

# The Once and Future Middle Kingdom: China's Return to Dominance in the Global Economy<sup>1</sup>

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## ABSTRACTS

Im 16. und 17. Jahrhundert führten alle Wege nach China. Die Nachfrage Europas nach chinesischer Seide, Keramik und Tee führte die europäischen Kaufleute in den Orient. Als Europa industrialisiert war, dominierten die Europäer den Welthandel, indem sie eine Reihe von Stützpunkten und Kolonien in Afrika, im Indischen Ozean und in China errichteten. Heute versucht China, diesen „devianten“ Trend umzukehren und China wieder zu seiner „normalen“ Position als führende Wirtschaftsmacht zu verhelfen. China strebt nach einer Führungsrolle in den Bereichen Wind- und Sonnenenergie, künstlicher Intelligenz, Elektromobilität und Quantencomputer, um die beherrschende Macht unter den Volkswirtschaften des 21. Jahrhunderts zu werden. Außerdem errichtet China eigene Stützpunkte quer durch den Indischen Ozean und nach Südeuropa, um seine Kontrolle über diese Handelsrouten wiederherzustellen. Wenn China Erfolg hat, wird es die letzten zweihundert Jahre der Weltwirtschaftsgeschichte umkehren und seine frühere Rolle als Hauptakteur in der globalen Wirtschaft wiederherstellen.

In the sixteenth and seventeenth centuries, all roads led to China. Europe's demand for Chinese silks, ceramics, and tea led European traders to the Orient. Then as Europe industrialized, Europeans came to dominate world trade, building a string of bases and colonies around Africa, across the Indian Ocean, and in China. Today, China is seeking to reverse this "deviant" trend and restore China to its "normal" position as the world's dominant economy. Seeking leader-

1 I am grateful to the Woodrow Wilson International Center for Scholars, who provided assistance for research on this topic, and to Chris Hann, who encouraged me to place China's modern reforms in the context of the long history of East-West relations. This essay is also inspired by Jack Goody's meditations on the alternation of East-West dominance in: *The East in the West*, Cambridge 2012, and Andre Gunder Frank's *Re-Orient*, Berkeley, CA 1998.

ship in wind and solar power, artificial intelligence, electric vehicles, and quantum computing to become the dominant power among twenty-first century economies, China is also building its own set of bases across the Indian Ocean and into southern Europe to reassert its control of these trade routes. If China succeeds, it will reverse the last two hundred years of world economic history and reassert its earlier role as the core actor in the global economy.

## Prologue

In the sixteenth and seventeenth centuries, all roads led to China. European powers developed their colonies in the Western Hemisphere mainly to obtain silver and gold, which was then traded to the Orient for high-value imports. These included cotton textiles and pepper from India; silk, ceramics and tea from China; and a variety of other spices and dyes from Southeast Asia. These trade routes passed through the South China Sea, across the Indian Ocean, and into Europe. Europe spent the next two centuries developing “import substitution;” creating its own methods to manufacture cotton, dyes, ceramics, and creating new energy sources and technologies to drive them. This success led Europe to dominate and control world trade, building a string of bases and colonies around Africa, across the Indian Ocean, and in China.<sup>2</sup>

Today, instead of merely accepting a larger role within the Western-developed global trading framework, China is aiming to reverse the last two hundred years of Western economic dominance in Eurasia and restore its once-central role. Investing in key sectors, China hopes to take the lead in key energy, communications, transportation, and computing fields, such as wind and solar power, electric vehicles, artificial intelligence, quantum computing and cryptography. China is also building its own set of ports and bases across the Indian Ocean and into southern Europe to reassert its control of these trade routes. If China succeeds, it will return Eurasian trade to a system where China plays the lead role in exporting high-value manufactures and where major trading routes are anchored in China. Moreover, through its new development and investment banks, and its purchase and construction of ports and rail facilities, China plans to mirror the success of Europe's sixteenth and seventeenth century trading companies in controlling the capital flows and overseas investments and bases that gave rise to Europe's empires in Asia. In the latter half of the twenty-first century, it will be Chinese capital, overseas investments, and ports that shape Europe-China trade.

2 On the European development of forts and colonies around the Indian Ocean to link Europe to trade with India and China, see the essay by Burkhard Schnepel in this issue. On import substitution, see Giorgio Riello, *Cotton: The Fabric that Made the Modern World*, Cambridge 2015.

## When China was the Middle Kingdom

China's name for itself, *Zhongguo* in Mandarin, originally referred to the region of the capital city, and later to the core cultural region of Han China. It was only under the Manchus, and not commonly until the nineteenth century, that the term was used to denote all the territory ruled by the Chinese emperor.<sup>3</sup> In 1911, when native Han Chinese overthrew the Manchu dynasty and established the Republic of China, *Zhongguo* was adopted as part of the official title of the Republic of China. That usage has been continued under the People's Republic of China since 1949.

The English translation of *Zhongguo* as "Middle Kingdom," drawn from the Portuguese, reflected European traders' view of China as the central entity in Asia in terms of both political power (controlling the core land area of East Asia, with India, Indonesia, Southeast Asia, the Philippines and Japan all being arrayed around China) and economic power, with Chinese merchants controlling much of the trade in East Asia and Southeast Asia. While the Chinese had used the term *Zhongguo* mainly as a geographic reference, by the twentieth century it had become a term of pride, used both to denote the unity of China and the centrality of Chinese culture to East Asia, with Japan, Korea and Vietnam all having drawn linguistic, political, and cultural models from China. Of course, in fact India's influence in Asia was equal to or even greater than that of China, if only thanks to the spread of Buddhism. Nonetheless, for today's Chinese, the notion of China as the "Middle Kingdom" expresses the image of a civilization and nation-state that naturally occupies the leading place in Asia, and arguably should hold the leading place in all of Eurasia.

One could argue that for most of its history, China *was* the central and leading society of the Eurasian continent. Though repeatedly split and conquered by central and north Asian nomadic peoples, Chinese modes of political organization and moral discourse managed to absorb these invasions, as well as Buddhist, Muslim and Christian missionaries, to survive and continuously shape the Chinese state and society.<sup>4</sup> Many of the key inventions that transformed Eurasian economies and trade – the compass, gunpowder, printing, paper, sternpost rudders and compartmented hulls – as well as several of the key products that fueled Eurasian trade, such as silk, tea, opium, porcelain, and cast iron, originated in China.<sup>5</sup>

Perhaps more important, the routes used by all Eurasian traders: Italians, Armenians, Russians, Persians, Indians, Ottomans, Arabs, whether by land or sea, were anchored at one end in China. From Roman times onwards, Europeans looked East for the source of luxury goods and advanced technologies, from gems, exotic spices and dyes, to superior steel, paper, and elegant textiles and porcelains. Later coffee, tea and cotton became bulk

3 Mark Elliott, *The Limits of Tartary: Manchuria in Imperial and National Geographies*, in: *Journal of Asian Studies* 59 (2000): 603-646.

