

# Inertia of History



# Inertia of History:

*China and the World by 2023*

By

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## ABBREVIATIONS

10+1	ASEAN plus China
10+2	ASEAN plus China and South Korea
10+3	ASEAN plus China, South Korea and Japan
APEC	Asia-Pacific Economic Cooperation
ASEAN	Association of Southeast Asian Nations
AU	African Union
ARF	ASEAN Regional Forum
BRICS	Brazil, Russia, India, China, and South Africa
CELAC	Community of Latin American and Caribbean States
EAS	East Asia Summit
EU	European Union
G2	Group of China and the US
G4	Group of four countries
G8	Group of Eight Countries
G20	Group of Twenty Countries
GNP	Gross National Product
IFOP	French Institute of Public Opinion
IMF	International Monetary Fund
IR	International Relations
NAFTA	North American Free Trade Agreement
NATO	North Atlantic Treaty Organization
MERCOSUR	Southern Common Market
OAU	Organization of African Unity
RMB	Renminbi
SCI	Scientific Citation Index
SCO	Shanghai Cooperation Organization
SIPRI	Stockholm International Peace Research Institute
SSCI	Social Science Citation Index
TPP	Trans-Pacific Partnership
UNESCO	United Nations Educational, Scientific, and Cultural Organization



## FOREWORD TO ENGLISH EDITION

Upon its original publication in July 2013, the Chinese edition of *Inertia of History: China and the World in the Next Ten Years* was immediately met with criticism from most of its domestic readership. Critiques focused primarily on the book's twin predictions: China would become a superpower by 2023 and a bipolar international configuration would be formed concurrently. The former has proven to be a difficult proposition in China, where the government and much of the citizenry have long judged a country's international status according to its GDP per capita. Through the lens of this metric, it seems implausible that a nation on a par with developing countries could be regarded as a superpower. In fact, many Chinese citizens today still see attempts to characterize their country using such terminology as a Western conspiracy to levy greater international responsibilities on their still burgeoning nation. The Chinese government itself simultaneously carries this same resentment while firmly resisting the notion that China is, or ever will be, a developing country.

Meanwhile, the forecast of a bipolar international configuration between China and the United States has been faced with challenges from both Chinese and foreign readers, though the reasons are varied. Some find a unipolar world in which America is dominant preferable and hope that it will continue, some would rather see a multipolar configuration replace the current one, some worry that bipolarization would inevitably lead to a new cold war, and some simply disapprove of China attaining superpower status.

Although the two primary estimates made in this book are still awaiting history's final test, others have already come to pass. When the United Kingdom surprised the world with Brexit referendum on 23 June 2016 and decided to leave the European Union, the Chinese media reminded people that this book predicted such an outcome. In early 2018, the *Washington Post* published a series of articles calling China "a new superpower," while in the same period Columbia University Press published a book with the title *The Return of Bipolarity in World Politics: China, the United States, and Geostructural Realism* by Øystein Tunsjø, a Norwegian professor.

Certainly, the historical record since 2013 has also disproved some of the book's predictions, such as that the Chinese economy would expand at

an average growth of over 7% per year during 2013–23. However, growth has fallen below this threshold since 2015; this trend will likely linger if the government continues its current political guidelines. My estimation on this point proved false mainly because I did not believe that the ultra-leftist politics of the Cultural Revolution would ever again see a return to prominence in China—my experience during the Cultural Revolution of 1966–76 led me to trust that people of my generation would not so soon forget the disasters wrought by such a political line and allow its resurgence. For the same reason, a prediction that the RMB would appreciate to a level higher than \$1: ¥6 by 2023 seems now also further from becoming reality.

As the two strongest powers, the factor most influencing international politics during these last five years has been the change in national leadership in both China and the US. On the basis of the aspiration that China can provide better international leadership than the US, I suggested, in the last chapter of this book, some strategies for China's diplomacy during 2013–23. Some of them are obviously inconsistent with China's real policies in the last five years. The political behavior of these two countries has defied the expectations of most people and therefore contributed to greater uncertainty in international relations. Nevertheless, most of the forecasts in this book have survived these leadership changes and ultimately rung true. Europe has been unable to maintain its status as the world center, the EU has begun to decentralize, Russia and Japan have continued to decline, the gap in capability between India and China has enlarged, the Middle East has been ravaged by the rivalries between regional powers, African states have become further marginalized, and Latin America has seen both continued American domination and China's economic expansion on the continent.

The trade conflict between China and the US in early 2018 indicates that the strategic rivalry between the two is more likely to intensify than dissipate in the next five years. Shifts in their balance of power will not be determined by the superior performance of one government relative to the other, but simply by whoever makes fewer strategic mistakes than the other. It is my hope that the predictions made in this book will come to pass and the strategic competition between the US and China within the next five years will be constrained from escalating into war.

