

# The US–Chinese power shift and the end of the Pax Americana

CHRISTOPHER LAYNE

Donald Trump's election in November 2016 sent a shiver down the collective spines of the foreign policy elites on both sides of the Atlantic, which view him as a dire threat to the durability of the liberal, rules-based international order (LRBIO). The morning after the election, David E. Sanger of the *New York Times* argued that Trump's victory 'will plunge the United States into an era of unknowns that has little parallel in the nation's 240-year history'.<sup>1</sup> Fearing that Trump's 'America First' policy would undo US security alliances in Europe and east Asia, the *Washington Post* columnist David Ignatius noted that 'by putting America's interests first so nakedly, he may push many US allies in Europe and Asia to make their own deals with a newly assertive Russia and a rising China'.<sup>2</sup> Gideon Rachman, chief foreign affairs columnist for the *Financial Times*, worried that 'Mr Trump's proposed policies threaten to take an axe to the liberal world order that the US has supported and sustained since 1945'.<sup>3</sup> The *FT*'s Philip Stephens stated that "'America First" promotes belligerent isolationism—an approach to international order rooted in power rather than a rule of law'. Indeed, Stephens asserted, Trump was 'repudiating the basic organizing idea of the west: the notion that the world's democracies can oversee a fair and inclusive rules-based system to underwrite global peace and security'.<sup>4</sup>

As I explain below, the LRBIO actually is the international order—the Pax Americana—that the United States constructed after the Second World War: it is now fraying, but Donald Trump is a symptom of this, not the cause. There are both internal and external factors that explain why the Pax Americana is under stress. Internally, income inequality, stagnant real incomes, the outsourcing of manufacturing jobs and slow productivity growth have hollowed out the middle class.<sup>5</sup>

<sup>1</sup> David E. Sanger, "'Strange new land": America in a time of Trump', *New York Times*, 9 Nov. 2016, [https://www.nytimes.com/2016/11/10/us/politics/donald-trump-presidential-agenda.html?\\_r=0](https://www.nytimes.com/2016/11/10/us/politics/donald-trump-presidential-agenda.html?_r=0). (Unless otherwise noted at point of citation, all URLs cited in this article were accessible on 7 Nov. 2017.)

<sup>2</sup> David Ignatius, 'What President Trump's foreign policy will look like', *Washington Post*, 9 Nov. 2016, [https://www.washingtonpost.com/opinions/global-opinions/what-president-trumps-foreign-policy-will-look-like/2016/11/09/3ab88670-a632-11e6-ba59-a7d93165c6d4\\_story.html?utm\\_term=.b8cf2a46b2fb](https://www.washingtonpost.com/opinions/global-opinions/what-president-trumps-foreign-policy-will-look-like/2016/11/09/3ab88670-a632-11e6-ba59-a7d93165c6d4_story.html?utm_term=.b8cf2a46b2fb).

<sup>3</sup> Gideon Rachman, 'Donald Trump shakes postwar liberal order', *Financial Times*, 9 Nov. 2016, <https://www.ft.com/content/bc3bc99c-a654-11e6-8898-79a99e2a4de6?mhqsj=e>.

<sup>4</sup> Philip Stephens, 'America can survive Trump. Not so the West', *Financial Times*, 10 Nov. 2016, <https://www.ft.com/content/73313d4c-a68e-11e6-8898-79a99e2a4de6?mhqsj=e6>.

<sup>5</sup> On these issues, see Thomas Piketty, *The economics of inequality* (Cambridge, MA: Belknap, 2015); Robert J. Gordon, *The rise and fall of American growth: the US standard of living since the Civil War* (Princeton: Princeton

These trends have hit the white working class especially hard, and their effect has been amplified by rapid demographic changes taking place in the United States. By artfully employing ‘dog whistle’<sup>6</sup> tactics, Trump was able to capitalize on the concern among blue-collar voters about America’s changing national identity. The political blowback from these trends helped to fuel Trump’s victory—a triumph that can be viewed as a populist backlash against globalization’s effects, and against the elites—the ‘One Percent’—who are seen to have profited from it.<sup>7</sup>

Externally, the Pax Americana is imperilled by the shifting of the world’s economic—and geopolitical—centres of gravity from the Euro-Atlantic world to Asia, which presages the end of the West’s five centuries of global dominance. As *Financial Times* chief economic commentator Martin Wolf notes, this change really is ‘all about the rise of Asia, and, most importantly, China’.<sup>8</sup> To be precise, rather than Donald Trump’s election, it is the big, impersonal forces of history—the relative decline of American power, and the emergence of a *risen* China—that explain why the Pax Americana’s days are numbered. For good measure, both the paralysing effects of the US political system’s polarization, and America’s own policies—the mismanagement of its economy that led to the Great Recession in 2008, and the ‘forever wars’ in which it has become entrapped in the Middle East and Afghanistan—have given these big, impersonal forces of history a powerful shove forward.<sup>9</sup>

## Origins of the post-1945 Pax Americana

In modern international history there have been two liberal international orders. The first was the Pax Britannica, which lasted from 1815 to the outbreak of the First World War. The other, of course, is the post-Second World War Pax Americana. As Robert Gilpin has noted, neither of these two international orders ‘emerged spontaneously owing to the operation of an invisible hand and in the absence of an exercise of power. Rather, every economic system rests on a particular political order; its nature cannot be understood apart from politics.’<sup>10</sup> Nineteenth-century Britain, and post-1945 America, wielded their military and economic power to forge international orders that served primarily to advance their own economic and geopolitical interests (although others were incidental beneficiaries). The Pax Britannica, of course, was doomed by what the historian Correlli Barnett called ‘the collapse of British power’ brought on by the economic and financial exertions

---

University Press, 2016); David Goodhart, *The road to somewhere: the populist revolt and the future of politics* (London: Hurst, 2017).

<sup>6</sup> In US politics, a ‘dog whistle’ is the use of coded language the meaning of which will be understood by the target audience, but not by the public at large. Trump is a master at this and uses it to stir up white nationalists against immigrants and racial minorities. A close, but not perfect, analogy is to subliminal advertising.

<sup>7</sup> See e.g. Edward Luce, *The retreat of western liberalism* (New York: Atlantic Monthly Press, 2017).

