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EXECUTIVE SUMMARY

The rapid growth of China and its emergence onto the global stage as a future world power has opened up diverse possibilities for the future world order. The trajectory that China takes between now and 2050 will determine its status in global affairs and the world balance of power at that time. This paper discusses the opportunities and challenges, both internal and external, that exist for China, and how its treatment of these will influence its future status. It also factors in the effect that the attitude and actions of the USA and other nations could have on China’s future and how these in turn will be shaped by China’s own actions and demonstrated attitudes in its international relations. The paper emphasizes Beijing’s recent aggressiveness and suggests that China, more likely than not, will be a future hegemon provided it can achieve its desired rise to global power status. The different scenarios that may emerge in 2050 with respect to China’s global status are outlined.
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CHINA’S GLOBAL STATUS IN 2050
PLAUSIBLE SCENARIOS

INTRODUCTION

General

China is fast emerging as a challenger to the USA’s global dominance in a uni-polar, post Cold War world. Its trajectory of enviable economic growth, military modernization, and growing political influence across the globe has caused all nations, big and small, to take notice and ponder over China’s future status as a world power, and to analyze the effects of its rise from their respective viewpoints.

China has always been, and still remains, an enigma to the outside world. Her long-term goals, policy formulations and internal functioning are all shrouded in a veil of mystery, which fuels conjecture, and predictions largely based on individual perceptions among outsiders. Its various actions strengthen first one viewpoint and then the other, leading to speculation and concern over its future intentions. Thus, despite the exhortations of “peaceful rise”\(^1\) and “harmonious world”\(^2\) mouthed by its leaders, other nations are suspicious and wary of the Dragon’s rise. They are unsure of the posture they need to adopt towards China – one of engagement and cooperation towards a benign rising power willing to merge into the prevailing world order, or one of containment and confrontation towards a future global hegemon, aggressive in its pursuit of national policy goals?

China’s ultimate rise to global power status too, is often debated. The world is anxious to see how China’s leaders resolve the many negative influences, both internal and external, arraigned against the Dragon. To give credit to them, they have thus far successfully steered China through the many imminent social and economic

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\(^1\) President Hu Jintao, in his address to the 64\(^{th}\) UN General Assembly, New York, on 23 Sep 2009, (http://www.voltairenet.org/article162236.html)

\(^2\) ibid
crises predicted by China-watchers across the continents, and achieved a very high rate of sustained economic growth over three decades, while concurrently gaining significant clout in international affairs. China’s phenomenal rise and emerging global power potential is accepted even by its most critical detractors.

The world’s power structure within which China is to rise is extremely complex and dynamic. Within Asia, where China is constantly seeking to expand its influence and assume an undisputed leadership role, there are other nations aspiring to be regional powers, unwilling to accept China’s sole leadership throughout the continent. This will have an effect on the Asian and global power matrix, impacting on China’s future status. Internally too, China has many fault-lines that may threaten not only its rise to global power status, but even its very existence in its present shape and form. It remains to be seen how China weathers the many storms that may arise between now and 2050, and whether it will be able to realize its extremely promising potential, to become the second pole in the world.

China is known to have long-term vision and continuity in its leadership. The strategy that China adopts to achieve its long-term goals will need to be effective in ensuring cohesion and balanced development at home, and for it to be perceived as a benign global power abroad. Thus far, China has been very self-confident, following a “China First” policy in international affairs, taking full advantage of favourable global conditions to maximize its Comprehensive National Power (CNP) and to continue to grow economically at a very fast pace. A recent aggressiveness in the pursuance of its national interests, however, has caused other powers, including the USA, to take notice and review their overly accommodative policies towards China.

China’s attitude and actions in the coming years will determine the future strategy of other nations towards it. The success or failure of its foreign policy and its management of internal imbalances could give rise to very different scenarios in the 2050 time-line. These could be extremely diverse, having very different impacts on China itself, on the global balance of power, and on world peace.
Aim and Scope

This paper aims to flesh out plausible scenarios that may emerge with respect to China’s global status in 2050. The scenarios will be derived from an analysis of the key drivers that could influence future developments within China and its international relations.

In the first part, China’s global aspirations and world-view will be discussed. The second part will outline the geo-strategic environment through a study of the emerging trends and perceptible shift in the world’s power calculus. This will be followed by a SWOT (Strengths, Weaknesses, Opportunities and Threat) Analysis of China which will lead on to the likely strategies that China may adopt to realize its very promising potential. Finally in the fifth part, taking all the aforesaid into account, five plausible scenarios will be described, representing the different trajectories China may take till 2050.
Global Aspirations

China’s global aspirations stem from its acute sense of history. The Chinese are extremely proud of their heritage, being the descendants of a 5000 years old ancient civilization; and of the significant contributions made by China towards human development including the compass, paper making, printing and gunpowder. This sense of history percolates down to the man on the street, who can rattle off the names of the numerous Chinese dynasties in their correct sequence, and is extremely aware of the atrocities committed by the Japanese during their invasion into China in the 1930s. It is also nurtured and fostered by the State, which spends significantly on the upkeep of museums dedicated to such themes, and on the maintenance of historical records.

The fact is that China was extremely wealthy and influential throughout the ancient world. Along with India, it was a centre for learning, culture and trade. In 1820 China’s GDP was 33 % of the global whole. This knowledge and the heritage of Zhong Guo (Middle Kingdom), the Silk Road, Confucianism, the Great Wall, etc are all very deeply engrained in the Chinese psyche.

China very strongly believes that its descent into backwardness and poverty in the period between the mid-18th Century and 1949, also remembered as “the century of humiliation”, was a direct result of invasive exploitation by the colonial powers and Japan. Defeat in the Opium Wars resulted in its economy being exploited mercilessly, and in China missing the Industrial Revolution almost entirely. Lack of effective governance during this period, a crippling civil war, and the exploitation of the economy brought down their GDP to a paltry 5% of the global total by 1973.
The current rise and future projections of China becoming a global power are thus perceived by the Chinese as justice being done finally. They consider it a return to their rightful status in the world. This psyche is a very strong motivator and unifying factor, and is exploited by the Communist Party Government for mobilizing national effort, and for maintaining cohesion and integrity of the large and diverse country.