I owe a special debt of thanks to Alexander A. Bowe, who devoted quite a lot of his valuable time to translating the entirety of this book during his study at Tsinghua University. In addition, I deeply appreciate James Anthony's help in polishing the forward. I am also very grateful to Zhang

Qi, Fang Yuanyuan, He Ying and my wife Li Peizhi for their proof reading of the final draft.

Yan Xuetong  
Tsinghua, June 2019



## PREFACE

International relations forecasting, just like weather forecasting, is a judgment of probable things and, as a result, cannot achieve 100% accuracy. Results that occur in the real world are the only standard of testing how accurate a forecast is; nevertheless, accurately forecasting one event does not mean that forecasting can be 100% correct, because the accuracy rate of forecasting is determined by the frequency of accuracy of many forecasts. Generally speaking, a forecasting accuracy rate that reaches 65% (out of 100 events, 65 are forecast correctly) demonstrates that the forecasting method used was scientific, a rate that reaches 75% means that it has consultation value, and a rate that reaches 85% means that it has useful value. This also means that when a researcher or organization has a forecasting accuracy rate that reaches 85%, people will thus make decisions on the basis of their forecasts, because the benefits obtained from 85 correct choices are enough to offset the losses from 15 incorrect decisions. This is also why people only complain after meteorological forecasts are incorrect but, before the events occur, they trust that the forecasts will be accurate.

All scholars of international studies will be proud of something that they forecast in advance but at the same time will be unwilling to mention their mistaken predictions. To prevent forecasts from being proven false, some people adopt the technique of forecasting without a clear time span. "In the foreseeable future" is one of the most often used clichés for improvable forecasts of international trends. This phrase can be interpreted to mean both within 30 days and within 30 years. If the forecaster is a young person, his or her foreseeable future might be as long as two or three generations. To keep distance from that kind of irresponsible prediction, this book sets up a clear time span for all forecasts and abandons terms like "mid-long-term," "ultimate," "sooner or later," etc.

In academic circles of international relations, many research institutions have done long-term forecasts with set periods of 20 years. The length of this kind of forecast is explicit and is also able to be tested, but most forecasts are proven by history to be incorrect. The Club of Rome's incorrect forecast that the world's oil resources would be exhausted is the most representative one. This author believes that, at present, international relations experts' research abilities still have not reached the level required to fairly accurately forecast international

situations 20 years in the future. At the end of the Cold War, no one could have forecast that there would be a financial crisis in 2008, and, similarly, no one could have forecast America's relative decline as a result. At the beginning of the 1990s, no one could have forecast China's quick development in the first decade of the twenty-first century and that it would become the world's second-largest power. On the basis of the present expertise of international relations experts, I believe that it is relatively reliable to forecast developing trends in the international situation in the next 10 years.

*Inertia of History* is not an academic work but rather a book that forecasts the international situation. The test of this book's forecasting accuracy depends on the events of the next 10 years, but this type of examination does not at all need to wait until 2023 to be done. This book's title, *Inertia of History*, is intended to mean that the changes in the next ten years of the international configuration will have definite continuity: the general trends of the world won't make a U-turn, China will bring about its rise rather than falter, and the trend of bipolarization will finalize in a bipolar configuration prior to 2023. Over the next decade, each year everyone can use the results of changes in the international situation to test this book's forecasts to see whether global trends have, in fact, changed direction. The year 2023 will be the last test of this book's forecasts.

History is created by humanity; however, this does not at all mean that humanity has the ability to deliberately change history. History's development has a certain kind of inertia; if humanity's ability to affect history is not stronger than history's inertia, history will develop along the track that is already there. This is precisely why after an empire or a superpower falls, the time of its decline will always be over at least a century. Very rarely will it restore its domination within half a century. The declines of the Qing Empire, the British Empire, and Russia were unable to break away from this kind of historic inertia. Whether the Americans will be able to withstand history's inertia in the twenty-first century and prevent America from a long term decline is the historical challenge that they are confronting. Over the next decade, history's inertia will benefit China's rise, but whether China can draw support from this inertia and quicken its rise will depend on the Chinese of this age.

