

INTERNATIONAL SYSTEM REFINED: U.S. – CHINA COOPERATION VIA GLOBAL COMPETITION

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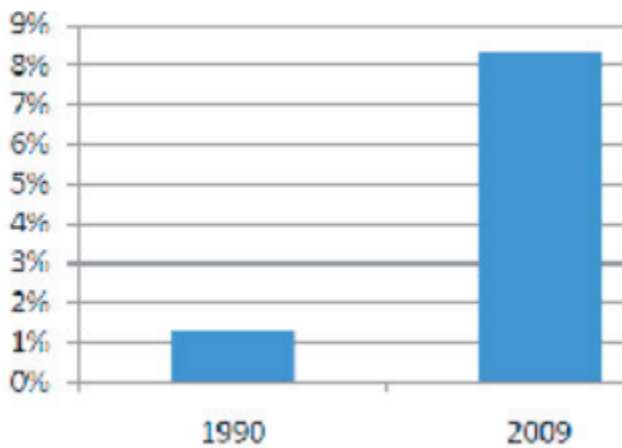
On the basis of the neorealist view (approach) devised by American political scientist Robert Gilpin, the author dissected the basic trends, which indicate the hegemonic transition in the current international system. After researching the empirical facts and drawing a comparative analysis, one drew conclusion regarding the possibility of U.S.-China cooperation due to a set of political (international) and economic reasons, eventually morphing the international system into coherent bipolar cooperation.

Key words: international system, U.S.-China cooperation/competition, hegemonic transition, economic growth.

China's economic ascent, which commenced at the end of the 20th century, is everywhere quoted as "Chinese economic miracle". Reasons of indomitable economic up tick are well known – demographic transition with a fall of dependency ratio, ubiquitous low cost labor force, overwhelming inflow of foreign investments in southern (industrial) regions, export-oriented economy with high economic surplus, the role of family business networks in organizing production and trade, etc. For instance, between 1990 and 2010, Chinese economy grew by 10,4% per year and had an astounding trade growth rate, which measured in 17,6% [2]. At the early outset of Chinese ascent (1990), China's export represented only 1,3% of global export. In 2009, this figure was 8,4%, making China the largest world exporter (See Figure 1). In addition, despite other countries have suffered from the world financial crisis of 2008-2010, China itself withstood the shocks and maintained dynamic growth.

China's Share of World Exports of Goods and Services (%)

Figure 1



While growing economically, China's political stance has become more voluble, especially in the Asia-Pacific region. The Chinese government more and more exploits in its official newspapers the term "nine dashed line". Coined in the late 1940's, the term includes pre-Communist line, which circumscribes the whole South China Sea with its the Spratly and Paracel islands. Although looking like propaganda, China does not skip chances to contest with those countries which have intentions to set up any disputable arrangement in South China Sea. Recently, China has objected to Philippines plans to open areas in the Reed bank aimed at oil-and-gas exploration [3]. Latter fact has ignited lots of debates between the modern political scholars over the geopolitical challenges which later China could pose. Obviously, the economic achievements have a strong inclination towards transforming into political or even hegemonic global royalty. Looking with hindsight, the British industrial revolution, simultaneously with developing of patent rights were the major grounds for the future Pax Britannica as well as the First and Second World Wars were sources of financing what is now known as Pax Americana. Both powers enjoyed relative international stability and incremental development until a new challenging actor arose. For the British Empire, the American economic and technological advances became unparalleled perils for further dominance. In its turn, although the Soviet Union was dubbed as the force which would undermine Pax Americana, it is apparently that the Chinese "dragon" fed by economic gains and increasing military strength has approached more closely than the USSR for "eating Western eagle". Thus, the simple question arises. Does it so inevitably for the USA to be outpaced by China? Has the process been irrevocable or the hegemonic transition can be morphed into

bipolar cooperation as it was during detente. Despite the fact that the answer is vague and absolutely eclectic, the general prediction can be drawn.