4 Dingxin Zhao, *The Confucian-Legalist State: A New Theory of Chinese History*, New York 2015.

5 John Hobson, *The Eastern Origins of Western Civilization*, Cambridge 2004.

imports. While some of these products originated in India, or Indonesia, or Arabia, European merchants obtained them by inserting themselves in the long-standing Eurasian trade between China and other Asian societies.<sup>6</sup>

Until the sixteenth century, Asian goods reached Europe mainly through the Middle East. Although some Roman and Italian traders had reached China before then, the merchants of Western Europe mainly plied trade routes with Asia that terminated in the Mediterranean and Black Seas. From those points, whether connecting with China by land across Central Asia or through the Red Sea, Persian Gulf, Indian Ocean and South China Sea, trade was managed by Armenian, Arab, Persian, Central Asian, Indian, and Chinese merchants. The varied land and sea routes were collectively labeled the “Silk Roads” after the most notable luxury product that flowed from China to the rest of Eurasia.<sup>7</sup> When in the fifteenth and sixteenth centuries, European merchants sought to become direct carriers of goods from China and India to Europe, they pioneered new routes around the Cape of Good Hope to enter the Indian Ocean. Once there, in order to acquire valuable cargoes to take to Europe, they had to become active participants in the Indian Ocean and South China Sea trade that brought goods from China to Japan, Southeast Asia, and India.<sup>8</sup>

To secure their entry into Asian trade, and provide bases for their merchants and depots for their goods, European powers invested in establishing a series of forts and ports across the Asian littoral, ringing the Indian Ocean and the South China Sea. The Portuguese were first, with outposts in Mozambique, Mombasa and Hormuz in Africa and the Persian Gulf, and at Goa, Ceylon, Malacca, and Macau. The Dutch then established bases in South Africa, Ceylon, Dhaka, Malacca, Indonesia and Taiwan, while the British, French, and Spanish set up outposts in India, Indochina, and the Philippines. By 1800, virtually all sea routes from Nagasaki in Japan to Canton in China, throughout Indonesia and along the Indian Ocean on both sides of the Indian Peninsula, Ceylon, and the East African coast had European settlements.

Yet up until the early 1800s, the Europeans maintained a marginal role in relation to China. Despite having conquered most of India and all of Indonesia and Taiwan, Europeans had only limited access and no control in China. As late as the French Revolution, Europeans viewed China as the richest society in Asia, and one whose political system (a bureaucracy chosen by merit on examinations) and technology (which produced textiles and porcelains of unrivalled quality) were worthy of emulation.<sup>9</sup>

6 Janet L. Abu-Lughod, *Before European Hegemony: The World System, 125–1350 A.D.*, New York 1989.

7 Christopher Beckwith, *Empires of the Silk Road: A History of Central Eurasia from the Bronze Age to the Present*, Princeton, NJ 2011; Peter Frankopan, *The Silk Roads: A New History of the World*, London 2016; essays by Kumar and by Schnepel in this issue.

8 Jack A. Goldstone, *Why Europe?*, New York 2008; Emily Erikson, *Between Monopoly and Free Trade: The English East India Company, 1600–1757*, Princeton 2014.

9 D.E. Mungello, *The Great Encounter of China and the West, 1500–1800*, 4<sup>th</sup> ed., Lanham, MD 2013; Maxine Berg, *Luxury and Pleasure in Eighteenth-Century Britain*, Oxford 2005.

## The Century of National Humiliation

From the early 1800s onwards, China's position was continually degraded. From the Opium Wars of the 1840s to the European intervention in the Taiping Rebellion in the 1850s – which may have saved Qing rule but at the cost of a greatly weakened central power – up through the Boxer Rebellion and its aftermath, during which Western powers occupied Beijing, the Chinese state found itself increasingly beaten down and ever more indebted to Western governments. Western governments took more control of their trading enclaves, especially in Guangzhou and Shanghai, and imposed harsh conditions on China's imperial regime. Even more agonizing, not only Western powers but also Japan dethroned China from its central place in Asia. Between the 1890s and the 1930s, Japan defeated China in a series of wars, seizing control of Taiwan, then Manchuria, then most of northern and coast China. Even after being expelled from China by a coalition of Communist and Nationalist forces, Japan's economic recovery after World War II dwarfed that of China, so that by 1980 Japan was the world's second largest economy, with a GDP five times the size of China.<sup>10</sup>

Not only was China militarily defeated and occupied on multiple fronts, its centuries-long leadership in manufacturing technology was also eroded and overturned. In the eighteenth and early nineteenth centuries, Europe developed its own technology for cast iron, porcelain, and cotton production. It also developed new technologies, from steam power to iron-clad ships, railroads, and chemical dyes that leap-frogged anything China could produce. The changes ruined many of China's traditional exports, while pushing living standards in Europe up to levels that far surpassed China's.

In 1911, the Chinese overthrew their imperial government, and began a long effort to emulate and learn from the West. These efforts included republican forms of government and a turning away from Confucianism to adopt Western science and ideas ranging from modern physics and chemistry to democracy and Marxism. By the late 1920s, China's new Nationalist government seemed on its way to building a modern, Western-style nation-state using Western military technology and tactics and promoting Western education, technology, and capitalist economic organization. Yet the Japanese invasion and occupation of China in the 1930s and 1940s undermined the Nationalist regime and gave China's struggling Communist Party an opportunity to mobilize in China's interior. In 1949, after defeating the Nationalists, China's Communist Party came to power and broke off all relations with Western powers, excepting only its fellow communist power in Asia, the USSR. Yet even that relationship was short lived, as in 1962 China broke with the Soviet Union, and resolved to make its way forward in isolation.

There followed twenty years of disastrous economic and political policies under Mao Zedong, with frantic zigzags in policy that included the Great Leap Forward of 1958–62, which resulted in mass famine in rural areas, and the Great Proletarian Cultural Revolution of 1966–76, which created political chaos and destroyed an entire generation of

educated professionals. By 1978, when Deng Xiaoping came to power, China had sunk far from its heyday as the “Central Kingdom” of Eurasia. Its GDP was about the same as that of India, and less than 10% of that Japan.<sup>11</sup>

In an ultimate humiliation, which the anthropologist Jack Goody has labelled the “Theft of History,” China found its millennia-long rich artistic, technological, and political history belittled by the West. From the mid-nineteenth to the mid-twentieth century, in a view adopted even by many Chinese scholars, China’s Imperial history was portrayed as a long period of feudal stagnation, and its Confucian culture treated as an obstacle to progress that had condemned China to lag behind the modern West.<sup>12</sup>

## China Rejoins the World

Under Deng, China began a remarkable recovery. Deng ended Mao’s stifling policies of isolation, collectivization, and ideological rigidity. Although China’s economy was ravaged, it had three huge advantages that could be converted to opportunities. First, the communist regime had provided a basic education for the entire population, while limiting urban migration. This meant that China had the largest pool of literate but underutilized rural labor in the world. Second, China had numerous middle to high-income industrialized neighbors – Hong Kong, Taiwan, South Korea, and Japan – with surplus capital to invest, who needed low-cost labor to expand their manufacturing output while keeping prices in check. Third, consumer markets in the United States and Europe were emerging from a recession and about to embark on the longest sustained economic expansion in their history, creating a near insatiable market for low-cost manufactured goods.

