Chapter 1

China Rising: A Global Transformation?

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China is rising. There seems to be little disagreement about this. With economic growth rates hovering around 10 percent per year for the past 30 years, an enormous demand for global resources, and an increasingly assertive foreign policy, China seems poised to become a major power in the twenty-first century. It is now common to hear politicians, pundits, and academics proclaiming that China will eventually become a peer rival to the United States. But how do we make sense of China’s rise—what does it really mean for China and for the world? Will China emerge within the existing global order, will it play by the existing rules and succeed? Or will China lead an “irresistible shift of global power to the east?” (Mahbubani 2008a) Does China’s rise reflect an impending “great transformation” that will lead to the articulation of alternative development and global governance models?

This book brings together about a dozen scholars and practitioners from multiple academic disciplines and policy perspectives to address these questions and to explore the internal and global implications of China’s dramatic economic expansion. It is divided into three sections that explore the following issues: (1) how China’s rapid growth has engendered growing social, environmental, and political challenges in China; (2) how the depth and breadth of China’s economic competitiveness is challenging the possibilities for economic and political advancement for the rest of the developing world; and (3) how China’s international reemergence is likely to change global power dynamics—especially vis-à-vis the United States.
The domestic and global implications of China’s economic success will be influenced by how policymakers—in China, the United States, and elsewhere—respond to the challenges in all three areas. And the effectiveness of the policies will, in turn, partly be shaped by policymakers’ understanding of the intrinsic interrelations among the internal and external challenges.

The first section of the book addresses the domestic sustainability of China’s development. Energy and water needs combined with extensive environmental damage has raised some doubts about China’s ability to continue growing at the speed that it has since reforms began in the late 1970s. Even if the growth rate slows, China’s leaders are under tremendous pressure to find ways for development to continue in more efficient and less toxic ways. At the same time, the institutional arrangements that have evolved between the central and local governments are insufficient in terms of finances and incentives to implement and enforce policy directives from the top. This leaves the Chinese political elite in a position of having to redesign debate within the Communist Party leadership and find ways to respond to the demands of the general population. Whereas rapid growth was enough for political legitimacy to date, people now expect redistribution to those left out of the spoils of growth, as well as adequate provision of social goods and services.

These daunting challenges could divert China’s attention away from global participation for a period of time. Or they could push China to seek cooperation with other powers in order to solve some of these problems. In any case, China’s resource needs, especially with respect to energy, have increased global demand significantly. They have informed China’s foreign policy and foreign investment strategy, especially in developing countries, and they are bringing the country in direct competition with other powers over access to scarce natural resources.

Huge inflows of foreign direct investment and strategic development policies have made China the manufacturing powerhouse of the world, producing both cheap, labor-intensive products such as toys and clothing, and more technologically sophisticated products such as computers and cars. China’s export profile is completely atypical for a country at that level of per capita income. Due to the size of its economy and labor force, China’s entry into the international market has accelerated considerably the process of globalized production that started in the early 1970s, and China’s competitiveness across a broad spectrum of skill-intensive production is leading to a profound change in the global geography of production and trade.

The second section of the book focuses on how the rest of the developing world must now compete with China, both in terms of China’s demands for resources and its competition in domestic and third markets. China’s size, low costs, and range of production capabilities increases the