. China's growing prosperity, says John Gulick, is "deeply ensconced in the 'China

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produces and lends, the US borrows and spends' framework."[53] Beyond that, China is the U.S.'s number one trading partner, and vice versa.[54] In other words, if the U.S. economy is destined for decline, then China's will likely go down with it. This is exemplified by the fact that the Great Recession slowed China's economic growth, despite the fact that its enormous economy helped pull the Middle Kingdom out of the global economic crisis largely unscathed. Advocates of the China thesis also tend to overlook a host of systemic problems within the Chinese economy that could exacerbate any major downturn. For instance, export dependence could severely dampen economic growth if demand for Chinese exports is reduced by another economic crisis.

The U.S., with its massive economy and large population, is a driving force for global consumption. China, on the other hand, is a superpower of production.[55] These ingredients make for a strong trade relationship, and explain why the U.S. plans to accommodate China's rise through commercial engagement.[56] Evident here, however, is China's dependence on exports. Like Japan before it, the PRC built its economy using "export promotion measures," such as exchange rate devaluations, import tariffs, duty free export processing zones, and other trade barriers. Some of these measures encouraged foreign firms to export massive amounts of the goods produced within China.[57] Now, most of China's export industry relies on foreign-owned companies, manufacturing goods with foreign brands. As a consequence, China pockets fractions of the profits generated from goods manufactured within the PRC. Take, for example, the Apple IPod, which is assembled and tested in China. Apple pockets \$80 in gross profit from each individual unit, while China only retains \$3.70.[58]

The Japanese economy thrived on exports. Friedman argues that "China is Japan on steroids." [59] The Great Recession began a shift in the configuration of the international political economy, which has left the PRC "with a mismatch between massive amounts of export capacity and feeble foreign demand for its exports." [60] Another recession in the U.S. could cause China's entire economic structure to collapse, [61] by further diminishing demand for Chinese manufactured goods.

This problem is only exacerbated by the poor health of China's state owned enterprises (SOEs). SOEs are the backbone of the PRC's industrial might, which places them at the core of China's economic problems. Not only are they the largest businesses in China, but they are the largest employers, too. In fact, the China Petrochemical Corporation, or Sinopec, employs more than a million people, and its primary competitor, CNPC, employs 1.5 million. So it is no wonder that SOEs represent half of the PRC's GDP. SOEs, however, are archaic remnants of Soviet-era-style economic planning. They are dumpsters for obsolete factories and obsolete equipment, and they waste resources integral to China's continued economic growth.[62]

SOEs pay low wages, so they do not generate demand within the domestic market. Without domestic demand, the overproduction of goods and undervalued Yuan make for very cheap exports. Much of China's economic growth is artificially high, because of cheap exports. The lower Chinese firms set prices, however, the less profit they generate. While this may seem irrational, the Chinese central government encourages overproduction, because it creates employment. Profitless exports are doing a lot to keep the Chinese economy churning, but the money flowing into the economy moves right back out. What profits are generated are used to stave off bad debts, while subsidies help protect grossly inefficient firms. Similar to the fallacious economic growth of Japan, China now has to deal with a number of nonperforming loans, which are estimated to be between \$600 billion and \$900 billion. This staggering amount represents 1/4 to 1/3 of China's GDP. Furthermore, SOEs are responsible for 70% of all domestic borrowing, facilitated by state-owned banks, which are in turn funded by the government. Initially, Beijing tried to end its direct subsidies. However, when SOEs realized that they did not have to repay the banks, their loans often transformed into a type of subsidy. Now, just like Japanese companies before the onset of the economic malaise, SOEs often receive additional loans to cover previous debts, thus keeping failing enterprises on life support.[63]

The CCP is resistant to reforming the SOEs because doing so will likely cause numerous lay-offs. For instance, in the provincial city of Rugao, the failure of multiple SOEs has left the former boom-city suffering from massive amounts of unemployment. Many of the former SOE employees now drive pedicabs, but they are essentially unemployed, and will remain so. The real problem for the CCP is that workers march when they lose their jobs. Demonstrations can amass tens of thousands of laid off workers, as armies of unemployed Chinese citizens roam China looking for jobs. "At any one time," argues Gordon G. Chang, "the unemployed and underemployed exceed

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the combined populations of France, Germany, and the United Kingdom," making them the single biggest threat to the existence of the CCP.[64]

Of course, this reinforces the economic disparities that exist between the prosperous coastal areas and China's rural hinterlands. When Deng Xiaoping opened China up to international trade, coastal regions grew wealthy while the interior parts of the country remained in poverty. Income inequality in China is serious. While the CCP now hopes to shift resources to the countryside without meeting resistance from the coastal population, the party's desire to strengthen coastal exporting was actually responsible for impoverishing the hinterlands in the first place. In fact, China's Gini Coefficient, a basic measure of income inequality, has skyrocketed over the last several years, in the words of Francis Fukuyama, "to almost Latin American levels." China's growth rate may be high. Its economy may even look healthy through the prism of growth. Under the façade of China's economic success, however, there is a decaying, sclerotic system at work. For example, China's GDP-PPP is remarkably high (second only to the U.S.), but China ranks 127th in the world in terms of per capita GDP-PPP (a full 117 places behind the U.S). Given this, the average Chinese citizen's annual earnings are \$7,400, as compared to \$47,400 in the U.S, and \$45,600 in Hong Kong. Like Japan in the early 1990s, if China's rapid economic growth slows even a little, the consequences could be dire. The unemployed, underemployed, and impoverished could rise up if the economy cannot absorb their ranks, generating waves of political instability in the process.[65]

