When China Ruled the World

Or why the "China Century" will be the shortest on record

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There's a moment in part two of Quentin Tarantino's revenge epic, *Kill Bill,* in which legendary martial-arts master Pai Mei teaches the Bride how to exact her revenge by delivering the killer blows instantly and then waiting for her nemesis to drop. Pai Mei "hits you with his fingertips at five different pressure points on your body, and then lets you walk away. But once you've taken five steps, your heart explodes inside your body and you fall to the floor."

And the battle is over before it really begins.

Okay, a gruesome analogy, perhaps, but apt. I'm here to tell you that America plunged its fingertips into the Middle Kingdom's body politic across the 1970s, beginning with Nixon going to China in 1972 and culminating with Jimmy Carter's normalization of relations in 1979. The first embrace allowed aged Mao Tse-tung to extinguish his nonstop internal purge known as the Cultural Revolution by firewalling his fears of Soviet antagonism. The second cemented China's wary-but-increasingly-warm relationship with the United States and allowed Deng Xiaoping, who narrowly survived Mao's insanities, to dismantle the dead emperor's dysfunctional socialist model, quietly burying Marx with the most revolutionary of eulogies — to get rich is glorious!

Deng chose wisely: Reversing Mikhail Gorbachev's subsequent logic, he focused on the economics while putting off the politics. This decision later earned him the sobriquet "the butcher of Tiananmen" when, in 1989, the political expectations of students quickly outpaced the Party's willingness for self-examination. But it likewise locked China onto a historical pathway from which it cannot escape, or what I call the five D's of the dragon's decline from world-beater to world-benefactor: demographics, decrepitude, dependency, defensiveness, and — most disabling of all — democratization.

Let us begin this journey right where Deng did, with a focus on the family.

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Step No. 1: Demographics, or the Birth of a Nation of Selfish "Little Emperors"

Deng got things rolling in 1979 with his controversial one-child policy, which has to date wiped an entire America's worth of souls (three hundred million) from the ledger. The demographic dividend was substantial: China's ratio of dependents-to-workers dropped steadily over the next three decades as fewer kids entered the system and the percentage of elders held steady.

That labor boost established the so-called China price by making its labor the cheapest in the dependable world. By inserting itself at the top of numerous global production chains, China became the assembler of last resort and thus consolidated Asia's existing trade imbalance with the West. Two and a half trillion dollars of accumulated reserve currencies later, China's economic "genius" is hailed around the planet, even if all it did was out-Asia the rest of Asia by pushing aside all the other piglets suckling at Mama America's teat.

But as the recent global financial crisis made clear, that pig-out strategy has exhausted itself, meaning China needs to rely more on internal consumption for future growth. That's no easy pivot to engineer, and yet it's made all the more imperative by this year's closing of China's demographic golden hour — meaning, from here on out, fewer new workers enter the labor pool (one-third less sixteen- to twenty-four-year-olds over the next twelve years), while many more elders exit it.

That dual dynamic will not only age China more rapidly than any nation in human history — by 2050 China will have more old people (four hundred million-plus) than America will have people (four hundred million) — it will dramatically drive up the price of its factory labor in coming years. That irreversible pathway is already presaged by last year's highly successful worker strikes along the industrialized coast, with wages lifted by a quarter on average. China's "factory girls" are looking to upgrade far more than just their wardrobe, and that means the nation will increasingly export low-end manufacturing jobs to all those neighboring capitalist running dogs (Bangladesh, Vietnam, etc.) nipping at China's heels.

As a result, China is forced to move up the production chain as rapidly as possible to generate the higher wages increasingly demanded by hard-pressed workers facing the "4-2-1 problem" — namely, four grandparents and two parents expecting their sole offspring to provide in their old age. But guess what? After being raised as "little emperors" within their pointy family pyramids, these young'uns ain't exactly looking to "eat bitterness" like their long-suffering parents did. They want careers and not just jobs, and will seek personal satisfaction in their modern lives, not merely lifelong sacrifice.