Deng saw the potential of these factors to generate Chinese economic growth. He began by decollectivizing agriculture, setting farmers free to use their land as they saw fit to produce crops they could market. The most fertile areas increased their production of wheat, rice and soybeans, while areas close to cities could focus on higher-value fruits and vegetables. He then set up special economic zones to encourage foreign investment and allowed private factories to be set up; these early successes were followed by the expansion of such zones and eventually the opening up of the entire country for foreign investment. Producers in Hong Kong, Taiwan, South Korea and Japan moved their low-wage manufacturing work to mainland China, while keeping their higher-wage design, marketing, finance, and service jobs at home. As China’s rural workers moved to urban factories, their output multiplied. Major cities like Shanghai, Chongqing, Beijing, Guangzhou and Tianjin became mega-cities, while a hundred others grew to a million or more.

At the same time, provincial townships were encouraged to promote businesses to serve local customers. From restaurants and service shops to construction of bicycles and elec-

11 Ibid.

12 Jack Goody, *The Theft of History*, Cambridge 2012.

tric fans, small entrepreneurial businesses requiring little capital sprang up all across the country.<sup>13</sup> Such businesses eventually expanded to include higher value electric appliances, furniture, and large-scale construction. In collaboration with Hong Kong, Taiwanese and overseas partners, China built new urban centers, shopping malls, cinemas, and golf courses all over China.

Meanwhile, in order to ensure the swift passage of goods to foreign markets, China's government made massive investments in roads, railways, and ports. Chinese-speaking partners from Taiwan and Hong Kong were especially valuable sources of financing and expertise for private investments: Hong Kong's stock market and enviable "rule of law" environment facilitated contracting, project finance, and investments in Chinese companies, while Taiwanese and Hong Kong businessmen provided manufacturing know-how. Investment from European, Japanese, Korean and American companies followed, allowing a rapid expansion of China's productive capacity.

In 2001, China joined the World Trade Organization, the international treaty organization that regulated global trade. WTO membership demonstrated China's desire to be formally recognized as a player in the global economy. By 2015, virtually all Chinese had been freed from poverty, and most Chinese, especially the 60% who lived in cities, had achieved what was, by global standards, a middle level of income.<sup>14</sup> After three and a half decades of rapid economic growth, built on putting China's one billion workers to productive work, China had surpassed Japan in economic output, rising to become the world's second largest economy.

Nonetheless, throughout the period of its re-integration into Eurasian and global trade from 1980 to 2015, China presented itself as a developing country, eager to learn from others and aiming to engage in a "peaceful rise" in a "harmonious world." Under President Hu Jintao, China's leader from 2002 to 2012, this was China's official policy for its engagement with the wider world.<sup>15</sup> Aside from a few border disputes with India, Vietnam, and Japan, China presented itself as a country that did not have ambitions to expand its influence or territory beyond its borders, and which did not seek to compete with either the U.S. or the U.S.S.R. in contests for global power or ideological competition. Especially after the end of the Cold War in 1991, China assiduously avoided conflict with the "sole superpower" and focused on growing its economy and trade links, while letting the U.S. pursue its policies in Afghanistan, the Middle East and elsewhere. Despite their rapid growth in this period, most of China's companies kept a low profile. Many still depended on foreign companies for capital, technology, and marketing of their products, usually assembling or finishing products for sale by non-Chinese firms. They also increasingly depended on imports of raw materials, including iron ore and

13 Victor Nee and Sonja Opper, *Capitalism from Below*, Cambridge, MA 2012.

14 World Bank, China: Systematic Country Diagnostic. Report No. 113092-CN. Washington, DC: World Bank Group, p. 45.

15 Zheng Bijian, China's 'Peaceful Rise' to Great Power Status, in: *Foreign Affairs* 84 (2005): 18-24; Richard Poole, China's 'Harmonious World' in the Era of the Rising East, in: *Inquiries: Social Sciences, Arts and Humanities* 6 (2014): 1-4.

other metals, oil and gas, and animal feed from other countries as essential supports for China's continued growth.

By 2012, China had re-established itself as the "Central Kingdom" in at least one sense: that year China bypassed the United States to become *the* largest international trading economy in the world, with total imports plus exports reaching \$3.87 trillion US dollars.<sup>16</sup>

### China's New Goal: A Return to Being the "Central Nation" of Eurasia

Since 2013, under its new President Xi Jinping, China has started to shed the mantle of a mere developing country and instead assert the prerogatives of what it had become: a major global power. Militarily, economically, and geographically, China has embarked on a program to fully reverse the "century of national humiliation" and to restore its historically leading role in Eurasia.<sup>17</sup> This program has six distinct components: (1) regain control of investment in Asia; (2) reassert national unity and sovereignty; (3) re-establish "silk routes" of Eurasian trade under China's geopolitical control; (4) dominate production of advanced technologies; (5) promote Chinese culture and politics as a source of national pride and unity and as an alternative model to Western models for emulation; and (6) establish a world-class military power.

*(1) Regaining control of Asian investment.* For decades after World War II, the international system has had several multi-lateral investment vehicles designed to promote growth in developing countries, and to assist such countries in fiscal crises and in developing sound fiscal plans. These institutions – the World Bank, the International Monetary Fund (IMF), and the Asian Development Bank (ADB) – operate by rules developed mainly by Western powers, and by convention, are led by an American, a European, and a Japanese, respectively. Though China participated in all of these institutions, it was excluded from a leading role, and even as a participant its role did not reflect its new importance as the world's second largest economy. For example, in the IMF, where countries are assigned voting shares in Fund decisions, the United States has by far the leading voting share of 16.52%; Germany, France, Italy and the United Kingdom together have a combined voting share of 16.4%, but China has a voting share of only 6.09%, disproportionate to its role as the world's second largest economy and largest trading country.<sup>18</sup>

16 Statista, 2018. <https://www.statista.com/topics/1471/imports-to-china/>.

17 For how the "century of humiliation" has driven China's foreign policy, see Zheng Wang, *Never Forget National Humiliation: Historical Memory in Chinese Politics and Foreign Relations*, New York 2010. Xi Jinping's plan for China's "National Rejuvenation" was laid out in his 2017 Political Report to the 19th Party Congress; see Rush Doshi, Xi Jinping just made it clear where China's foreign policy is headed, in: *Washington Post*, October 25, 2017; Minxin Pei, *A Play for Global Leadership*, in: *Journal of Democracy* 29 (2018): 37-51; and Oriana Skylar Mastro, *The Stealth Superpower: How China Hid Its Global Ambitions*, in: *Foreign Affairs* 98 (2019): 31-39.

