



Power Shifts, Economic Change and the Decline of the West?

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Abstract

It has become the new truth of the early twenty-first century that the Western world we have known is fast losing its pre-eminence to be replaced by a new international system shaped either by the so-called BRICs comprising Brazil, Russia, India and China, the ‘rest’, or more popularly by that very broadly defined geographical entity known as Asia. This at least is how many economists, historians and students of world politics are now viewing the future of the larger international system. This essay does not dispute some self-evident economic facts. Nor does it assume that the world will look the same in 50 years time as it does now. It does, however, question the idea that there is an irresistible ‘power shift’ in the making and that the West and the United States are in steep decline. Specifically, it makes a number of critical arguments concerning the new narrative. First, it suggests that this story, by reasonably focusing on what is obviously changing in the world, unfortunately ignores what is not; as a result, it underestimates what might loosely be termed the continued structural advantages still enjoyed by the United States and its major Western allies. Second, while it is true that many new states are assuming a bigger role in the world economy, their rise needs to be looked at more carefully than it has been so far; indeed, when such an examination is undertaken, it becomes increasingly clear that the rise of others – including China – is still hemmed in by several obstacles, internal as well as external. Third, though the Asian region, and China as part of it, is assuming an ever more important role in the wider world economy, this development should not be seen as marking the beginning of a new Asian Century. This now popular idea is not only conceptually problematic, it inevitably leads to an underestimation of other key areas in the world including incidentally the Transatlantic region. Finally I suggest that if the dubious idea of a power shift is taken to be true, this could very easily lead to greater international insecurity and conflict. Understanding the modern world better than many seem to be doing right now is therefore not only intellectually important; it is strategically necessary too.

Keywords

BRICs, power shift, rise of China, the Transatlantic relationship, US decline

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Introduction

Memory can often play tricks on even the most historically minded individuals, particularly those who have had to live through the last 10 turbulent years. Indeed, it is almost impossible now to recall how self-confident so many in the West were during the decade immediately following that most unpredicted of world-shattering events known generically as the 'end of the Cold War'. To be fair, some observers did sense that there was something distinctly unreal, possibly temporary, about the new post-Cold War order.¹ A few even forecast that we would all soon be missing the Cold War.² But that is not how most commentators viewed things at the time. On the contrary, having witnessed the speedy collapse of the Soviet project followed by a decade of global market expansion (otherwise known as globalization), most pundits came to believe that a successful marriage between free markets democratic enlargement and US power would guarantee order well into the next millennium.³ Certainly, the West at the time looked as if it was definitely in the ascendancy, restructuring once planned economies, opening up previously closed systems, incorporating former enemies and smashing down political and economic doors that had at one time been closed. Admittedly, it sometimes failed to act, as say in Rwanda; and very often it ignored the fact that some actors (who later made their name on 9/11) were clearly not becoming socialized into that fabled entity known as the 'international community'. But as one century gave way to another, it appeared as if the Western world from the Pacific coast of the United States to the middle of a newly united Europe could look forward to decades of self-confident prosperity and peace.

Nowhere was this mood of optimism more prevalent than in the land of the last remaining superpower. Indeed, the United States appeared to be in an especially enviable position. Some continued to wonder whether the 'unipolar moment' was really an illusion.⁴ One or two analysts even speculated about the possible limits of US power.⁵ And the occasional maverick continued to repeat the old Paul Kennedy line that the United States was in decline.⁶ However few but the most pessimistic envisaged that any other power would likely rise to balance its vast power in the future. Indeed, after having seen off the USSR, and then having experienced an 8-year economic boom of its own, America and Americans could reasonably look forward to another very American century.⁷ In fact, so buoyant was the mood by the end of the 1990s that several writers began to talk of the United States as the new Rome on the Potomac, even a modern 'empire' possessing global reach, an infinite surplus of soft power and a vast military machine to match. For some of course the United States had become the greatest power in history with one very obvious distinguishing feature: unlike its great power predecessors from the Romans to the British, this one would never decline.⁸

It is often said that before every great fall there is a period of grace. So it was perhaps with the last hubristic decade of the twentieth century. But the fall when it came was profound nonetheless – to such an extent that one American magazine was later forced to concede that the years between 2000 and 2010 had been nothing less than 'the decade from hell'.⁹ It all began with 9/11 and the strategically inept response to this by the Bush administration.¹⁰ It continued with the gradual erosion of economic certainty that finally culminated with the great geopolitical setback of the Western financial crisis.¹¹ And it went from bad to worse in some eyes when it became increasingly clear that the West

itself was facing a massive challenge from other non-Western players in the world capitalist economy. When Goldman Sachs launched the idea of the 'BRICs' comprising 'Brazil, Russia, India and China' in 2001, only economists (and not many of them) took the idea very seriously.¹² But as the years passed, and the economic data began to flow in, it began to look as if the author of the original notion, Jim O'Neill, had been brilliantly prescient.¹³ Indeed, his core idea based on careful economic study – namely, that the future economic order would be less dominated by the West than it would be by giant economies like the BRIC countries – seemed to provide irrefutable proof that the world was in the midst of a global revolution.¹⁴ The causes of this were multiple. But one thing was obvious. The axis of the international system that had for several centuries revolved around the Atlantic was moving elsewhere – either towards Asia as a region¹⁵ or more generally towards something vaguely referred to by the influential columnist, Fareed Zakaria, as the 'rest'.¹⁶ Nor was this Zakaria or O'Neill's view alone. In 2004, the then editor of *Foreign Affairs* had warned the West that there was a potentially disturbing 'power shift in the making'.¹⁷ A few years on and one of the more influential liberal writers on world politics made much the same point. It was no longer a question of whether wealth and power were moving away from the West and the North, according to John Ikenberry. That much was self-evident. The big question now, he continued, was 'what kind of global political order' would emerge as a consequence.¹⁸ The less liberal Niall Ferguson concurred. But in his view, it was not just the once 'app-laden' West that was in retreat.¹⁹ So too was his adopted country of choice. The 'hyper-power' was hyper no more.²⁰ America's best days were behind it. The empire was on the slide.²¹