Conducting forecasts in accordance with history's inertia does not at all mean that this book denies humanity's influence on history's progression; on the contrary, it conducts its forecasts of the next ten years' changes in trends of the international configuration precisely from the angle of the political reform ability of the major powers' leadership. This book holds that international configurations shift in the wake of the

changes in great countries' comprehensive power levels, that the basis of comprehensive power is political strength, and that the core of political strength is the ability of leaders to implement reform. The gap in reform capability between political leaders is huge in different historical periods; because of this, sometimes history's inertia will have a quickened manifestation. This is why in history there are often examples of a power's rise being completely achieved by only one generation. Qin Shihuang, the first emperor of the Qin Dynasty, took control of the government at 22 and had united six states 17 years later; Peter the Great took power at 17 and after 32 years had made Russia the greatest European power; after the end of World War II in 1945, the Soviet Union sent a man into space within 16 years and also became a superpower in the 1970s. Many people do not realize how quickly a major power can rise to the status of superpower. In the 1980s, Deng Xiaoping forecast that China would not be able to match the economic level of Western secondary developed countries before the mid-twenty-first century, and he failed to forecast that China's GDP would surpass that of Japan in 2010, making China the world's second-largest economy. Many international economic organizations forecast that the time when the scale of China's economy will surpass America's draws ever closer. The earliest forecasts for the time needed to overtake America predicted the 2040s, then later ones the 2030s, and the latest ones the 2020s. In 2013, the British magazine *The Economist* surprisingly predicted that it would happen in 2018. The relevant matter is not which forecast is the most accurate but rather that the predicted time necessary for China to overtake America has consistently decreased. From China's perspective, it is very possible that the next 10 years will be the decade in which China's rise quickens.

This book's forecast regarding China's rise in the next decade is optimistic, and this is related to the new Chinese leadership after the Chinese Communist Party's 18th National Congress. Economic determinism is currently the mainstream belief of the Chinese people; China's ancient political thinkers, however, believed in political determinism. They believed that the most basic factor in determining a country's prosperity or decline is its political leadership, not its economic foundation. In "On Hegemony" in *Guanzi*, it is written, "If a state is great but its government is weak, the state will weaken accordingly; if a country is small but its government is great, the benefit to the state will be great." After the Chinese Communist Party's 18th National Congress, Xi Jinping put forth, "Now, more than at any other time in history, we are closer to the goal of the Chinese nation's rejuvenation and we have more confidence and capability than at any other time in history to realize this goal." This

speech regarding the nation's rejuvenation was an awakening to the people. Afterwards, the anticorruption campaign, reform, and national sovereignty defense aspects implemented by the new leadership group made the Chinese feel hope for the nation's rise. The mutual replacement of prosperity and decline has constituted China's several thousand years of history. The common question that every generation of Chinese cannot avoid is whether its generation will bequeath to future generations a proud legacy or a memory of humiliation. In the next decade, our generation of Chinese will have the opportunity to construct a legacy that will make future generations proud to be Chinese. If we fail, we will pass on the responsibility of the national rejuvenation to our descendants, and this will make us a mediocre generation in Chinese history. Our ancestors built the mightiest nation of their age, and our descendants can once again build the mightiest nation of their time. But, if we fail, we will be unable to shirk responsibility for history.

This book forecasts that, in the next decade, China will implement its rise. This does not at all mean that the obstacles China's rise will face in the next ten years will decrease; on the contrary, these obstacles will increase. According to the principle of the dilemma of rising, the stronger a rising country grows, the more pressure it imposes on the existing international system. This is like the principle in physics that the force of an action is equal to the force of its reaction. In accordance with China's rise, China's overseas interests will increasingly expand, and the threats that China faces will thus increase. According to the principle of structural contradiction, as the disparity between Chinese and American power shrinks, America's and China's interests will increasingly clash. The degree of wariness toward China in American policy will accordingly grow and as a result the pressure that it puts on China will grow. The process of rising will be like the whole course of competing in a preliminary contest up to the finals: as the strength of opponents increases, the certainty of victory grows ever-smaller. China's comprehensive national power is already the second in the world, and the next ten years will be the time in which China catches up with America. This, with the highest level of difficulty, is just like the finals. China wants to create the first case in human history of rising through a peaceful approach, which further adds to the difficulty. Because of this, the last chapter of this book will make some suggestions for the adjustment of China's foreign policy according to the bipolarization of the international configuration.

What this book forecasts is the future trends of international configuration, and it thus makes China's domestic politics act as a constant rather than a variable. Many people feel that whether China can rise

depends not on its foreign policy but on its domestic policy, and, because of this, it should focus its energy on paying attention to the development of internal matters while rarely intervening in international affairs. In fact, internal affairs are not only the root of China's rise but also the root of America's ability to maintain global hegemony. However, it is not certain that a country that is good at domestic affairs is also able to rise and become a superpower. Northern European countries are the best cases in this point. In the age of globalization, in the coming ten years during which China will become one of the world's two superpowers, the two matters of domestic policy and foreign affairs will merge into one. The influence of international matters on internal matters will continue to grow. At the same time, mistakes in foreign strategy will hinder the pace of China's rise. There are some who believe that China's current power is still weak and that we should wait until later when we are stronger enough to address those international conflicts. However, just like avoiding internal problems, the more international problems are dragged on, the harder they will be solved. The Diaoyu/Senkaku Islands dispute that has caused conflict between China and Japan since 2010 shows that it is not easy to resolve international conflicts early but it is even harder later on. The author believes that the opportunities that history offers to all countries are the same; the crux lies not in who has a favorable era of strategic opportunities but in who can seize and exploit every opportunity he encounters.

