

The Rise of China and the Future of Liberal World Order

The C Douglas Dillon Lecture

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Robin Niblett

Ladies and gentlemen, welcome to Chatham House. Thank you very much for coming to join us this evening. I'm Robin Niblett, director of Chatham House. This is one of the evenings I look forward to in particular during the course of the year – this wonderful job to be able to have to sit and moderate great speakers on interesting topics. We have an annual Dillon Lecture, named after C Douglas Dillon, who was the 57th secretary of the Treasury and also undersecretary of state for both Presidents Eisenhower and John F Kennedy. Part of that generation of American leaders who spent time both in the private sector and in the policy world, and after whom this annual lecture is named and which we are asked to have focus on the issue of transatlantic relations. That's a pretty big topic and gives us room to be able to invite speakers we'd like to invite, generally from the United States, to talk about this topic.

It's a great pleasure to welcome Professor John Ikenberry to Chatham House, whom I've had the pleasure of knowing for a number of years. He's now the Albert Milbank Professor of politics and international affairs at Princeton. He is also the co-director of the Center for International Security Studies at Princeton. I think he's known to many of you here as one of the great thinkers and writers about world order, and in particular about a liberal rules-based order, which is a theme that he's explored in a number of his books – most recently, *The Liberal Leviathan: Origins, Crisis and Transformation of the American System* – but a number of other books that have touched on different dimensions of this topic, particularly looking at America's role within the international order.

Reflecting this, he is co-director of the Princeton Project on National Security. He has also done his stints in the US government, working with the Policy Planning Staff in the early 1990s and also serving as part of the advisory group to the State Department in the early 2000s.

This evening, he's going to talk about the rise of China and the future of liberal world order. I think there is not a more significant shift and change taking place in world order than that being brought about by the rise of China. We're probably at the front end of it. I'll be very interested to hear what John's views are from that standpoint.

This meeting is on the record. We will have time hopefully for conversation as well after John's remarks. Thank you very much for joining us. He is at the moment also serving as Eastman Professor at Balliol, which is how we were able to get him here, on his sabbatical year. Welcome.

John Ikenberry

Thank you, Robin, for that kind introduction. It's great to be here for the Douglas Dillon lecture. Douglas Dillon, his life – I guess he was a naval officer in World War II and he lived into the post-Cold War era. His life kind of followed that arc of the Western order. So it's fitting, I think, to use his lecture series to talk about what comes next: the post-Western order, if you will. I want to offer some broad, sweeping, speculative ideas tonight, and look forward to a Q&A. I'll try to keep my comments short, 20 minutes or so, so we can have a conversation.

I think we're all witnessing, and agree that we're witnessing, a global power shift. We're all debating what the nature of the next phase of world order will be. There's wide agreement that what we might call a global power transition is underway. Unipolarity is giving way. It's almost remarkable how recent it was that we talked about unipolarity: the US dominating the world, the empire debate that was triggered,

unipolarity as a phenomenon – too much concentrated power. Now we see what many people see as a very rapid, even dramatic shift away from unipolarity. States are rising, states are declining. Power is shifting. Many people suggest that it's a shift from West to East and from North to South.

Of course, China is at the centre of this. Just last week, the *Financial Times* had a headline that indicated according to some measures, China is now or will soon pass the US as the largest economy. A PPP measure – if you use exchange rate measures, it's not quite there yet. But this is certainly part of this dramatic shift.

So the world is in some sort of global power transition, from concentrated power to multipolarity perhaps, or some kind of diffused system of power. Perhaps China is the greatest beneficiary of that.

There is less agreement on what it means, what the implications are – what the consequences of this global power shift are for international order. Realist scholars, the students and scholars of *realpolitik*, in some sense offer the most dramatic and troubling arguments, and offer the expectations of what will come next that are most likely to grab us. I'm thinking of scholars such as Paul Kennedy, Robert Gilpin and EH Carr, the British scholar writing in the interwar and postwar period who himself really put forward as the subject of international relations the problem of peaceful change. How does the international system accommodate rising states? How do older, mature states give way and make compromises and create a new set of relations in the midst of that power transition?

These are all authors who are arguing that it can be quite difficult. It can be quite threatening and you can expect a lot of conflict. Why do they argue that? They argue that because it's a structural sort of argument that rising states have opportunities to build international order that can advance their interests. So China will want, when its time comes, to be able to step forward and build a Chinese-centred international order. This is the expectation.