18 International Monetary Fund (IMF). "IMF Members' Quotas and Voting Power, and IMF Board of Governors," 2018, <http://www.imf.org/external/np/sec/memdir/members.aspx>.

To gain more leverage in international lending, China therefore has initiated several new multi-lateral institutions in which it has a leading role. In 2014 China led the group of BRICS nations – Brazil, Russia, India, China and South Africa – in creating the New Development Bank (NDB), for the purpose of funding development in emerging markets. The following year, China initiated the Asia Infrastructure Investment Bank (AIIB) to fund infrastructure projects across Eurasia. China induced more than 50 other nations to sign on as founding members of the AIIB, including France, Germany, Italy and the United Kingdom. The US chose not to join, leaving China as the economic leader of the AIIB. China also has created two unilateral lending programs: China’s South-South Cooperation Fund, and the China Silk Road Fund, both aimed at channeling capital into developing economies.

The four new Chinese-led lending organizations will have capital reserves of several hundred billion US dollars, on a par with the World Bank and ADB. Their arrival means that “The U.S.-dominated World Bank and the Asian Development Bank – in which the United States is the first and second largest shareholder, respectively – will no longer be the biggest lending game in town, particularly in the broader Asia-Pacific region. From a Chinese perspective, challenging U.S. dominance is exactly the point.”<sup>19</sup>

No doubt the infrastructure and borrowing needs of emerging Asian economies are massive, and loans from the new, Chinese-led lending institutions will be a useful complement to the funds available through older financial institutions. Yet China’s new engagement in international lending is not unfettered generosity for emerging nations. Chinese lending comes with geopolitical and economic strings.

China is funding many projects that may turn out to be uneconomic, which have been turned down by other private and multi-lateral lenders. It does this for various reasons: to employ its own workers (many Chinese overseas investments require Chinese firms and workers to carry out the bulk of the work); to acquire access to valued resources; and to subject foreign nations to a degree of debt-dependency on China, which gives China diplomatic influence over those countries.

For example, in Ecuador, where China is financing a range of projects, including a hydropower dam, bridges, and an oil refinery, “China has a lock on close to 90 percent of Ecuador’s oil exports, which mostly goes to paying off its loans.”<sup>20</sup> When the Sri Lankan government turned over to China control of its strategically located Hambantota port – one of the best deep-water ports in the Indian Ocean – it did so because it had become a victim of what the *Economic Times* labeled China’s “debt-trap diplomacy.” Having accepted massive Chinese loans to construct the port, to build the Mattala Airport (now known as the “world’s emptiest international airport”), and to create a “Port City

19 Molly Elgin-Cossart and Melanie Hart, China’s New Financing Institutions, Center for American Progress website, 2015, <https://www.americanprogress.org/issues/security/reports/2015/09/22/121668/chinas-new-international-financing-institutions/>.

20 Clifford Kraus and Keith Bradsher, China’s Global Ambitions: Cash and Strings Attached, in: *The New York Times*, 2015, <https://www.nytimes.com/2015/07/26/business/international/chinas-global-ambitions-with-loans-and-strings-attached.html>.

Colombo” on reclaimed land in Sri Lanka’s capital, Sri Lanka found itself unable to pay the interest it owed to China. Sri Lanka thus gave China a 99-year lease on the port (not accidentally, the same arrangement China was once forced to concede to Britain in the case of Hong Kong) in exchange for a US \$1.1 billion reduction of its debts.<sup>21</sup>

Thanks to its accumulated reserves, China can afford to take the long view. It often targets strategically important sites (like the Hambantota port in Sri Lanka, or the Gwadar port in Pakistan) where short-term returns are unlikely to be large. China then offers huge loans to poor countries desperate for development funds with little transparency and at market interest rates, leaving those countries at high risk of default. The Center for Global Development has identified at least eight countries “that are at particular risk of debt distress based on an identified pipeline of projects lending” from China – Pakistan, the Maldives, Kyrgyzstan, Tajikistan, Mongolia, Montenegro, Laos, and Djibouti – as well as sixteen additional countries that are at “significant risk.”<sup>22</sup>

Formally communist China thus has come to recognize that control of international capital flows remains a key to international influence, and is seeking to become the major player in those flows in Eurasia. Indeed, it has already begun using its capital reserves and lending capacity to extend its influence and displace the influence of Western powers in key countries in the region.

(2) *Reasserting national unity and sovereignty.* While Westerners tend to think of China as a society that has been united for millennia, ruled by a distinctive Confucian culture, in fact it was often invaded and dominated by foreigners and divided by conflicts. China’s cultural and political foundations were established during the “Warring States Period,” when opposing states fought over control of the Yellow River basin. The Qin and Han dynasties created political unity in the core Chinese territories of the Yellow, Yangzi and Pearl river basins (excepting modern Fujian); but when the Han collapsed in 220 AD, China was divided for almost four hundred years during the Six Dynasties period from 220 to 589 AD. The Sui and Tang dynasties reunited China and extended Chinese influence deep into Central and East Asia. But the Tang was also the period of the greatest influence of the foreign Buddhist religion, with imperial support for shrines and temples that spread across the country.

After the Tang collapsed in 907 AD, China fell into another long period of division, followed by frequent foreign domination. From 907 to 960, China was ruled by the “Five Dynasties.” Then from 960 to 1127, the Northern Song controlled most of the core areas of China, but the Liao dynasty controlled the far North (including the Beijing area) while the western regions (including modern day Sichuan, Yunnan, Qinghai and Gansu) were controlled by various Central Asian powers. In 1127, the Jurchen drove the Song

21 Economic Times, BRI Initiative hits roadblock in 7 countries: Report, 2018, <https://economictimes.indiatimes.com/news/international/world-news/chinas-bri-initiative-hits-roadblock-in-7-countries-report/article-show/63771550.cms>; Brahma Chellaney, Sri Lanka the Latest Victim of China’s Debt-Trip Diplomacy, in: Asian Times, 2017, <http://www.atimes.com/article/sri-lanka-latest-victim-chinas-debt-trap-diplomacy/>.