China’s aspirations for the future can be listed as follows:-

(a) To be the dominant power in Asia.

(b) To be a strong, united, prosperous nation “at the centre of the world”.

**World-view**

Modern China’s world-view is essentially the gift of Deng Xiao Peng. Although Chairman Mao and Premier Zhou en Lai laid the foundation of the Communist State in 1949 and must be given credit for China’s rise to the global top-table as a permanent member of the United Nations Security Council (UNSC), and as one of the five nuclear powers, China’s world-view was largely isolationist and inward looking till the end of the disastrous Cultural Revolution. It was Deng Xiao Peng who recognized the merits of a Capitalist economy, and described it as being part of “Socialism with Chinese characteristics”, and set China on the path to becoming a global power. He was visionary in his reading of the multitude of challenges, both external and internal, that China had to overcome and master in order to realize its promising potential. Leaders after Deng have continued his legacy, ensuring progress on economic and political fronts.

China has been extremely fortunate to be traversing this up-hill journey in an extremely advantageous global geo-political setting. In the three decades since China’s opening of its economy to the world globalization has been the life-blood of

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the world’s economy. The Soviet Union has collapsed, ending the Cold War and the bipolar world. Germany has re-united and Europe has come together as a single economic bloc. Japan, viewed as the emerging dominant power in Asia in the 1970s and 1980s saw its economy stalling for a prolonged period, and this, along with the collapse of the Soviet Union, has given rise to a power vacuum in Asia, with no other country in a position to take on an undisputed leadership position. The Iraqi invasion of Kuwait set forth a sequence of events that drew the USA into the region, and combined with the fallout of 9/11, this resulted in the sole super-power’s military capability, along with that of its Western Allies, stretched thin over two extremely difficult fronts in Iraq and the Af-Pak region. The vexing nuclear arms issues in North Korea and Iran, and a resurgent Russia attempting to re-establish its writ and influence over its “near abroad”, are applying tremendous pressure on the USA – creating circumstances which are forcing it to look for support from Russia, and more importantly, from China. With its focus thus concentrated, the USA does not wield as much influence in other parts of the world as it otherwise would. Thus, Africa, Latin America, South East and Central Asia are all available to China for enlarging its spheres of influence and to apply its soft power to gain access to energy resources, markets, support bases, and even arable land!

China’s one-party rule, its continuity in leadership, and its long-term vision have also contributed to the creation of this advantageous global scenario. Its shrewd policies have ensured that it made best use of Japanese capital to kick-start its economic reforms process, and yet did not improve political relations with Tokyo. It propped up Pakistan as a proxy against India to mire India’s focus within the sub-continent. Its manoeuvrings ensured the smooth return of Hong Kong to China in 1997, and its “one nation - two systems” strategy in Hong Kong is designed to lure Taiwan into merging with the mainland sometime in the future. China’s booming economy and its leveraging of its soft power has already brought about significant change in the attitude of Taiwanese businessmen towards the Mainland. Two-thirds of Taiwanese companies (approximately 10,000) have made significant investments in

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7 Deng Xiao Peng expounded this concept with regard to the reunification of Hong Kong and Taiwan with China, *Beijing Review No 52, 1984 and No 33, 1990*, as quoted in *Beijing Review* dated 26 May 2009
China (to the tune of $200 billion). Almost 750,000 Taiwanese reside in China for more than 180 days in a year!\(^8\)

China’s world-view could thus be summarized as follows:-

(a) The USA is the sole super-power in the world, both in economic and military terms. Its strengths and weaknesses thus need to be closely studied by China, as a rising power in the world.

(b) Asia needs a leader. Russia, India, Japan and Iran are not in a position to exploit the leadership vacuum in the near term.

(c) The current international setting presents an opportunity for China’s fast paced development, and increased involvement in global affairs.

(d) The financial liquidity available to China can be used to “buy” energy resources, and applied along with its soft power, can help enlarge influence in Africa, South East and Central Asia, Latin America etc.

(e) The USA needs China’s support in a number of on-going and emerging crises.

(f) The interdependence of the US and Chinese economies works in China’s favour, as it needs a conducive economic environment for continued development.

(g) A non-polar world, as exists today, suits China while it is developing to emerge as the second pole.

(h) Japan and India have the potential to be future challengers to China’s status in Asia and need to be contained.

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\(^8\) George Gilder, “Treating China as the Enemy is a Mistake”, China Daily, 11 Feb 2010
(j) A unified Europe can be an economic challenge, but it can be viewed as an asset for establishing a multi-polar world.

(k) Russia is reasserting itself as a major power. Its strength lies in natural resources and political influence (UNSC seat, nuclear and conventional forces). Its vulnerabilities lie in its vast Eastern expanse, its difficulty to control and administer its huge land mass, and the radical Islamist threat in its South. Past ideological linkages may be a bridge which could be used by China, as and when needed.

(l) Japan has a struggling economy and is not a political heavyweight on the global stage. It needs China’s support for a permanent seat in the UNSC. It is a US ally and has outstanding disputes with China. However, it has a strong navy, is under the US nuclear umbrella and has the capability to become a nuclear weapon state if it decides to be one. It continues to have immense economic potential, and once its economy revives it could become a potential rival in Asia, and especially in the Asia-Pacific region.

(m) ASEAN is a strong economic bloc and China has a large volume of trade with it. The continued existence of numerous outstanding claims and disputes, and bitter experiences of the past, has resulted in the ASEAN nations viewing China as a threat also. A combination of China’s hard and soft power will be needed to ensure relations conducive to Beijing’s interests.