The Japanese economic malaise was triggered by a "massive banking crisis," [66] "the crash of the Nikkei Index," Japan's stock exchange, and "the collapse of the Tokyo real estate market." [67] As already noted, a similar banking crisis is developing in China, because SOEs are the recipients of nonperforming loans. Likewise, China is also seeing the emergence of similar problems within its own stock exchange, and housing markets. On 18 August 2008, in the middle of the global economic slowdown, the Shanghai market dropped to an eighteen-month-low, a 64% decline from its peak. The Shanghai bubble burst in 2007, but China is witnessing the growth of another stock bubble. In response to the Great Recession, the central government launched a massive stimulus aimed at developing infrastructure and social welfare. However, this has left excessive liquidity in the market, which is now fueling a new bubble. [68] In fact, Chinese stocks "trade at 50 times the average 10-year earnings per share" as compared to 15 times for stocks in the U.S.[69]

Evidence of this bubble can be seen in three places. First, it has led to inflation in the domestic economy. In 2010, the price of cooking oil rose 27%. In fact, food and fuel prices are both increasing. Officially, inflationary trends are expected to peak in April 2011 at 6%, but it is likely that inflation is as high as 15%, with the impact on food being even higher.[70] Since the PRC wants to maintain the status-quo in its trade relationship with the U.S., the central government is refusing to take action against inflation so that the value of the Yuan can remain low.[71] Second, the PRC stimulus and state-owned bank lending are also creating artificial demand to drive the domestic economy, which is actually increasing the risks associated with nonperforming loans.[72] Third, and most importantly, the bubble has expanded into China's housing market.

James S. Chanos, a hedge fund investor that made an immense fortune betting on the failure of companies, such as Enron and Boston Market, believes that the excessive liquidity in China's hyperstimulated economy has turned its housing market into "Dubai times 1000—or worse," he said[73] referring to the speculative investment and borrowed money that forged Dubai's real estate bubble.[74] Needless to say, Chanos is now betting against the Chinese economy, and hoping to get rich in the process. At the heart of his gamble is the overheated real estate market, driven by a construction boom meant to stave off the effects of the Great Recession. Economic growth is driving construction, which in turn is driving further economic growth. Accordingly, prices for land are on the rise. Meanwhile, municipalities throughout the PRC depend on income from land sales, as do some SOEs. Some investors naively believe that the housing boom will continue indefinitely. However, millions of newly constructed apartments—many of which are affordable only to the rich elite—are sitting empty, so now Beijing is taking measures to slow a runaway housing boom.[75]

In addition to the housing sector, whole skyscrapers are sitting unoccupied. The Chinese Central Television Building, "perhaps the most impressive building in Beijing," opened in January 2008, but still does not have anyone using its facilities,[76] and measures instituted by the central government have yet to cool the property market.

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Though some analysts believe there is no housing bubble because of the demand generated by rural peasants migrating to the cities, one Hong Kong based economist said that housing prices in cities such as Shanghai and Beijing may be fourteen times greater than the disposable income of most average residents.[77] Before the economic malaise, the Tokyo real estate bubble peaked when apartment prices reached a ratio twelve to fifteen times larger than standard household income rates. Now, says Jim Jubak, "investors are right to worry" about the Chinese property bubble, because it exceeds that of the bubble in Japan's real estate market. Indeed, in major cities throughout China, the price for an apartment is now fifteen to twenty times greater than the average household's income.[78]

Gulick argues that the PRC will try to reinforce its trade relations when the property and stock bubbles eventually burst. It may be met with resistance, however, as foreign markets are "still mired in a recessionary hangover," and because Chinese trade policy is facing greater scrutiny among protectionists[79] opposed to China's artificially established exchange rates.[80] In the U.S., for example, there is a possibility that the Department of the Treasury could blacklist China as a currency manipulator, and impose "an across-the-board 27.5% tariff" on all Chinese imports.[81] If China's export markets shrink (and they will shrink), then the PRC would likely have to adjust to a dramatic new imbalance, which would likely result in massive layoffs. In its decade-long forecast for the 2010s, STRATFOR argues that demographic trends already show that demand for Chinese manufactured goods will decline in the coming years, as the populations of Japan, Europe, Turkey, Mexico, and India stop growing, and start aging.[82]

Since China is still export dependent the wholesale transformation of the way it does business would likely result in unrest due to unemployment. As a result, the PRC favors the status quo, and it has two significant pieces of leverage it can use if the U.S. really did try to force the Chinese central government to revalue the Yuan. One such piece of leverage is the U.S.'s "chief dilemma" in addressing China's rise:

rampant imports of Chinese-made consumer goods and Chinese financing of the Pentagon's spendthrift ways have become fulcrums of US growth and power projection... boosting China's leverage over US imperial adventurism.[83]

The second piece of leverage comes from China's enormous dollar reserves. Whenever the U.S. takes the issue of the Yuan to the media or the World Trade Organization (WTO), it only increases the specter of a looming trade war, as the PRC has been enunciating its ability to dump its dollar reserves since the onset of the Great Recession. In reality though, the economic interdependence of the U.S. and China makes both of these seem like empty threats.