22 John Hurley, Scott Morris, and Gailyn Portelance, Examining the Debt Implications of the Belt and Road Initiative from a Policy Perspective, CGD Policy Paper 121, Washington, DC 2018.

out of north China and established their non-Chinese Jin dynasty in the north, while the Song re-established their rule in Southern China. Then from 1279 to 1368 China was ruled by the invading Mongols, who established the Yuan dynasty, and again from 1644 to 1918 by the invading Manchus, who established the Qing dynasty. Only in the intervening Ming dynasty, for the first time since the fall of the Han in 220 AD, were all the core areas of China united under a native, predominantly Confucian, rulership. In 1911, the Chinese threw off Manchu rule, but this freedom from foreign control lasted barely two decades before the Japanese (who had already taken control of Taiwan and Korea in the first Sino-Japanese War in 1895) invaded Manchuria, setting up a puppet regime there, followed by an invasion and occupation of much of northeast China from 1937 to 1945. China was then divided into spheres of control under the Nationalists and Communists, until the Communist victory in 1949 gave the new regime control over almost all of China, leaving the Nationalists only in control of the island of Taiwan. Despite the myth of China's imperial unity, in reality China has only been united under the rule of an orthodox Confucian and ethnic Han government for a minority of its history. Given its long history of foreign incursions and divisions, Chinese unity and sovereignty is a major issue for China's leadership, and has become especially important for the current Communist Party regime, as nationalism has succeeded devotion to communism as its most powerful legitimating factor.

As part of its assertion of greater international status, maintaining China's internal unity and sovereignty has thus become increasingly significant, and an issue of great sensitivity for China's leaders. This is evident in China's attitudes toward Tibet, Xinjiang, Hong Kong, and Taiwan. In recent years, efforts to "colonize" Tibet and Xinjiang with Han Chinese migrants and officials, and to undermine efforts at independence for these regions, have intensified.<sup>23</sup>

China has also grown extremely assertive to counter any foreign support for greater autonomy for these regions. China has been aggressively punitive toward any government or organization showing support for Tibet's exiled Dalai Lama.<sup>24</sup> In regard to Hong Kong, China has celebrated the return of the former British possession to full Chinese sovereignty, and has increasingly intervened in the region's courts and government in order to ensure political alignment with mainland Chinese policies. Not content with disqualifying several anti-Beijing legislators, the Communist Party's official paper has claimed that "Those who advocate 'Hong Kong independence' must be severely punished through law-based, powerful and effective means."<sup>25</sup>

23 Liselotte Odgaard and Thomas Galasz Nielsen, China's Counterinsurgency Strategy in Tibet and Xinjiang, in: *Journal of Contemporary China* 23 (2014): 535-555.

24 China steps up warning to Botswana over Dalai Lama visit, Reuters World News, 2017, <https://www.reuters.com/article/us-china-botswana-dalailama/china-steps-up-warning-to-botswana-over-dalai-lama-visit-idUSKBN1AB14Y>; Rohan Grover, China Cuts Funding for Visiting Scholars after Dalai Lama Visit, in: *The Triton*, 2017, <http://triton.news/2017/09/china-cuts-funding-visiting-scholars-dalai-lama-visit/>.

25 Chinadailyasia.com, People's Daily urges punishment for separatist professor, *China Daily*, 2018, <https://www.chinadailyhk.com/articles/196/47/161/1523286474823.html>.

China has also become more aggressive in enforcing observation of the one-China policy vis-à-vis Taiwan. Although business ties continue, China has stepped up its pressure on Taiwan's few remaining international partners to follow the "general and irresistible trend" of cutting ties to Taiwan. Taiwan has complained that "during the past two years, mainland China has continued to maliciously manipulate its 'one China' policy in the international community and squeeze Taiwan's international space."<sup>26</sup>

Xi Jinping has also cracked down on foreign ideas and culture within China, and on any criticism of the Communist Party. In Xinjiang, authorities have banned the use of several Islamic names for newborn children. Throughout China, Christian Churches have been demolished by government order. Chinese schools and universities have been told to remove materials that disseminate Western values, by which is meant mainly constraints on government power, democracy, political competition, and personal and religious freedom. Xi's goal is clearly to achieve a united China, animated by distinctively Chinese culture and practices, and under the total control of a Han Chinese regime – something that has been absent in China since the Ming dynasty.

(3) *Establishing new "silk routes" of Eurasian trade under China's geopolitical control.* As noted by Krishan Kumar in this issue, Western power has stretched into Asia since the time of Alexander. Both Roman and Asian leaders have dreamed of dominating the entirety of Eurasia. With much fanfare, China has unveiled plans to support development of new land and sea routes to connect Chinese factories with European markets, the "Belt and Road Initiative" (BRI). Projecting investments of up to one trillion dollars to create a series of ports, rail links, and commercial facilities stretching all across Eurasia and Eastern Africa, China has promoted these projects as ways to assist developing countries to advance their economies. Yet behind the BRI is a drive to ensure that China controls its vital supply and trading routes, and is immune to pressure from Western powers that could harm its own economy.

These objectives are clearest in the "Maritime Silk Road" projects. China's economy at present is highly dependent on an easily interrupted set of supply lines and trade routes. Seven of the world's ten busiest container ports, and eight of the world's thirteen busiest cargo ports, are in China.<sup>27</sup> Whether it is obtaining vital raw materials from Australia, Africa, and the Middle East, or exporting products to Europe, Africa, the Americas, and South Asia, the bulk of China's maritime trade (over 60%) flows through the South China Sea and Indian Ocean (with a potential choke point at the Malacca Strait). Further links to Europe, if not passing around Africa, go through the Horn of Africa and the Suez Canal, while links to the Middle East go through the Persian Gulf.

China's first objective has thus been to secure its control of the South China Sea. This has involved aggressive claims to control the entire region, particularly to atolls and islands

26 China urges Taiwan's few allies to follow 'irresistible trend' of recognizing Beijing, Reuters World News, 2018, <https://www.reuters.com/article/us-china-parliament-taiwan/china-urges-taiwans-few-allies-to-follow-irresistible-trend-of-recognizing-beijing-idUSKCN1GK0KR>.

27 China Power Team, How much trade transits the South China Sea?, in: China Power, 2017, <https://chinapower.csis.org/much-trade-transits-south-china-sea/>.

on which China has constructed advanced military facilities. The second portion of the plan is to secure an alternative path to the Indian Ocean to avoid reliance on the Malacca Strait. This involves building a railway through Laos from southern China to new deep-water port facilities at Koh Kong in Cambodia, and a canal through the nearby Thai Isthmus (the Kra canal) that would connect directly to the Indian Ocean. All of these projects are under construction or planning to be built with Chinese funds. This would give China a privileged path to the Indian Ocean through facilities that it controls.

A third element is to build major facilities that ring the Indian Ocean. As noted above, China has already completed and taken possession of the new deep-water port facility at Hambantota in Sri Lanka that stands athwart the Indian Ocean. In addition, on the Ocean's western shores, China has deepened its influence in the Maldives, is building facilities at the Kenyan port of Mombasa, and is making huge infrastructure investments in Ethiopia and Yemen. Even the traditional Indian Ocean hub society of Mauritius, described in this issue by Schnepel, has become a target of Chinese trade diplomacy, with China already becoming its number one source of imports.<sup>28</sup>

The fourth objective includes bases at the mouth of the Red Sea and the Persian Gulf. The latter would be established by constructing a major port at the Pakistani fishing village of Gwadar, adjacent to Iran. The former is already present in Djibouti, where China has built its first military base and a commercial port.