China's economic odds

Apart from political will of two governments, there is a set of factors which will influence the future bilateral relationships. While the growth of economy is against the USA and in favor of China, the endogenous environment, i.e., the contemporary international system, has still left some room for the Americans to maneuver and exploit its power. Speaking of American drawdown in economic development, there are a few reasons of it. As Harold Sprout has put it, it is a dilemma of rising demands and insufficient resources which undermines the post-industrial economy [7]. Contrary to China's developing economy, the modern U.S. economic pattern has used all those feasible potential, which it had after the end of WW II. Having reached its peak in 1976, the American government failed to stockpile enough gold for sustaining the world monetary system. As a result, the Jamaica Monetary System of 1976 was established with a view to stabilize currency rates all over the world. Though the U.S. dollar is still the world's currency, it is now obvious that the alternative mechanism should be devised. Otherwise, the world economy can face dire consequences. Secondly, the U.S. industrial production level has diminished sharply during the last decade. According to Board of Governors of the Federal Reserve System statistics, the total increase of the American industrial production in the 21st century counts average 3% per year, comparing to China's 12% growth. The USA labor market has been dropped out from competition with the Chinese labor force (blue-collar workers) in terms of "salary-quality" ratio. Thirdly, the steady budget deficit and public debt do not sound optimistic in comparison to China's income surplus and relatively meager debts. The recent menace of default (even technical) in the USA has incited several prominent countries (BRICS) once again to reconsider the ability of the USA to keep the international economy afloat [5].

Notwithstanding internal sources are insufficient, demands are rising. The first demand which leads to economic and political decline of the USA is the tendency for the most efficient military techniques to rise in cost. One can call this process "the law of the increasing cost of war". Because of the increased level of military capabilities and the scale of military responsibility, the rising costs of protection transforms into heavy burden on the resources. The recent U.S. Senate discussions regarding the possibility of military retrenchment is a vivid example. For instance, the Global

Hawk drone price is \$15 million and the Predator drone costs \$4,5 million respectively. Even without taking into consideration the crew salaries and maintenance cost, such a big price is a “challenge” for the American budget. By and large, the USA is the biggest military spender in the world (See Table 1). Moreover, the issues of the 21st century such as the cyber and international terrorism also sap the U.S. economic stability, because the American government ought to spend billion of dollars for keeping its cyber confines intact, whereas the motto of democratic ideals in Afghanistan and Iraq cost approximately \$1249 billion [1].

Table 1

Top ten countries by military spending in 2011

Country	Spending, \$bn	World share
United States	739.3	45.7
China	89,8	5.5
Britain	62.7	3.9
France	58.8	3.6
Japan	58.4	3.6
Russia	52.7	3.3
Saudi Arabia	46.2	2.9
Germany	44.2	2.7
India	37.3	2.3
Brazil	36.6	2.3

At the same time, the Chinese government pursues a policy of military revitalization by purchasing relatively cheap (still not very bad) Russian military techniques and initiating its own developments without being actively involved in any regional or global warfare. Even though there is a trend that Chinese military spending should outpace the U.S. one after 2030’s, the large income surplus avails China with opportunity to spend more, bypassing the social disturbance and economic deceleration . A second rising demand lies in structural change in the character of the U.S. economy. In the pre-WW II era and soon after it, the largest fraction of the labor force was in manufacturing. Starting from 1960’s, it shifted towards the service sector. Quoting Robert Gilpin’s notion: “thus a service economy, such as Great Britain in the late nineteenth century and the United States in the late twentieth century, tends to experience declining productivity and economic retar-

ation relative to its own past and relative to less advanced industrializing economies. [4, p. 165]. Although a service economy continues to develop via investing money in creation of knowledge and human capital - the U.S. hi-tech industry is an excellent example; service sector tends to have a lower productivity rate than manufacturing. It means that the real demand for manufacturing could not be covered by a comparatively small income created by service sector. The vicious trend of transferring manufacturing capabilities to the Asian countries has also played a dreadful role for American decline by adding high unemployment rate to the list of economic issues. And here again, China’s performance looks much better. The ample number of blue-collar workers, along with exuberance of mineral resources, provides the Chinese government with a gripping opportunity of the long-term manufacturing growth even if it has some scale and marginal limits.

These internal changes (the dwindling rate of economic growth (GDP), the rising cost of protection, the structural shift to economy of service) disclosed themselves as the cornerstone of the American decline, simultaneously opposite to the Chinese development. Still, as it is always happen in any system, the expensiveness of sustaining the functioning of the latter can become an efficient instrument for maintaining out-of-system control.