First of all, the fact that Chinese exports are undermining American manufacturing is building the foundation of anti-China protectionist populism in the U.S., the political consequences of which could shake "the entire edifice of US-China geo-economic interdependence." Ultimately, this would seriously impact China's emergence as an economic superpower. Secondly, one of two things could happen if the PRC made good on its threat to dump the dollar. In one case, in selling off a significant portion of its reserves, China threatens to surrender much of its remaining reserves. In the other, dumping some of its dollars could find "willing buyers, supporting the dollar and negating its threat." Of course, a combination of these two scenarios would be the most dangerous for China.[84]

Economists agree that the economic development of a country typically follows an S-curve, which illustrates a country's growth cycle. When growth begins, it tends to start slow. After awhile, it speeds up, but then it ultimately slows again. Like China, Japan's immense economic growth appeared to leap out of the S-curve. The bursting of the Japanese bubbles in domestic real estate and stock markets, and the banking crisis, on the other hand, ended any prospects Japan may have had for economic primacy. So, the idea that China can sustain its growth rate indefinitely contradicts basic economic principles. STRATFOR, which is often perceived as bearish on the Chinese economy, released an annual forecast for 2011 stating that "the longer an economic miracle continues to be miraculous, the more likely it is to end its amazing run." Like others, analysts at STRATFOR have noticed the similarities between China and Japan, but they have also noticed similarities between China and South Korea, and similarities between China and the Asian Tigers. All experienced incredible growth. All eventually succumbed to reality. From a faltering banking system to bourgeoning bubbles, however, China especially shares a number of traits with pre-malaise Japan. It is inevitable therefore, that China will also succumb to the economic laws of gravity.

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A business cycle will eventually bring China's economic growth to a grinding halt, regardless of where the economic collapse begins. In fact, the Great Recession has already shown that China's robust economic growth cannot fully absorb the shocks of economic trouble; indeed, according to one measure of economic development, from 2008 to 2009, foreign direct investment in China declined by nearly 50%.[85]

It should be remembered that China's economic woes are not the only barriers to its hegemonic aspirations. In fact, scholars of International Relations (IR) have developed a theory of world leadership, the "theory of hegemonic stability." Examining the rise of China in the context of HST will demonstrate that there are a number of theoretical requirements for world leadership that China simply does not meet.

Hegemonic Stability Theory (HST)[86] and the China Hype

HST has been used to analyze the successive rise of great powers to the role of world leader, or hegemon, which has been taking place since the fifteenth century (at least). It can also be used to forecast the future of international politics, by discussing the "awkward transition" between—and the symbiotic relationship of—the declining hegemon and its rising successor.[87] In this context, the perceived decline of the incumbent hegemon, the U.S. (r. 1945-present), can be discussed a long side the rise of China. It has already been established that Sino-American economic interdependence and a host of systemic economic problems will likely prevent China's accession to world leadership if the U.S. really is in decline. Now, a closer look at HST will confirm that China is not ready to take the reins of world leadership, despite the fact that the concept of hegemony is deeply ingrained in the subconscious of China's national identity, as it was first introduced in Chinese political thought 2,800 years ago.[88]

The phenomenon of hegemonic stability negates the otherwise anarchic nature of international politics, because hegemons use their power and clout to build regimes and institutions that foster international trade and peace.[89] Hegemons typically emerge during world wars or in the aftermath of global conflict.[90] The decline of a hegemon, or its absence altogether, can lead to global destabilization events, such as wars and depressions. For example, the decline of Great Britain at the dawn of the twentieth century led to World War I (WWI). The absence of a hegemon during the interregnum led to the Great Depression and WWII.[91] Eventually, the U.S. emerged from WWII, and established a new global order to foster its aims and to support its interest. The U.S. built an international trade regime upon the Bretton Woods monetary accord, which also produced institutions such as the WTO, and the International Monetary Fund (IMF). The U.S. also built the UN, the North Atlantic Treaty Organization (NATO), and a nuclear nonproliferation regime in an effort to promote peace.[92]

This only happened because the U.S. had both the will and ability to do so. Will and ability are at the core of hegemonic stability. Without them, the necessary conditions for hegemony to come into existence simply do not exist. Hegemonic stability theorists argue that the instability of the interregnum was caused because Great Britain had the will to remain hegemon after WWI, even though it did not have the ability. Meanwhile, the U.S. had the ability to be hegemon, but isolationist tendencies suppressed its will to take the mantle of world leadership. Only after WWII, did the U.S. possess both the will and ability to lead.[93]

The Will to Lead

So the first question is: does China have the will to lead? The answer, quite simply, is no. To elaborate, there are three overarching reasons why it appears that the PRC lacks the will to lead the international system. First, polling data indicates that the Chinese people themselves doubt China's superpower status. A survey released at the end of 2010 by *Global Times*, a state-run Chinese newspaper, shows that only 12% of respondents believe that China is a superpower, despite its increasing diplomatic and economic might. While the poll also shows an increase in national pride and optimism about China's future role in global politics, it illustrates a significant decline in confidence regarding China's position within the BRIC bloc. More specifically, the poll demonstrates that only 57% of respondents believe that China is the most promising member of BRIC, a 10% decline compared to polling data from the year before. Moreover, in the last two decades, Chinese political thinkers have developed a Comprehensive National Power (CNP) Index (using statistical measures of economic strength, military might, soft power, and so on, to chart what might be referred to as a nation's gross national power). In 2006, China scored way behind the U.S.

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While many fear that China's rise implies that it will overtake the U.S., projections of China's CNP illustrate that the PRC will likely not overtake the U.S. in the 21st century. Since China's CNP experts doubt that the PRC can overtake the U.S., while a majority of Chinese citizens apparently doubt that China is a superpower, and given the declining confidence in China's development, this could shape future foreign policy in a manner that constrains the hegemonic ambitions of China's ruling elite.[94] Taken together, it could force China to relapse into isolation.