Finally, the fifth component of the BRI is the "Europe" in Eurasia. In 2017, Xi Jinping travelled to Serbia to announce that China will fund and build a transport corridor for Chinese goods to flow to West European markets from the Mediterranean port of Piraeus in Greece (which China purchased in 2016), through the Balkans via Albania, Montenegro and Serbia and on to Germany.<sup>29</sup> Chinese owned port operators have also purchased terminals in Zeebrugge, Belgium's second largest port, Noatum in Spain, and Liguria in Italy. At some point in the future, China will be able to conduct its trade with Europe entirely through Chinese owned ships, ports, and transport facilities all the way from China to Europe.

Once all these projects are completed, China will control a series of corridors that will connect China's Pacific coast to Chinese-owned ports and bases all the way to the heart of Western Europe. It will be almost a mirror of the ports and bases that the European powers established across the Indian Ocean, in Southeast Asia and in the South China Sea during Europe's age of imperialist expansion.

In sum, China is completing a virtual time-travel journey in reverse. Prior to 1500, Chinese merchants, in partnership with Indian and Arab merchants, controlled the

28 In making its investments in East Africa, President Xi Jinping explicitly harks back to China's Ming-era voyages of discovery, when Chinese trade routes linked Eurasia, and Admiral Zheng He, "sailing treasure-loaded ships ... built a bridge for peace and East-West cooperation." See "Full text of President Xi's speech at opening of Belt and Road Forum," *Xinhua*, 2018, [http://www.xinhuanet.com/english/2017-05/14/c\\_136282982.htm](http://www.xinhuanet.com/english/2017-05/14/c_136282982.htm).

29 On the importance of Serbia in China's BRI, see Zoltán Vörös, *Who Benefits from the Chinese-Built Hungary-Serbia Railway?*, in: *The Diplomat*, 2018, <https://thediplomat.com/2018/01/who-benefits-from-the-chinese-built-hungary-serbia-railway/>.

trade across Eurasia, with their Indian Ocean trade routes mainly carrying expensive manufactures from Asia to Europe. In the sixteenth and seventeenth centuries, European merchants started building a series of ports and bases across the Indian Ocean to control and profit from that trade. In the eighteenth and nineteenth centuries, Western Powers started dictating terms to Asian nations and dominating trade by producing more advanced and high-tech products than Asia. By the late nineteenth century, China's once world-leading economy and sunk into backwardness and insignificance. Yet in the late twentieth and early twentieth-first century, China's economy has been rebuilt into the world's largest trading entity.

(4) *Dominating production of advanced technologies.* China is well aware that it cannot achieve its goal of growing as rich as Western countries by continuing to be a low-wage producer of mass market commodities. It has thus embarked on an ambitious project to attract and retain intellectual and entrepreneurial talent, and to encourage next frontier technologies.

In 2008, China launched a program, since expanded, to attract top scholars from abroad. The "Thousand Talents Plan" offers bonuses to young and mid-career scientists, research money, and university appointments to scholars willing to move to Chinese institutions to conduct their research.

In addition, the Ministry of Industry and Information has announced sweeping schemes to foster the development of artificial intelligence, robotics, quantum computing, and advanced energy technologies. All this might seem like "pie in the sky" aspirations, but much is already being realized. China consumer drones, manufactured by DJI, outperform their Western counterparts. China leads the world in the production of solar panels, and is already the world's largest producer of electric vehicles.<sup>30</sup> China is ahead of any Western country in autopayments, operates the world's largest radio-telescope (FAST) and the world's fastest supercomputer, the Sunway TaihuLight.<sup>31</sup>

It remains to be seen if China can overtake the U.S. and Europe in producing a broad array of the next generation consumer goods, given Chinese President Xi Jinping's increasing insistence on loyalty to the Party, and new, stricter controls on accessing external information, both of which may discourage creative leaders from staying in, or moving to, China. Yet the comprehensive plan for advanced manufacturing, known as "Made in China 2025," put together with input from 150 professionals in China's Academy of Engineering, is a thoughtful strategic plan.<sup>32</sup> China's advantages of scale in its internal market, its, its large investments in higher education and university research, and its determined and generous government are reminiscent of America's situation during the

30 Bloomberg News, China's Drive to become the Detroit of Electric Cars, Bloomberg Technology, 2018, <https://www.bloomberg.com/news/articles/2018-02-27/china-s-drive-to-become-the-detroit-of-electric-cars-quick-take>.

31 David Dodwell, Be Afraid: China is on the path to global technology dominance, in: South China Morning Post, 2017, <http://www.scmp.com/business/global-economy/article/2081771/be-afraid-china-path-global-technology-dominance>.

32 Scott Kennedy, Made in China 2025, in: CSIS Critical Questions online, 2015, <https://www.csis.org/analysis/made-china-2025>.

Space Race and Germany's recent drive to computer-aided manufacturing. If China can develop manufacturers that can command both domestic and global market share, and use its Belt and Road network to oversee the movement of its advanced products to markets in Europe, it will have retraced its journey from global economic leader to marginal economy and then back to global leadership.

(5) *Promoting Chinese culture and politics as a source of national pride and unity, and as a model for emulation.* Western analysts commonly presumed that as China grew richer, more engaged in global trade, and participated more deeply in multilateral institutions, its society would change. Much as Britain during its period of economic leadership in the nineteenth century, America during its period of leadership in the twentieth century, and Germany and Japan as they became major global economies in the late twentieth century, it was assumed that China would become more open, more liberal and democratic, and supportive of the Western-designed liberal global order.<sup>33</sup> Yet this has not been the case. Rather, China has reached into its own culture and history to develop an alternative economic/political framework that it is offering as an alternative to Western norms. In the nineteenth century, China sought to learn from the West, but mainly in the areas of military and civil engineering.<sup>34</sup> It was only after its failures in the First Sino-Japanese War (1894–95), against a Japanese state that had more whole-heartedly absorbed Western economic, educational, and political models after the Meiji Restoration of 1868, and in the Boxer Rebellion (1899–1901) against a coalition of Western Powers, that Chinese intellectuals began to doubt the merits of their millennia-long traditions of Confucian knowledge and social organization. By the early twentieth century, Chinese military, political, and intellectual elites were looking to Japan, Europe, and the United States for inspiration as to how to create a modern national state. When the Communist Party triumphed under Mao, he denounced all traditional Confucian beliefs as “superstitions” and sought to build his People's Republic of China under the ideological banner of Marxist-Leninist-Maoist scientific socialism.

After the disasters of the Great Leap Forward and the Cultural Revolution, Deng's market reforms led to several decades of double-digit GDP growth. Yet even as China enjoyed the benefits of freer markets, adopted elements of Western legal and business practices in order to facilitate participation in the international economy, and eagerly absorbed Western engineering and scientific research, Chinese leaders remained skeptical of Western political ideas of competitive parties, democratic government, and constraints on executive authority. In 1989, when a widespread student-led movement calling for democracy arose, it was harshly crushed by Deng using military force, including a violent attack against student demonstrators in Beijing's Tiananmen Square. The wisdom of this action was driven home for Chinese leaders when they saw the communist regimes of Eastern

33 Kurt M. Campbell and Ely Ratner, *The China Reckoning: How Beijing Defied American Expectations*, in: *Foreign Affairs* 97 (2018): 60-70.