It is, as I said, a structural argument. Really, four parts to the argument. Number one, a rising state – often in the past it's been a state that's won a war, a great power war, and has been in a position to make the peace, to establish the new rules of the game. Secondly, over time that state eventually matures and growth moves elsewhere. Diffusion of technology, of knowledge; dynamism goes elsewhere. So there is, thirdly, then a kind of gap that opens up between the old international governance system and the shifting power terrain. The old state doesn't have the capacity to enforce the order anymore. Sounds a little bit like Barack Obama actually, that there is a kind of sense of a wearied titan, a state that seems to have a kind of mismatch between ends and means, and expectations and desire. Then finally, fourth, a crisis and then the next great power steps forward with its own agenda, its own vision of international order.

This leads either to, in the ensuing period, a true contestation, a struggle between the old and the new state, or that rising state isn't powerful enough to impose a new order – perhaps because in this current age there isn't that kind of levelling effect of a great power war. Nuclear weapons may have taken that off the table for China as a way to clear the deck and have a moment of creation. Nevertheless, if it can't fully recreate the international order, it then moves forward as a spoiler and can do damage to the old order, even if it can't create entirely a new one.

There are also realist arguments that are more focused on East Asia and China and the dynamics that are going on today. John Mearsheimer and my colleague at Princeton, Aaron Friedberg, are making arguments about contestation over East Asia, the rising struggle for supremacy, for mastery of the East Asian region. Here the argument once again is rooted in theory and history, an argument that you can trace back as far as Thucydides and the Peloponnesian War, Athens and Sparta: the rise of a new state (in

a region, in this case) doing two things that destabilize the old order. One, the rising state gains ambition. It doesn't want to be the underclass state forever. It now has power; it wants to turn power into influence and control and dominance. In that sense, the anticipation of some scholars is that China's ultimate goal is to push the US out of Asia. The second expectation that these scholars give us is that the old state and its allies will increasingly feel threatened, will be worried. Then in this confluence of rising and falling there will be risk-taking, there will be moments of uncertainty about power and who's in control, windows opening and closing. So there's a kind of environment for more instability: arms racing, security competition and a dramatic return of the problems of anarchy.

But the question remains: what do China and rising states beyond China want? What are their ambitions? What are their interests and visions? How deep is the conflict at the global level and at the regional level? Is it a struggle over authority, as I would argue, over who gets to decide? Or is it a deeper struggle over values and norms and ideologies of order? Or to put it simply: when the world is less American and the world is less Western, will it also be less liberal – less liberal internationalist, in the sense of order that is at least loosely rule-based and open? That's the great question, it seems to me.

Certainly we can agree that we are in the process of some kind of transformation to a new type of international order – a kind of global slow-motion revolution. If China does become the next dominant state in the system – there's some debate, but if it does – this will be new in world historical terms in at least two ways. Scholars and authors and journalists – Martin Jacques and others – have noted this. It will be the first time in 500 years, when China takes this position, when a developing state is the largest economy in the system. That will be new. It won't be the wealthiest and most advanced economy in the world, it will be still a large developing economy. Secondly, if China takes that number-one position, it will be the first time in 500 years that a non-Western state had the lead economy in the world system.

These are aspects that we have to think about. What are the implications of those new and novel features, and what does it mean for the management of international order? At the very least, this global transformation will be a kind of democratic revolution. That is to say, more people in more societies will seek to have a say in the running of global order. So there will have to be more elbows and more room at the table. But again, even having observed that, the question then remains: what do China and other rising states want?

My view is that the global power transition is complex and full of dangers, particularly in East Asia. We can talk about that in Q&A. There will be contestation and struggle, and US allies and China will find themselves in very difficult, competing positions. But it is not the global power transition triggering a fundamental struggle over liberal international order. That's my argument. Even as it diffuses power and authority away from the West. Or at least my argument is: it doesn't have to be a struggle where at the end point we see an overturning of liberal international order. Indeed, leaving Putin aside – and Putin makes it very difficult for liberal internationalists to be happy today, this is for sure – but what is striking in the recent decade at least is that China and other rising states, including Brazil, India, South Korea and others, are rising up inside rather than working around the rules and institutions, generally speaking, built over the last 60 years: the UN, the IMF, the World Bank, the security institutions. Certainly the WTO.