<sup>8</sup> Martin Wolf, ‘How the developed world lost its edge’, *Financial Times*, 20 July 2017, p. 7. On the West-to-East power shift, see Gideon Rachman, *Easternization: Asia’s rise and America’s decline. From Obama to Trump and beyond* (New York: Other Press, 2017).

<sup>9</sup> On the ‘forever wars’, see Andrew Bacevich, *America’s war for the greater Middle East* (New York: Random House, 2016).

<sup>10</sup> Robert Gilpin, *US power and the multinational corporation* (New York: Basic Books, 1975), pp. 40–4.

of the two world wars.<sup>11</sup> The central geopolitical question of our time is whether China's ascent, and the withering of American power, will cause the Pax Americana to suffer a similar fate.

When the Second World War ended, the United States, by virtue of its overwhelming military and economic supremacy, was incontestably the most powerful actor in the international system. Indeed, 1945 was America's *first* unipolar moment.<sup>12</sup> The US accounted for 50 per cent of world GDP. The dollar displaced the pound sterling as the international economic system's premier reserve currency. The US held the biggest share of both foreign exchange reserves and gold. At the end of the Second World War, America's air and naval power gave it unchallengeable global power projection capabilities. And, of course, the US had a monopoly on nuclear weapons.

In the years following the Second World War, the United States leveraged this staggering combination of military, financial and economic strength to create the security and economic institutions that underpinned the postwar international order (and, at least for now, still do): the United Nations, the North Atlantic Treaty Organization, the World Bank, the International Monetary Fund and the World Trade Organization (prior to 1995, the General Agreement on Tariffs and Trade). Washington also rebuilt the shattered economies of western Europe and Japan, and created a framework of alliances—which are still in force today—to stabilize Europe and east Asia. The postwar international order was also buttressed by America's 'soft power': that is, its ideological, ideational and cultural appeal. Although it sometimes honoured them more in the breach than in the observance, since 1945 the United States has projected its liberal values abroad by promoting democracy and human rights.

During the First World War, one of the key war aims of both the United States and Britain was to create a liberal postwar international order.<sup>13</sup> Woodrow Wilson was an early believer in what has come to be known as the democratic peace theory. To pacify postwar Europe, he advocated a policy of 'regime change' that would overthrow Wilhelmine Germany's military autocracy and replace it with democratic governance. Wilson also articulated the belief that an open international economy was vital to America's prosperity and—at least as important—provided a powerful incentive to peace by removing economic grievances as a cause of war, and linking the major powers' economies so closely that the costs of war would be seen to be prohibitive.<sup>14</sup> Wilson also championed the creation of a new international institution, the League of Nations, as a collective security

<sup>11</sup> Correlli Barnett, *The collapse of British power* (New York: William Morrow, 1972).

<sup>12</sup> As Robert Gilpin observed: 'In terms of absolute power, the United States, in 1945, greatly surpassed the rest of the world' (Gilpin, *US power*, pp. 103–104). For a similar picture of the United States' economic, military and financial dominance at the end of the Second World War, see Paul Kennedy, *The rise and fall of the Great Powers: economic change and military conflict from 1500 to 2000* (New York: Random House, 1987), pp. 357–61.

<sup>13</sup> On British thinking about constructing a post-First World War liberal international order, see George W. Egerton, *Great Britain and the creation of the League of Nations: strategy, politics, and international organization, 1914–1919* (London: Scholar Press, 1979).

<sup>14</sup> For the most influential pre-1914 statement of the thesis that economic interdependence among the Great Powers sustains peace, see Norman Angell, *The great illusion* (New York: Cosimo Classics, 2007; first publ. 1909).

mechanism that would stabilize the international system. When the US Senate rejected the League, however, Wilson's liberal internationalist vision was stillborn.

Even as the Second World War was being fought, however, American liberal internationalists recognized that the outcome of the conflict would bring about a dramatic accretion of US power—and that this in turn would give the United States a 'second chance' to build a liberal international order.<sup>15</sup> In the absence of America's hegemonic power, the post-1945 liberal international order could not have been constructed. As John Ikenberry has observed, the postwar international order 'was dominated by the United States—but infused with liberal characteristics'.<sup>16</sup> Simply put, from the moment of its 'creation' the LR BIO was tightly woven into the fabric of the Pax Americana; and so it remains.<sup>17</sup>

In important ways, the institutions created by the United States after 1945 buttressed its postwar dominance. For example, the blueprint for the international financial architecture created by the 1944 Bretton Woods Conference was a product both of America's hegemonic ambitions and of its overwhelming economic and financial clout. As Benn Steil, director of International Economics at the Council on Foreign Relations, observes, the United States 'used its economic leverage over an insolvent allied imperial power, Great Britain, to set the terms by which the latter would cede its dwindling dominion over the rules and norms of foreign trade and finance'.<sup>18</sup> Nor was it Britain alone that was in America's cross-hairs at Bretton Woods. The collapse of the old European order presented Washington with a window of opportunity in which, by flexing its financial and economic muscles, the United States could end protectionism, create an open international economy, and 'eliminate the old European rivals and obstacles on the global stage'.<sup>19</sup> In other words, US hegemonic power made possible the post-1945 liberal international order, which, in turn, reinforced American pre-eminence.

Hegemonic stability theory explains why the Pax Americana was created, why it has endured since 1945 (at least until now)—and why it faces a doubtful future. Hegemonic stability theory holds that a liberal international order requires a hegemonic power to manage, and stabilize, the international political and economic systems.<sup>20</sup> This is exactly what the United States has done since 1945 by providing public goods in the realms of both economics and security, and by acting as the galvanizer of international collective action. Indeed—perhaps intoxicated by post-Cold War American triumphalism—Michael Mandelbaum of Johns Hopkins University has argued that, following the Soviet implosion, as the provider of global security and manager of the international economy, the

<sup>15</sup> Robert Devine, *Second chance: the triumph of liberal internationalism in America during World War II* (New York: Atheneum, 1967).

<sup>16</sup> G. John Ikenberry, *Liberal Leviathan: the origins, crisis, and transformation of the American world order* (Princeton: Princeton University Press, 2011), p. 334.

<sup>17</sup> Dean Acheson, *Present at the creation: my years in the State Department* (New York: Norton, 1969).

<sup>18</sup> Ben Steil, *The battle of Bretton Woods: John Maynard Keynes, Harry Dexter White, and the making of a new world order* (Princeton: Princeton University Press, 2013), p. 348.

<sup>19</sup> Steil, *The battle of Bretton Woods*, pp. 225–6.