Unsurprisingly, these seismic alterations generated much intense debate around the world: nowhere more so than in the West itself.²² Here, opinion veered between the deeply pessimistic – all power transitions it was assumed could only lead to intensified global conflict²³ – through to those who insisted that the new emerging economies could only add to the stock of the world's wealth by bringing more states within the fold of the world market. It was the rise of China, however, that occasioned the greatest discussion of all, and for very sound material reasons as Robert Art has observed.²⁴ In fact, almost overnight, it seemed as if everybody had something significant to say about China.²⁵ Opinion differed sharply with one or two writers claiming that China was fast becoming a responsible stakeholder in international society,²⁶ a few that its rapid economic expansion was the only thing standing between the West and a global depression, others that it constituted a real threat to US hegemony²⁷ and many more that if it continued to grow while the West lurched from low growth to no growth at all, it might soon be running Asia,²⁸ or possibly even the world.²⁹ But however one assessed China, one thing looked startlingly obvious. This 'restless empire'³⁰ had at last been aroused from its slumber following a relatively uneventful decade (one writer in 1999 even suggested that we should not be taking China too seriously)³¹ and was now set to take its seat at the top of the world's table. A gravity shift was taking place³² – or so it was argued – and whether or not one viewed China's economic rise as a foregone conclusion,³³ a necessary corrective to its nineteenth century period of humiliation,³⁴ worried about its impact on the global economic and political order,³⁵ or assumed that its rise was bound to lead to increased 'intense security competition',³⁶ one thing was certain: the international

system was undergoing what even Western governments now believed was a transformation that would alter the world forever.³⁷

In what follows, I want to address the issues raised by what many are now assuming to be irreversible changes in the world order. I do so not by asking what all this means, if anything, for international relations (IR) theory (this has been done elsewhere)³⁸ but rather by wondering whether the now popular argument that we have moved into a 'post-Western world' is in fact true.³⁹ Clearly, I do not dispute some self-evident economic facts.⁴⁰ However, as Carr noted many years ago, the facts do not always speak for themselves, and even if some seem to think they do, they can still be arranged in a certain way to paint a less than complete picture of the modern world.

I make several arguments in what follows. One is that this modern story, exciting and interesting though it is, tends to focus almost entirely on what is rapidly changing but says little about what is not – and what is changing much less than some are now suggesting is America's position in the world.⁴¹ There has also been a confusion about terms. Nobody serious would want to deny that there have been measurable changes in the shape of the world economy over the past few years. However, too many writers have either assumed that a shift in economic gravity is the same thing as a power shift (it is not),⁴² or that as these economic changes continue, they will either lead to a transfer of power from one hegemon to another (this is questionable)⁴³ or to the creation of something now regularly (and dubiously) referred to as a new 'Asian Century'.⁴⁴ As I will seek to show, these assertions contain serious analytical flaws. Equally flawed, I would insist, is the idea that we can make bold predictions about where the world will be in the future. As we can all attest getting the future right has in the past proven to be a fool's errand.⁴⁵ This, I would want to argue, has important lessons for those now confidently predicting a major power shift over the coming decades.⁴⁶ The 'rest' may now be growing fast, while the United States and the European Union (EU) languish. However, as more sober analysts have pointed out, the crisis in the West may not last forever, while the many problems facing some of the rest – including India⁴⁷ and China⁴⁸ – could derail their apparently irresistible rise up the economic league table. Nothing of course endures forever. And a new world might indeed be in the making. But it might not be the one now being talked about so feverishly around the world today.

American economic decline?

As we have already suggested, a large part of the case in favour of the notion that a 'power shift' is underway rests on the assumption that the leading Western player – the United States of America – faces an irresistible economic decline that will, if it continues, either allow others to take advantage of its weakness or reduce its ability to lead. Certainly, many ordinary Americans, and those who comment on the United States today, believe this to be the case.⁴⁹ Of course, the story can be, and has been, told in very different ways. For some, the process is likely to be slow and can be managed rather easily, 'politely' even.⁵⁰ For others, it is bound to have enormous consequences, not only for the conduct of US foreign policy but also for the world at large. Indeed if one accepts the theory of hegemonic stability (and believes that the hegemon is now in decline), then

the future of the world looks highly problematic.⁵¹ Either way, with its share of world trade falling, its debt increasing, its economy in slowdown since 2008 and its dependency on foreign purchasers of its debt on the rise, it looks to many analysts at least as if the United States will either 'need to retrench'⁵² or, more problematically, pass on the baton to other more capable powers.⁵³

The debate about US economic decline is hardly a new one.⁵⁴ In fact ever since the late 1960s, one pundit after another has been forecasting dire things for the United States on the grounds that it was becoming, as one writer put it in 1977, a very ordinary country.⁵⁵ A decade later, Paul Kennedy made much the same point,⁵⁶ as did Immanuel Wallerstein in 2002,⁵⁷ and then David Calleo a few years later.⁵⁸ Indeed, there has hardly been a point in time since the late 1960s – with the possible exception of the 'unipolar moment' in the 1990s (and not even then) – when there has not been speculation about America's economic future. But this time, we are reassured, the decline is for 'real'. With an education system no longer fit for purpose, a middle class in retreat, and a political system in gridlock, the United States, according to one recent study (written by a British journalist), is in free fall with little time left to recover.⁵⁹

There can of course be no doubting America's many economic problems. Nor should there be any doubt either that America's share of world gross domestic product (GDP) is much less today than it was, say, 25 years ago, let alone at the end of the World War II when it was the only serious player in the world capitalist system.⁶⁰ But this is hardly the same thing as suggesting that the United States is in irreversible economic decline – now a common view – or that China has now overtaken it – an equally popular view. Even on the simplest of GDP measures, the United States is still well ahead of China. Thus, whereas China with a population of around 20 per cent of the world's total generates something between one-seventh and one-tenth of global GDP, the United States with only 6 per cent of the world's population still manages to produce between 20 and 25 per cent. Indeed, by a simple GDP measurement, the US economy remains more powerful than the next four biggest economies combined: that is to say China, Japan, Germany and the United Kingdom. Comparisons between average living standards around the world reveal an even greater gap, especially when the comparison is made with the BRIC countries. Clearly, life is improving for millions of people in these countries with poverty falling, and a new middle class being created. Still, in each of the BRICs (India and Brazil most obviously), there are still vast pools of poverty. Furthermore, in terms of living standards, the United States continues to be ahead by a long way with an overall average 4 times higher than that of Brazil, 6 times higher than that in China and as much as 15 times higher than in India.⁶¹