Some Western demographers have posited, due to the female shortage created by the one-child policy, that China will be forced to field a vast force — as in tens of millions strong — of wifeless men who'll gladly wage wars around the planet to burn off all those unrequited hormones. My guess is that mama's only boy, as overweight as he's fast becoming, will be looking for a cushier route to rid himself of all those ancestral expectations.

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Step No. 2: Accelerated Decrepitude, or Rapid Economic Development at the Cost of Environmental and Societal Breakdown

China's headlong rush to industrialize was pursued with the most Marxist of prejudices — bending nature to man's will. That's a desperately hard trick to pull off when one fifth of humanity, having previously subsisted on 7 percent of the world's freshwater supply, decides that it wants to instantaneously increase its caloric intake. Fish just live in the water, but cattle consume tremendous amounts of it to produce dairy products and beef, two foodstuffs that have experienced explosive growth across China over the past decade. The country is now one of the biggest dairy producers and importers in the world, and given its precipitously dropping water table, expect China's addiction to foreign milk to spike in coming years.

What water China does not already consume it goes out of its way to despoil, leaving its still-growing population with a per-capita water supply that's one-quarter the global norm. Most of China's biggest cities already face significant water shortages, and the majority of the country's surface water is considered too dirty for consumption and, in some cases, even industrial use. Upwards of seven hundred million Chinese consume polluted water every day, setting in motion a long-term public-health disaster of unimaginable proportions.

Officially, China admits that pollution costs the economy about 3 to 4 percent of its annual GDP, but Western observers say it's more like 10 percent. A similar range of opinions exists on the price of political corruption, which goes hand in hand with environmental degradation in wearing out the social fabric of trust across China. Sun Liping, a sociology professor at Beijing's prestigious Tsinghua University, triggered a Web sensation in 2009 with **a paper** arguing that China faced less danger from social unrest than from social breakdown as a result of pervasive corruption, which he compared to "cellular necrosis" within the body politic. Meanwhile, the Party satisfies itself with "killing the chicken to scare the monkey," or showy efforts at anticorruption designed to scare the masses straight.

Like most catch-up artists before it, including rising America of the nineteenth century, China has cheated its way to the pinnacle of the global economy, racking up hidden debts of unprecedented proportions. But heading a single-party state, Beijing remains insidiously adept at disguising that mortgaged future, with government officials even going so far today as to publicly harangue America for its spend-now-and-pay-later mind-set. Have you no shame, comrade?

In the end, China's pervasive short-term thinking exacts a terrible moral price as everybody cheats everybody else with nary a pang of conscience, as lies upon lies are statistically amassed to achieve China's annual growth rate of 8 percent or better. Eight is a magic number to the superstitious Chinese, who will need all the luck they can get.

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Step No. 3: Resource Dependencies, or Creating the Most Vulnerable Economy in the World

Not content with recently surpassing the U. S. as the world's biggest CO2 emitter, China just snuck past America this year as the world's biggest energy consumer, too. Naturally, this was interpreted throughout the West as yet another sign of China's world-shaping dominance instead of what it truly represents: China's skyrocketing resource dependence on the most unstable regions in the world.

If America is addicted to foreign money and foreign oil, then China is addicted to foreign supplies of just about every commodity known to man — save highly polluting coal. Even China's rare recent bright spot, the confirmation of vast gas shale deposits, comes with a particularly inappropriate price tag: a water-intensive rock-fragmenting process that's just now coming under intense scrutiny in pioneering America for its tendency toward chemical contamination of the surrounding environment.

Sometime around 2030, China is expected to surpass the United States as the world's biggest importer of oil. Already China is more narrowly dependent on Middle Eastern oil than the United States, for whom the Persian Gulf is the number-five most important supplier (after number-four South America, Africa, our North American neighbors, and, first, the U. S. itself). Recently, Saudi Arabia started sending more oil to China than to the United States, reflecting the fact that East Asia already draws the lion's share of Middle Eastern exports, a percentage that will only grow with time as India and China — increasingly fierce economic competitors, mind you — account for roughly half the future global growth in energy demand.