Put differently, the rise of China and other non-Western developing states is creating new constituencies for an updated and reformed, open, multilateral system, as opposed to new hostile voices seeking to build something that would be antithetical to openness and rule of law. The struggle today is over authority, in my view, over who sits at the table, who decides over rights and privileges in the global political hierarchy. It's not about contrasting ideologies of order and certainly not rival models of modernity.

Why do I argue this? I think what I can do to try to make my point and then add the qualifications and speculations at the end is to simply list what I think are the reasons why power transition this time around may be different than those transitions of the past that have led to the kind of drama and violence that makes us all worried.

The first argument I would make is kind of the big argument really about the old order – the order that China is rising up and seeing. We don't talk about this in our grand narratives of rise and decline. We assume that the old order is simply synonymous to the old lead state, so when it weakens that order will weaken. But that's not true. There's actually a larger infrastructure of order that isn't totally under the control of the lead state. This order that China faces, and that is far-flung and multidimensional and multi-layered, is an order that is different from past orders.

I've written a book that tries to make that argument but my summary point is that compared to past international orders that rising states have confronted, this order is easier to join and harder to overturn. It is an order that does a lot of work and that facilitates a variety of dynamics that I want to mention, and then in some sense editorialize by saying the more it can do this, the better. The more it does this, the more China will see that it's an order that is easy to join and hard to overturn.

Four characteristics. Integration capacity: this order has absorbed a lot of states over the last 60-70 years, starting with Germany and Japan, which flipped on a dime, if you will, and became junior partners, regional leaders, second and third largest economies in the world. Then cohorts and generations of states that have followed in the decades that followed. So there is an integration capacity here that has to be acknowledged.

Secondly, shared leadership. There is a lot of forums and platforms for leadership: the G5, G7, G8 (back to G7), the G20. These are all elastic, 'G' kind of leadership coalitions. Of course, the more formal multilateral institutions that allow for various configurations of states around the table.

Thirdly, sharing the spoils of modernity, certainly compared to old European empires of the past. This is an order that has much more vertical and horizontal movement of wealth and trade and technology and benefits of advancement. Indeed, that's why we're here talking about the rise of China, because China has found a way to exploit this order in a good way ultimately – that is to say, trade and invest its way to a high-growth position. So spreading the spoils of modernity – compared to past orders, this is something you have to acknowledge.

Finally, accommodating difference. This is the one that is in some sense the most difficult for this old liberal order to do but it's there already. Different development strategies coexist even today, even as we kind of bump and bruise each other as we pursue different ideologies of development. There's at least three. There's the famous, or if you will infamous, neo-liberal or laissez-faire fundamentalist kind of approach. You think of Thatcher and Reagan. There's what others would call embedded liberal or social democratic model – more tied to social safety net, safeguards on economic insecurity, the welfare state, contingent trade, adjustment assistance and so forth. Thirdly, developmental statism. This is what East Asia did. This is what Japan and South Korea and other countries in Southeast Asia pursued. There was a kind of grudging acknowledgement in the West that this was a strategy and we could accommodate it. In many ways, that's the strategy that China has seen as a possible model. Ezra Vogel's big thick book on Deng Xiaoping mentions this – that Deng at that point was looking at Japan and Korea and saying, we got to get in on this. So not an old Western liberal model but a model where the state and a more developmental kind of model nonetheless is accommodated.

The second argument about why there is more formidable characteristics to this order than often thought is that China and non-Western rising states want what liberal internationalism offers. If you strip away the American and Western hegemonic aspect to it, underneath that is the basic features of a modern system that they want.

Those features are two-fold. One is openness. You've got to have an open system. You can't be a great power in the 21st century and live inside a narrow, closed bloc or sphere. I'm afraid Putin is going to learn this the hard way. Openness, access to trade, investment, technology – this is integral to the foreign relations of all the rising non-Western states.

Secondly, rules and institutions that provide safeguards and governance mechanisms for rising states. That's where we often find the clash but the clash is not really about the nature of having rules themselves. Rules, such as WTO rules or rules about use of force – which, of course, are not fully articulated or followed – nonetheless provide protections for rising states, weak or strong, along the way. When you think about the rise of liberal, rule of law order in Europe in the modern era, yes, there were arguments about it that came from a normative view about the role of the individual and the state society, the state individual, the Lockean kind of vision. But even in the Lockean vision, it was also about securing your property, property rights. It's about protecting your equities. It's about being able to know that tomorrow what you have today will still be yours. So rules and rule-based order is a tool for those who have things or think they are going to get things, to put them in a position so they can keep what they have and protect what they have against – in the case of China – states that might envy them or want to discriminate against them in the face of their success.