<sup>20</sup> Gilpin, *US power*, pp. 40–1.

United States essentially acted as the international system's de facto government.<sup>21</sup>

The world's economic hegemon is responsible for making the rules for the international economic order; kick-starting the international economy during downturns by acting as the market of last resort by purchasing other nations' goods; supplying liquidity for the global economy; acting as the lender of last resort; and providing a reserve currency. Militarily, the hegemon is responsible for stabilizing those regions that are vital to a smoothly functioning international economy, and safeguarding the lines of communication ('the global commons') upon which an open international economy depends.<sup>22</sup> For most of the period since 1945 the United States has—more or less successfully—performed these tasks. It is far from clear, however, that it will be able to continue doing so in the future.

### **American decline redux**

Today the military, economic, institutional and ideational pillars that have supported the Pax Americana are being challenged by China. This raises two fundamental and intimately connected questions: if China surpasses, equals or even approximates the United States in these dimensions of power, can the Pax Americana endure? And, if it cannot, what will replace it? Posing these questions raises the contentious issue—contentious at least in the US—of whether American power is, in fact, declining. During his abortive 2012 run for the Republican presidential nomination, Jon Huntsman—President Obama's Ambassador to China, and now President Trump's Ambassador to Russia—succinctly expressed the prevailing view of the US foreign policy establishment when he said: 'Decline is un-American.' Leading US security studies experts agree. These primacists argue that the extent of China's rise—and hence of America's decline—are, like premature reports of Mark Twain's death, greatly exaggerated. Primacists believe the international system is still unipolar, and that US power will keep it that way for a long time to come.

This claim is increasingly dubious. Indeed, the case made by the 'declinists' of the 1980s—notably Paul Kennedy, Robert Gilpin, David Calleo and Samuel P. Huntington—looks stronger every day.<sup>23</sup> Contrary to the portrayal of their argument by many of their critics, the 1980s declinists did not claim either that America's post-Second World War power advantages had already dissipated, or that the United States was on the brink of a rapid, catastrophic decline. Rather, they pointed to domestic and international economic drivers that, *over time*, would cause American economic power to diminish relatively, thereby shifting

<sup>21</sup> Michael Mandelbaum, *The case for Goliath: how America acts as the world's government in the 21st century* (New York: PublicAffairs, 2005).

<sup>22</sup> Barry Posen, 'Command of the commons: the military foundations of US hegemony', *International Security* 28: 1, Summer 2003, pp. 5–46.

<sup>23</sup> Kennedy, *Rise and fall*; Robert Gilpin, *The political economy of international relations* (Princeton: Princeton University Press, 1987); David Calleo, *The imperious economy* (Cambridge, MA: Harvard University Press, 1982); Samuel P. Huntington, 'Coping with the Lippmann gap', *Foreign Affairs* 66: 3, 'America and the world 1987', May–June 1988, pp. 453–77.

the balance of power. In essence, the declinists believed that the United States was experiencing a slow—‘termite-like’—decline caused by fundamental structural weaknesses in the American economy that were gradually nibbling at its foundations.<sup>24</sup> Kennedy himself was explicitly looking ahead to the effects this termite decline would have on the US world role in the early twenty-first century. As he wrote:

The task facing American statesmen over the *next decades* ... is to recognize that broad trends are *under way*, and that there is a need to ‘manage’ affairs so that the *relative* erosion of the United States’ position takes place slowly and smoothly, and is not accelerated by policies which bring merely short-term advantage but longer-term disadvantage.<sup>25</sup>

## The unwinding of the Pax Americana

Decline may be ‘un-American’, but that does not mean it isn’t happening. America’s ‘unipolar moment’ has turned out to be rather—well, momentary.<sup>26</sup> The Great Recession that began in 2007–2008 did not end America’s unipolar ascendancy. It did, however, focus attention on, and accelerate, the ebbing of American power—the evidence of which has cumulated rapidly over the ensuing ten years. This slippage of US dominance is chipping away at each of the four pillars on which the Pax Americana was erected: military power; economic power; institutions; and soft power. As these pillars erode, it becomes increasingly doubtful that the Pax Americana can endure.

### *China’s challenge to American military power*

Until now the dominant view within the US foreign policy establishment has been that military strength is the one area in which America’s advantage is insurmountable (at least within any meaningful time-frame). American military power is considered by US policy-makers and many security studies scholars to be the geopolitical trump card—no pun intended—that will ensure continuing American dominance even if China closes the economic and technological gaps separating it from the United States.<sup>27</sup> However, some within the foreign policy establishment are beginning to question this viewpoint. Important recent studies of the Sino-American military balance suggest that some analysts are taking a fresh look at the question of how long it will take China to catch up with the US militarily.

China and the United States face different grand strategic challenges. As self-styled global hegemon, America must be able project decisive military power to the three regions it considers vital to both its security and its prosperity: Europe, the Middle East and east Asia. In contrast, China’s strategic goals, at least for now, are more limited. China aims at dominating its own geographic backyard: that

<sup>24</sup> The concept of ‘termite decline’ was suggested to me by Ted Galen Carpenter of the Cato Institute.

<sup>25</sup> Kennedy, *Rise and fall*, p. 534 (emphasis in bold italics added).

<sup>26</sup> Charles Krauthammer, ‘The unipolar moment’, *Foreign Affairs* 70: 1990–1, pp. 23–33.

<sup>27</sup> See e.g. Stephen Brooks and William Wohlforth, *America abroad: the United States’ global role in the 21st century* (New York: Oxford University Press, 2016).

is, it seeks regional hegemony in east and south-east Asia, which have become the focal points of Sino-American geopolitical competition. Even if China is not at present able to mount a global challenge to the US, there is evidence that it is beginning to draw level with the United States in *regional* military power in east Asia.