(n) Africa has enormous untapped potential. It can provide China with a large portion of its energy resources and raw material requirements. China has made significant inroads into Africa and has enormous influence in the majority of the African nations through the use of its soft power and economic wealth. It has used loans and aid to spread its influence and has helped build infrastructure too. Its policy of non-interference into the internal affairs of the countries, and its acceptance of dictators viewed negatively by the West, has helped its cause. However, its policy in Africa is beginning to be seen as a new form of colonialism by some who have observed that China’s interest in
Africa is restricted to its economic interests and does not include any social assistance which is urgently needed.

(o) Latin America is the USA’s backyard. But China has managed to make inroads in countries such as Venezuela. Its main focus is on access to natural resources, but its political influence too is being enlarged in the process.

China states that it has no hegemonistic aims, and only aspires to better the living conditions for its people, and to protect its sovereignty. However, after a period under Deng, wherein China kept a low profile and “bided its time”, 9 more recently China has begun to become very aggressive in protecting its perceived national interests, and has not hesitated in confronting countries, including the USA, when its claims / interests are seen to be affected. China’s strident opposition to the Dalai Lama visiting Tawang in Arunachal Pradesh in India, and its opposition to the USA’s sale of weapons to Taiwan are only two recent examples of the many that have started emerging.

9 Part of Deng Xiao Peng’s “24 character” strategy, given as advice to China’s foreign and security policy apparatus: “observe calmly; secure our position; cope with affairs calmly; hide our capacities and bide our time; be good at maintaining a low profile; and never claim leadership”
EMERGING TRENDS 
AND 
SHIFT IN WORLD POWER CALCULUS 

Present Geo-Strategic and Geo-Economic Scenarios. The global geo-strategic and geo-economic scenario is very conducive to China’s continued rise. The USA’s capability to enforce its will across the globe is weakened through its involvement in the two conflict zones of Iraq and the Af-Pak region. The limitations of its military power have been exposed, in that it cannot open a third front while still heavily committed in these two theatres. It needs Russian and Chinese support to achieve desired results in Iran and North Korea through non-military means.

The recent global economic crisis originated in the USA, and has impacted the economies of the USA and the developed nations very adversely. Having gone into a depression, these economies are likely to struggle with low growth rates for a considerable period of time, considering the fact that they have just started to recover. Despite being primarily export-driven, China’s economy by contrast, has survived rather well throughout the crisis, thanks largely to the bailout by the Chinese Government, which used the large liquidity available in the economy to good effect. The US economy is heavily inter-dependent with the Chinese economy. With China holding a very large volume of US Treasury bonds, China is virtually funding the US budget deficit.

China has been seen as having played a responsible and constructive role during the Asian economic crisis of 1997 and the recent global economic crisis. It bailed out the crippled economies of the Asian Tigers then, and has helped the developed nations’ economies this time around. This, viewed against the sharp contrast of the USA’s inaction, albeit due to its economic compulsions, has boosted China’s standing in the eyes of the international community, and has given a fillip to its global power aspirations.

A comparison of global economies in 1970 and now reveals the fact that China is catching up with the USA very rapidly, and some predictions state that it
could become the world’s largest economy by as early as 2025. Its GDP may surpass that of the USA in real terms by then, although the USA will still be far ahead in per capita GDP terms.

The 21st Century is being heralded as the Asian Century. The emerging economies of China, India, and other developing nations in South East Asia are predicted to achieve significant growth, and tilt the global economic power matrix towards Asia. The recent global economic crisis has underlined this trend, with the economies of China and India continuing to show high growth rates despite the crisis.

Geo-strategically, China has emerged as the dominant player in Asia and the Western Pacific. A weak Russia, a stalled Japanese economy, and an India contained within the subcontinent, all contribute to this development. China has begun to show aggressiveness on issues related to its national interests, though it follows a policy of engagement with SE Asian states, preferring, for the time-being, to put disputes and conflicting claims on the back-burner.

China is using its economic strength and its soft power to exert influence in places like Africa, Latin America and the Central Asian republics. It also exploits its political strength (UNSC veto power) to increase its influence and leverage with authoritarian regimes, such as Myanmar, Venezuela, Iran and Zimbabwe. With America’s focus fixed in the two conflict zones for the time-being, China is exploiting the opportunity to the maximum. Its enhanced global status has seen China being more frequently involved as a preferred mediator in disputes across the globe.

The current and evolving world power calculus could thus be summarised as follows:-

(a) The USA continues to be the sole super power in the world, albeit with diminishing economic dominance and significant limitations in its geo-strategic power projection capability at least for the near-term.

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10 Price Waterhouse Coopers (PWC) Global report dated 04 Mar 2008
(b) China is “the new kid on the block” and a likely challenger to the USA’s sole super power status in the not too distant future.

(c) Economic forecasts, population growth trends and demographic profiles predict a multi-polar world in 2050, with Asia being the centre of economic growth.

(d) The “uni-polar moment”\textsuperscript{11} has passed, giving way to a non-polar world, with the USA as the dominant power, but with China, the European Union and Russia also being significant players on the global stage.

(e) The future world power calculus will depend on China’s ability to realize its tremendous potential, and the global geo-strategic climate continuing to allow its uncontested rise.

AN ANALYSIS OF
CHINA’S STRENGTHS, WEAKNESSES, OPPORTUNITIES AND THREATS
(SWOT ANALYSIS)

Strengths

Economy. China’s rapidly growing economy is the main driver on its path to global power status. The sheer momentum that is provided by an economy that is growing at an average growth rate of 9% for over three decades\(^\text{12}\) carries all other attributes of the Dragon upwards with it. China’s export-oriented economy is truly global in nature, and is intricately inter-dependent on the US and other developed economies. Over a period of time, China has amassed foreign exchange reserves in excess of 2.5 trillion dollars,\(^\text{13}\) and has invested heavily in US Treasury bonds. The liquidity acts as a safeguard against recession, giving China the capability to bail out its economy and others’ by way of large injections of cash, as it did in the case of the recent global economic crisis. The investment in US bonds ensures that the USA remains mindful of the fact that China is in fact financing its budget deficit, and although very unlikely, can attempt to destabilize the US economy by selling its bonds. The USA could of course default, but such precipitate action may have a negative impact on its global standing.