So this is one reading, if you will, of Western liberalism that offers it as a more universal type of functional kind of logic, that gets in the way of the arguments that, well, rising states just don't like what we in the West cherish as our values, because there's something else there.

Thirdly, China and rising non-Western states are not a bloc. On the one hand, all are capitalist and most are democratic. Yet on the other hand, they have different geopolitical interests in energy, in trade, in security.

Brazil is a great example of this. They are as worried about China, the currency exchange rate, and the new discourse in Brazil about de-industrialization thanks to China – the loss of industrial jobs to China and the new kind of dependency on China on the side of resources. It's not the United States that's the old state that is in some sense pushing Brazil down now; it has a more complex set of worries and relationships. You see this in the way the US and Brazil interact. It's definitely a love-hate relationship. Obama was there, met with Dilma in 2013, and he asked her: what is your agenda? Dilma said: infrastructure, clean energy, education, science and technology. Reportedly – I wasn't there – Obama said: well, that's my agenda.

That strikes me as interesting because we're not simply across ideological divides. In some sense the rising non-Western states are experiencing in their own way the problems that the old West, Europe and the United States, are facing – which is to say, problems: inequality, fiscal problems, the fraying of the social contract, questions about immigration, questions about how to sustain growth, infrastructure. These are 21st-century problems. It's almost as if we've come to the 21st century and it's not war that we worry about, it's just simply being able to sustain modern life in these big cities that we live in. Increasingly, that's where the world lives. The problems are problems that we share.

The fourth reason that builds on that really is that in an important way, the rise of China is the wrong thing to look at. It's not the rise of China. There's something broader going on. There's a broader global transformation. If you simply talk about China, and I guess you'd say I'm preoccupied with China because it is the most dramatic (in some sense the swing) state, but there's a broader global transformation that is going on. What I've recently started to call it is the rise of a global middle class, of democracies – many of them troubled democracies but democracies, across regions, across civilizations, across developmental divides. India, Brazil, but not just the BRICS – also Mexico, Indonesia, South Korea, Turkey, Australia and Canada.

There's a broad array of states that are moving up in one sense or another and are exhibiting characteristics we can identify. Number one, they are seeking a voice. They want to have a say in their region and more broadly. Secondly, they are engaging in what I would call stakeholder strategies of diplomacy – pushing for more multilateral cooperation, influencing world politics through agenda-setting, bridge-building, coalition diplomacy.

South Korea is a great example of this. It's the first country to be a beneficiary of ODA that now is a donor. It has hosted the G20. It has hosted the Global Security Summit. It has this ideology of Global Korea. I go to Korea a lot and I'm fascinated by this country that has found a way to punch above its weight, to engage in what we used to call middle-power diplomacy. Australia and Canada are the iconic examples of this. But it's kind of the rising choir that wanted an international order of a certain sort that both the United States and Europe and China are going to have to accommodate. It's those states that will say: we want more China, or we want more West, or we want less of one or the other.

Finally, there is no grand authoritarian model, Chinese authoritarian model, of modernity. I would stake my flag on this one. That is to say, China is doing well but it's not a model. The great historians of rise and decline, from Paul Kennedy and others, are all in some sense noting at these various moments of the inflection point of world politics that the rising state in some sense has the kind of – not monopoly, but the vanguard role of defining what it means to be modern and make it to the next level of advancement. If China were to acquire this, and certainly in our lifetime it could get to that point, but now it doesn't. While the US and the West have clearly disappointed themselves and the world by showing their weaknesses and dysfunctions and troubles in trying to sustain their own models – that may be true most clearly and dramatically after 2008, in the case of the United States – it's not clear that China will assume that vanguard role. If it doesn't, it means that it's going to be a much more muddled future than simply the replacement of one great power with another.

China has an approach. It's more mercantilist, it's more statist. It's more state-to-state. It's using infrastructure development as a kind of carrot to bring states into trade relationships and resource relationships. But that's a model that isn't for the world. In some sense, it depends on the rest of the world being liberal. It's more of a spoiler model than it is a model that everybody around the world sees as the route to further advancement.

China seems to, in fact, know this and to be moving closer to the centre of the world economy. In the old days, in the 1970s and 1980s, China did give voice to what was the most articulated ideology of an alternative world order: the new international economic order. You may remember this from the 1970s. It was much more of the Southern states seeking a different kind of model of development and of the global system, trade and finance. But China has moved away from that, beginning in 2007. Government and party documents began to use language like 'reasonable and just' and 'reform'. In all these different instances, that means giving China more authority and more of a role within that system, not some kind of global transformation.