Now, none of this would come as any great surprise to a developmental economist. Oddly though it would come as something of a shock to the American public who by 2012 had come to the somewhat bizarre conclusion that the United States had been economically overtaken by China and would, presumably, fall further and further behind its great economic rival on the other side of the Pacific.⁶² Indeed, the gap between perception on the one hand, and the facts on the ground on the other, was cleverly illustrated in a recent study. In this, the author challenged the 'declinists' not by comparing the United States with other national economies, but by comparing other national economies with specific states within the Union. The results were telling. To take one example: California.

In GDP terms, it alone remains slightly more wealthy than Brazil and Russia, respectively, and almost twice as wealthy as both Turkey and Indonesia (two economies now discussed in increasingly glowing terms). The Texan economy meanwhile is nearly as big as Russia's and just slightly smaller than India's. This hardly sounds like an economy on the wane.⁶³

If the United States is hardly the declining economic superpower portrayed in much of the literature today, it also continues to be able to do things that others can only dream of. In part, this is a function of its size; in part, a function of geographical luck (the United States possesses enormous quantities of oil, gas, coal and food) and in part, a function of its embedded position in the world economic system. As Carla Norloff has recently shown, despite a gradual economic decline since the end of the World War II, the United States still possesses critical features that give it what she calls 'positional advantages' over all other states. She even challenges the now fashionable view that America's hegemonic burdens are outweighing the benefits. She suggests otherwise: Washington actually reaps more than it pays out in the provision of public goods.⁶⁴ The United States also has one other, very special, advantage: the dollar. As Doug Stokes has convincingly argued, this particular form of 'financial power affords the United States a broad range of privileges', a by-product, in the last analysis, 'of others willingness to purchase, hold and use the dollar'. They do this of course not because they especially love Americans, but in order to hold up an economic system upon whose health their own prosperity continues to depend. Furthermore, as Stokes goes on to argue, even the financial crisis has not weakened the position of the United States anywhere near as much some have assumed. Indeed, in a world where uncertainty reigns (most obviously in the EU), 'money' in its purest form has fled to safety, and nowhere is regarded as being as safe as the United States. To this extent, the financial crisis, ironically, has only affirmed US financial power rather than weakened it.⁶⁵

We also have to judge economic power not only in terms of the size of an economy but also by the qualitative criteria of 'competitiveness'. Economies like China, India and Brazil are undoubtedly large and will no doubt get larger over time. But this does not necessarily make them competitive in relationship to most Western countries or the United States. In a 2011 survey, in fact, the United States came fourth in the world in a group of 15 countries. Moreover, 11 within the 15 were definably Western, while the other 4 included Japan, Taiwan, Hong Kong and Singapore – countries all closely tied to the West and to the United States. As for the BRICs, they came well down the list. Thus, China came in at 27, India at 51, Brazil at 58 and Russia at 63.⁶⁶ Other studies have arrived at not dissimilar conclusions concerning the qualitative gap that continues to exist between a number of the 'rising' economies and many of the more established ones, the United States, in particular. In terms of cutting-edge research in science and technology, for example, the United States continues to hold a clear lead. Indeed in 2008, the United States accounted for 40 per cent of total world research and development (R&D) spending and 38 per cent of patented new technology inventions. More significantly, scientific research produced in the United States accounted for 49 per cent of total world citations and 63 per cent of the most highly cited articles. The United States also continued to employ around 70 of the world's Nobel Prize winners and could lay claim to two-thirds of its most cited individual researchers in science and technology.⁶⁷

Innovation is also an American strength.⁶⁸ Other countries are clearly beginning to catch up. The United States, however, is still a country that continues to innovate across the board. Critics would no doubt point to the fact that the United States is slipping down the league table. However, it still ranks fourth in the world. China meanwhile only came in at 54th in 2009, India at 56th and Brazil and Russia even further behind. Of course, this does not take account of change over the longer term, or of the fact that a country like China is making a concerted effort to build a more innovative economy.⁶⁹ But as even the Chinese would accept, it still has very long way to go. Indeed, in spite of official efforts to encourage what is termed in China a ‘capacity for independent innovation’, there remain several weaknesses in the Chinese political economy. Among the most significant, it has been noted, are ‘poor enforcement of intellectual property rights, an educational system that emphasizes rote learning over critical thinking, and a shortage of independent organizations that can evaluate scientific progress’.⁷⁰ There is also wider political restraint as well. Innovation usually requires open debate, a capacity to challenge established truths and incentives to think the unthinkable; and none of these, to be blunt, are much in evidence in modern China today.⁷¹

Finally, in terms of global economic power, the United States is still well ahead in one other vital respect: corporate strength.⁷² Some of the emerging economies are beginning to catch up, and some of America’s closest allies in Europe and Asia run it a good second.⁷³ But the United States clearly remains in ‘poll position’ with American companies in 2011 constituting 4 of the top 10 corporations in the world, 14 of the top 30 and 25 of the top 50. Western companies more generally still outperform all others, with the United States and the EU together representing 6 out of the top 10 global corporations, 22 out of the top 30 and 37 out of the top 50. Some of the BRIC economies do have some very large companies with China, unsurprisingly, leading the way with 4 out of the top 10, 8 out of the top 50 and 61 out of the top 500, a remarkable achievement for a country that only 25 years ago was virtually irrelevant in the world economy.⁷⁴ Still, as a recent Brookings study has shown, it does not follow that these companies are internationally active or should even be regarded as ‘multinationals’ in the true sense of that word. Indeed, 49 of the top 57 mainland companies in China remain under state control; and with a very few exceptions, the overwhelming majority all operate predominantly within the country – and for several good reasons including a shortage of managers with the necessary linguistic skills and experience of working abroad, a lack of transparency, poor global brand presence, and a very real difficulty in adapting easily to foreign legal, tax and political environments.⁷⁵