That is, of course, if China's ruling elite actually had any hegemonic ambitions, because the second reason it appears the PRC lacks the will to be hegemon is because it has verbally said so on more than one occasion. Since the days of Mao, China has desired to reclaim all of the territories that have ever been claimed by the Middle Kingdom. One of the last Roman Catholic Priests to leave the PRC in 1953, Seamus O'Reilly, saw a map of China "that included all of Southeast Asia *within* China's borders." While Mao was willing to restore China's lost imperium, however, he constantly told the world that "[w]e will never seek hegemony," even while Chinese troops were engaged in places like Korea.[95]

Richard Bernstein and Ross H. Munro sense something sinister here. They argue that even though this slogan continued to be used by PRC and CCP leaders into the era of Xiaoping, the Chinese are really following the guidance of Sun Tzu. Tzu, the legendary author of the famous *Art of War*, demands strategic humility from his readers: "[w]hen capable, feign incapacity; when active, feign inactivity." [96] But China has based its foreign policy on constraining hegemony through the development of multipolarity. This has been seen with BRIC, and also at the IMF, where developing countries are trying to alter the decision making process to eliminate the U.S.'s veto power. Alongside Russia, the PRC has also been promoting its multipolar aims at the UNSC by protecting Iran from strong resolutions. And Beijing has played an instrumental role in the confrontation between North Korea and the U.S (along with South Korea, Russia, and Japan).[97] Given its desire to constrain hegemony, it is difficult to believe that China is merely putting on a show for the world, especially since its self-declared anti-hegemonic ambitions continue to permeate China's national defense discourse.

Take as an example, a 1996 speech given by Xing Shizhong, the commandant for the People's Liberation Army (PLA) National Defense University. Shizhong says China's socialist philosophy "ensures that it positively will never strive for hegemony [and] that China will unswervingly pursue a defensive national defense policy and military strategy." [98] A year earlier, in November 1995, PRC President Jiang Zimin told the South Korean parliament that "China will never take part in an arms race, never engage in expansion, and never seek hegemony." [99] Echoing the announcement issued from Beijing at the time of Mao's death, which reads "[w]e will never seek hegemony and will never be a superpower, "[100] all six of China's white papers on national defense that have been published since 1998 continue to reiterate that China does not seek hegemony or hegemonism. [101] To this day, incumbent Chinese President Hu Jintao even says that the PRC is committed to a policy of peaceful development, and that it will never seek expansionism [102] or hegemony. [103] This is highly significant, as George Modelski notes, because powers that have previously "exercised leadership in the global political system" have demonstrated their will to lead in "public language" that illustrates their hegemonic "goals, aspirations and policies." Modelski concludes that "the words of leadership" must match a state's ability to lead [104]. Given its rejection of hegemonism in general, it is highly unlikely that the PRC could possess the will to act as hegemon any time soon.

As if that were not enough, there is one final reason why it appears the PRC lacks the will to become hegemon. Despite the fact that some think China is just playing coy about its ambitions, leaders of the PRC may prefer the mantle of world leadership fall on another power, such as the EU. Despite the fact that China prefers multipolarity and opposes hegemonism, this makes sense. David Shambaugh, a sinologist with the Brookings Institute, told Newsweek that "China doesn't want to lead the world," and in fact, it no longer wants "to be seen as a leader of the developing world."[105] Given this sentiment, one might assume that China would rather see Europe become the next hegemon, than having to assume the mantle of leadership itself. After all, the PRC shares its preference for multipolarity with a number of EU members, including France, which regards China as a "bulwark against world dominance by America."[106] More importantly, Europe-China relations are an extremely important aspect of today's geopolitical reality. Not only is the breadth and depth of this relationship impressive, but it is an important axis in international affairs as China and the EU make for easier partners than China and the U.S, especially since the PRC and EU are both losing trust in the U.S. In fact, a majority of the EU's members believe China to be a more reliable

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partner than the U.S. in promoting global stability, which is probably why countries, such as France, are joining the PRC's efforts to constrain the U.S. at the UN and elsewhere.[107]

The Ability to Lead: Geography

Ability, on the other hand, is a different matter. Does China have the ability to be hegemon? The answer is not quite as clear, because the prerequisites for ability are more numerous. In order for a state to become hegemon, it has to have a favorable geography that fosters surplus security. It must have, at the very least, a dominant navy. It must also possess a lead economy, including a dominance of production and capital, access to natural resources, and control of the global market. Regime openness, religion, and other factors also play into the issue of hegemonic ability.[108] Looking at each individual criterion, however, it still appears as if the China thesis is built upon a house of cards.

A favorable geography is necessary for hegemony because it fosters surplus security. For this reason, hegemons prefer oceanic insularity or peninsularity. Great Britain, more than any other hegemon, demonstrates the best example of this reality. Great Britain's control of the British Isles effectively served as a basis for its global policy, while allowing it to maintain a safe distance from the great power politics of the European mainland. While the U.S. does not actually possess geographic insularity or peninsularity, its two massive maritime borders create a similar effect. With each of the U.S.'s next closest rivals, the Soviet Union, Japan, and the PRC, oceans away, the U.S.'s favorable geography has generated enough surplus security to serve as the basis of its global projection. If that were not enough, moreover, the U.S. has nothing to fear from its two closest neighbors, Mexico and Canada, the only two states with which it shares the North American continent. In fact, the U.S.-Canadian border is the longest demilitarized border in the world, and the North American Aerospace Defense Command, or NORAD, has made the U.S. and Canada joint partners in continental security. Finally, the deterrent of nuclear weapons also adds another dimension of security to the U.S.'s geography, making it a virtual island more than anything else.[109]

China, however, does not share the type of insular characteristics that ensure surplus security. On the one hand, much of Western China is comprised of impassable terrain, including its mountainous Himalayan border. China's immense population gives it an enormous pool from which to draw soldiers in the event of a military attack. And, the PRC's nuclear arsenal is as reliable as any. Taken together, China is an island.[110] However, Western China is also home to Xinjiang, or East Turkestan, and Tibet, both aspiring for freedom, with the former utilizing terrorism to do so.[111] Moreover, China is bordered by fourteen separate nation-states, and it has outstanding border disputes with ten of them.[112] The PRC is also surrounded by a number of historical enemies, including India, Mongolia, and Japan, to name three. Finally, there is an economic dimension to China's insularity problem. With only one maritime coast, China only has immediate access to the Pacific Ocean. This is problematic because transpacific trade has only equaled that of transatlantic trade since the 1980s. Any state situated on both oceans, or with ready access to both, "has a tremendous advantage," over countries like China.[113]