In a recent report on the Sino-American military balance, the RAND Corporation refers to the ‘receding frontier of US military dominance’ in east Asia.<sup>28</sup> According to RAND, the trend lines in the Sino-American military rivalry in east Asia are not favourable for the United States: ‘Although China has not closed the gap with the United States, it has narrowed it—and it has done so quite rapidly. Even for many of the contributors to this report, who track military developments in Asia on an ongoing basis, the speed of change ... was striking.’<sup>29</sup> In a recent book, Roger Cliff, an east Asian security expert at RAND, says that by 2020 China’s military establishment will be almost on an equal footing with America’s with respect to doctrine, equipment, personnel and training (though still lagging behind in organizational structure, logistics and organizational culture). Consequently, he predicts that by 2020 American military dominance in east Asia will be significantly eroded.<sup>30</sup> He predicts that the 2020s will witness a power transition in east Asia and that at this point China will be able to challenge the regional status quo.<sup>31</sup>

### *American economic decline and the impairment of US economic hegemony*

During the past decade, signs of waning US economic power—and China’s growing economic muscle—have become too numerous to ignore. Since the onset of the Great Recession, China has successively taken top position in the world in exports (passing Germany); in trade (passing the United States); and in manufacturing (claiming a title the United States had held for a century). In 2014 the World Bank made the stunning announcement that China had vaulted past the United States to become the world’s largest economy (measured by purchasing power parity (PPP));<sup>32</sup> and in the early to mid-2020s China is predicted to overtake the United States in GDP measured by market exchange rate.<sup>33</sup> These shifts in the

<sup>28</sup> Eric Hegenbotham and Michael Nixon, eds, *The US–China military scorecard: forces, geography, and the evolving balance of power, 1996–2017* (Santa Monica, CA: RAND Corporation, 2015), p. 321.

<sup>29</sup> Hegenbotham and Nixon, *The US–China military scorecard*, p. 323.

<sup>30</sup> Roger Cliff, *China’s military power* (Cambridge: Cambridge University Press, 2015), pp. 244–5.

<sup>31</sup> Cliff, *China’s military power*, p. 246.

<sup>32</sup> Ralph Atkins and Geoff Dyer, ‘China confirmed as world’s top exporter’, *Financial Times*, 9 Feb. 2010, <https://www.ft.com/content/35de8406-155c-11df-8f05-00144feab49a>; Jamil Anderlini and Lucy Hornby, ‘China overtakes US as world’s largest goods trader’, *Financial Times*, 10 Jan. 2014, <https://www.ft.com/content/7c2dbd70-79a6-11e3-b381-00144feabdc0?mhqsj=e1>; Peter Marsh, ‘China to overtake US as largest manufacturer’, *Financial Times*, 10 Aug. 2008, <https://www.ft.com/content/2aa7a12e-6709-11dd-808f-0000779fd18c?mhqsj=e1>; Keith Fray, ‘China’s great leap forward: overtaking the US as world’s biggest economy’, *Financial Times*, 8 Oct. 2014, <https://www.ft.com/content/166230a2-a18c-38f1-bcac-cbbdd495503a>.

<sup>33</sup> ‘China to become world’s largest economy in 2024 reports IHS economics’, *IHS Markit*, 7 Sept. 2014, <http://news.ihsmarkit.com/press-release/economics-country-risk/china-become-worlds-largest-economy-2024-reports-ihs-economics>.

relative economic power of China and the United States have enormous economic and geopolitical implications. Indeed, in July 2017 Christine Lagarde, managing director of the IMF, stated that in ten years' time the organization's headquarters—which are required by its by-laws to be located in its member country with the largest economy—could be in Beijing.<sup>34</sup> Taken together, these indicators paint a clear picture of *relative* economic decline.

American primacists have advanced a number of clever but unconvincing arguments in an attempt to downplay the significance of the ongoing economic power shift from America to China. For example, some primacists assert that per capita GDP is a better yardstick of national power than aggregate GDP; that newly developed metrics of national power have diminished the importance of GDP as a measure of a state's economic power; that China is far behind the United States in advanced technology; and that China is incapable of doing innovation.<sup>35</sup>

This last claim is ubiquitous among primacists.<sup>36</sup> It is, however, undermined by recent developments. For example, in September 2016 China began operating the world's largest radio telescope, which is intended to project China's ambitions deep into the universe, and bring back the kind of dramatic discoveries that win honours such as Nobel Prizes.<sup>37</sup> In August 2016 China launched the world's first quantum satellite, which could lead 'to new, completely different methods for transmitting information'.<sup>38</sup> In another example of how China is catching up with the United States in innovation and technology, in June 2016 a Chinese computer (using made-in-China microprocessors) topped the ranking of the world's fastest supercomputers.<sup>39</sup> In July 2017 China's State Council announced an ambitious plan to sprint to the front of the pack in artificial intelligence (AI), including both military and civilian applications.<sup>40</sup> Indeed, *The Economist* recently observed that already 'China could be a close second to America—and perhaps even ahead of it—in some areas of AI'.<sup>41</sup> And China is moving to the forefront in green technologies (solar panels and wind-generated power) and in electric cars.<sup>42</sup>

<sup>34</sup> Reuters, 'IMF could be based in Beijing in a decade—Lagarde', *New York Times*, 24 July 2017.

<sup>35</sup> China is narrowing the US lead in per capita GDP. In 2000, China's per capita GDP was 8% of America's. By 2016, this had risen to 28%, and the trend lines suggest that China will continue to close the gap. (Figures based on PPP.) See Justin Lahart, 'Six reasons why China matters', *Wall Street Journal*, 11 Oct. 2017, <https://www.wsj.com/articles/six-reasons-why-china-matters-1507742854>.

<sup>36</sup> See e.g. Robert Lieber, *Power and willpower in the American future: why the United States is not destined to decline* (Cambridge: Cambridge University Press, 2012); Michael Beckley, 'China's century? Why America's edge will endure', *International Security* 36: 3, Winter 2011–12, pp. 41–78. The claim that 'China can't innovate' seems to reflect a kind of cultural solipsism on the part of the US analysts making this assertion. After all, China has a rich history of innovation, having produced (for example) the printing press, gunpowder, the compass and—perhaps the most important innovation in history—pasta.

<sup>37</sup> Chris Buckley and Adam Wu, 'China hunts for scientific glory, and aliens, with new telescope', *New York Times*, 25 Sept. 2016, p. A8.

<sup>38</sup> Edward Wong, 'China launches satellite to in bid to lead quantum research', *New York Times*, 17 Aug. 2016, p. A5.

<sup>39</sup> John Markoff, 'China crowds top computer list', *New York Times*, 21 June 2016, p. B1.

<sup>40</sup> Paul Mozur, 'China sets goal to lead in artificial intelligence', *New York Times*, 21 July 2017, p. B1; John Markoff and Matthew Rosenberg, 'China's intelligent weaponry gets smarter', *New York Times*, 5 Feb. 2017, p. BU1.