Hard power–soft power

If the United States retains some very formidable economic assets, the same can just as easily be said about its still very powerful position within the larger international system. This is no longer a fashionable view to defend of course. Indeed, a combination of an ill-judged war in Iraq, the use of torture in the ‘war on terror’, the near meltdown of the American financial system in 2008, and the slow recovery of the American economy since, has led many to question America’s capacity either to lead others or garner support for its policies abroad. Buzan has probably theorized this best. America’s claim to

represent the liberal future, he argued back in 2008, was 'blighted'. The American model no longer inspired admiration, he insisted. The number of states that wanted to follow it was fast declining. More generally, he continued, hegemony had become increasingly 'illegitimate' in international society. As a result, America's position in the world was becoming more and more 'fragile'.⁷⁶

Obviously, there is something to this, which is one of the reasons why this kind of argument has proved so popular among those who now hold to the view that we are now in the midst of a 'power shift'. But one of the problems with it, clearly, is that it seriously understates how much hard power the United States can still mobilize, even after the very limited cuts proposed by President Obama.⁷⁷ It might be intellectually fashionable to argue that military power is becoming less and less salient in an age of asymmetric war where the weak can do a great deal of damage to the strong. However, the very fact that the United States is able to mobilize the military manpower it can (currently it has more men and women under arms than it had on the eve of 9/11),⁷⁸ can project power to every corner of the earth, is still the main provider of security in Asia and Europe and spends as much as it still does on 'defence' – about 45 per cent of the world's total – suggests that the country has a very long way to go before one can talk about it becoming less of a super-power. The military power of other states moreover does not compare, even China's with its huge standing army (which has not fought a war since the disastrous invasion of Vietnam in 1979)⁷⁹ and its increasingly large blue water navy that now includes one aircraft carrier.⁸⁰ Indeed, when its first aircraft carrier was finally given its first sea trials in 2011, the alarm bells went up in the region.⁸¹ However, China's one aircraft carrier hardly compares with America's 11 carrier groups. Nor has the ongoing modernization of China's military brought it anywhere close to US levels. Indeed the most recent figures show that the United States not only expends five times more on national security than China. Taken together, its many allies in the region (including among others Japan, South Korea, India and Australia) also spend more on their military forces than China, and do so by a significant margin – nearly US\$200bn compared to China's \$115bn.⁸²

This in turn should alert us to yet another aspect of America's impressive position in the world: its formidably wide alliance system. Buzan may be right. There might be fewer states willing to 'follow' the United States in ways that they did during the Cold War. There are also a few 'problem' countries like Pakistan, Turkey and Egypt that have increasingly difficult relations with Washington. Nonetheless, even those who have doubts about American leadership skills, still find that they have no alternative but to ally themselves with it. This is obviously true of the Europeans who can see no other security guarantor than the United States. But it is also true of key states in Latin America, Africa and Asia. If anything, it has become even more true in Asia; in fact, as China has risen, most Asian countries (including communist-led Vietnam) have demanded more, and not less, of an American presence in the region. China as a result now finds itself in the paradoxical position of having greater economic influence in Asia but fewer friends.⁸³ To this degree, its growing economic power has not translated into it having more political influence as well.⁸⁴ Nor have its heavy-handed policies in Asia helped. On the contrary, by laying claim to the South China Seas⁸⁵ and remaining silent about the aggressive behaviour of its single ally North Korea, it has actually made America's position stronger rather than weaker.⁸⁶ Indeed, precisely because China does not 'inspire confidence', it

has been possible for the United States to be viewed by most countries in the region as that well-known 'indispensable nation' upon whose continued presence their own safety ultimately depends.⁸⁷

America's continued presence in Asia raises a wider question about whether 'power' in the broader sense is in fact tilting away from the West as is now so often claimed. China may well be the new engine pulling along the world economy. Its economic role in Africa, Brazil and Australia may have become crucially important. And its new middle class may be buying more and more of the high-end products that the West is only too happy to sell it. Yet, thus far, China has been much less than successful in winning friends and building relations of trust with other countries. It might be an exaggeration to say that China 'is generally held in suspicion' around the world.⁸⁸ But China does confront some serious difficulties when interacting with others. In part, the problem is cultural. This is still a country after all that for all its new openness continues to harbour a suspicion of 'foreigners'. The overwhelming majority of its people moreover are deeply insular in outlook and have little experience, and hardly any understanding, of the world outside of Chinese borders.⁸⁹ This is even true of many of its senior policy-makers, the bulk of whom travel abroad infrequently, do not speak foreign languages with any degree of fluency and who have been brought up politically in the hidden world of the Chinese Communist Party. There is also a larger ideological and political issue. China might be a trading superpower. But it has no vision and no sense of what it might take to become a serious superpower in a leadership position with all the responsibilities and dangers that would entail. If anything, China is extraordinarily ill-equipped to lead with its defensive, almost suspicious view of the world, and its constant reiteration of the old Westphalian mantra that states should keep their noses out of other people's business. Nor is there much sign that it is keen to do so. In this, of course, the Chinese themselves have been perfectly candid. Our foreign policy goal, they repeat, is to create an international environment that will permit us to focus on domestic affairs and economic growth at home; and anything disturbing that derails us from this very long-term task stretching over several decades should be avoided at all costs.⁹⁰ It is not even certain that China even regards itself as a model for others to follow. Indeed, how could it do so in a world where democracy – however imperfect – has become the political norm? People abroad may admire China for what it has achieved; a few may even hope that its rise will lead to a degree of balance in the international system. But when it imprisons dissident artists, repeatedly attacks the much admired Dalai Lama and then seeks to punish another sovereign state for an entirely independent committee awarding a peace prize to one of its citizens, this is hardly likely to win it converts in the wider world.⁹¹