The US economy was worth $14.59 trillion in 2008,\(^\text{14}\) while the Chinese economy, which has overtaken the Japanese economy earlier this year to become the second largest economy, stood at $4.33 trillion.\(^\text{15}\)

China’s Government Structure. China’s one-party system has many merits for a developing China. The continuity of leadership and the opportunity to

\(^{13}\) Firat Unlu in an article titled “The Importance of China’s Foreign Exchange Holdings”, in Seeking Alpha.com (http://seekingalpha.com/article/152403-the-importance-of-china-s-foreign-exchange-holdings)
\(^{14}\) Table 4.2 Structure of Output, Economy, in the World Bank 2010 World Development Indicators, (http://data.worldbank.org/sites/default/files/wdi/section4.pdf)
\(^{15}\) ibid
implement long-term plans over a protracted period without any political opposition is a luxury that democracies can never match. This allows its government to focus on ambitious developmental goals and implement infrastructure and other developmental projects very fast and efficiently.

**Culture of Strategic Thought, and a Strong Work Ethic.** The Chinese value and nurture their traditional culture of strategic thought. Since ancient times, Chinese scholars and philosophers have emphasized the importance of the long-term view. This tradition continues even today, with numerous think-tanks engaged in strategic thinking and the evolution of long-term strategies for China’s future. Simultaneously, the Chinese have a very strong work ethic. They are a hardworking people, eager to help China regain its lost stature in the world. This work-ethic fuels the economic engine, despite very low wages and long working hours.

**Geo-Strategic Location.** China has contiguity with the Central Eurasian land-mass which has been historically been considered a key to world dominance. Added to this geo-strategic importance is the fact that China has a 9000-km long temperate coastline on the Pacific, giving it the unique potential of being both a land and sea power.

**Size and Population.** China’s huge geographical size and the 1.3 billion-strong population give it immense strength. It is an extremely attractive market for the economies of other nations, and has the very large work-force to man its galloping economy. Its population being very largely homogeneous (over 90% Han Chinese) allows for greater unity and internal stability.

**Soft Power.** China, like some other countries, has immense soft power potential. But unlike others, China is very aware of this valuable asset, and is very focussed in exploiting its advantage. It uses soft power to woo and win over smaller countries, thereby accessing their resources and markets, and spreading its influence over them. As of November 2009, 282 Confucius Institutes and 272 Confucius

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16 New World Encyclopaedia, (http://www.newworldencyclopaedia.org/entry/Han_Chinese)
Classrooms have been set up by China in various developing countries for the spread of its soft power. It plans to establish 1000 Confucius Institutes across the globe by 2020.\(^{17}\) The combined use of its attractive culture, cuisine and performing arts along with its economic power applied in the form of aid and loans, has been extremely effective in shaping public opinion in China’s favour. It is progressively being viewed as an alternative to the USA by a growing number of Third World countries, especially those that are not in its immediate neighbourhood, and with whom it does not have outstanding disputes or claims.

**Political Strength.** China is one of the five permanent members of the UNSC and has the accompanying veto power. This gives it enormous international clout and involvement in almost all global issues. It also gives it the opportunity to use this strength to gain influence in countries that come under pressure from the vast majority of nations, including the USA, due to autocratic governments or other reasons.

**Military Strength and National Will.** China’s economic and political power is underpinned by a large and powerful military. The PLA, with a strength of 2.25 million,\(^ {18}\) is the largest standing army in the world, and ongoing military modernization has ensured that it will soon possess cutting edge technology and the latest generation weapon systems. Its nuclear arsenal boasts of all types of warheads and yields, and China has a variety of delivery means to absorb a massive first strike and yet retain the capability to launch a second strike. China is currently acquiring a “blue water navy”. The PLA Air Force is also undergoing an ambitious modernization, aimed at reducing the existing asymmetry vis-à-vis the USA, in selected technology areas.

A nation that lacks the will to assert itself to protect its national interests or to apply a strategy through threat or use of force can negate its military or political power. Not so China. The Dragon has repeatedly demonstrated a strong national will

\(^{17}\)Wikipedia, (en.wikipedia.org/wiki/Confucius_institute)
\(^{18}\)ibid (en.wikipedia.org/wiki/People’s_Liberation_Army)
in all matters relating to its national interests. This is a force multiplier and makes China even stronger than the simple sum of its material strengths.

Last, but not least, the timing of China’s rise has been very fortuitous. Not only have the events in the geo-strategic environment assisted it, but equally, it has benefitted from an extremely accommodative attitude adopted by all the World powers towards its rise. This is in large measure due to the attractiveness of the Chinese economy and market, but beyond that, there appears to have been a very positive mind-set which led to all nations adopting the engagement policy vis-à-vis China, and welcoming it into the global market with open arms.

Weaknesses

Geo-politics. George Friedman very aptly highlights the fact that China’s geo-politics are a challenge to its ambitions of becoming a global power. China has a small core, confined to the East and South, along the river valleys of its two major rivers and along the coastal belt. The rest of the huge expanse of China only acts as a buffer to this core area towards the North, West and South. In the East the buffers are in the form of island chains. The first chain runs along the Korean Peninsula, the Kuril Islands, Japan, Taiwan, the Philippines, Indonesia and Australia. This is often referred to as “the Great Wall in reverse” – an alignment along which US allies can monitor and attempt to block Chinese access to the Pacific Ocean. The second island chain includes the US territories of Guam and the Northern Mariana Islands, viewed by China as an archipelagic extension of the Chinese land-mass. With arable land, water, communications and access to the rest of the world concentrated in the core area, China has a compulsion for centralized control over its entire territory. The wide disparity in development and economic opportunity between the coastal regions and the hinterland tends to give rise to discontent, and sometimes to secessionist tendencies.