The Ability to Lead: Innovation, Democracy, and Instability

Innovation, it is argued, is the source of a hegemon's ability to handle international economic crises. Furthermore, innovation flows best, from open, stable, and often times democratic societies. If China were to become the next hegemon, it would certainly challenge this established notion.[114] Assuming, however, that openness is a prerequisite for hegemonic accession then China still has a long way to go. Right now, China censors the Internet, runs the media, and the CCP holds a monopoly on political power. In order to build the economy of the future, the PRC must be able to raise the wages of its people. However, notes famous *New York Times* columnist Thomas L. Friedman, this requires a shift to service- and knowledge-based jobs. The problem for the CCP and PRC, however, is that "today's knowledge industries are all being built on social networks that enable open collaboration, the free sharing of ideas and the formation of productive relationships."[115] The PRC's adherence to a tired communist ideology, however, is stifling innovation. Its top-down approach to economic control and innovation results in inefficient, dumb ideas. If the PRC cannot "inspire, liberate, empower and enable" innovation "coming up from below," it simply will not be able to thrive in the 21st century.[116]

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Even if China does eventually experiment with liberty and democracy, "the transition period to democratic governance is... one of the most unstable and tenuous periods a state can experience."[117] Regime instability, moreover, is linked to political violence, and this in turn creates an environment conducive to terrorist activity.[118] A state *must* have a stable society to be hegemon. Societies "afflicted with internal strife cannot have either the time or the resources to spare to attend seriously to global problems."[119] To that end, it should be noted that previous hegemons have not experienced military coups, revolutions, foreign invasions, or other illegal shifts in government.[120] Terrorism linked to *possible* democratic transition could prevent China from becoming hegemon, but the PRC has more pressing issues of stability to concern itself with.

To reiterate, separatist movements in Xinjiang, Tibet, and even in Taiwan threaten China's territorial solidarity. Moreover, China has been suppressing religious groups, such as the Muslims in Xinjiang, Buddhists in Tibet, Catholics throughout the nation, and the Falun Gong cult, fostering social discontent among the population.[121] Lastly, the throngs of unemployed that roam China looking for jobs are growing restless. They are, quite simply, the biggest threat to the CCP, and daily, they take to the streets in the thousands. Yet, the party is not doing enough to address the problems of these masses.[122] Eventually, one can assume that this unrest will reach its boiling point. Chang, author of *The Coming Collapse of China*, maintains that "[n]o government can withstand the will of all its people,"[123] so there eventually will be another revolution in China.

The birth and spread of the so called Jasmine Revolutions that began in Tunisia (18 December 2010), moved to Egypt (25 January 2011), sparked a civil war in Libya (15 February 2011), and have caused unrest throughout the Middle East show that repressive authoritarian regimes with burgeoning middle classes are highly vulnerable to social revolution. Francis Fukuyama does not believe that the contagion will spread to China any time soon, but he suggests that the Jasmine Revolutions could cause problems for the PRC in the future. Every year, China is graduating seven million young people from its universities, and these individuals are having a challenging time finding employment suitable to their new status. This is significant as the Jasmine Revolutions have been sparked by educated, tech-savvy, young people dissatisfied with their regime's inability to provide adequate jobs. Combine this with the existing population of unemployed workers, and the PRC is dealing with a true recipe for disaster. Additionally, prodemocracy forces and separatists movements have typically been unaffiliated. According to STRATFOR, however, the Jasmine Revolutions may provide the impetus for groups operating abroad to collaborate more in opposition against the PRC. With access to social media beyond the CCP's control, these opposition forces could reestablish links with groups in China, which might help unify the full spectrum of dissidents on the mainland in a movement that could bring the Jasmine Revolutions to the PRC.[124]

If the people do not cause the downfall of the regime, perhaps it will be the military. Since 2000, the CCP has been losing control of the PLA. After being humiliated by the U.S. Navy in 1996, PLA generals unilaterally threatened nuclear war against the U.S. over the issue of Taiwan. China's military is supposed to be accountable to the CCP. On this issue, however, the inverse is true: China's leaders are growing more and more beholden to the military.[125] This is especially alarming since an economic collapse could cause China to fragment, as it has before, along regional lines. If the country is divided among competing regional leaders, it can easily fall prey to foreign powers, and, given the growing influence of the military, China could relapse into its tradition of warlordism. History shows that this is a highly plausible scenario for China, given that after the 1911 collapse of the Qing Dynasty, "China was torn apart by fighting between rival warlords ruling different areas of the country."[126]

The Ability to Lead: The Six Hundred Year Old Transnational Religious Regime

Modelski is one of the leading experts on world leadership, and his seminal study on long cycles, Long Cycles in World Politics, is one of the often most cited pieces of literature in HST discourse. Interestingly, one of his most significant insights in Long Cycles in World Politics is possibly one of the most unnoticed and understudied. In the terms of IR, Modelski argues that one of the most significant outcomes of the Renaissance and Reformation was the establishment of Protestantism. Why? After 1648, Protestantism became

the central core of the global system of solidarity: the inner community that, by means of elite networks covering key nation-states, integrated and lent cohesion to the successive leadership elements of the global system, without at the

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same time instituting a world religion.[127]

Though this may seem like a Western-centric reading of the history of international affairs, it is true that the last three hegemons, the U.S., Great Britain, and the Netherlands, have all been home to large Protestant societies. Of course, there is a possibility that this cultural unity could be altered. Prior to 1648, Italy and Spain were each Catholic powers. Still, 600 years of world leadership cycles have been unified by the thread of a common Christian identity.

