

When China becomes number one

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How will it feel when China becomes the world's largest economy? We may find out quite soon. A few weeks ago, [the International Monetary Fund](#) issued a report that suggested China would be number one within five years.

The projection that the Chinese economy will be larger than that of the US by 2016 included adjustments for the domestic purchasing power of the two countries' currencies. Some regard this interpretation of IMF data as a dubious move that artificially boosts the size of the Chinese economy. But even using real exchange rates does not defer the day when America is knocked off its perch by very much. A projection by *The Economist*, made just before Christmas, foresaw China becoming number one in 2019.

[The ascent of China](#) will change ideas of what it means to be a superpower. Over the course of the American century, the world has got used to the idea that the world's largest economy was also the world's most obviously affluent nation. The world's biggest economy housed the world's richest people.

As China emerges as an economic superpower, the connection between national and personal affluence is being broken. China is both richer and poorer than the western world. It is sitting on foreign reserves worth \$3,000bn. And yet, measured at current exchange rates, the average American is about 10 times as wealthy as the average Chinese.

The relative affluence of US society is one reason why China will not become the world's most powerful country on the day that it becomes the largest economy. The

world's habit of looking to the US as the "sole superpower" also makes it likely that America's political dominance will outlast its economic supremacy. America has an entrenched position in global institutions. It matters that the United Nations, the IMF and the World Bank are all situated in the US – and that Nato is built around America.

The US military has a global reach and a technological sophistication that China is nowhere near matching. The US is also ahead on soft power. China, as yet, has no equivalents to Hollywood, Silicon Valley or "the American dream".

And yet, while economic and political power are not one and the same thing, the two are still closely connected. As China becomes richer, so it becomes more influential. On a recent visit to São Paulo, I heard a senior Brazilian diplomat say bluntly that distant China, as his country's largest trading partner, was now more important to Brazil than the US. The first foreign trip made by [Dilma Rousseff](#), the new Brazilian president, was to Beijing, not Washington. [Chinese trade](#) and investment has also greatly increased the country's influence across Africa and in the Middle East.

The political questions raised by its economic power will be felt most acutely in China's immediate neighbourhood. Japan, [South Korea](#) and Australia now find that their economic and strategic interests are pointing in different directions. All three countries have their most important economic relationship with China, and their most important military relationship with the US. If China throws its weight around too much – as it has shown signs of doing over the past year – Washington's Asian allies may hug Uncle Sam even more closely, for a while. But, over time, the growing economic power of China will weigh more and more heavily.

A lively debate about how to adapt to an emerging Sinosphere is under way across Asia. Kishore Mahbubani, once head of the Singaporean foreign ministry, says Asians "know that China will still be in Asia in 1,000 years' time, but we don't know whether America will still be here in 100 years' time."

The power of China – combined with anxiety about the frightening public debts being built up in the US, the EU and Japan – will challenge western ideas about the relationship between democracy and economic success. Ever since the US became the world's largest economy, towards the end of the 19th century, the most powerful economy in the world has been a democracy. But, if China remains a one-party state over the next decade, that will change. The confident western slogan that "freedom works" will come under challenge as authoritarianism becomes fashionable, once again.

At some stage, however, China itself is likely to hit a crisis. Both its economy and its political system have frightening transitions ahead. The [Chinese economy](#) cannot continue to grow at 8-10 per cent a year indefinitely. China also faces formidable demographic and environmental problems. Chinese authoritarianism is also looking increasingly anomalous in the modern world – as the Communist party's panicky reaction to the [Arab uprising](#) testifies. But the emergence of a democratic system in China would ultimately threaten the unity of the nation, as Tibetan and Uighur nationalist movements emerge.

If and when China hits an economic and political crisis, the western narrative about China will change abruptly. Some will argue that the "China miracle" of the past 30 years was a mirage. But that, too, will be wrong.

The debate about the future of China is in danger of becoming pointlessly polarised. One camp argues that China is the world's emerging superpower. The other insists that China is an intrinsically unstable country, at risk of an economic and political crisis. In fact, both ideas are true. China will be a strange superpower.