

Marketplace



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'By the 2030s China will have an economic weight two or three times that of America, its nearest rival'

China's hosting of the 2008 Olympic Games may prove to be a watershed for its international image. Of course there are many difficulties about sounding out public opinion in a nation where an authoritarian government is still dominated by a single party. But there can be no question that most of the Middle Kingdom's citizens want their country to be a central force in world affairs in the 21st century. The 2008 Olympics were a powerful expression of this intent.

Any foreign visitor to Beijing in 2008 must have been awed by the scale, modernity and ambition of China's capital. A quarter of a century ago, most people moved around the city on bicycles and lived in *hutongs*, alleyways of cramped and often dilapidated low-rise structures of great charm but a marked aversion to plumbing and wiring. Today cars speed between districts on superb motorways, while the *hutongs* have been replaced by clean and shining blocks of flats. If it were not for the difference in script on advertising hoardings, Beijing would have the look and feel of a city in Europe or North America.

This creates a puzzle. No doubt party diktat has been responsible over the past few years for a diversion of resources to an Olympics-related construction boom and Beijing's appearance is to some degree a Potemkin façade. Nevertheless, Beijing has a population of 20m people who, on the face of it, enjoy living standards similar to those in Europe and North America. Although the average living standard in Beijing is probably four times or more that in China as a whole, China must have a stupendously large national output and, consequently, an economic weight with profound geopolitical consequences.

Given that China's population is more than 1.3bn, far higher than America's of less than 300m and Germany's of 80m, the European-ness of Beijing implies that China's national output already exceeds that of any other country. Given also that China's output is expected to grow by at least 7 per cent a year for another decade or two (and that a 7-per cent growth rate doubles output in a decade), the message is that by the 2030s China will have an economic weight in the world two or three times that of its nearest rival, the USA.

All this may seem rather speculative, but experts in national income accounting are increasingly coming round to the view that China's output has either overtaken the USA's or is about to do so. In an article in the April-June 2008 issue of *World Economics*, Angus Maddison and Harry Wu said that China's gross domestic product, which in 2003 was slightly under three-quarters the size of the

USA's, is "likely to be number one before 2015". The claim must be taken seriously, as Maddison has devoted a lifetime of scholarship to studying international patterns of economic growth over the long run.

Non-specialists may be puzzled that there is no one figure for GDP, surely the ultimate deity of modern economics. In fact, cross-country comparisons of GDP are immensely complex and controversial. Literally hundreds of different techniques are valid, at least to some degree, and give conflicting answers. Less troublesome are data for exports and imports, and their message is clear. In 2007 China's exports of goods totalled \$1,217bn, just above the USA's \$1,162bn for the first time. "Made in China" may be the most common three-word phrase in the English language.

How much does the USA's actual or imminent deposition from world economic primacy matter? A crude but reasonable generalisation is that the nation which produces most goods and services for peaceful ends can also produce most weapons, field the largest army and so on. Economic weight and military strength are correlated. Further, if diplomacy is understood nowadays to be the sublimation of war by nuclear means, economic weight and geopolitical influence must also be correlated. The triumph of Anglo-American ideas and institutions in the 19th and 20th centuries, including the ability of the USA and Britain to introduce a benign international order after the Second World War, rested on these two nations' industrial leadership.

A convincing argument can be made that by the 2030s Anglo-America will be outweighed economically by China. Does that mean the postwar international order, with its multilateral institutions and its commitment to non-discrimination between nations in trade, payments and capital flows, the order inspired by English-writing authors such as Adam Smith and John Maynard Keynes, the order that continues to be orchestrated (mostly by soft power) from Washington and London, is in peril?

The answer at this stage must be "no one knows". The Beijing Olympics coincided with Russia's semi-invasion of Georgia. Contrary to much silly reporting on the BBC and elsewhere about Putin's "victory", Russia will suffer severely for its actions. Other countries will make arrangements to minimise the proportion of their energy that they buy from it, while Russia will lose any arms race with Nato. (The combined GDPs of Nato and Japan are 15 times that of Russia.) But how would the West react if the future political leadership of China were to behave with the folly and audacity of a Putin?