The cultural dimensions of international affairs play an important role in Chinese foreign policy,[128] because of a belief in cultural attraction over military might. Although this comprises the essence of the PRC's soft power strategy,[129] some wonder if China's culture is just too different than what the world is used to for it to effectively establish a new era of hegemony based on East Asian philosophy, culture, and ideas. Taoism, Confucianism, and Buddhism are all present in China. Taken alone, the Agnostic nature of Confucianism[130] could fit well into the established transnational religious regime based on America's Deist and Protestant inspired tradition of pluralism. Officially, however, China is an atheist state. Having adopted the Soviet Union's "hostility to religion," the CCP has crusaded for secularism by persecuting religious minorities, destroying places of worship, confiscating assets, and so on.[131] In 1998, the U.S. reinforced the established religious regime with the passage of the International Religious Freedom Act, which itself has roots in Deist-inspired Protestant pluralism. Given this, it seems that the world, for the time being, would favor the continuation of the established religious regime, and it is not realistic to expect Communist China, with its track record of religious persecution, to align its interests with the cultural identity that currently comprises a prerequisite for world leadership.

The Ability to Lead: Economic Dominance

It has already been established that China's economy has been built upon the proverbial house of cards. If it were to stave off economic collapse, though, what does HST require of a hegemon with a dominant economy? According to Charles P. Kindleberger, who is sometimes regarded as the father of HST, a hegemon must maintain a "market for distress goods," provide "countercyclical, or at least stable, long-term lending," establish a system of relatively stable exchange rates, and act "as a lender of last resort."[132] China is already becoming a dominant force in production and capital. Even after the Great Recession, it kept lending to the U.S., the established hegemon. But, its willingness to manipulate its own currency illustrates that the PRC cannot lead the world to a stable system of exchange rates. As far as production is concerned, China may lose its dominant edge as it outsources manufacturing and other jobs to Africa and Southeast Asia. China also cannot maintain a market for distress goods, as it possesses no real domestic market.

China seems incapable of building a dominant economy for other reasons, too. First, China's new diplomatic relationships with the Middle East, Africa, and elsewhere are to draw in much needed natural resources. China's lack of access to natural resources at home may certainly hinder its ability to be hegemon. Second, China cannot gain control over the global market, even though its goods have flooded domestic markets all over the world, simply because it is just too dependent on exports. This makes it vulnerable to the U.S., and other countries, which could easily close their markets to China. Third, China's lack of access to the North Atlantic means that it cannot gain control over the global economy, or the world's trading system. According to STRATFOR's Friedman, only a country that controls both the Pacific and North Atlantic can do so.[133]

The Ability to Lead: Naval Supremacy

Some may be scared of the "China threat." The PRC's military buildup reinforces this fear. Hegemony does not require a military buildup, though. On the contrary, it requires a dominant navy. Yes, the PLAN is growing rapidly. As evidenced, China is trying to develop the capacity to challenge the U.S. in the Pacific. The costs of building naval power and of deploying it globally, however, are huge. This is also why it is easier for a country with access to both the Pacific and Atlantic oceans to become hegemon. A hegemon must secure sea lanes vital to international trade and commerce. So, the costs of deploying the U.S. Navy, for instance, are made cheaper by the fact that it can project into the Pacific and Atlantic from its two coasts.[134]

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It is also not entirely realistic to assume that China will gain naval supremacy over the Pacific. As many of the countries of Asia and the Pacific grow wary of China's rise, they turn to the U.S. for support. Take the bilateral relationship between Japan and the U.S. as an example. Japan could become a major player in Asia, by shrugging off U.S. preeminence. This would undermine the ability of the U.S. to maintain its global hegemony. As a matter of fact, the only way for China to replace the dollar as reserve currency would be to partner with Japan. If Japan abandoned the U.S., it would foster a stronger Sino-Japanese partnership. The memory of the past, however, has been a block to any significant increase in major economic linkages between Japan and China. Instead, the Japanese believe they need to handle China's rise aggressively, so they favor the same policy as the U.S. of commercial engagement and military containment. The U.S. cannot block Chinese hegemony if Japan is not a willing partner. So it is a good thing that Tokyo believes it could be subsumed into a Chinese empire without the protection of the U.S. As a result, the Japanese continue to endorse the maintenance of their security agreement with the U.S.[135]

The U.S. and Japan have also been trying to draw Australia into a trilateral defensive agreement. Given the U.S.'s existing trilateral security arrangement with Australia and New Zealand, ANZUS, and given Australia's growing concern over China's military buildup, this may not be entirely out of the realm of possibility. Australia's policymakers in Canberra, while attempting to accommodate China's rise, are also nervous. They understand that ANZUS has played an integral role in security arrangement of the Pacific, and they also recognize that replacing the U.S.'s leadership with PLAN maritime dominance would be a dive into the unfamiliar. So, in 2007, Australia joined the other three great democracies of the Pacific, the U.S., Japan, and India, at the foundational meeting of the Quadrilateral Initiative. In September that year, the Quad Initiative joined Singapore and participated in the largest multilateral naval war games ever. While the Quad Initiative's official purpose is to promote the Democratic Peace, the DOD surely meant to send a message to the PLAN. Of course, the strategic implications of the Quad Initiative did not go unnoticed in Beijing.[136]