In writing this book, I have benefited from the help of my students Suo Duo and Yang Yuan. They devoted a winter vacation to proofreading the manuscript and also gave me their suggestions for revisions. In the next ten years, I would like to test the predictions made in this book together with readers and accumulate experience for improving forecast capability of the IR community in China.

Yan Xuotong  
Tsinghua, April 2013



## CHAPTER ONE

# CAPABILITY COMPETITION: CHINA AND THE US BY 2023

He who wishes to enrich his state strives to enlarge its territory; he who wishes to make his soldiers strong strives to enrich his people; he who wishes to be a sage king strives to increase his own virtue. If these three qualifications are met, sage kingship will follow.

(“First Stratagem of Qin: Sima Cuo on Attacking Shu” in *Stratagems of the Warring States*)

In 1998, I published *The International Environment for China’s Rise*. After this, because of the concept of “China’s Rise,” I have had a long disagreement with some of my Chinese academic colleagues. The disagreement has been multifaceted; one of the main facets among these is the issue of whether China truly is a rising country and whether China can possibly rise to become a superpower. In 1998, almost no one accepted the view not only that China was a rising power, but also that China’s GDP could become the world’s second-largest in 12 years.

The 2008 financial crisis gave the West’s economic growth serious setbacks and even made some Western countries’ economies come to a complete standstill. It is precisely this kind of state of affairs in Western powers’ economic inability to expand that highlighted China’s quickly growing economic power. Although so far many Chinese colleagues and the Chinese government still avoid using the word “rising” to describe China’s international status, the media ubiquitously publish news concerning China’s rise. In 2010, in light of the standard calculation of the American dollar’s exchange rate, China’s GDP was \$404.4 billion higher than Japan’s \$5.47 trillion, making China the world’s second largest economy.<sup>1</sup> Confronted by this fact, the Chinese government and many people still are unwilling to admit that China is the world’s second biggest

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<sup>1</sup> Xu Bing, “Zhongguo GDP Chaoguo Riben You He Yiyi” (The significance of China’s GDP surpassing Japan’s), *Zhongguo Qingnian Bao* (China youth daily), February 15, 2011.

economic power, and they certainly also still don't believe that China is a rising power. On December 30, 2011, I published an article in the *Global Times*, "'One Superpower and Many Strong Powers' Is Beginning to Evolve into 'Two Superpowers and Many Strong Powers.'" From December 30, when this article's viewpoint first spread on the web for inquiry, to January 1, 2012, altogether 13,283 users participated in the inquiry, among whom only 7.8% (1,040 people) agreed that China would become a superpower in the future, whereas 87.6% (11,632 people) did not agree with this forecast but rather believed that China still did not possess the basic conditions for becoming a superpower.<sup>2</sup>

Regardless of whether the word "superpower" is derogatory or complimentary to Chinese people, since 2010, more and more international media organizations have called China "the new superpower." The expectations of international society regarding China undertaking the responsibilities of a superpower are increasingly high, and China's difficulty in maintaining the identity of a developing country is increasingly great. Drawing on the experience of the forecast in 1998, this chapter will forecast the developing trends of the international configuration over the next decade as well as what new international configuration might emerge by the end of 2023.

## **The next decade: China–US capability competition**

In the early 1990s, America became the world's sole superpower; at that time, the comprehensive power disparity between China and America was not only a class apart but could also be said to have been wildly different. So, how has the Sino–American comprehensive power disparity decreased in the last 20 years? Its basic reason lies in China's unceasing introduction of reform and America's lack of reform. Over the next ten years, this kind of state of affairs will be difficult to change, since China's capability of reforming will still be greater than America's. This is why the Sino–American dual superpower structure might take shape by 2023.

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<sup>2</sup> "Jin Jiu Cheng Wangyou Bu Rentong Zhongguo Yicheng Chaojidaguo Shuofa" (Nearly 90% of internet users don't agree with the statement that China has already become a superpower), *Huanqiu Shibao* (Global Times), January 1, 2012, <http://www.taihainet.com/news/cnnews/2012-01-01/795156.html>.

