



A new world order: the rise of China and decline of the West

While many are already talking about the notion of a shift in power from West to East, a thought-provoking book by author Martin Jacques called ‘When China rules the world’ takes this even further by proclaiming that China will not only thrive in the 21st century, but will do so at the expense of the United States.

“I would expect, and I think we're witnessing, the beginnings of the decline of America, America as the nation that exercises economic hegemony in the world. I think that part of the present crisis actually, the origins of it lie in the inability of the United States any longer to be able to sustain and underwrite the international economic system of which it is the architect and patron. That is a deep problem. The indebtedness means it cannot do it any more - the multiple indebtedness.”

With that, he thinks China, albeit “a reluctant player”, is going to get “willy-nilly drawn into this process.” And with its current economic prowess showing no signs of slowing, some serious and profound implications will be felt.

“The dollar will lose its reserve currency status in due course because America can no longer sustain that situation, just as it happened earlier last century with Britain and the collapse of the gold standard system, because Britain was too weak an economy eventually to be able to sustain it. And I think the same in due course is going to happen with the United States; you can already see the first signs of that situation. And I think in time the most likely replacement will be (China's) Renminbi as the reserve currency.”

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Already, the Chinese are taking the first steps to make the RMB a convertible currency, which Jacques says will “collectively erode the existing system.”

As China becomes the “bearer and driver of the new world”, as articulated in his book, Jacques firmly believes its rise will not mirror that of the West. “I think there is, or has been, a widespread Western assumption that as China modernises, it will become just like us. Now if you think it's going to be just like us, then it will just be, as it were, another Western country. Personally, I think this is quite wrong.”

He makes the case in his book, saying that China is the product of a history and culture which has little or nothing in common with that of the West, and adds that it is only by discounting the effects of history and culture, and reducing the world to a matter of economics and technology that it is possible to conclude that China will become Western.

Citing the example of universal suffrage, which “probably China will move in the direction of”, Jacques believes the denouement will reveal itself to be quite different from the West, because even in

Japan, the first Asian nation with a fully-fledged developed economy, the idea of democracy did not really reside with the people but with the state.

“(And) the Chinese state is the heart of China and has been for hundreds, if not thousands of years. So I think that the development of universal suffrage in those kinds of circumstances will still produce a different constellation of power to what we’re familiar with the West.”

While China has become progressively more open and transparent, where in many areas there’s not “the rule of law, but the rule by law”, Chinese democracy will always be very much shaped by the country’s 5,000-year legacy. This means that although China has the appearance of being developed, it is still very much a developing country.

Jacques explains: “We’ve got to remember that China, spectacular as its growth is or has been, is still really not much more than halfway through the process of its industrial revolution or economic take-off, or whatever term you want to describe it.”

“The great sort of spur for this growth has been the shift of labour from the countryside to the cities, and it’s still got a long way to run. That’s why people, who say ‘well, maybe we’re reaching the limits of Chinese growth’ or ‘maybe it will hit a Japanese situation’, are wrong because we’re not in that situation. China is still very much a developing country and still, for the most part, a very poor country.” Even in 2050, when some analysts expect the Chinese economy to be twice the size of the US economy, Jacques believes that the income per head in China will still be roughly half that of the United States.

This does not, however, negate the economic projections of Goldman Sachs, PricewaterhouseCoopers and others, which also state that the Chinese economy will exceed the economic size of the United States by 2027. Jacques is merely seeking to point out that China will run its own race, on its own terms.

An example he gives is China’s reticence in regard to two major financial institutions: the International Monetary Fund and the World Bank. “Why would China stick serious sums of money into an institution over which it has virtually no control; it’s not going to do it. It did give something after the last G20 and it’s just paid the money into it. But it is still an American/Western institution and it serves those interests.”

“Likewise the World Bank; if you take Africa, the size of Chinese loans and aid to Africa exceeds that made by the World Bank. So you can already see a

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shift taking place, just the beginnings of it, in the way in which the international economic order works.”

So China is on course to hold sway from the latter half of the 21st century. But will it be able to hold court like the US and Britain did as the world’s dominant financial powers?

“It will take a long time because China is not in a position to assume the kind of role that the United States has played because it is a developing country. This is a completely new situation. In the past, transfers of power in the industrial era since the early 19th century have always been between relatively developed countries.”

Then again, given that China promises to be so inordinately powerful and different, it is difficult to resist the idea that in time, its rise will herald the birth of a new international order.

“You might get a twin-track change taking place, slow reform of the existing institutions and the emergence of new institutions. But ultimately, there will be some new kind of institutional framework.”

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