Beyond that though, a number of bilateral security agreements negotiated by the U.S. with a number of countries in Asia and the Pacific have formed an unofficial "Pacific military alliance" headquartered at U.S. Pacific Command (PACOM) in Honolulu, Hawaii. PACOM plays host to military officers from places like Vietnam, the Philippines, Cambodia, Singapore, and Thailand. Given the PLAN's determination to develop area denial capabilities against the U.S. in the Pacific, it's fitting that this ad hoc alliance is taking shape in Hawaii, which can serve as the central hub for bases and allies from Japan to Australia, India to New Zealand, and South Korea to Thailand. In essence, this would give PACOM the ability to deter China in the same manner that NATO previously deterred the Soviets. The U.S. can also deter the PRC by expanding its relationship with Europe and strengthening NATO. According to Robert D. Kaplan, "ships and other naval equipment being built now by the Europeans are designed to slot into U.S. battle networks." [137] This, of course, would reinforce the security of the Atlantic, allowing the U.S. to redirect resources to the Pacific, but it would also allow NATO to become a global naval force. For instance, Swedish submarine officers are already operating in the Pacific, teaching U.S. forces to hunt for diesel submarines. [138] Given this, it seems impossible that China could gain control of the Atlantic, and it seems unlikely that it could push the U.S. from the Pacific. Ultimately, this increases the improbability that China could establish a globally dominant navy, making it even more unrealistic to believe that China could become hegemon.

Environmental Degradation and Demographic Problems

Economically speaking, it seems China will not be hegemon. Its economy, which is too tied to that of the U.S., has been constructed on a house of cards. Theoretically speaking, internal instability, a lack of will, and an unfavorable geography make it unlikely that China could become hegemon. There are, however, other issues acting as barriers to China's hegemonic accession. Yes, these problems are tied, in many respects to some of the theoretical and economic problems previously presented. However, population issues and environmental issues are bound together in a way that warrants individual analysis.

The Forthcoming International Water Shortage

All over the world, water is becoming increasingly scarce. Aquifers from Yemen to Mexico and India to the U.S. are

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reaching dangerously low levels. China is in an especially dangerous position. China, with 20% of the world's population, only has 7% of the world's water resources. China has four times as many people as the U.S., but its water supply is much smaller. Hydrologists report, for instance, that more than two thousand lakes are drying up in the Qinghai Province alone. By 2030, the water shortage in China could be dangerously close to "the internationally recognized benchmark for water shortages."[139] In fact, in the North China Plain, a region similar in size to New Mexico, water is diminishing so rapidly that lakes, streams, and swamps are disappearing; 5/6 of all the wetlands are gone, and once navigable rivers are dust. As water supplies dwindle, they become increasingly expensive. This problem alone could derail China's impressive economic growth, as most industrial work in China still requires the use of two to five times the amount of water that is required in the developed world.[140]

Cancer and Healthcare

Healthcare in China used to be provided by state operated work units. Private healthcare is too expensive for much of the population, and government subsidies are mostly targeted at the wealthy east coast cities. "Today," says Hugh de Burgh, author of *China: Friend or Foe?*, "there are few medical personell outside of the cities." Villages and towns in the west, therefore, lack healthcare facilities, nurses, doctors, and basic treatment options.[141] The environmental issues associated with China's water shortage are causing major health crises for China's rural residents in the west. The problem first began in the 1980s. A host of Chinese companies dumped a prodigious amount of toxic waste into the Huai River. Cancer rates in the Huai River basin rose to twice the national average in the 1990s. As local authorities released polluted water from tanks and reservoirs, a black sludge flowed downstream, killing everything it touched. Fish died by the millions, while citizens had to be treated for vomiting, diarrhea, and dysentery.[142]

Most of China's potable water is in the south, and now China's northern regions are suffering from irreversible desertification. Now that the largest fresh water lake in the North China Plain is drying, what remains is very toxic. Many of the agricultural pesticides and toxic wastes dumped into the water supply are lethal cancer-causing carcinogens. Cancers of the esophagus, intestines, liver, and stomach are leading killers in the Chinese countryside. The Ministry of Public Health reports a 23% increase in rural cancer rates since 2006. The cause of this veritable health crisis has been linked to the water shortage. Rivers, said simply, no longer carry "enough flow to dilute the hazardous compounds that are routinely dumped into them." [143] Now the CCP has another dissatisfied group of people angry with the ruling regime to contend with: environmental refugees and other peasants affected by the water and health crisis. A growing number of China's many protests are being targeted at local party-state officials responsible for the toxic substances contaminating the local environments in which they live, work, and play. [144]

Aging and Demographic Decline

Owing to the unintended demographic consequences of its 1980 one child policy, China's population is aging much faster than that of Europe, the U.S., and, with exception of Japan, its economically advanced Asian neighbors. In fact, according to the U.S. National Intelligence Council's *Global Trends 2025: A World Transformed*, China's working-age population will soon decline. The CCP is working hard to maintain its growth rate so that it can create enough jobs to maintain stability, but this new demographic reality will lead to a reduction in the human resources necessary to sustain China's rate of economic growth. In other words, the aging of the population, coupled with the exploding cancer driven fatality rate, is going to lead to the creation of superfluous jobs all over China. There simply will not be enough people to work. The only real solution to the forthcoming labor shortages is for elderly Chinese to remain productive. But China's nonexistent healthcare system is not prepared to meet the demands of an aging population that needs to work harder and longer. As elderly Chinese people experience more health problems related to work, their productivity will be further reduced.[145]

Conclusion: "Much Ado About Nothing"

Perhaps, Bernstein and Munro are wrong about the so called "China threat," and China really will rise peacefully. Perhaps, Chang and STRATFOR's Freidman are overly pessimistic, and China will not collapse. Perhaps, the

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country will not follow its historical precedent of withdrawing into isolation. Most analysts and investors believe China will become the next great power, making the PRC a responsible member of the international community, or an economic superpower capable of shaping global politics. It seems, however, more like these individuals are engaging in some Shakespearian fuss over an event of otherwise little significance. Regardless, it will *not* become the next hegemon. Its economy is built upon a contradiction-riddled house of cards, and it's too dependent on the U.S. market. It's Navy is being constrained by ANZUS, the U.S.-Japan Security Arrangement, the Quadrilateral Initiative, and PACOM. Moreover, the PRC has no desire to become the world leader, and it really does not have the ability to lead either. Too many internal issues, including the threat of terrorism, the unrest of oppressed religious minorities, the swelling masses of unemployed workers wondering the countryside, a growing water shortage and health crisis—to name a few—constrain China's ability to concern itself with the goings-on of the outside world. The PRC's economic, social, and environmental problems simply demand too much attention, which, as hegemonic stability theorists insist, will prevent the emergence of world leadership.