### *Underestimated potentiality of China's growth*

In 2008, many scholars both Chinese and foreign forecasted that China's economy would quickly decline and would be unable to realize a fourth decade of high-speed growth. The bases for coming up with this type of forecast may be manifold, but there are two primary ones, one among which is the philosophical principle that "when things reach their extremes, they must turn into their opposites." Many people believe that a country's economy's period of high-speed growth is limited, and, as a result, that China cannot possibly maintain high-speed growth forever. Another basis is historical experience—specifically, that the periods of high growth of the economies of Japan and the Four Asian Little Dragons (South Korea, Singapore, Taiwan, and Hong Kong) have not exceeded 30 years. Under the influence of this type of academic public opinion, in 2008, most public figures in Chinese political circles commonly believed the annual rate of the Chinese economy's growth would not be able to reach 6%, because counting from 1978 China's economy's high growth had already been maintained for 30 years. At that time, there were even people who proposed making 7% the upper limit of growth that could be pursued by the government.

However, this kind of forecast has been proven by history to be inaccurate. From 2008 to 2011, not only did China take the lead in breaking away from the problem of the global financial crisis, but the Chinese economy's annual growth rates during that time also all exceeded 9% (2008 to 2011's growth rates were 9.86%, 9.93%, 10.13%, and 9.20%).<sup>3</sup> At the beginning of 2012, when the world's main economic powers were all worrying that their economies' growth speeds would be too slow, the Chinese government was worrying that China's economic growth would be too fast. The Chinese government adopted many reductive policies, especially to control interest rates, and steps to limit real estate prices in order to prevent the economy from growing too quickly. Under the premise of the Chinese government's adoption of restrictive economic growth policies in the first half of the year, China's GDP in 2012 still realized a growth of 7.8%.<sup>4</sup> Apart from China, the

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<sup>3</sup> "2001–2010 Zhongguo GDP Zengzhanglu, Tongzhanglu Deng" (2001–2010 China's GDP growth rate, inflation rate, etc.), *Baidu Wenku* (Baidu Encyclopedia), <http://wenku.baidu.com/view/5572bb10a21614791711284b.html>.

<sup>4</sup> National Bureau of the Statistics of the PRC, "Tongjiju: GDP Tongbi Zengzhang 7.8% Disi Jidu Zengjia 7.9%" (Previous year's year-on-year GDP growth 7.8%, fourth quarter's growth 7.9%), *Xinlang Caijing*, January 18, 2013, <http://finance.sina.com.cn/china/20130118/100514329805.shtml>.

world's other major economic powers' growth rates all failed to reach 5%, and Japan's didn't even reach 1%.

The judgments that China would not be able to maintain a fourth decade of high-speed economic growth were all mistaken because the two bases of the forecasts were unscientific. First, "when things reach their extremes, they must turn into their opposites" is a philosophical principle, not a scientific basis. A forecast based on this philosophical principle saying that China's economy cannot maintain high growth forever is valid, but people have ignored that the correctness of philosophical principles is based on premises that have no scientific standard; even "extreme limit" is a concept that has no exact standard. Because this "extreme" does not have an objective standard, the turning point at which China's many years of sustained economic high growth finally reaches an "extreme" and "must change" is completely determined by subjective imagination. If China's economy sustains high growth for 30 years, this could be regarded as having reached an extreme and one could also regard 50 years of high growth as having reached an extreme; one could even regard a yet longer time as an extreme.

Second, using the historical experience of Japan and Asia's Four Little Dragons as a basis for forecasting the sustainability of China's economic growth is also unscientific. The scale of Japan's population is less than a tenth of China's, and none of the Little Dragons' populations has surpassed 4% of China's. The conclusion of a forecast of the development trend of China's economy based on these economies' experience of high growth will inevitably be inaccurate and it will be difficult to comprehend if it is accurate. This would be like forecasting the longevity of an elephant based on the longevity of a mouse or pig; it is consistent with scientific principles when the forecast is incorrect, and, when it is correct, it is beyond all expectations.

### *The engine of China's fast growth*

In the next decade, whether China's comprehensive national strength can maintain high-speed growth will be primarily determined by whether the Chinese government can deepen and intensify its reforms. As long as the new leading group of the Chinese government can implement multifaceted reforms like those in 1978, China's comprehensive national strength has hope of maintaining another decade of high growth, and it will be possible to realize a fixed annual stable growth of roughly 5% for the next decade after that.