If China has a real problem in projecting a positive and confident picture of itself or of the world it would like to build, the same can hardly be said of the United States.⁹² The US may have lost good deal of standing in the world because of the Iraq War; meanwhile the West has clearly suffered a setback because of the economic crisis. However, the first was partially vitiated by the election of Obama in 2008, and the second has not led to anybody serious proposing an alternative. Moreover, the 'West' for all its faults – growing inequality, ethical standards in decline and all the rest – still looks a more attractive proposition than anything else on offer. As a recent study has shown, 'soft power' is almost entirely the preserve of Western, or more precisely democratic, countries with the

United States still leading a league table that includes most West European countries as well as two countries from Asia – Japan and South Korea. China on the other hand comes in 20th, just ahead of Brazil at 21st, followed by India at 27th and Russia 28th out of a total of 30 countries assessed.⁹³

There are several reasons why the West continues to score well in terms of soft power, the most obvious being that Western countries have a pluralist political culture where having dissident views, will not, by and large, end up with one spending a rather long term in prison or worse. But another reason – clearly connected – has to do with its open system of higher education. Here, even the much-maligned United States continues to have great magnetic pull, nowhere more so than in China itself, judging by the enormous number of Chinese students who every year seek a place in US institutions of higher learning. Many of them may in the end return to China. However, they clearly believe that getting an education in a US college will improve their job prospects in an increasingly tough Chinese job market.⁹⁴ Nor is this temporary ‘brain drain’ a mere accident of history. Indeed, one of the more obvious signs of continued Western and American strength is its university sector.⁹⁵ Other countries and continents obviously have universities. But very few of them rank especially high in international terms.⁹⁶ The BRIC countries in particular seem to face almost insuperable difficulties in raising standards. Brazil and India for example have no universities in the top 100, Russia only one and China a mere five – three of these being in Hong Kong. The United States, in 2011, meanwhile remained home to 8 of the top 10 ranked universities in the world, 37 of the top 50 and 58 of the top 100. Even the United Kingdom does well, having 17 ranked universities compared to a total of 13 in the whole of Asia.⁹⁷

If standards in higher education are still being set in the West, the same can also be said about the rules and associated institutions that govern the international system more generally. Admittedly, many of the most important institutions in the world today are not functioning as well as they might and, over time, changes in the international economy will have to be reflected in the way the world is managed. The fact remains, however, that nearly all the key rules governing the global economy, and most of those dealing with critically important issues such as nuclear non-proliferation, trade liberalization, women’s rights and the protection of intellectual property rights, have been laid down by, and are still more likely to be upheld by, countries in the West.⁹⁸ Furthermore, while many of the emerging economies might have many entirely legitimate complaints about how the West has behaved in the past and how the United States still behaves now, none of them have either the desire or the capability of really challenging the West in any meaningful way. This in large part has much to do with their still very high dependency on western markets and western Foreign Direct Investment. But more importantly, it is because they realize that their own success over the past 25 years has been in some part determined by adopting broadly Western economic rules. This is not to play down their own contribution to their own success. Nor should we assume that countries like China and India have adopted a pure Western model. They have not. Nonetheless, their much heralded rise only began in earnest when they abandoned one, rather self-sufficient way of doing economics, and started the long journey towards a global economy that was western in design and market-oriented in fundamentals.

A new Asian Century?

If, as I have suggested, the West has far more global influence than many writers of late have suggested, how, then, do we explain what now seems self-evident to many analysts: that we are moving into a new Asian Century in which the West as traditionally understood will have far less wealth and altogether less power?⁹⁹ Is this merely a matter of ignorance, wishful thinking or simply a misunderstanding? Or is it in fact true as writers like Paul Kennedy have insisted¹⁰⁰ and the American public now seem to believe? Indeed, according to at least one opinion poll, the majority of Americans now view Asia as being of much greater importance than Europe.¹⁰¹ This too would seem to be the view of many US policy-makers – the Obama administration in particular, which without ignoring Europe altogether has shown a much greater degree of activism and interest in Asia than probably any other part of the world.

On a number of issues concerning modern Asia, there can be no serious disagreement. Its weight in the world economy has clearly got bigger. It can boast two of the BRICs – China and India. It presents major investment opportunities. And it is home to an increasingly significant regional organization in the shape of Association of Southeast Asian Nations (ASEAN). Asia's rapid growth over the last two decades has also been accompanied by a dramatic reduction in poverty. In East Asia and the Pacific region alone, the percentage of the population now living on less than US\$1.25 per day has dropped from 55 per cent in 1990 to only 17 per cent in 2006. China alone has taken nearly 200 million people out of poverty over the last 25 years.¹⁰²

These achievements are all real enough. Moreover, when set alongside the miserable economic situation currently pertaining in many parts of Europe, they look almost miraculous. But one should beware hyperbole, especially when it comes to announcing an 'Asian Century' that has not yet arrived. Asia's weight in the world has certainly risen; but by much less than is commonly assumed. Indeed, a closer look at the figures indicates that the shift in economic power from West to East can be overstated. In 1995, for instance, Asia's total share of world GDP (in nominal terms at market exchange rates) was already 29 per cent. Fifteen years later, it was no higher. As for the now widely accepted view that Asian producers were fast acquiring an ever-larger slice of global exports, the figures indicate that the region as a whole could lay claim to 28 per cent of the total in 1995, but only 31 per cent by in 2009, a rise of only 3 per cent over 15 years. Nor do these base figures take account of other significant indicators, many of which point to important flaws in the Asian economies. The quality of Chinese products, for example, does not match world standards. And in crucial cutting-edge areas such as hardware and software technologies, the United States still dominates.¹⁰³ In short, Asia still has long way to go before it will catch up with the West – a West by the way, whose combined output is still double that of the East.¹⁰⁴

If we are nowhere near arriving at a so-called Asian Century, one of the other reasons for this is that the entity we call Asia hardly exists as a collective actor. As many observers have pointed out, one of the most remarkable features of Asian political landscape is how fragmented it happens to be. Thus, many in Asia, China in particular, harbour deep resentments towards Japan. Japan in turn bitterly resents China's rise. And India has problems with nearly all of its Asian neighbours, China especially. Most Asian nations

also have a very powerful sense of post-colonial identity. This not only fosters quite a degree of suspicion of each other, but also weakens any sense of common purpose.