If the U.S. really is in decline, and China cannot become hegemon, then a few scenarios may play out. First, some members of the international community, including the PRC and France, favor multipolarity. Scholars, including some hegemonic stability theorists, believe the end of American hegemony will usher in an era of multipolarity.[146] What many hegemonic stability theorists fail to understand though, is that polarity and hegemony often go hand in hand. During the 1800s, for instance, Great Britain played the role of balancer in the European balance of power. In doing so, it rested at the fulcrum of a five-state balance of power, effectively utilizing the multipolar nature of the contemporary international system to its own advantage. This gave Britain the ability to shift its foreign policy focus at a moment's notice in order to ensure its interests.

Some foreign policy elites and experts[147] believe in a second scenario, which suggests that the U.S. will be able to capitalize on its own decline, reinvigorate its domestic infrastructures, and reestablish a foreign policy of world leadership.[148] This is not unprecedented. Great Britain previously occupied two separate leadership reigns (1713-c.1789 and 1815-1914),[149] so it is not entirely out of the realm of possibility that the U.S. could become hegemon again. If the U.S. really is in decline though, hegemonic renewal may be more challenging to achieve than some might think, especially given that a poll of the young people most likely to enter government shows that the future leaders of the U.S., at least at present, favor isolationism.[150]

The third scenario implies that another great power will emerge to become hegemon. Many have speculated that this could be the EU or Japan. As noted earlier, however, the EU's failure to politically integrate, and the fact that it is merely a trading bloc, makes it easy to dismiss as a legitimate hegemonic contender. Japan, on the other hand, seemed as if it was the number one contender until the economic malaise decimated its chances. Often lost in the stories, reports, and articles about the China hype is an equally significant piece of news: China is not the only emerging giant in global affairs. The father of HST himself, Kindleberger, argues that if the EU or Japan are incapable of becoming hegemon, then "an assertion of leadership and assumption of responsibility for the stability of the world system by... some unsuspected third country such as Brazil," would likely take place.[151] Given the relative decline of the U.S., the world appears destined to enter a multipolar phase. Following the British model of the 19th century, Brazil, which has been forging ahead as the leader of a new nonaligned movement, may very well be the only country capable of exercising the type of leadership necessary to maintain hegemony in a multipolar international system.

The future is hard to predict. Regardless of which scenario comes to fruition, however, one thing is for certain: the next hegemon will not be the PRC.

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- [2] The combined GDP of the European Union (EU) actually exceeds that of the U.S. by an estimated \$180 billion,

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but this merely represents the aggregate GDP of the EU's twenty-seven members. Despite its economic strength, the EU is merely a supranational intergovernmental organization—a collection of sovereign nation-states—comprising a highly effective trading bloc. So, despite common practice, there is not necessarily cause to consider it as being in the same league as the U.S. or China. For more information regarding this data, see: Central Intelligence Agency, "Country Comparison: GDP (Purchasing Power Parity)," *The World Factbook*, 2011, available from https://www.cia.gov/library/publications/the-world-factbook/rankorder/2001rank.html; Internet; accessed 26 February 2011; and Central Intelligence Agency, "Europe: European Union," *The World Factbook*, 2011, available from https://www.cia.gov/library/publications/the-world-factbook/geos/ee.html; Internet; accessed 26 February 2011.

- [3] Measuring China's GDP in terms of PPP results in the most realistic figures regarding the size of China's economy, due to the fact that the exchange rate of the Yuan is decided, in the words of the U.S. Central Intelligence Agency (CIA), "by fiat." Central Intelligence Agency, "East & Southeast Asia: China," *The World Factbook*, 2011, available from https://www.cia.gov/library/publications/the-world-factbook/geos/ch.html; Internet; accessed 26 February 2011.
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[36] David C. Speedie, with the Carnegie Council, and others, often attribute the coining of the "rise of the rest" incorrectly to Fareed Zakaria, who thoroughly discusses the topic in his recent book, *The Post-American World*, to describe the birth of a multipolar world order based off of the increasing influence of emerging markets. However, the term was actually first used by Alice H. Amsden in her book, *The Rise of "the Rest": Challenges to the West from Late Industrializing Economies*. For more information see: David C. Speedie, "The Rise of the Rest," Carnegie Council, 15 April 2010, available from http://www.carnegiecouncil.org/resources/articles_papers_reports/0049.html; Internet; accessed 20 March 2011; Zakaria, *The Post-American World*, 1-5; and Alice H. Amsden, *The Rise of "The Rest": Challenges to the West from Late-Industrializing Economies* (New York, New York: Oxford University Press, 2001), 1-2.

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policymakers eventually got involved by pressuring their Brazilian counterparts. Rather than acquiesce to U.S. demands, however, Brazilian policymakers deferred to the courts. Although the Brazilian Supreme Court eventually ruled in favor of David Goldman, it seems unlikely that Brazil's leadership would have attempted to override the court's decision. "Boy reunited with US father after Brazil custody fight," BBC News, 25 December 2009, available at http://news.bbc.co.uk/2/hi/8429659.stm; Internet; accessed 21 April 2011.

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