Since 1978, the increase in China's material strength is primarily an achievement of the government's Reform and Opening-up policy. The Cultural Revolution from 1966 to 1976 was not only the greatest catastrophe in New China's history but also one of the most severe man-made disasters, of which there have been few in Chinese history. This calamity made all Chinese leaders since Deng Xiaoping realize the necessity and importance of reform and opening-up, and it also made them all persevere in using this political principle to govern the country. "Reform" served to pour core energy into innovation; "opening-up" provided a frame of reference for studying advancement. The Politburo Standing Committee members that the China Communist Party's 18th National Congress elected are a leading group with a special belief in reform and opening-up that was wrought by history. For Chinese people born between 1945 and 1960, the Cultural Revolution that began in the middle of the 1960s made them experience the disaster of anarchy; the movement of "Going and Working in Mountain Areas and Countryside" from the end of the 1960s to the 1970s gave them deep knowledge of the suffering of the people, and all the accomplishments attained by the Reform and Opening-up from 1978 caused a political belief in reform and opening-up to become blended into their blood. They believe that reform and opening-up are China's only way out. (Whether post-2023 Chinese leaders will continue to believe in reform and opening-up is not the question being discussed by this book.)

Since 1978, the contents of China's reform and opening-up have been multifaceted, but their basic character has been for the government to give back the right of social life to the people. When the Cultural Revolution ended in 1976, China was a country in which people's social life was totally controlled by the government. The government not only controlled all political, military, and economic power but also controlled the private lives of individuals. Which nursery a person attended after birth as well as which elementary school and which middle school one attended were all decided by one's parents' work unit, and the job of every person was assigned by the government. The government even stipulated how many sunflower seeds each person was permitted to buy during the Spring Festival and how many days husbands and wives who worked in different cities were permitted to stay together at home in a year. The reason for reform and opening-up was for the government to gradually give the right of social life back to society. The returning of social right to people restored the motivity of progress in each domain in China, and the result was thus embodied in the sustainable growth of China's material strength. In the next ten years, the Chinese government will give more state-

controlled domains back to society, which will ensure a sustained high growth of strength. Currently, the government still controls many sectors, such as finance, airlines, railroads, maritime shipping, energy, media, and so on, so-called strategic sectors. All these sectors have the possibility of being opened up to domestic private enterprises.

From 2013 to 2023, China will have many spheres it will be able to reform and open up or give back to society; each sphere's reform and opening-up can substantially promote the high-speed growth of China's strength. The reform and opening-up of China's economic sphere began with opening up agriculture and then followed successively by opening up commerce, light industry, heavy industry, the real estate industry, etc. By 2012, China still had many departments that were primarily controlled by the government, such as rail, shipping, airlines, education, energy, telecommunications, etc.; society's potentiality has not yet attained full development. Some people mistakenly believe that the domains that the government can open up to the people are limited and that there will inevitably be a time when it ends. However, objective circumstances are truly not like this. In the wake of advances of scientific technology, the economic sphere will continuously expand, and many industries that formerly did not exist will emerge from innovation. The crux of the question lies in whether the government will give the rights of economic activity in these domains to society. For example, the maturing of techniques for extracting shale oil and gas gave rise to new energy industries. In 2012, the Chinese government decided to open up this domain to private capital rather than have it controlled by the government.

At present, the impact on spurring growth from opening up any strategic economic domains to social capital will not be less than the impact at the beginning of the 1980s that resulted from opening up agriculture to the peasants. Even merely giving power to society over several non-economic domains can produce a huge impact that will stimulate economic growth. To use the educational domain as an example, China's population is 3.5 times larger than America's, but it has only 90% of the number of higher education institutions in America. In 2010, America had more than 2,600 accredited four-year universities; China's normal higher education institutions numbered 2,358, with 2,156,601 faculty and staff and 1,343,127 specialized faculties.<sup>5</sup> If China's higher

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<sup>5</sup> Ministry of Education of the PRC, "Geji Gelei Xuexiao Xiaoshu, Jiaozhigong, Zhuanren Jiaoshi Qingkuang" (Situation of full-time faculty and staff in all levels and types of schools), <http://www.moe.edu.cn/publicfiles/business/htmlfiles/moe/s6200/201201/129517.html>.

education administration opens up to society, on the basis of the proportion of the population and number of normal educational institutions described above as well as every normal higher education institution's average standard number of staff and faculty, China could add more than an additional 9,000 four-year universities, providing 5,130,000 higher education positions and 8,240,000 staff positions. This still doesn't include many contracted employees (contract workers number more than career administrative staff) and many doctoral students who depend on academic scholarships for living and studying. In the next decade, China's educational system can implement reform by using the contract method to more quickly replace the old teaching ranks, in order to respond to the increasing speed of updates in knowledge. Conversely, in the next decade, in order to retard the growth rate of pensioners in America, higher education institutions will firmly entrench the system of not having professors retire. This inevitably means that newly graduated Ph.D.s will have difficulty finding jobs in higher education. Newly graduated Ph.D.s are the representatives of new knowledge and the main force of innovation in society. The reduction of opportunities for them to enter higher education will mean that the rate of improvement of American universities' scientific research abilities will decline. Simultaneously, this creates the conditions for China to invite these talents, which will hasten the rate of improvement in China's scientific research ability.