Where the U.S. still boasts

The international system has a broad range of structural pillars which determine its scale and stability. Throughout the whole human history, three basic components embody the framework of the world affairs. There are – dominance of great powers, hierarchy of prestige, rules of the system [4]. Even not scrutinizing the aforesaid features precisely, the American leadership in each statement is uncontestable. Given the historical example of the dominance of “great-American” power in the last two decades, one can recall any large-scale military operation which was conducted either by the USA itself or under the auspices of the American government. The NATO’s mission in Yugoslavia, anti-terroristic war in Afghanistan, the Iraqi incursion, the recent liberation of Libya are great instances of Pax Americana dominance. The Libyan civil war was not only the flashpoint of “the Arab Spring”, it has also earmarked the undisputable dominance of the American might, i.e. the NATO’s forces had failed to achieve any crucial results while being stripped from American support. The coherent and structured network of the American proxies and allies all over the world has no comparison to China’s abject regional ambitions, which are mostly circumscribed by the ASEAN and Japan-South Korea-China troika. Here, the shortcom-

ing of American excessively expensive military complex recasts itself into cutting-edge military advance thriven by billion of dollars infusion. Considering the U.S. drones invulnerability supported by modern military hardware, it is worthwhile comparing them with the heavy British fleet approaching to the coastal lines of the future colonies of Her Majesty the Queen. Indeed, the indigenous population either of Pax Britannica India or Pax Americana Central Asia has no argument.

Secondly, despite the fact that prestige is an opaque term, there were a plenty of situations where the American prestige gave its marginal profits. The lesser states in an international system followed the leadership of the USA (supporting or keeping silence) during the Iraqi invasion. The world countries accepted U.S. anti-terroristic bumper sticker in 2001. Nor they reject the disputable essence of Arabian uprising incited by American propaganda in the region. Due to supplying their allies with public goods, i.e. security and economic benefits, the USA has devised a patchwork of henchmen who vote in favor of American wishes in the UN and the IMF. Ultimately, the dominant state promotes a religion or ideology that justifies its domination in the system. For the USA, set of liberal and democratic values has become that justification. On the other hand, the Chinese prestige has not been buttressed by the global dominance. It is rather a policy of anti-American label that found some followers for China, e.g. pariah countries like Iran and Syria, BRICS countries and states of the Indochinese peninsula. Maybe, few African countries pumped by Chinese investments will raise concerns if “dragon” asks. Otherwise, yet, no one is ready to support China.

The third component of American uncontestable might is the rules of the system. Under the rules of the system, one should understand not particular diplomatic codes or certain rules of war. In our case, the rules of the system developed by the U.S. pundits cover the economic and other areas of intercourse among states. In other words, regimes governing the international commerce, technical and cultural cooperation are among those significant rules influencing interstate behavior. They are underpinned by a large number of institutions, i.e. international organizations. The United Nations and especially the International Monetary Fund were established during the American rising strength, hence, they function according to the White House contrivances. Broadly speaking, the IMF is a puppet-stooge of the USA while the latter “pulls the strings behind the stage”. Through deciding to whom the bailout should be provided (Greece, along with other ailing European countries, are striking example),

the President Administration fosters the concealed rules of the international system. Does have China such instruments? No, it has not. The only thing which Hu Jintao “likes to play” – is the veto in the UN backed up by Russian state . However, it is a miserable joy for China because sometimes it can irritate the “audience” (as it happened recently when China and Russia banned the Security Council resolution on Syria on 4th February, 2012) [6].