China's emerging dependence on foreign food sources, despite its stated commitment to long-term self-sufficiency, will only grow as global warming's impact is made increasingly clear by extended droughts across China's southern agricultural lands. Best indicator? China's strategic rush to buy up or lease farmland across South America and Africa in recent years. Considering that China was among the first nations to slap restrictions on food exports when global agricultural prices spiked at the end of 2007, you have to wonder how much stock Beijing puts in such paper agreements. Sure, in many developing countries, elites are easily bought off, but just remember whose interests will be threatened when the food riots begin ... or when the insurgents reach the copper mine ... or when the terrorists start bombing their oil rigs.

Globalization increasingly wears a Chinese face, meaning — over time — China will be the first one to get sucker-punched by every violent extremist out there. And not all of them will be satisfied with a red envelope stuffed with renminbi.

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Step No. 4: A Growing Defensiveness, or When Soft Power Isn't Enough

For now, China's version of dollar diplomacy (another tried-and-true trick out of rising America's bag) opens doors throughout the developing world. The dialogue is simple enough:

CHINA: "Is that your old mine there?"

REGIME: "Yes."

CHINA: "And that port over there — yours, too?"

REGIME: "Uh-huh."

CHINA: "Can I build a railroad from the mine to the port? And expand the port? And the mine, too? All I need is a long-term contract for everything underground."

REGIME (getting visibly excited): "Any strings?"

CHINA (ignoring the question): "Here is a down payment — cash. Let me be clear: environmental record, human rights ... I don't interfere with such things. I just want stuff!"

REGIME: "Absolutely!"

CHINA: "Oh, and if rebels are too much trouble, we can help there, too."

Is China replicating the colonial patterns of the past? No, in the sense that it seeks no local political control — just influence. And when you're willing to spend that much money on much-needed infrastructure, you're going to win friends left and right. Plus, China provides something that the West never could manage in its boom-and-bust dynamics: sustained long-term demand for commodities across the board. After Asia, Africa is the fastest-growing continent in the world right now, and it's largely due to China. Ditto for a rapidly developing Latin America. So if China replicates the West's cruel indifference to these regions' political deficiencies and economic inequality, it's actually doing more to address them by jump-starting infrastructure construction and enabling long-term income growth.

In the end, there is no such thing as a "China model" — just China's demand. And that's enough.

But while China's economic and network connectivity skyrockets throughout the developing world's most unstable regions, its political-military ability to defend those burgeoning interests still boils down to all those red envelopes stuffed with cash. This is brilliant as market-entry strategies go, but only so long as America remains obsessed enough with the nexus of terrorists and failed states to make the long-term efforts at nation building, local-military capacity building, and the like. But given that transnational bad actors take advantage of failed states but aren't created by them per se, America's global-policeman role will diminish slowly over time.

Meanwhile, rather than taking up any slack, China will continue free-riding as long as possible, fixing a "broken window" here and there but not feeling responsible for any nation's or region's stability. Rule of thumb: If China calls for an "international solution," it doesn't give a damn about the situation, because when Beijing does give a damn, it'll aggressively work the diplomacy on a bilateral basis — all the better to make its cash have maximum impact. An excellent example is Sudan, which, if it splits in two this year, may lapse back into civil war. America, with its new Africa Command, will feel itself on the hook and respond in some multilateral manner (with UN and

African Union peacekeepers). But China? Bet on Beijing to play both sides against the middle: importing oil from both north and south and transferring arms as required.

That sort of implicit, limited-liability partnership with America — Washington provides the military muscle and China cleans up on the post-conflict resource extraction — already exists in multiple locations: In Iraq, our "shock and awe" has resulted in China being the only state with oil contracts both north (Kurds) and south (Arabs). In Afghanistan, our counterinsurgency efforts continue while China plants a $3 billion investment in the Aynak copper mine. As for People's Liberation Army casualties in both theaters? Zero.

Eventually, the American public will figure out what's going on and start demanding China pay its own way. "American blood for Chinese oil" hasn't appeared on protest placards yet, but it should — and will eventually.