### ***Reduced capability gap with the US***

Winning the most gold medals in the Olympics is a kind of indicator of a country's national strength. Since the end of World War II, the distinction of being the top winner of gold medals in the Olympics has alternated between only the first two world powers. From 1945 to 1992, it alternated between the United States and the Soviet Union and the United States had a monopoly from 1996 to 2002. Since 2008, it started to alternate between the United States and China. At the 2008 Beijing Olympics, China was the top winner of gold medals. To a certain extent, this could be due to home advantage, but at the 2012 London Olympics China was the number two winner of gold medals and only eight medals behind America, the top winner; this is absolutely a true manifestation of China's national power. Before the opening of the London Olympics, the international media locked on to that year's games' competition for the top spot in gold medals as one between China and the United States, even comparing it to the competition between America and the Soviet Union during the Cold War. The result of the competition at the 2012 London Olympics not only

proved that China and the United States are competitors for the highest number of gold medals but also forebodes that the competition between China and America in the next ten years will be a strategic competition concerning the change in international configuration.

By 2012, China's comprehensive strength had already exceeded a third of America's. This means that as long as China's comprehensive strength can maintain a growth rate of at least three times that of America's, the gap between Chinese and American comprehensive strength will shrink. In 2012, China's GDP was 51.93 trillion yuan (according to contemporary exchange rates, \$8.37 trillion), already exceeding half of America's (if going by purchasing power parity, already four fifths of America's). China's rate of contribution to the world's economic growth (absolute increment of GDP) is already 1.5 times America's and is reckoned to be able to become twice America's or more by 2023. Speaking from the economic angle, over the next ten years, if the average annual growth rate of America's economy is roughly 2% and that of China's is roughly 8%, then, by the end of 2023, America's GDP will be \$19 trillion and China's will be \$17 trillion according to present exchange rates and, according to exchange rates at that time, China's GDP will exceed America's. Following the reduction in the economic gap between China and America, the yuan-dollar exchange rate will unavoidably increase. According to a conservative estimate, this exchange rate will increase 20% in ten years, rising from the present rate of 1:6.3 to approach 1:5 or so. If this factor is taken into consideration, by 2023, China's GDP will reach \$20 trillion, which will overtake America's. In the 11 years between 2000 and 2011, America's proportion of global GDP fell from 30.8% to 21.7%. At the same time, China's rose from 3.7% to 10.5%.<sup>6</sup> If this trend persists for another ten years, by 2023, the proportion of the global economy constituted by China's GDP will surpass America's. China is at present already the biggest engine of the world economy, namely its annual GDP growth is the largest in the world. By 2023, its annual GDP growth is expected to account for roughly 30% of the whole-world growth.

China's total trade in 2012 was \$3.87 trillion, the second-highest in the world—\$156 billion less than America's—and it had hope for surpassing America in 2013 to become the world's number one trading power.<sup>7</sup> In

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<sup>6</sup> "Shijie Jingji Zhibiao" (World economic indicators), *Guoji Ziliao Xinxi* (International data information), no. 8 (2012): 44.

<sup>7</sup> "Shangwubu Cheng Zhongguo Qunian Maoyi Zong'e Weichao Meiguo" (Commerce ministry declares that China's previous year's total trade did not surpass America's), *Reuters* (Hong Kong), February 14, 2013, <http://cn.reuters.com/article/wtNews/idCNCNE91D05920130214>.

2006, America was the biggest trading partner of 127 countries and territories, while China was the biggest trading partner of 70; in 2011, China was the biggest trading partner of 124 countries and territories, while America was the biggest trading partner of only 76. According to this trend, by 2023, the number of countries of which China is the biggest trading partner will be roughly 150, and the number of countries of which America is the biggest trading partner will fall to about 50. On the basis of a report published by the World Tourism Association, China's overseas tourists spent \$102 billion in 2013 and China has already become the country whose travelers spend the most overseas. By 2023, the amount of money that China's tourists spend overseas is expected to be several times that spent by America's.