Finally, before we can talk of a new Asian Century, we should remind ourselves that there are other parts of the world where relations between states are a good deal more settled and amicable – most notably between those countries making up the Transatlantic relationship. Asia may be rising and the BRICs emerging. However, one should not underestimate the many strengths possessed by the key states constituting the wider Transatlantic space. Even in the midst of the crisis, the United States and the EU still account for well over half of World GDP in terms of value and 40 percent in terms of purchasing power.¹⁰⁵ The most important international banks are also to be found in Europe and the United States. Europe and the United States moreover play host to nearly all of its major business schools; and in areas such as oil exploration, aviation and chemicals, they still lead the way. The two together are also the world's most important source of Foreign Direct Investment, and by far and away, the world's most important markets too. They also invest in each other's future in vast amounts. Indeed, in 2010, the United States invested far more in Europe than it was ever likely to do in Asia or China – three times more to be precise. Meanwhile, the EU had invested eight times more in the United States than it had in the whole of Asia. Americans today may not view Europe as being terribly exciting. And no doubt Europeans will continue to worry as to their current status in a Washington fixated on nearly everything else except the EU. But that does not make the economic relationship any the less significant. As one writer has put it, for all the hype about the emergence of new economic powers and talk of Asia's rise, 'the transatlantic economic inter-regional link remains easily the largest ... in the world'. The author might also have added that without this continued link and the prosperity it has engendered, the 'rest' might never have emerged in the first place.¹⁰⁶

Conclusion

I have made a strong claim in this article. This challenges the notion that we are in the midst of some larger power shift. This, in my view, not only misunderstands the complex notion of what constitutes 'power', it is empirically dubious too. As I have tried to show here, the United States still has a great deal of power, much more than any other country in the world, now and for the foreseeable future. China meanwhile confronts several basic problems at home and abroad (as indeed do the other members of the so-called BRIC family). And the idea that we are moving ineluctably into what some have termed an 'Asian Century' is unsustainable. In making this case, I am not implying that the world is an entirely static place. Nor am I making a plea for the status quo. Rather, I have tried to go behind the headlines and to call things by their right name. Not only is this important for purely intellectual reasons: in my view, it is strategically important too. After all, if a country like China really does come to believe that one day it really will be ruling the world, and Americans see no alternative but to combat this in whatever way they see necessary, this could very easily lead to an increased, and in my view, a quite unnecessary escalation of tension between these two very powerful states.

I draw two other very important conclusions from the foregoing analysis. The first concerns the lessons we should be drawing from the past. Here, the Cold War looms large in my thinking. I am not naïve enough to think that it would have been easy to have avoided some form of competition between the United States and the USSR after World War II. But there is little doubt either that Western worst case thinking based on exaggerated fears of a rising Soviet Union did make the conflict far more intense and long lasting than it might have been otherwise. In the same way, though in a very different context involving a very different kind of state, there is a very real danger today that if the policy-makers and analysts begin to talk up Chinese strengths without recognizing its very real limits, they could easily end up creating yet another security dilemma.¹⁰⁷

This brings me in turn to the future. As I earlier suggested, too much of what has become the new mantra predicting an almost inevitable revolution in world politics, with one part of world declining and another rising, is based on the altogether questionable notion that we can easily know what the world and the world economy is going to look like in 5, 10, 15 or nearly 50 years time. We need to be a bit more circumspect. After all, only a few years before the end of the Cold War, it was predicted that the USSR would remain the same – and it did not. It was then predicted that Japan would become ‘number one’ in the world – and its financial system collapsed. And in 2005, the then head of the Federal Reserve in the United States told policy-makers in the United States that the market could never fail – and it did, rather dramatically only 3 years later. The conclusion to be drawn is obvious: why should we be any more confident today when economists and pundits tell us that the rise of the BRICs is a foregone conclusion and that it is only matter of time before China (like Japan before it) becomes number one?

Finally, I want to make a plea here for a far more subtle theory of the modern international system. Too many writers over the past few years have talked of the world as if it were like a series of billiard balls banging up against each other in some zero-like contest in which states and regions in one part of the world rise, while others in other parts of the world fall. This might make perfect sense to some realists.¹⁰⁸ However, it ignores just about everything else, including the fairly self-evident fact that the modern international economy is now so interdependent that even if we accepted the perfectly reasonable idea that certain states can make relative gains here at the expense of other states there, in the end, most states – including most obviously the United States and China – have become entirely dependent on each other for their prosperity and security. To this degree, we no longer live in a world composed of clearly specified friends and well-defined enemies, but rather in one where partnership has become a necessity. Once upon a time, this way of looking at the world was branded by its critics as liberal idealism. In the twenty-first century, it has, in my view, become the highest form of realism.

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decline of the West and the rise of the rest: myths of power shifts and economists'. I would like to thank Ken Booth for inviting me to give the lecture and to develop my thoughts above.