Disparate Development. The developmental divide between the affluent coastal provinces and the hinterland is very stark. Nearly 90 % of China’s exports

come from its nine coastal provinces. The central government attempts to offset this by controlling the allotment of developmental funds, but this is resisted by the coastal regions which earn the very large majority of the government’s revenue, and expect it to be re-ploughed into their areas, and to increase their profits.

Widening Wealth Gap. An associated problem is the growing disparity in wealth, between the very rich and the very poor. The poorest 10 % of the population hold only 1 % of the nation’s wealth. The wealthiest 10 % hold 50 % of the money. This is giving rise to social unrest which is increasing. So far, the government’s attempts to address this have not been very successful and the situation is becoming more and more tenuous, with city-dwellers now earning three and a half times as much as their fellow citizens in the countryside. Within urban citizens too, the poorest 20 % control just 2.75 % of private income while the top 20 % control 60 % of the total.

Unbalanced Economy. China’s economy is very heavily reliant on its manufacturing sector and on exports which constituted 36 % of its GDP in 2007. The low exchange rate of the RMB (yuan) lowers manufacturing costs significantly, thereby allowing very competitive prices in the global market. But other sectors of the economy are not performing well. Increasing pressure on China to increase the value of the yuan is resisted as it will lead to a drop in export earnings. An unbalanced economy, too heavily dependent on exports may be vulnerable to economic crises in the future. Internal consumption (only 36 % of GDP in 2007), agriculture and the service sector have all tended to underperform. Unless a wide-spread economic review is carried out, and corrective actions initiated and sustained, the Chinese economy may not be able to sustain the very high growth it has experienced so far. The Japanese economy in the 1990s and the US economy in 2009 were similarly impacted.

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20 Yang Yao, “The End of the Beijing Consensus, Can China’s Model Of Authoritarian Growth Survive?”, Foreign Affairs, 02 Feb 2010
22 ibid
24 Article titled “China’s Consumption to Hit Record Low”, in chinadaily.com.cn dated 04 Jan 2008
Restive Ethnic Minorities. Apart from the social unrest which is rising due to economic reasons, China also has a problem with its ethnic minorities. Although the government grants some concessions to the 55 ethnic minorities by law, the minorities feel alienated due to the over-bearing pressure from the majority Han population. A systematic policy of settling Han Chinese in traditional minority areas has exacerbated their insecurity and alienation. This sentiment is particularly strong in the Uighurs in Xinjiang province and the Tibetans in the South. These two very large provinces are sparsely populated. Their demographics are being altered through the government’s policy of settling large numbers of Han Chinese in these areas. Both provinces are rich in natural resources, having large deposits of oil, natural gas, copper and iron ore. China has always controlled these regions through the use of force, but this has not helped to integrate these minorities into the mainstream and grievances remain. These may destabilize the country if uprisings coincide with unrest caused due to economic reasons in other regions.

Lack of Natural Resources. China’s continued rise is dependent on its economy, which in turn requires a huge amount of natural resources in terms of raw materials and energy resources. China is not very rich in natural resources and depends heavily on imports for the same. It has done extremely well to arrange for an assured supply of these from various countries across the globe. However, its needs are going to increase further and competition to gain access to these resources will also increase, and may create conflict situations in the future. Apart from these, China also has a severe paucity of arable land and water, especially when viewed in light of its very large population.

Extended Sea Lines of Communication (SLsOC) and Choke Points. Almost 50% of China’s oil imports come from the Middle East, and this figure is likely to increase to almost 70% by 2015.25 It has very extended SLsOC over the

Indian Ocean and the South China Sea, with major choke points at the Gulf of Hormuz and in the Malacca Straits. China is sensitive to this, and is concerned about the USA and Indian navies influence over these areas.

**Large Area and Population.** While on the one hand these two factors are strengths, they become weaknesses because of the vast amount of resources that are needed for creating communications, developmental infrastructure, and to improve per capita GDP. Education and the empowerment of the huge population through institutionalized training is also a gargantuan problem, requiring very large financial outlays and the vision and focus to achieve. Such effort, though critical for true development, affects economic growth in real terms as it involves massive spending.

**Outstanding Disputes and Claims.** Even though China professes a policy of “peaceful rise” and “harmonious world”, its many neighbours harbour apprehensions of its future attitude towards resolving the numerous outstanding disputes and claims it has with each of them on land and in the sea. China has been very selective in resolving some disputes and claims while allowing others to fester. It has always encouraged bilateral ties in other areas while putting off disputes on to the back-burner, adding to existing fears that are based on historical behaviour and experiences of the past. Thus, while all countries vie to increase their trade relations with China in order to exploit the opportunity presented by its booming economy and huge market, there continues to be an apprehension in each one of them, a sentiment that urges them to look for strategic alternatives to protect their interests against a hostile China, should the Dragon start breathing fire.

**Opportunities**

The opportunities for China flow from its strengths. The shift in the global power calculus, exacerbated by the USA’s being tied down in two difficult theatres and the global economic crisis, provides an excellent opportunity for China to exploit. China should, and is indeed endeavouring to maximize its Comprehensive National Power (CNP) through economic growth, military modernization and the application of its soft power.
In real terms this would translate into gaining access to assured energy resources and raw materials for its economy, gaining footholds into the Indian Ocean region, increasing its diplomatic and political power through treaties, alliances and organizations, developing niche technologies in the military and scientific fields, developing knowledge power, and taking actions required for it to be seen as a benign alternative to a hegemonistic USA. It will be in China’s interest to continue with the low exchange rate of the RMB (yuan), to maximize the gains that accrue from cheap labour and low manufacturing costs. Its emerging status and global political strength gives it more power to attempt to contain the rise of other powers that may challenge its dominant status in Asia.