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Step No. 5: A Bottom-Up Democratization, or What Constitutes Political Authority When the Party's Over

Impossible, you declare. Nixon opened the door to China almost four decades ago and the place is as undemocratic as ever!

Untrue. The Chinese Communist Party may keep a tight grip over the political system and free speech, but China's economy is almost Dickensian in the freedom it offers robber barons, corrupt government officials, and all the schemers in between. The well-connected capitalist can destroy everything in his path, confident that the complaints of the downtrodden won't go anywhere — until they erupt in violence. And even then, our man can rest assured that when social push comes to government shove, some local official scapegoat will stand in front of the firing squad and not he.

China is just three decades old — in Deng years — so it's useless to ask why the country hasn't yet moved to a multiparty democracy. Instead, ask yourself how the Chinese Communist Party can hold on to power past 2030, given all these destabilizing trends.

China is closing out its chapter on extensive growth (more resources to build more stuff) and heading into an economic future that will increasingly be determined by its ability to foster intensive growth (rising productivity and innovation). Sinking the magic eight ball in the corner pocket every year is relatively easy when all it takes is more, more, more! This is not an academic issue: The Party's unchallenged rule is based on delivering the goods — year in and year out — and China is inexorably headed toward slower growth rates, as well as the occasional recession.

And when things switch to deciding which industries — meaning technologies — should rise and which should fall, does anybody really think a collection of party pols sitting in Beijing is going to figure all that out on their own? Soviet technocrats couldn't pull it off, and neither did the Japanese. That kind of crowd wisdom is only found among real entrepreneurs, angel investors, and the like, and those types of capitalists want both a hands-off and yet decidedly responsive government, or the kind where you have to pay politicians only when there's an election.

China cannot forever suffer a single-party state simply because it needs a government that isn't afraid of its own citizenry and its increasingly complex demands. As the nation's huge middle class continues to emerge over the next couple of decades, China's single-party system will fail — time and time again — to protect it from the future, which cannot be commanded. Ruling over a vast poor country is easy, because all the poor want from government is protection from their circumstances. Ruling over rich city-states within such a system is equally easy, because all the rich want from their government is protection from the poor. But that growing middle class? It wants protection from uncertainty — the future. The middle class has achieved its decent standard of living and wants to pass it on to all those only children. Spook it and it will turn on you with a fury not easily contained, for after all, these are people of real education and accomplishment. They will not be ruled over like children for long.

Don't expect the Chinese Communist Party to run a mistake-free foreign policy, either, and it's this current state of brittleness that marks China as an unserious competitor to the U. S. in international security. So long as China features a single-party state, its leadership will be too timid to wage wars anywhere — including across the Taiwan Strait. Why? Because the CCP cannot afford a single loss of face. Superpowers don't just win wars; they have to be able to suffer significant losses and still pull out acceptable stalemates. Absent the ability to rotate ruling parties, China remains a paper tiger — as in, looks good on paper but doesn't have the stomach to risk anything.

The good news is, China will experience two crucial generational shifts in leadership over the next two decades, both of which will ease it in the direction of allowing more political pluralism. In a couple of years, the fifth generation of leadership will emerge from its decades of being groomed. The leading light in this group is Xi Jinping, who most expect will succeed Hu Jintao as president. (Representing the other China, and Xi Jinping's biggest dilemma, is the imprisoned Liu Xiaobo, winner of the 2010 Nobel Peace Prize.) Expect this generation to let Hong Kong play lead goose in this slow-motion democratization by conducting semifree elections for its parliament and top leadership — as currently planned — near the end of this decade.

By the time the so-called sixth generation reaches its political apogee in 2022, expect the party to be closely and deeply divided between the more cosmopolitan coastal faction (tint these states bluish) and the more conservative interior faction (keep coloring these western provinces red). This division, already well in the works, will significantly temper China's foreign policy, balancing the needs of outsiders (what China owes the world) with those of its own less-fortunate citizenry. Thus, by the time post-Mao China hits the half-century mark, when democratization will kick in for real, the country will have become a superpower no less captured by special interests at home and abroad than the United States is today.