Notes

- 1 Michael Cox, Ken Booth and Tim Dunne (eds.), *The Interregnum: Controversies in World Politics* (Cambridge: Cambridge University Press, 1999).
- 2 John Mearsheimer, 'Why We Will Soon Miss the Cold War', *Atlantic Monthly*, August 1990. pp.35-50.
- 3 I discussed this vision of the post-Cold War world many years ago in Michael Cox, *US Foreign Policy after the Cold War: Superpower Without a Mission?* (London: Chatham House, Pinter Press, 1995).
- 4 Christopher Layne challenged what he termed the illusion of unipolarity as early as 1993 in an article published in *International Security* ('The Unipolar Illusion: Why New Great Powers will Arise') and returned to the same theme over 10 years later in his 'The Unipolar Illusion Revisited', *International Security*, 32(2), Fall 2006, pp. 7–41.
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- 6 Donald W. White, *The American Century: The Rise and Decline of the United States as a World Power* (New Haven, CT: Yale University Press, 1999).
- 7 Bruce Cummings, 'Still the American Century', *Review of International Studies*, 25(5), 1999.
- 8 I tried to capture this turn-of-the-century mood in the United States in Michael Cox, 'Whatever Happened to American Decline? International Relations and the New United States Hegemony' *New Political Economy*, 6(3), 2001, pp. 311–40.
- 9 See the front cover of *Time* magazine, 7 December 2009. The article inside was unambiguously clear about 'the first 10 years of this century ... They will very likely go down as the most dispiriting and disillusioning decade Americans have lived through in the post-World War II era'. Available at: <http://www.time.com/time/magazine/article/0,9171,1942973,00.html#ixzz23JZV3iuO>
- 10 On 9/11 and its impact see Ken Booth and Tim Dunne (eds.), *Worlds in Collision: Terror and the Future of Global Order* (Basingstoke: Palgrave Macmillan, 2002).
- 11 Roger C. Altman, 'The Great Crash, 2008: A Geopolitical Setback for the West', *Foreign Affairs*, 2009, pp. 2–14.
- 12 See Jim O'Neill, *Building Better Global Economic BRICs*. Global Economics Paper No. 66 (Goldman Sachs, 30 November 2001).
- 13 See 'Goldman Sachs Jim O'Neill Reflects 10 Years after Coining BRIC', 27 November 2011. Available at: http://articles.businessinsider.com/2011-11-27/markets/30446417_1_bric-countries-india-and-china-gdp
- 14 Danny Quah summed this view up most succinctly: 'As late as 1980' he noted, 'North America and Western Europe produced more than two-thirds of this planet's income. Not unexpectedly then, the world economic center of gravity 30 years ago was a point deep in the middle of the Atlantic Ocean, 900 miles west of Morocco. By 2008, however, because of the continuing rise of India, China and the rest of East Asia, that center of gravity had shifted to a point just outside Izmir Turkey, east of Helsinki and Bucharest – a drift of 3000 miles, or about three quarters of the Earth's radius. My projection has it that this move east will continue until 2050 when the world economic center of gravity will cluster on the border between India and China, 400 miles east of Katmandu'. See his analysis, 'World's Center of Economic Gravity Shifts East', in *CNN World* April 2011. Available at: <http://globalpublicsquare.blogs.cnn.com/tag/danny-quah/>

- 15 Kishore Mahbubani, *The New Asian Hemisphere: The Irresistible Power Shift to The East* (New York: Public Affairs, 2008).
- 16 Fareed Zakaria, *Post-American World* (New York: W.W. Norton, 2008).
- 17 James Hoge, 'A Global Power Shift in the Making: Is the United States Ready?' *Foreign Affairs*, 83(4), 2004, pp. 2–7.
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- 19 Niall Ferguson, *Civilization: The West and the Rest* (London: Penguin/Allen Lane, 2011).
- 20 On the emerging US decline debate see Michael Cox, 'Is the United States in Decline – Again?' *International Affairs*, 83(4), 2007, pp. 643–53.
- 21 'The illusion of American hyperpuissance' wrote Niall Ferguson in 2010 'was shattered not once but twice in the past decade. Nemesis came first in the backstreets of Sadr City and the valleys of Helmand, which revealed not only the limits of American military might but also, more importantly, the naivety of neoconservative visions of a democratic wave in the greater Middle East. And it struck a second time with the escalation of the sub-prime crisis of 2007 into the credit crunch of 2008 and finally the "great recession" of 2009. After the bankruptcy of Lehman Brothers, the sham verities of the "Washington Consensus" and the "Great Moderation" were consigned forever to oblivion'. See his 'China's Century? Niall Ferguson says yes', *The Peking Duck*, 1 January 2010.
- 22 Paul Kennedy even invoked Lenin to make his point about the rapid change taking place in the international system. 'The beauty about Lenin's approach' he noted 'is that he does not get himself embroiled in debates about some cultures and civilisations being superior to others, or Protestantism and capitalism, or relative resistance to disease, or democracy versus autocracy, or any of the other long-winded stuff, to explain the relative rise and decline of particular economies and their influence in the world. He simply points out – as any natural scientist observing a run of data would – that if the record shows one country's productivity and economy growing faster than others, then there will be a steady shift in the balances of power towards it. The antecedent causes are mere intellectualism. It is what is happening that counts. And this it seems to me is the only sensible way we can discuss the most significant political phenomenon of our new century: the relative rise of Asia, perhaps China especially, and its natural concomitant, the relative decline of the west as a whole and more particularly of both of its two greatest components, Europe and the US'. Paul Kennedy, 'Rise and Fall', *World Today*, August–September 2010, pp. 6–9.
- 23 A.F. Organski, *World Politics* (New York: Knopf, 1958) for the classic statement on power transitions in history and why all power transitions are bound to lead to intensified competition, heightened insecurity and possibly war.
- 24 By 2010, China held 11.5 per cent of all outstanding US Treasury securities valued at US\$895 billion, accounted for nearly 12 per cent of all world trade and had become the world's largest producer of clothing (60% of the total), shoes (66%), toys (80%) and cars (13.8 million). It also consumed more imported coal and raw materials than any other state, it had already become the key economic player in its own region and was fast becoming a major one in Australia, Latin America and Africa. Figures from Robert J. Art, *Political Science Quarterly*, 2011.
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- 28 Aaron Friedberg, *A Contest for Supremacy: China, America and the Struggle for the Mastery of Asia* (New York: W.W. Norton, 2011).
- 29 Martin Jacques, *When China Rules the World: The Rise of the Middle Kingdom and the End of the Western World* (London: Penguin/Allen Lane, 2009; 2nd edition 2012).
- 30 Odd Arne Westad, *Restless Empire: China and the World* (London: The Bodley Head, 2012).
- 31 Gerald Segal, 'Does China Matter?' *Foreign Affairs*, September–October 1999.
- 32 Wendy Dobson, *Gravity Shift: How Asia's New Economic Powerhouses Will Shape the 21st Century* (Toronto, ON, Canada: University of Toronto Press, 2009).
- 33 Dominic Wilson and Roopa Purushothaman, *Dreaming with the BRICs: The Path to 2050*. Global Economics Paper No. 99 (1 October 2003).
- 34 As did the 'muse of the Asian century' Kishore Mahbubani in his *The New Asian Hemisphere: The Irresistible Shift of Global Power to the East* (Public Affairs, 2008).
- 35 John Plender, 'Great Dangers Attend the Rise and Fall of Great Powers', *Financial Times*, 21–22 August 2010.
- 36 John Mearsheimer, 'China's Challenge to US Power in Asia', *The Chinese Journal of International Politics*, 3, 2010, p. 396.
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- 38 See, for example, Avery Goldstein, 'Power Transitions, Institutions, China's Rise in East Asia', *Journal of Strategic Studies*, 30(4–5), August 2007, pp. 639–82; Renee Jeffery, 'Evaluating the "China Threat": Power Transitions Theory, The Successor-State Image and the Dangers of Historical Analogies', *Australian Journal of International Affairs*, 63(2), June 2009, pp. 309–24 and Barry Buzan, 'China in International Society: Is "Peaceful Rise" Possible?' *The Chinese Journal of International Politics*, 3, 2010, pp. 5–36.
- 39 See, Simon Serfaty, 'Moving into a Post-Western World', *The Washington Quarterly*, 34(2), Spring 2011, pp. 7–23.
- 40 For an excellent guide to the economic shifts in the world economy, see Danny Quah 'The Global Economy's Shifting Centre of Gravity', *Global Policy*, 3(1), January 2011, pp. 3–9.
- 41 Susan Strange successfully demonstrated that problems facing the United States in the 1970s and early 1980s did not, in of themselves, undermine its 'structural power'. See, 'The Persistent Myth of Lost Hegemony', *International Organization*, 41(4), Autumn 1987, pp. 551–73.
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- 44 In 2012, the Australian government entitled its future White Paper on Australia's foreign policy: 'Australia in an Asian Century'. Available at: <http://asiancentury.dpmc.gov.au/>