<sup>41</sup> 'The algorithm kingdom', *The Economist*, 15 July 2017, pp. 53–4.

<sup>42</sup> See Keith Bradsher, 'China hastens a global move to electric cars', *New York Times*, 10 Oct. 2017, p. A1; Andrew Browne, 'China charges toward electric car supremacy', *Wall Street Journal*, 10 Oct. 2017, <https://www.wsj.com/articles/china-charges-toward-electric-car-supremacy-1507627801>.

The waning of US economic dominance may not be obvious to primacists, but it is perfectly apparent to many observers in the real world.<sup>43</sup> The weakening of US relative economic power, which became unmistakably clear during the Great Recession, has undercut the Pax Americana both by compromising the United States' ability to manage the international economy and by shifting the Sino-American geopolitical balance in east Asia.

During the Great Recession it became evident that in some (not all) respects the United States was unable to fulfil its responsibility as the international economy's manager. After all, an economic hegemon is supposed to solve global economic crises, not cause them. But it was the freezing up of the US financial system triggered by the sub-prime mortgage crisis that plunged the global economy into hot water. The economic hegemon is supposed to be the lender of last resort in the international economy. The United States, however, has become the borrower of first resort—the world's largest debtor. When the global economy falters, the economic hegemon is supposed to jump-start recovery by purchasing other nations' goods. From the end of the Second World War until the Great Recession struck, it was America's willingness to consume foreign goods that constituted the primary firewall against global economic downturns.

When the Great Recession hit, however, the US economy proved too infirm to lead the global economy back to health. It fell to China to pull the global economy out of its nose-dive by stepping up to the plate with a massive stimulus programme. Barack Obama acknowledged the deeper implications of this when, at the April 2009 G20 meeting in London, he conceded that, in important respects, the United States' days as the economic hegemon were numbered because it was too deeply in debt to continue as the world's consumer of last resort. Instead, he said, the world would have to look to China (and other emerging market states, plus Germany) to be the motors of global recovery. 'If there is going to be renewed growth,' Obama stated, 'it can't just be the United States as the engine, everybody is going to have to pick up the pace.' He added that

in some ways the world has become accustomed to the United States being a voracious consumer market and the engine that drives a lot of economic growth worldwide. And I think that in the wake of the crisis, even as we're doing stimulus, we have to take into account our own deficits.<sup>44</sup>

Another example of the slipping US grip on global economic leadership is Washington's inability to prevail over Germany in the transatlantic 'austerity versus stimulus' debate that began in 2009. Reflecting their different historical experiences, the United States and Germany adopted divergent fiscal policies during the Great Recession. Economic policy-makers in the Obama administration were guided by the Keynesian lessons learned from the Great Depression of the 1930s: in essence, that to dig out of a deep economic slump, the federal

<sup>43</sup> This was a theme at the spring 2015 meetings of the IMF and World Bank. See Jonathan Weisman, 'US primacy on economics seen as ebbing', *New York Times*, 18 April 2015, p. A1.

<sup>44</sup> David E. Sanger and Mark Landler, 'In Europe, Obama faces call for rules on finances', *New York Times*, 1 April 2009, p. A1.

government should stimulate demand by pump-priming the economy through deficit spending, and the Federal Reserve should support this policy of stimulus with low interest rates and easy money. Obama administration policy-makers, and leading American economists, were haunted by the '1937 analogy'—the fear that, if stimulus is withdrawn prematurely, nascent recovery could be aborted.

On the other hand, Germany—the EU's economic engine—has long been haunted by the '1923 analogy'—the fear that inflation easily can become uncontrollable, with potentially disastrous economic, social and political consequences.<sup>45</sup> From the founding of West Germany after the Second World War until the advent of European monetary union, and eventually the euro, the primary missions of the West German central bank, the Bundesbank were to combat inflation, and to preserve the Deutschmark's value. For the German government, assurance that the new European Central Bank would follow the Bundesbank's sound money policy was a *sine qua non* for its decision to give up the Deutschmark in favour of the euro.

The US–European divide on austerity versus stimulus manifested itself at the April 2009 London G20 summit. The US objective at this meeting was to achieve a rebalancing of the international economy by inducing the Europeans—which meant Germany—to lift the continent out of recession by emulating Washington's use of deficit spending to spur economic revival. Washington wanted Germany to export less and import—and consume—more. Berlin flatly rejected US entreaties with respect to rebalancing. German Chancellor Angela Merkel argued that for states—especially ones already deeply in debt—to accumulate more debt in an effort to spend themselves out of recession would only set the stage for an even greater crisis down the road.<sup>46</sup>

Washington's inability to persuade Berlin to adopt a policy of economic stimulus highlighted America's flagging ability to act as the leader of the international economy. The then Treasury Secretary Jack Lew implicitly admitted this at the October 2015 IMF–World Bank biannual meetings when, echoing President Obama, he stated that the United States could not be the 'sole engine' of global growth. And the Trump administration, although it has complained loudly that Germany exports too much and imports too little, has like its predecessor been unable to push or persuade Berlin into reducing its trade surplus while simultaneously increasing its consumption.

Even as the US ability to manage the international economy is decreasing, China's growing economic clout has profound implications for the Sino-American strategic balance. For example, the Obama administration's 'pivot' to Asia was intended to reassure the nations of east and south-east Asia that the United States would use its military power to offset China's growing economic influence in the region. As Jeffrey Bader, the Obama administration's National Security Council director for Asia, put it:

<sup>45</sup> Gerald D. Feldman, *The great disorder: politics, economics, and society in the German inflation, 1914–1924* (New York: Oxford University Press, 1993).

<sup>46</sup> Nicholas Kulish and Judy Dempsey, 'Merkel is set to greet, and then resist, Obama', *New York Times*, 29 March 2009, p. A6.

## *The US–Chinese power shift and the end of the Pax Americana*

China's emergence, China's rise, is the focus of attention not only of the United States but among all countries in the region. None of them wants to have hostile or adversarial relations with China. At the same time, none wants to be dominated by China. The countries in the region welcome the US presence as, if you will, a kind of balance against China.<sup>47</sup>

However, the outlook for this 'balancing' strategy is clouded. Doubtless, Bader was correct: regional states do not want to be forced to choose between aligning either with China or with the United States. But economic trends suggest that they will be inexorably drawn into Beijing's geopolitical orbit by the overpowering magnetic pull of the Chinese economy.