Cooperation through competition

Even if China outpaces the USA in terms of economic strength – the process which takes years — it is obvious that relevance of Chinese international power is a matter of high concerns. For bringing its foreign policy into mighty tool, the Beijing’s leaders must not only project it as opposite to the American hegemonic rule, but also establish the new world institutions, functioning in favor of the Chinese bureaucrats. The latter fact cannot be accomplished within next few decades. Simultaneously, the USA has depleted its internal growth, which was undermined by uneven distribution of economic inputs and outputs. Moreover, the “peace-keeping” mission of Pax Americana is permanently sapping the U.S. unipolar stance, leaving the Washington’s authorities in quandary. Verily, consequences of the social turbulence over “unnecessary” mission in Iraq and Afghanistan and the long-standing demonstrations against the American participation in international military operations could not be exaggerated. That is to say, both counterparts are in equal position. Whereas China has no power to reshape the contemporary international system, the USA has no sources for proceeding to sustain it. In this case, the only logical assumption (prediction) is that the hegemonic transition should be morphed into bipolar cooperation as it was during the Cold War era. Generally, the ideological background had never influenced the superpowers’ behavior when it came to finding approaches for resolving tangled disputes. Recalling the historical example, the Cuban Missile Crisis of 1962 did not provoke the nuclear warfare between the USA and the USSR, though many predicted. Apparently, superpowers can establish mutual trust and reciprocal cooperation in the areas of crucial significance. The same notion was expressed by founder-father of the neorealist school of thought – Kenneth Waltz. In his book “Theory of International Relationships”, Waltz argues that bipolarity is more solid and predictable system of the international relationships than balance-of-power system because of oligopolistic structure of the former [9]. Contrary to other scholars of the international relationships, Waltz devaluates the ideological background, stating that when it came to finding profitable solution,

the USA and the Soviet Union established mutual understanding and cooperation. The same as we have with the oligopolistic market and competing parties. In our case, the China-U.S. cooperation may be much bolder than U.S.-USSR one because both countries do not have any ideological differences (Chinese Communism is more similar to socialism of Scandinavian countries). Nor government officials strongly condemn each other as it was during American invasion in Vietnam and Soviet incursion in Afghanistan respectively. As Republican Senator Jon Huntsman, who is a former U.S. envoy to China, stressed “Our relationship with China has been a transactional one for 40 years. We buy their products. They buy our bonds, but for a truly healthy relationship, we need to infuse the relationship with shared values” [10]. Secondly, the globalization process penetrated into the sphere of international politics and irrevocably changed the old patterns. In other words, contemporary China and the USA are connected through a myriad of economic interests. China has much interest in keeping the U.S. dollar stable due

to the fact that it has stockpiled a huge sum of dollars via selling its wares all over the world. For this reason, the future U.S.-China cooperation might be built on mutual self-interaction (economic, social, cultural cooperation), while the level of complimentary interaction of the USSR and the USA was far cry from what the real China-U.S. interdependency can offer. Finally, contrary to U.S.-USSR confrontation, China as well as the USA has common conceptual policies of international development, couching in inventing the semi-universal approach towards regional cooperation in Asia-Pacific (ASEAN) and Europe (EU). While the USA had constructed its mutually benefited relationships with the EU after 1945, the Chinese government “had opened ASEAN” for its investments only in 1991, trying to chase the American speed. Thus, altering Benjamin Disraeli’s byword – “Finality is not the language of politics” – taking into consideration the future of China-U.S. continuum, it looks like “finality is not about international system”.

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Барщевський Є.І. Трансформація міжнародної системи: американо-китайське співробітництво в умовах глобального суперництва / Інститут світової економіки та міжнародних відносин НАН України.

Використовуючи неореалістичний підхід, розроблений американським політологом Робертом Гілпіном, автор дослідив загальні напрями (тренди), що впливають на зміну лідерства в сучасній системі міжнародних відносин. Після дослідження емпіричних фактів та проведення порівняльного аналізу зроблені висновки щодо можливості співробітництва Китаю та США в умовах впливу політичних (міжнародних) та економічних аспектів, що зрештою трансформують міжнародну систему у взаємопов’язане біполярне співробітництво.

Ключові слова: міжнародна система, американо-китайське співробітництво/суперництво, гегемонічна зміна лідерства, економічне зростання.

Барщевский Е.И. Трансформация международной системы: американо-китайское сотрудничество в условиях глобального соперничества / Институт мировой экономики и международных отношений НАН Украины.

Используя неореалистический подход, разработанный американским политологом Робертом Гилпином, автор исследовал общие направления (тренды), влияющие на смену лидерства в современной системе международных отношений. После исследования эмпирических фактов и проведения сравнительного анализа сделаны выводы относительно возможности сотрудничества Китая и США в ситуации влияния политических (международных) и экономических аспектов, которые, в конечном счете, трансформируют систему международных отношений в взаимосвязанное биполярное сотрудничество.

Ключевые слова: международная система, американо-китайское сотрудничество/соперничество, гегемоническая смена лидерства, экономический рост.

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