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- 48 For a wide-ranging survey of China's many problems and flaws that challenge the 'China-as-a-superpower in the making' literature, see Jonathan Fenby, *Tiger Head: Snake Tail* (New York: Simon & Schuster, 2011).
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- 52 Christopher Layne, 'The Global Power Shift from West to East', *The National Interest*, 119, May–June 2012, p. 22.
- 53 See Jeffrey Sachs, 'America has Passed on the Baton', *Financial Times*, 30 September 2009.
- 54 See my discussion of this in Cox, 'Whatever Happened to American Decline?', pp. 311–40.
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- 57 Immanuel Wallerstein, *Decline of American Power: The US in a Chaotic World* (New York: New Press, 2003).
- 58 David Calleo, *Follies of Power: America's Unipolar Fantasy* (New York: Cambridge University Press, 2009).
- 59 Edward Luce, *Time to Start Thinking: America in the Age of Descent* (New York: Atlantic Monthly Press, 2012).
- 60 See Donald W. White, 'The Nature of World Power in American History', *Diplomatic History*, 11(3), July 1987, pp. 181–202.
- 61 Figures compiled from the International Monetary Fund (IMF) and The Central Intelligence Agency (CIA) World Factbooks for the relevant years.
- 62 For a guide to the current state of American public opinion, see Pew Research Centre. Pew Global Attitudes Project. Released 13 June 2012. This revealed that most people in the world in 2012 – including a majority of Americans – believed that China had become the world's top economy. Moreover, whereas in 2008 – before the onset of the global financial crisis – a median of 45 per cent named the United States as the world's leading economic power (while just 22% said China), by 2012, only 36 per cent said the United States was in the top position. Of those polled in 2012, 42 per cent said China was now on top economic position. Available at: <http://www.pewglobal.org/2012/06/13/global-opinion-of-obama-slips-international-policies-faulted/>
- 63 The figures for this study were drawn from the 2010 Census Bureau, UN World Population Prospects and the IMF among others. For a summary, see Giancarlo Loquenzi, 'Still top of the charts', *Longitude*#2.

- 64 Carla Norloff, *America's Global Advantage: US Hegemony and International Co-operation* (Cambridge: Cambridge University Press, 2010).
- 65 See Doug Stokes, 'A Post-Crisis Piper? Assessing Dollar Decline and US Primacy', Unpublished Manuscript.
- 66 Source: http://www3.weforum.org/docs/WEF_GlobalCompetivenessReport_2010-11.pdf
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- 68 See 'A New Ranking of the World's Most Innovative Economies', *Economist Intelligence Unit*, April 2009, pp. 1-11.
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- 71 See Schumpeter, 'Bamboo Innovation', *The Economist*, 7 May 2011, p. 68.
- 72 The statistics in this paragraph are taken from the FT Global 500, 2011. *FT Weekend Magazine*, June 2011 and the *Fortune's Global 500 List*, 2011.
- 73 The United Kingdom is especially strong globally in relationship to the size of its domestic economy. It hosts 10 per cent of the top 100 multinationals.
- 74 Of the other three BRICs, Brazil has 2 in the top 100 global companies, Russia only 1 and India none.
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- 79 On the Chinese army's many internal problems, see John Garnaut's useful 2012 analysis, 'Rotting from within'. Available at: <http://www.foreignpolicy.com/articles/2012/04/16/rotting-from>
- 80 The Chinese themselves were keen to remind their neighbours that in spite of having acquired its first aircraft carrier, it did 'not pose any threat to other countries'. See Zhao Lai and Zhang Xiaomin, 'Maiden Run for Aircraft Carrier', *China Daily European Weekly*, 12-18 August 2011.
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- 105 See Daniel S. Hamilton and Joseph P. Quinlan, *The Transatlantic Economy*, 2011. (Washington DC: Centre for Transatlantic Relations, 2011) p.v.
- 106 Philip Whyte, *Narrowing the Atlantic: The Way Forward for EU-US Trade and Investment* (London: Centre for European Reform, 2009).

- 107 For the now definitive work on the security dilemma, see Ken Booth and Nicholas J. Wheeler, *The Security Dilemma: Fear, Co-operation and Trust in World Politics* (New York: Palgrave Macmillan, 2009).
- 108 John Mearsheimer in particular in, for instance, his 'The Rise of China Will Not be Peaceful After All', *The Australian*, 18 November 2005. Available at: <http://mearsheimer.uchicago.edu/pdfs/P0014.pdf>

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