In the next decade, the advancement of the scale of China's trade will make the renminbi (RMB) become the foreign reserve currency of many countries. The glorious age of the Japanese economy did not result in a Japanese yen bloc, but now East Asia has the idea of an RMB bloc, with even Japan beginning to adopt the policy of using yen and yuan for settling accounts in bilateral trade with China. According to calculations by Morgan Stanley, among trade transactions done in 2011 in East Asia, 13% were done using RMB. The Hong Kong and Shanghai Banking Corporation calculated that, by 2014, half of Chinese trade in the East Asian region would use RMB to settle accounts. As China becomes the biggest trading partner of more East Asian countries, the number of countries that use RMB to conduct trade will grow. In East Asia, there were already seven currencies whose degree of interrelatedness in the wake of change in RMB exceeded that in the American dollar in 2012. When the dollar fluctuates 1%, East Asian currencies fluctuate 0.38%; when the yuan fluctuates 1%, they fluctuate 0.53%. Regarding extra-East Asian regions, when the dollar fluctuates 1%, emerging market countries' currencies fluctuate 0.45%, when the yuan fluctuates 1%, they fluctuate 0.19%.<sup>8</sup> As the scale of the Chinese economy continues to expand, the influence of the RMB on other currencies will reach 50% or more of that of the American dollar by 2023. The yuan, dollar, and euro might make up the three legs of a tripod.

In the next decade, the key factors of China's comprehensive national strength will attain balanced development if its military and cultural strength elements also develop with a speed similar to or even surpassing that of the economy. According to the previous ten years' growth rate of

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<sup>8</sup> Arvind Subramanian, et al., "China's Currency Rises in the US Backyard," *Financial Times*, October 21, 2012, <http://www.ft.com/cms/s/0/5a34c410-19d6-11e2-a379-00144feabdc0.html>.

China's defense spending, in the next decade, the growth rate of China's defense expenditures will possibly still continue at 10% or more. In 2012, China's defense budget was 670.3 billion yuan, about \$106 billion<sup>9</sup> and the Stockholm International Peace Research Institute (SIPRI) calculated that China's 2011 defense spending was \$166 billion.<sup>10</sup> China's 2013 military expenditures will be 10.7% higher than 2012's, totaling 720 billion yuan (approximately \$114 billion).<sup>11</sup> This means that China's defense expenditures in 2023 will exceed 1.74 trillion yuan, which according to a 5:1 conversion rate is around \$347.2 billion. On the basis of current buildup speeds of China's space and naval sectors, by 2023, China will possess a manned space station, at least three active aircraft carrier groups (with the possibility of building five aircraft carriers), four to five strategic nuclear submarines carrying missiles with ranges of 8,000 kilometers, deployable fifth-generation fighters (J-20 and J-31 stealth fighters), and various kinds of unmanned vehicles. In addition to these, the Beidou-2 Navigation System, which can be used with several types of guided weapons, will have a global service range. According to SIPRI's data, America's 2012 defense expenditures were \$682 billion<sup>12</sup>. According to Barack Obama's plan, in the next decade America will cut \$1 trillion in defense spending.<sup>13</sup> This means that, at the least, average defense spending must be more than \$100 billion less every year than it is now and in 2023 will be \$580 billion. If America implements this reduction plan, and China maintains its defense expenditure growth rate of 10%, then, in 2023,

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<sup>9</sup> Zhao Wengang, "Zhongguo 2012 Guofang Yusuan Zengzhang 11.2% Kaizhi Zhan GDP Bili Diyu Mei Ying Deng Guo" (China's 2012 defense budget growth 11.2%, the proportion of GDP lower than that of the US and the UK), *Qiaobao* (Overseas Chinese newspaper), March 4, 2012, [http://www.usqiaobao.com/2012-03/04/content\\_1300312.htm](http://www.usqiaobao.com/2012-03/04/content_1300312.htm).

<sup>10</sup> Stockholm International Peace Research Institute, *SIPRI Yearbook 2012: Armaments, Disarmament and International Security* (Oxford: Oxford University Press, 2012), 152.

<sup>11</sup> "Zhongguo 2013 Niandu Guofang Yusuan Yuji 720.2 Yi Yuan Zengzhang 10.7%" (China's 2013 defense budget is 720.2 billion yuan, a 10.7% growth), *Xinhua*, April 5, 2013, <http://mil.news.sina.com.cn/2013-03-05/0816717558.html>.

<sup>12</sup> Kou Yujing, "Mei Zhongyiyuan Jihua 2012 Nian Xuejian Guofang Kaizhi 170 Yi Meiyuan" (The US House of Representatives plans to cut America's defense spending by \$17 billion), *Xinhua*, May 12, 2011, <http://military.people.com.cn/GB/14621911.html>.

<sup>13</sup> "Meiguo Jihua Jiangzai 10 Nian Nei Xuejian Guofang Kaizhi 1 Wan Duo Yi Meiyuan" (America plans to cut defense spending by \$1 trillion in ten years), *China News*, January 6, 2012, <http://news.163.com/12/0106/08/7N2SFI2K00014JB6.html>.