The lessening of America's regional economic influence, and the corresponding jump in that of China, have been dramatic. In 1993 China accounted for only 2 per cent of ASEAN's trade in goods, and the United States accounted for 18 per cent. By 2013, however, the American share of ASEAN trade in goods had shrunk to 8.2 per cent while China's had skyrocketed to 14 per cent.<sup>48</sup> Growing economic dependence on China is reflected in geopolitical alignments. Since 2016, Malaysia, Cambodia, Myanmar and the Philippines have all tilted away from the United States and towards China. Even Australia, long a staunch US ally, is debating the merits of taking a more equidistant political stance between Washington and Beijing because of its economic dependence on China. In the coming years these trends are likely to continue, and China will be able to leverage its economic power to enhance its geopolitical position in east and south-east Asia—and diminish that of the United States.

## *The institutional challenge to the Pax Americana*

Not only is the Pax Americana being whittled away by constraints on Washington's ability to continue playing its role as the manager of the global economy, and by China's ever-increasing economic dominance of its region; even more strikingly, the institutional framework is being challenged. An important indicator of the Pax Americana's erosion is the weakening of its legacy institutions amid calls, magnified by the Great Recession, for a major overhaul of the international institutional order. Examples include demands that the IMF and World Bank be reformed to give China (and other key emerging market economies) greater voting power, and a (so far unsuccessful) push to expand the membership of the UN Security Council by adding, among others, Brazil and India.

Another indicator of the shifting global balance occurred in November 2008 when the G8 global economic summit was transformed into the G20 by the addition of China and other emerging market states including India, Indonesia and South Africa. The G20's creation as the new focal point for coordinating international economic policy was a response to the insistence of China, and the

<sup>47</sup> Quoted in Matt Spetalnick, 'China high on agenda for Obama's Asian tour—aide', Reuters, 2 Nov. 2010, <http://www.reuters.com/article/idINIndia-52631620101103>.

<sup>48</sup> *ASEAN economic chartbooks*, 2009, 2014, 2017, <http://www.aseanstats.org/category/asean-economic-chartbook>.

other major emerging market states, that they be given a greater voice in international economic affairs. Implicitly, the G20's emergence confirmed three trends. First, the necessity of conceding power to the emerging market states—especially China—confirmed that America's relative power is declining. Second, the G20's empowerment underscored the shift in power from the Euro-Atlantic world to Asia. Whereas only one Asian nation (Japan) had been a G8 member, the G20 has six members from the region: Australia, China, India, Indonesia, Japan and South Korea. Finally, the G20's emergence as the central organ of international economic management demonstrated that—as a result of the Great Recession—the prestige and authority of the United States and Europe as stewards of the international economy had slipped dramatically.<sup>49</sup>

The past decade or so also has seen the creation of new institutions that potentially could constitute a parallel—'shadow'—international order outside the framework of the Pax Americana. The most important of these may be the Beijing-backed Asian Infrastructure Investment Bank (AIIB). Other examples include the Shanghai Cooperation Organization, the Collective Security Treaty Organization, the Eurasian Economic Union and the BRICS (Brazil, Russia, India, China, South Africa). The staying power and impact of these institutions are uncertain; but at the very least they are important symbolically. They underscore the decline of the American-designed post-Second World War international order, and the rise of new powers such as China and India—and the resurgence of old ones such as Russia—demanding recognition of their status and prestige, and a concomitant voice in the management of the international system.

### *Soft power: the end of the US monopoly*

One of the major impacts of the Great Recession was its effect on perceptions of US soft power. As Martin Wolf argued at the nadir of the meltdown, the collapse of the American financial system marked a 'humiliating end to the "unipolar moment"'.<sup>50</sup> The meltdown has also damaged America's status and ideational power. As Martin Jacques has suggested, the fact 'that the American-run international economic system has been plunged into such turmoil as a result of a crisis which had its origins in the United States has served further to accentuate the loss of American power and prestige'.<sup>51</sup> US claims that the so-called Washington Consensus—based on free markets, democracy and globalization—is the only viable path for economic and political development have been discredited. As former US Deputy Treasury Secretary Roger Altman said, the Great Recession 'put the American model of free market capitalism under a cloud'.<sup>52</sup>

<sup>49</sup> See Martin Wolf, 'Three years and new fault lines threaten', *Financial Times*, 13 July 2010, <https://www.ft.com/content/39c67712-8eb1-11df-8a67-00144feab49a>.

<sup>50</sup> Martin Wolf, 'Seeds of its own destruction', *Financial Times*, 8 March 2009, <https://www.ft.com/content/c6c5bd36-0c0c-11de-b87d-0000779fd2ac>.

<sup>51</sup> Martin Jacques, *When China rules the world: the rise of the Middle Kingdom and the end of the western world* (London: Allen Lane, 2009), p. 354.

<sup>52</sup> Roger Altman, 'The great credit crash, 2008: a geopolitical setback for the west', *Foreign Affairs* 88: 1, Jan.–Feb. 2009) p. 2. In a slap at the US, the then German Foreign Minister, Frank-Walter Steinmeier, stated that instead

In the wake of the meltdown, China has broken the US monopoly on soft power.<sup>53</sup> Beijing has become increasingly adept at developing its own brand of soft power based on its culture, its diplomacy and the attractiveness of its own system—‘market authoritarianism’—as an alternative to the American model.<sup>54</sup> Indeed, even before the crash, Kurt Campbell and Michele Flournoy—both of whom would go on to hold senior national security positions in the Obama administration—acknowledged that China, despite not being a democracy, might already have leapt ahead of the United States in soft power. This was, they observed, ‘a troubling indictment of our current course’.<sup>55</sup>

### **China’s challenge to the Pax Americana: the AIIB, and ‘one belt, one road’**

In May 2016 leaders of 29 nations, and representatives from some 80 others, descended on Beijing to discuss China’s ambitious ‘one belt one road’ (OBOR) development initiative—also referred to by some as the ‘new Silk Road’. This plan is the follow-on to China’s creation several years ago of the AIIB, conceived as a new major international institution to foster economic development in south-east, south-west and central Asia. OBOR—a signature policy of Chinese President Xi Jinping—calls for the investment of massive amounts of money (US\$1 trillion, according to some reports) to promote trade and economic development by constructing transport links that will tie together east Asian manufacturing hubs with markets and raw material suppliers in south-east Asia, central Asia, south-west Asia and Africa.<sup>56</sup> These new transport routes will also connect China and the participating Asian nations with Europe—thereby creating new markets for the goods and services it produces. Some analysts regard the developmental aspects of OBOR as a Chinese version of the post-1945 Marshall Plan (albeit on a much grander scale). OBOR is also seen as an instrument for extending China’s geopolitical influence—especially in central Asia. Indeed, it has been suggested that OBOR is part of a strategy of establishing Beijing’s dominance over the Eurasian ‘heartland’, to use the term favoured by the early twentieth-

---

of being a mere cyclical downturn, the Great Recession represented a failure of American-style ‘free market radicalism’: quoted in Bertrand Benoit, ‘Steinmeier launches chancellor bid’, *Financial Times*, 20 April 2009, p. 2.