34 Tonio Andrade, *The Gunpowder Age China, Military Innovation, and the Rise of the West in World History*, Princeton 2016.

Europe and the Soviet Union crumble under the reform efforts of Soviet leader Mikhail Gorbachev, who had tried to use elections and greater openness to overcome the corruption and rigidity of the Soviet Communist Party, but only hastened its destruction. Starting in the early 2000s, Chinese leaders sought to develop a more authentically Chinese basis for Chinese identity and leadership, and began to examine the utility of classical Confucian culture. From 2004, China began sponsoring Confucius Institutes in foreign countries to promote the study of Chinese language and culture. In 2007, for the first time since the Communist Revolution, China's government officially sponsored the celebration of Confucius's birthday, with a nationwide television broadcast. In 2014, President Xi Jinping delivered a keynote speech at the Fifth Congress of the International Confucian Association in which he stated that the "values and spiritual world of the Chinese people have always been deeply rooted in the fertile soil of China's traditional culture" and that "the Chinese Communist Party is the successor to and promoter of fine traditional Chinese culture."<sup>35</sup> In 2018, the Chinese scholar Jiang Shigong published an authoritative analysis of Xi Jinping's speech at the 2017 Party Congress, in which he argues that "Marxism must ... be merged with Chinese traditional culture."<sup>36</sup>

Why has the Communist leadership returned to the promotion of Confucian thought? It is insufficient to diagnose this simply as a rejection of Western cultural models as alien. Rather, China's leadership has blended certain Confucian precepts with ideas from Marxist-Leninist-Maoist thought to create something new and uniquely Chinese: what is awkwardly called in English "Socialism with Chinese Characteristics" and "Xi Jinping Thought on Socialism with Characteristics for a New Era." China's classical tradition of Confucian-Legalist thought is an ideal framework for a meritocratic, authoritarian state.<sup>37</sup> Confucianism preaches loyalty to the absolute authority of the state, indeed a loyalty of identification analogous to the loyalty of a child to a parent. The obligation of state leaders is to be virtuous, in the Confucian sense of having a practical, educated and well-informed commitment to the public good, but *not* to be subject to constraints or direction from the populace. For a Communist Party leadership that wishes to be viewed as wise and responsible leaders, Confucianism offers an ideology that justifies their complete control of decision making and public welfare. Confucianism also stresses the importance of peace and harmony, making it an attractive face for China to present to the world.

In classical China, the state largely relied on Confucian thought for legitimacy because it could not reach directly into each village to control economic life. Confucian rule thus co-existed with extensive markets, light central taxation, and an emphasis on the state's role in providing public goods such as water control, transportation, famine relief, and

35 Jin Kai. The Chinese Communist Party's Confucian Revival, in: The Diplomat, 2014, <https://thediplomat.com/2014/09/the-chinese-communist-partys-confucian-revival/>.

36 Jiang Shigong, Philosophy and History: Interpreting the 'Xi Jinping Era' through Xi's Report to the Nineteenth National Congress of the CCP. Translated by David Ownby, in: The China Story, May 11, 2018.

37 Zhao, The Confucian-Legalist State.

defense.<sup>38</sup> However, in twenty-first century China, the tradition of Marxist-Leninist-Maoist thought provides support for a much more pervasive role of the state in the economy. In Marxist-Leninist-Maoist thought, the state has the right, in the name of the people, to manage all the major levers of economic power, and in particular to exercise state ownership and direction of major sectors of industry and finance, which should be under state and not private direction.

The combination of Confucian thought with Marxist-Leninist-Maoist thought thus legitimates free markets in local property, farming, local land development, small business and labor-intensive manufacturing and service industries; state control of critical energy, transport, industrial, and financial enterprises; and an authoritarian meritocratic state and bureaucracy wholly free of such Western notions as constitutions, competitive parties, free elections, popular sovereignty, and civil liberties.

To Western eyes, accustomed to the combination of free markets with political liberties as “natural,”<sup>39</sup> this mix of institutions may seem odd, and surely just a transitional stage on the way to the full Western complement of free markets and free political institutions. Yet to China’s leaders, this mixture – under the label of “Socialism with Chinese Characteristics” and “Xi Jinping Thought for the New Era” – is not just a way-station *en route* to Western-style institutions. It is rather something that has been enormously successful in promoting China’s economic growth and internal political stability; and it is viewed as a uniquely Chinese creation, a successful and stable alternative to Western political and economic institutions.<sup>40</sup> China’s confidence in this unique system is shown in “Xi Jinping Thought” being written into the Chinese Constitution in 2018. This confidence is also shown in Xi Jinping’s recent speech at the World Economic Forum in Davos, in which, as stated in an article in the official *China Daily*, “Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era is a combination of Marxism and cosmopolitan ideas for solutions to global problems.”<sup>41</sup> China resists the idea that it is trying to export a “Chinese model,” in the manner that Western countries have tried to install Western institutions in other countries. Yet China nonetheless seeks to offer Xi Jinping Thought as a set of ideas that offers “solutions” to many state and global needs. That is, as China invests in Belt and Road projects around the world, it will suggest that the combination of limited free markets, state-directed investment, and authoritarian political control can solve the most urgent problems of conflict and poverty.

(6) *Establishing China as a world-class military power.* China’s leaders recognize that their efforts to acquire trade routes, protect China’s unity and sovereignty, build an advanced

38 Kenneth Pomeranz, *The Great Divergence: China, Europe, and the Making of the Modern World Economy*, Princeton 2001; Richard von Glahn, *The Economic History of China: From Antiquity to the Nineteenth Century*, Cambridge 2016.

39 Milton Friedman, *Capitalism as Freedom*, Chicago 2002.

40 Elizabeth Economy describes this new vision as China’s “Third Revolution,” after the Maoist Communist Revolution of 1949 and Deng’s radical economic reforms in 1978, in: *The Third Revolution*, New York 2018.

41 Jia Wenshan, Xi’s inclusive thought offers China solution to the world, in: *China Daily*, 2018, <http://usa.chinadaily.com.cn/a/201801/30/W55a6fb50ba3106e7dcc1377af.html>.

economy, and develop ideological “soft power” will not guarantee China's security unless China has the military power to defend its sea-lanes and borders, support its allies and overseas investments, and counter efforts by other powers to project force against China's interests. China has thus embarked on a massive program to expand and upgrade its military. It realizes that it cannot match America's global air and naval forces. Yet by acquiring advanced missile capabilities, submarine and aircraft platforms (carriers and island bases), and combat ships and aircraft, China believes it can match and overwhelm any foreign forces in its immediate vicinity.