**Threats**

Any change in the present accommodative global geo-strategic environment, or the existing stability within its borders, would present a threat to China’s continued rise, as it would exert adverse pressure on the favourable linear projection of current growth rates. As it is, sustaining such a high growth rate will get more and more difficult every year because of the expanding size of the Chinese economy. Large economies tend to slow down. China’s per capita GDP, presently pegged at approximately $1200 will soon reach $3000. It will then be hit by the so-called “middle income trap”,26 wherein the country’s economy stops growing, income inequality increases and social conflicts erupt. But this is just one of China’s worries.

Internally, China faces serious threats of social unrest which may manifest if it is not successful in addressing the very serious economic and developmental disparity between the coastal regions and the hinterland. China’s growing economy has raised the aspirations of its entire population, while only those in the coastal regions have been presented with opportunities to gain from it. Its authoritarian government makes a bad situation worse, with the populace having very limited fora for airing dissent.

The second major internal threat that China could face would be from a secessionist movement in either Sinkiang or Tibet. So far, China has succeeded in

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quelling such movements with the use of force. But the minorities are far from satisfied and their angst simmers under the surface. There is a likelihood that trouble may erupt in conjunction with other internal upheavals, thereby aggravating Beijing’s problems and testing its capacity to enforce central rule throughout the country.

The unbalanced nature of the economy also poses a threat which may manifest in the event of a future economic crisis in the global market. Any threat to the economy, which is the key driver to China’s growth, is likely to destabilize the Dragon. While Chinese leaders grapple with the enormous task of keeping the internal security situation stable for the economy to continue to grow, there are external threats that may add to their problems. No nation in history has risen to great power status without conflict. This fact challenges the possibility of the actualization of Hu Jintao’s oft repeated mantra of “harmonious world” and “peaceful rise”. While China will make every effort that its rise is perceived as peaceful, and an accommodative environment remains in place for it to grow, other global and regional powers, especially the USA, will view China’s rise with apprehension. China’s opaqueness does not help matters. In an uncertain environment, nations tend to plan for the worst-case scenario. There are indications already, of the USA attempting to enter into partnerships and arrangements with other regional powers as a hedging strategy against a rising Dragon. The USA’s improved relationship with India and the Indo-US nuclear deal may be a manifestation of just such a strategy. Japan too could be so used, and some initiatives involving the USA, India, Japan and Australia were perceived by China as being threatening. While India has resisted rushing into the US camp as yet, future developments may reshape its strategic choices.

China considers itself most vulnerable to threats from its East, from the Pacific Ocean. The presence of a number of US forces and its many allies in the region to its East, force China to focus on the first and second island chains to provide depth to the mainland.

Its actions in Mongolia, which is very rich in oil, coal, uranium and has rich empty grasslands, and in the Eastern expanse of Russia, will probably be an indicator of its aggressiveness. Much will depend on China’s actions towards other countries over the next 5-10 years. An assertive and over-aggressive China may act as a catalyst for strategic alignments to form and get strengthened. A Chinese attack on any nation in pursuance of its national policy goals will surely bring about such groupings almost on reflex. Economic groupings, protectionist or exclusionist measures, and political or military alliances may be formed as a counter to a rampaging China. But that said, thus far no nation appears to have the stomach for a fight. When China expresses its concern over any groupings it perceives as being anti-China, these are promptly dismantled!

No future prediction in international relations can be viewed as inevitable. The USA’s relative decline in global dominance in the recent past cannot be treated as irreversible, and neither can China’s rise to global-power status and becoming a super-economy be predicted with finality. Such predictions, based purely on a linear projection of short term trends, are quite likely to be proved wrong.
STRATEGIES TO REALIZE POTENTIAL

China’s Long-term Goals and Future Policy Options. China’s long-term goals, as stated earlier in this paper, are to be the dominant power in Asia, and a strong, united and prosperous nation at the centre of the world. These are indeed global goals that require a clearly understood and vigorously implemented foreign policy in addition to the maintenance of vital stability at home.

It may be argued that even if China were to aspire to a peaceful rise and a harmonious world, its efforts to maximize its CNP which will be the key to its growth and projection as a global power, would raise scenarios of confrontation with existing and emerging global players. China’s internal dynamism creates external ambitions. As China becomes stronger it will cultivate new needs, and indeed, apprehensions too, that will force it to expand in various ways, as did the USA throughout the 20th Century. This would result in its crossing US’ and others nations’ “red lines”, leading to competitive and confrontationist scenarios.

In keeping with nationalist thinking, China too is likely to plan for the “worst case scenario” as far as attitude of other nations towards its rise is concerned. It will be wary of the possible effects of the USA and other nations ganging up against it some time in the future, and would therefore aim to maximize its CNP at the earliest in the present accommodative international geo-strategic environment. But this anxiety and haste in turn will translate into its treading on many toes as far as competing for scarce energy resources and raw materials and markets.

Truly altruistic aims of a “harmonious world” and China’s rise becoming a “win-win” situation for all countries would mean a more accommodative and less competitive approach by China towards the acquiring of these resources, with a concomitant negative impact on growth rates and its pace of development. This is surely not on view, considering the aggressiveness that China has displayed in the recent past on just such issues. Its intransigence, for example, during the Doha and Copenhagen meetings, its out-bidding other nations with exorbitantly high bids for energy resources, and its obduracy in controlling the low exchange rates of the yuan.
are all pointers to a China that has its national interest firmly in focus, and is happy to be cooperative only as long as this does not impact on its own growth and development plans.

**China’s Strategy for Ensuring Internal Stability.** Considering that internal stability is a major weakness and vulnerability which could severely undermine and derail China’s rise in the future, China will need to address the following issues urgently as part of its strategy to ensure internal stability:-

(a) **Balanced Growth.**

(i) The Chinese economy needs to be restructured, reducing its reliance on exports and increasing domestic consumption. Sectors other than the manufacturing sector need to be strengthened, such as agriculture and services.