When I ask my Chinese friends, what do you want – what is your agenda on the economic side? It's three things. It's a greater role in the IMF and World Bank. Secondly, it's more influence in these global leadership groups like the G20. Thirdly, over the medium term, internationalization of the currency, which is the big – I think that's the big game-changer. That's something that's out there but very far, as I see it, into the future. But to get there even, China is going to have to drill down into its society and develop a more rule-based system, deeper financial markets, more rule of law, business law, to get the kind of system that will allow for the confidence to flow and therefore the currency to play this international reserve currency role and transaction currency. But that is, to get there, a stakeholder strategy.

So let me conclude now and try to draw this all together a little bit. I think we need to put the rise of China in a wider global context. It's not China that will determine what the next global system will be. It's this wider group of rising and emerging states, what I have called the global middle class. Aside from China, they are all market democracies. They are mostly all struggling with fiscal problems, economic inequality, regime stability, the social contract. But the solution to their problems are not ones offered directly by China and certainly not by Putin's Russia. They need an open, stable international order where they can help shape the rules to benefit their own particular predicament.

This provides an opportunity for the United States and Europe to help shape the contours of the next international order. The next international order will have less Europe and America in it, but now that we're in this kind of flux period where crises will push us forward – we'll stumble forward into the next order, shall I say – we need to be as strategic as we can when we stumble forward, trying to help define and build coalitions to shape that order in a way that is most beneficial to as many states and peoples as possible.

These middle states, the middle class of the world system, are the swing states. Many of them have a love-hate relationship with the West or with American hegemony. I've just spent two weeks in Turkey and I can attest to the complexity of the relationship when Turkey looks at the EU and looks at the US as a NATO ally. But it is a complicated one that is not set in stone.

These states will determine whether China and Russia might be tempted to try to build an anti-Western and anti-liberal global order. In some sense, that's the – as Bismarck said – the nightmare coalition for the 21st century, from an American and I think from a British and European perspective, would be a coalition of the Global South and the illiberal great powers as a kind of bloc that is ultimately contesting all these rules and institutions that we have before us. I'm conceding that hegemony will give way but I'm suggesting that playing your cards right, the US, Britain, Europe, you will be able to build majorities around openness and rule-based order. If the US and Europe can reach out to these states and work with them on an updated and reformed global order, China and perhaps Russia will have incentives to follow.

But to do this, Washington and European capitals will need to step up their game in sharing authority, renewing alliances and building coalitions. We don't know, in conclusion, what China will look like in 20 years, whether it will be a rival or whether it will be a friend. But we do know that the West, in all of its complexity, will be safer regardless of the future if we strengthen that liberal order and reform it, tackling the problems of liberal democracy which are in front of us today.

I would just conclude by thinking of George Kennan. He held the chair I have at Oxford this year, way back in the 1950s, so I sit in his chair every morning. You remember his famous Long Telegram, but we never read the back end of that telegram, where he was saying the most important thing that the US and Europe can do in the face of what was a more troubling Soviet Union was: get your own house in order,

and legitimate and renew your own political and economic institutions, because that's what you have the most control over. That, in the end, will tell the tale. I love this phrase from George Kennan, when he said in his day – and again, I think in our day – the Western challenge is, 'we must be like the porcupine who only gradually convinces the carnivorous beast of prey that he is not a fit object of attack'. Thank you very much.

Robin Niblett

Thank you very much indeed, John, great set of remarks. You batted to one side early on the potential kind of realist, structural risk that this shift in global order will inevitably lead to contested international order in which conflict might arise. I think you pointed out these big headline points, that in essence the rising powers are rising within the existing international order – that it accommodates them; in fact, it's helped them rise. They wouldn't have risen without it, most probably. They share both a similar need for the rules and institutions of openness that have got them there and also that in many ways their problems are more like our problems than maybe the big geopolitical ones we'd like to focus on. You had that very relevant list: inequality, fiscal problems, immigration, infrastructure, etc.

I think this idea of not looking at the rise of China as the rise of China but the biggest manifestation of the rise of a global middle class is an interesting take to take on this issue. As you said at the end, it does give us opportunities. Therefore, even if this world order, we will be smaller within it – we, the United States and Europe – it was one that we designed and one we're in a good position to play a strong hand in.