In 2018, Xi Jinping donned a military uniform to preside over China's largest naval review of the Communist era. 48 warships, 76 aircraft and 10,000 sailors assembled in the South China Sea to celebrate “the coming of age of China as a maritime power.”<sup>42</sup> This display reflects a radical modernization drive, planned to continue through 2020, that reflects a greater external orientation of China's forces. China's ground troops will be reduced by about 300,000, while more investment will be made in air and naval forces and improving theatre-level command and control structures. Whereas up through 2000 China's military was mainly concerned with domestic control and defending China's land borders with India and Russia, the new plan is to create a modern war-fighting and offensive-oriented force capable of safeguarding and repelling any threats to China's free operations in the Indo-Pacific region. Already, China is estimated to be spending over \$200 billion on its military each year.<sup>43</sup> As China's economy grows, China's leadership has made clear it will devote even greater resources to giving China a fully modernized military capable of operating everywhere China has critical interests.

## Will China Succeed?

If China succeeds, it will link over two-thirds of the world's population via trade routes that it controls, which will take advanced Chinese manufactures to markets throughout Eurasia. Governments in Africa and Eurasia will look to China for leadership and “solutions” with regard to their political institutions. The Chinese language will replace English as the dominant language of trade, and the *renminbi* will replace the dollar as the main international currency. In sum, the world c. 2050 will look like the mirror image of the world c. 1950. In other words, where by 1950 Western nations had established their dominance in Eurasian trade and the primacy of Western power and Western-run global political and economic institutions, by 2050 all of this will be reversed and Chinese technology, trade and Chinese-led institutions will dominate Eurasia.

China's success, however, is not assured. China's stock markets and currency are still not regarded as reliable by global investors, and further government control will not instill

42 Manoj Joshi, China's coming of Age as a Maritime Power, in: The Wire, 2018, <https://thewire.in/world/china-navy-maritime-power>.

43 Dhruva Jaishankar, China's Military Spending, 2018, <https://www.brookings.edu/opinions/chinas-military-spending/>.

confidence. These flaws will hinder China's emergence as a global financial center, and leave it dependent on Hong Kong, Singapore, and London for financing its international operations. Tibet, Xinjiang, Hong Kong and Taiwan all remain restive, and to various degrees resentful of the heavy hand of control from Beijing. Any of these regions could be a future site of conflicts that absorb the energies of China's regime and expose the lack of "harmony" in the Chinese realm.

The Belt and Road Initiative is running into resistance, as countries recognize the risks of taking on vast debts owed to the aspiring regional hegemon. Resentment against use of Chinese workers, concerns raised by Sri Lanka's loss of its Hambantota port, and delays in construction already plague BRI projects. Malaysia's new government has cancelled three major Belt and Road projects, due to concerns about debt financing, and "More countries are taking Malaysia's cue in reconsidering projects involving Chinese firms, as concerns grow over the ominous nature of Beijing's ambitious Belt and Road Initiative (BRI)."<sup>44</sup>

It is still not clear where the vast amount of capital necessary for all the anticipated Belt and Road projects will be raised. The BRI could end up exhausting China's capital reserves while producing a string of white elephants and partially completed projects. China's efforts to master next generation technologies are impressive, but still must deal with the realities of a predominantly blue-collar, low-tech economy. China still has not mastered the art of producing world-class semi-conductors; how then can it expect to dominate quantum computing? China's military, advanced production, and research are all still dependent on imported high-tech components made to specifications that China cannot yet match. China may yet find itself stuck in a "middle income" trap, unable to advance more than a fraction of its population to high level living standards.

These risks are all the greater in that China is facing a rapid aging of its population and shrinkage of its young workforce. In the thirty years from 2015 to 2045, China's 15-59 year old work force will shrink from 944 to 726 million, while the population over 60 will more than double from 200 million to 450 million.<sup>45</sup> It is unlikely that China will be rich enough to switch easily to a robot-driven work-force and capital-intensive domestic economy while generating the resources to support its fast-expanding elderly population. China's authoritarian, rapid economic growth model may have global appeal now, in the wake of the Great Recession that afflicted Western countries in 2007–2009 and the decade of austerity that followed. Yet if China's economy should falter, while those of the West enjoy a surge of technology-driven growth, the appeal of Chinese "solutions" will fade, and China's leaders may find their own legitimacy come into question. Finally, China's military expansion and modernization has a long way to go to catch up with those of NATO and above all the United States. If China's aging population or capital

44 Justin Ong, Malaysia's rejection of China projects emboldens others against BRI, in: Malaymail September 26, 2018.

45 United Nations Population Division, World Population Prospects: The 2017 Revision, 2018, <http://esa.un.org/unpd/wpp/DVD/>.

wastage limit its ability to invest in its naval and air forces, it will continue to lag behind the West in its ability to compete militarily.

Perhaps the greatest aid to China's efforts to dominate Eurasia has been the shift in U.S. foreign policy by President Donald Trump. Trump's disengagement from multi-lateral Eurasian institutions, such as the Trans-Pacific Partnership; his desire to reduce US defense commitments across Eurasia – in South Korea, Afghanistan, and the Middle East; his efforts to soften US policy toward Russia and pick trade fights with European allies; and his efforts to “bring home” US manufacturing and curtail global supply chains, all create space for China to readily expand its influence throughout Eurasia. Yet if U.S. policy shifts in the future, and seeks to invest major resources to build a strong alliance of states to promote a liberal democratic framework for Eurasian trade and politics, uniting the US with Japan, South Korea, Australia, New Zealand, Indonesia, the Philippines, and possibly India, Malaysia, and Singapore, then China would find it difficult to ever attain the dominance it seeks.

In sum, China's effort to reverse the last two hundred years of Eurasian economic and political patterns faces significant hurdles, and may well fall short. Yet it would be wrong to assume that republican forms of government are somehow “natural” and that the shifting global balance of the centuries since 1800 represents an inevitable long-term trend, and not a temporary cycle. After all, the Greek democracies and the Roman Republic seemed dominant for several centuries, but both gave way to empires, the first to Alexander and the second to Caesar; and those imperial forms proved more prosperous and enduring than the republics. The city-state republics of medieval Italy and the medieval estates of most European powers faded before the majesty of the absolute monarchies of Louis XIV, Philip IV, and Frederick the Great. Might it be that the current republics of the Americas and Europe are doomed to fall into partisan rancor, debilitating divisions, and energy-sapping inequality, while authoritarian states such as China and Russia grow in capability and prestige?

The answers will not be clear until perhaps 2050. If China has its way, it will be the Eastern leader of Eurasia that reasserts its former dominance. In the long course of history, the period of Western intrusion and domination will then be just another of the many episodes of weakness and foreign intrusion that recur in Chinese history, to be followed by the reassertion of Han Chinese unity, sovereignty, and traditional Chinese culture.