(ii) Development needs to be extended into the hinterland. This will involve massive infrastructure development projects, and the announcement of lucrative incentives to encourage economic activity further inland.

(iii) Development of employment opportunities in the hinterland must be a strategy focus. This will reduce the need for internal migration and strengthen stability.

(iv) China has to urgently address the acute shortage of arable land and water. The current situation is grave for future food security. To address this issue, water needs to be diverted from flood-prone areas downstream to arid regions in the North and West of the country. This, however, has to take the sensitivities of lower riparian states such as Bangladesh and India into account, and done with their concurrence to avoid conflict scenarios from emerging.

(v) The rampant nepotism and corruption in the Chinese economy needs to be weeded out ruthlessly, in order to make it more efficient.
(b) **Political Reforms.** Even though change to a more representative and democratic form of government is essential for long-term socio-political stability, China cannot, even if it wanted to, change its form of government overnight. Any change towards being more democratic and representative of the choice of the people, can only be wrought gradually. The following steps may form part of the initial strategy in this direction:-

(i) More channels and fora need to be made available to the people to air their grievances. These are woefully lacking today, leading to frustration and misgivings in the populace which can be a recipe for social unrest.

(ii) The local government officials, many of whom are presently a law unto themselves, need to be made accountable to the people.

(iii) A gradual process of governmental reforms should be initiated to bring in democracy in larger measure into governmental structure. It is, however, important that this is done while retaining central control which is vital to ensure that the country remains united.

(iv) The public perception of the government’s efficiency and integrity needs to be strengthened.

(v) Human rights violations and unpopular policies, such as the “one child policy”, need to be reviewed and improved upon.

(c) **Ethnic Minorities.** For long-term stability of the country it is important that China addresses the legitimate grievances of its ethnic minorities and integrated them into the national mainstream, while allowing them to retain their ethnic identity within the national framework. The spread of pseudo-Islamic extremism in Xinjiang should be dealt with severely, and a secular national ethos promoted.
China’s Strategy for International Relations. China’s external strategy to achieve its long-term goals would aim to strive for two things; firstly, the continuation of the rapid growth of its economy, which is the cornerstone of its future power, and secondly, to address the threats that it envisages to itself, both during the period of its rise, and thereafter. These primarily arise out of the existing asymmetry vis-à-vis the USA in terms of political, military and diplomatic power, and future coalitions that may align against it. With this in view, China’s strategy is likely to have the following constituents:-

(a) Economic.
   (i) Ensure assured access to energy resources and raw materials from various sources across the globe.

   (ii) Establish access to various ports on the Indian Ocean and the South China Sea to protect its SLsOC and its economic interests.

   (iii) Further integrate into, and dominate the world economy by the volume of trade and the size of the Chinese economy and market.

   (iv) Strive for a favourable balance of payments to ensure the continued availability of a large volume of liquidity to cater for economic crises and for infrastructure development and welfare needs.

   (v) Use its emerging economic power to resist changes detrimental to its economic interests (Doha, Copenhagen, RMB exchange rates etc).

(b) Military.
   (i) Continue the process of military modernization and technological development to address the existing asymmetry vis-à-vis the USA.

   (ii) Undertake force development and restructuring to address its vulnerabilities in the Pacific Ocean. Strengthening of the PLA Navy to
thwart US offensive capability in the Taiwan Strait and developing offensive capabilities for a possible future attack to capture Taiwan may form part of this process.

(iii) Avoid the dangers associated with entering into an arms race with the USA. This implies the identification and development of selected areas of warfare best suited to confront the USA with; for example, weaponization of space, nanotechnology, cyber warfare etc.

(c) **Diplomatic.**

(i) Increase China’s political and diplomatic strength by establishing new / joining existing international organizations with a central role in them.

(ii) Promote regionalism in East Asia and SE Asia to reduce the effectiveness of existing US alliances and relationships with m=nations in the region.

(iii) Forge strategic alliances / agreements with major players to offset any future containment strategy that the USA may wish to adopt against it.

(iv) Use soft power to expand its sphere of influence across the globe, including through the support to benighted and authoritarian regimes where required.

(v) Continue to convince the world at large of the “harmonious world” and “peaceful rise” concept.

(vi) Lure Taiwan into integrating with Mainland China through a combination of hard and soft power.

(vii) Resolve outstanding claims and disputes with countries at a time and in a manner that best suits China’s national interests.
(viii) Use political, diplomatic and economic power to contain the rise of potential challengers.
The scenarios that will emerge with regard to China’s rise do not depend on China alone. No country can chart its own course to the exclusion of all others, especially in the globalized world. The trajectory that China will take will depend largely on its own internal and external policies, and the strategies it employs for achieving its national goals. It will also, however, be significantly impacted upon by the actions and reactions of other nations, developments on the international stage, and last but not least by chance too. In the complex and dynamic global geo-strategic and politico-economic environment, change is the only constant. An alert and vigilant China may prove flexible and apply mid-course corrections to stay its upward course as and when necessitated by evolving circumstances, but it must be understood that not all things are entirely under the control of a country to amend. It should be China’s endeavour to control as much of the environment as it can.