<sup>53</sup> See Joshua Kurlantzick, *Charm offensive: how China’s soft power is transforming the world* (New Haven, CT: Yale University Press, 2007).

<sup>54</sup> The term is borrowed from Stefan Halper, *The Beijing consensus: how China’s authoritarian model will dominate the twenty-first century* (New York: Basic Books, 2010).

<sup>55</sup> Kurt Campbell and Michele Flournoy, *The inheritance and the way forward*. (Washington DC: Center for a New American Security, 2007), p. 18.

<sup>56</sup> It is expected that China will spend about US\$1 trillion initially on OBOR, though it is not clear exactly what the time-frame is for this first phase. Ultimately, over the (unspecified) long term, China’s OBOR investment could rise to between US\$3 trillion and \$4 trillion. Keith Bradsher, ‘U.S. firms want in on China’s global “one belt, one road” spending’, *New York Times*, 15 May 2017, p. B1, [https://www.nytimes.com/2017/05/14/business/china-one-belt-one-road-us-companies.html?\\_r=0](https://www.nytimes.com/2017/05/14/business/china-one-belt-one-road-us-companies.html?_r=0); Tom Hancock, ‘China encircles the world with one belt, one road strategy’, *Financial Times*, 4 May 2017, <https://www.ft.com/content/0714074a-0334-11e7-aa5b-6bbo7f5c8e12>; Scott Cendrowski, ‘Inside China’s global spending spree’, *Fortune*, 12 December 2016, <http://fortune.com/china-belt-road-investment/>; ‘Our bulldozers, our rules’, *The Economist*, 2 July 2016, <https://www.economist.com/news/china/21701505-chinas-foreign-policy-could-reshape-good-part-world-economy-our-bulldozers-our-rules>.

century British geopolitical theorist Sir Halford Mackinder, who argued that control of the heartland was the key to dominating the international system.<sup>57</sup> Since the early 1940s, leading American policy-makers and academic strategists have—explicitly or implicitly—embraced Mackinder’s ideas about geopolitics.<sup>58</sup>

The AIIB and OBOR are both indicators of receding US power, and they challenge the Pax Americana—not just geopolitically, but also with respect to international economic leadership and international institutions. Beijing envisions the AIIB as a rival to the IMF and World Bank. In discussions of Sino-American rivalry, less attention is usually paid to these issues than to the military balance between the United States and China, or to the flashpoints—the South China Sea, the East China Sea, Taiwan, the Korean peninsula—that could spark a conflict. But the contest for international economic and financial leadership, and for the guiding hand in reconfiguring the twenty-first century’s international institutions, will also shape relations between Washington and Beijing, and help determine the fate of the Pax Americana.

The diminution of US influence—itself a signal of the Pax Americana’s erosion—was underscored by Washington’s inability to derail China’s plans to create the AIIB. This failure was not for lack of effort. When Beijing rolled out its AIIB plans, the Obama administration kicked into high gear diplomatically in an attempt to quash the project. As the *New York Times* reported, Washington ‘lobbied against the [AIIB] with unexpected determination and engaged in a vigorous campaign to persuade important allies to shun the project’.<sup>59</sup> Washington’s attempt to dissuade its allies from joining the AIIB failed. Or, to put it more bluntly, in the face of China’s growing power, the United States could not keep its allies onside.

The dam burst when, in a decision taken fittingly on the Ides of March in 2015, Britain—ostensibly America’s closest ally—announced it was going to become a member of the AIIB (*Et tu, Britain?*). London’s action set off a stampede as other states that previously had been on the fence rushed to sign up for membership in the new institution. Those joining the AIIB included traditional US allies such as Australia, France, Germany, Italy and South Korea. Beijing’s diplomatic coup in attracting widespread support for its AIIB initiative was viewed—correctly—as a direct challenge to America’s global geopolitical and economic leadership. Writing in the *Financial Times*, former US Treasury Secretary Lawrence Summers said that London’s AIIB decision and its aftermath ‘may be remembered as the moment the United States lost its role as the underwriter of the global economic system’.<sup>60</sup> Beijing’s ability to persuade America’s allies to sign up to the AIIB

<sup>57</sup> H. J. Mackinder, ‘The geographical pivot of history’, *Geographical Journal* 23: 4, April 1904, pp. 421–7. Philip Stephens has suggested that OBOR is part of Beijing’s strategy to gain dominance of the Eurasian ‘heartland’—the key to gaining global hegemony, according to Mackinder. See Philip Stephens, ‘A train that proclaims China’s global ambition’, *Financial Times*, 19 July 2017, <https://www.ft.com/content/edo33dae-6c69-11e7-b9c7-15af748b60d0>.

<sup>58</sup> For the best-known recent statement of this view, see John J. Mearsheimer, *The tragedy of Great Power politics*, rev. edn (New York: Norton, 2014).

<sup>59</sup> Jane Perlez, ‘US opposing China’s answer to the World Bank’, *New York Times*, 9 Oct. 2014, p. 1.

<sup>60</sup> Lawrence Summers, ‘Time US leadership woke up to a new economic era’, *Financial Times*, 5 April 2015, p. 9, <https://www.ft.com/content/aoa01306-d887-11e4-ba53-00144feab7de>.

also was a concrete demonstration of the lure of China's financial and economic clout.