The two key players that will have the greatest bearing on China’s future status at the global level are China and the USA. While China’s internal stability situation, and the world’s view of its demonstrated attitude will be crucial factors that will determine its status in 2050, the USA is the sole super power and is the only country which has the capacity to alter the international environment significantly, both towards and away from China. A lot will depend on how China’s actions and policies are perceived by the USA. The latter will critically analyze the impact of Chinese actions on its short and long-term national interests, and will accordingly shape its policy towards the Dragon. Taking into consideration various drivers that may affect China’s trajectory and analysing the various interactions between them, the following scenarios related to China’s status in 2050 are considered plausible:-

(a) **Scenario 1 : Super China in a Harmonious World.** This is a dream scenario for China and the entire world. In it, China undertakes socio-political reforms and becomes increasingly democratic. The Uighurs and Tibetans are integrated into the national mainstream. The Chinese economy introduces reforms to make it more balanced. Actions are taken to reduce the inequality in the distribution of wealth, and development is expanded all across China’s
hinterland. China’s economy becomes the largest in the world, surpassing the US economy. The G-20 becomes the key economic forum in the world. Structural changes are introduced into the UNO, reflecting the new world order, with the UNSC expanded to have 10–12 permanent members. The UNO is also strengthened to give it the capability to address global issues effectively. Under its aegis, all nations agree to a fair distribution of the world’s natural resources, nuclear arsenals are significantly reduced with an ultimate goal of nuclear disarmament agreed to by all nations. A truly global war is launched against terrorism, with resounding success. Economic activity takes centre-stage across the globe, and the danger of war recedes.

(b) **Scenario 2 : G-2 – Carving up the World.** In this scenario, the USA and China come to an understanding that through a power sharing arrangement they can control the world between them, maximizing the advantages to their respective national interests. This scenario would imply a mutually accommodative relationship between the USA and China to the detriment of the rest of the world. While this will be a very powerful alliance, it will instigate the rest of the world to unite against it. The EU, Russia, Japan, India, Australia and the SE Asian countries will attempt to undermine and derail such an alignment at every stage. The globalized world economy will force the two partners to review such a policy. Recent proposals for just such an arrangement were made by Zbigniew Brzezinski, erstwhile National Security Adviser to President Jimmy Carter, during a conference in Beijing in January 2009, a week before President Obama’s inauguration.\(^{28}\) The Chinese were quick to reject it through their Premier Wen Jiabao during the US President’s visit to China,\(^{29}\) and have not shown any enthusiasm to encourage it just yet, preferring to project their preference for a multi-polar world instead. Analysts, however suggest that this may be an interim stance that may change in the future.


(c) **Scenario 3 : Cold War II – Bipolar World.** Another plausible scenario could see China emerging as an economic super power with the largest economy in the world. It does not however, go in for wide-spread political reforms and continues to be an authoritarian one-party state. Its confrontations with the USA increase, but the USA is slow in acting against its rapid economic and military development, allowing it to reach a level of CNP where it can meaningfully challenge the USA’s status as sole superpower. Other nations align with either the USA or China depending on their respective national standpoints and in their own best interests. Such a scenario is likely to be triggered or heightened by some form of military stand-off, either on Taiwan or due to a Chinese attack on another country, which the USA opposes. The respective blocs then adopt economic and diplomatic policies aimed at undermining the “enemy” bloc and maximizing own profits. The geographic architecture of Cold War II is likely to be very complex, with members of opposing blocs not necessarily located contiguous to one another as was the case during the earlier Cold War in Europe. Animosity between the two blocs would manifest through economic measures, and regional conflicts wherein protagonists would be supported by the two Big Powers. This would create an unstable world, with balance being provided through power projection by the Big Two.

(d) **Scenario 4 : Collapsed Edifice – Chaos and Revolution.** This is a doomsday scenario for China where the spectre of its internal vulnerabilities assumes mammoth proportions and erupts in an explosion. Internal unrest, instigated by a combination of socio-economic, socio-political and ethnic dissatisfaction, becomes too wide-spread and violent for the Chinese government to control. This leads to the collapse of the government apparatus. Inner Mongolia, Xinjiang and Tibet attempt to secede. A civil war breaks out across China and chaos prevails for an extended period of time before a new power structure emerges. This may be PLA-led. Its character and attitude are very difficult to predict. The USA and Russia may vie to influence the outcome. The detailed consequences of such a scenario are beyond the purview of this paper. Suffice it to say that China’s dream will lie shattered.
(e) **Scenario 5: Tug-o-war – Containment and Slow-down.** This scenario would evolve were the USA to decide now or in the near future that China’s rise to world power status would be definitely detrimental to US national interests, and must be resisted. This may happen if China continues to aggressively follow a “China First” policy, expands its spheres of influence into US areas of interest, and continues with its military modernizations with a clearly discernible US focus. If this leads to the US feeling threatened, it may continue to maintain a managed relationship with China, while initiating diplomatic, political and economic actions aimed at containing China and slowing down its pace of development. The time when China’s rise could be terminally contained by US-led initiatives has probably passed, and given the sheer size and globalized character of China’s economy and the non-polar world that exists today, it could at best be slowed down through concerted external actions by a coalition of US allies. Countries that may benefit from China’s slow-down, such as Russia, India, Japan and South Korea; and close US allies such as Australia and the UK could join such efforts, which may include externally applied economic strategies and encouraging civil rights movements within China through public diplomacy and other means. Such a strategy could eventually lead to either China successfully resisting such pressure and emerging much stronger, eventually leading to a bi-polar world envisioned in Scenario 2 above, or succumbing to the internal forces unleashed by this strategy and collapsing as described in Scenario 3.
CONCLUSION

The world is very interestingly balanced at present. Its future geo-strategic contours will depend very largely on the trajectory China takes from now till around 2050. Much will depend on China’s future goals, its policy and the strategies it adopts in its pursuance. Much of this is shrouded in mystery. A very wide array of scenarios are plausible, and will be shaped by China’s success or failure in maintaining internal stability and achieving sustained economic growth over a prolonged period, on the perceptions of the world about China’s future intentions, and the actions the USA and other nations take based on these perceptions.

The Dragon is traditionally used to symbolize China. This mythical beast has many variants in Chinese folklore. It remains to be seen which Dragon truly represents the China of the future – the benign rain-bearing Dragon that brings peace and succour to all around it, or the fire-breathing monster which destroys everything that comes in its path. Only time will tell.
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