China's AIIB initiative is important because it represents a double-barrelled challenge simultaneously to US leadership of the global economy and to the Pax Americana's institutional (and ideational) foundations. At the 1944 Bretton Woods Conference, the United States took the lead in constructing the structure of the post-Second World War international economy by creating the IMF and the World Bank, which were intended to anchor the postwar international economic system. Both of these institutions were structured to ensure Washington would have veto power over their decisions. As China's importance in the world economy grew, however, Beijing demanded that voting power in the two Bretton Woods institutions be recalibrated. In April 2010, the IMF and World Bank agreed to increase China's voting weight. However, to become effective, this agreement required approval by the US Congress; and the Obama administration was unable to persuade Congress to enact the necessary legislation until January 2016. Beijing's frustration with the stalemate on voting rights helped drive its decision to launch its AIIB initiative.<sup>61</sup> With the AIIB, Beijing seeks to enhance China's roles both in the management of the international economy and in international development. The AIIB was also intended to signal that China was serious in demanding an increase in its voting power in the IMF and World Bank commensurate with its current economic and financial clout. The AIIB is—and is intended to be—a direct challenge to the primacy of both of these Bretton Woods legacy institutions.<sup>62</sup> At the same time its impact reaches beyond international economic affairs, because it signals that the Sino-American balance of power now is tilting towards Beijing.

Washington said that its opposition to the AIIB was based on US doubts that the new institution would adhere to the same environmental, governance, lending, transparency, labour and human rights standards as the IMF, World Bank and Asian Development Bank. However, the real reason was the shifting Sino-American balance of power. The then Treasury Secretary Jack Lew alluded to this concern when he said that, because of the AIIB, America's 'international credibility and influence are being threatened'.<sup>63</sup> For their part, the Chinese regarded the US stance—quite correctly—as an attempt to thwart China's rise and its ambition to become the dominant power in east Asia. As former Vice-Minister of Finance Wei Jianguo put it: 'You could think of this as a basketball game in which the US wants to set the duration of the game, size of the court, the height of the basket and everything else to suit itself. In fact, the United States just wants to exclude China from the game.'<sup>64</sup>

<sup>61</sup> David Pilling and Josh Noble, 'US Congress pushed China in to launching AIIB, says Bernanke', *Financial Times*, 2 June 2015, <https://www.ft.com/content/cb28200c-0904-11e5-b643-00144feabdco>.

<sup>62</sup> The same is true of the New Development Bank created by the BRICS, which is headquartered in Shanghai. See Gabriel Wildau, 'New Brics bank in Shanghai to challenge major institutions', *Financial Times*, 21 July 2015, <https://www.ft.com/content/d8e26216-2f8d-11e5-8873-775ba7c2ea3d>.

<sup>63</sup> Quoted in Shawn Donnan and Geoff Dyer, 'US warns of loss of influence over China bank', *Financial Times*, 17 March 2015, <https://www.ft.com/content/71e33aea-ccaf-11e4-b94f-00144feab7de?mhqsj=e1>.

<sup>64</sup> As quoted in Jamal Anderlini, 'Big nations snub Beijing bank launch after US lobbying', *Financial Times*, 22 Oct. 2014, <https://www.ft.com/content/41c3c0a0-59cd-11e4-9787-00144feab7de?mhqsj=e1>.

## The coming end of the Pax Americana

The fate of international orders is closely linked to power transition dynamics. Throughout modern international history the prevailing international order has reflected the balance of power that existed at the time of its creation. When that balance changes sufficiently, the old order will be replaced by a new one. Viewed from this perspective, what are the Pax Americana's prospects? How will China's rise, and America's decline, affect the international order in the years ahead? The surprising answer given by top US security studies scholars is: 'Not much.' The United States, so the argument goes, can 'lock in' the Pax Americana's essential features, including its rules, norms and institutions.<sup>65</sup>

John Ikenberry, Stephen Brooks and William Wohlforth are the leading proponents of the lock-in thesis. Ikenberry was the first to set out the concept, arguing in *After victory* that a hegemon, by building an institutionalized, rules-based international order, 'can lock-in favorable arrangements that continue beyond the zenith of its power'.<sup>66</sup> In other words, the international order can remain intact even after the hegemonic power that created it has lost its pre-eminent position in the international political system. On this point, Ikenberry echoes Robert Keohane's argument in *After hegemony* that, once a liberal international order has been established by a hegemonic power, if the hegemon declines it is possible for a small group of Great Powers to take the place of the former hegemon and collectively manage the international system.<sup>67</sup> That is, under certain conditions 'hegemonic stability' can exist even if there is no hegemonic power. In *Liberal Leviathan*, Ikenberry built on this logic to argue that, even if the Pax Americana were to wither completely, the LRBIO would nevertheless survive. As Ikenberry put it: 'America's position in the global system may decline but the international order it leads can remain the dominating logic of the twenty-first century.'<sup>68</sup>

Ikenberry's view seems to have evolved, however. In jointly authored articles in *International Security* and *Foreign Affairs*, Brooks, Ikenberry and Wohlforth embrace hegemonic stability theory.<sup>69</sup> That is, they contend that, like all international orders, the post-1945 international order does, in fact, require a hegemonic power to maintain it—and not just any hegemon, but the United States. The logic of their argument is that the LRBIO and the Pax Americana are one and the same, and that US pre-eminence is a necessary condition for the LRBIO. According to them, the United States must exercise 'global leadership'—the US foreign policy establishment's code phrase for hegemony—by acting as a security provider and

<sup>65</sup> On the concept of lock-in, see G. John Ikenberry, *After victory: institutions, strategic restraint, and the rebuilding of order after major wars* (Princeton: Princeton University Press, 2000); Stephen Brooks and William Wohlforth, *World out of balance: international relations and the challenge of American primacy* (Princeton: Princeton University Press, 2008).

<sup>66</sup> Ikenberry, *After victory*, p. 54.

<sup>67</sup> Robert O. Keohane, *After hegemony: cooperation and discord in the world political economy* (Princeton: Princeton University Press, 1984).

<sup>68</sup> Ikenberry, *Liberal Leviathan*, p. 349.

<sup>69</sup> Stephen Brooks, G. John Ikenberry and William Wohlforth, 'Don't come home America: the case against retrenchment', *International Security* 37: 3, Winter 2011–12, pp. 7–51; Stephen Brooks, G. John Ikenberry and William Wohlforth, 'Lean forward', *Foreign Affairs* 92: 1, Jan.–Feb. 2013, pp. 130–42.

geopolitical stabilizer; by maintaining an open, liberal international economy; and by promoting global cooperation through upholding and revising the post-1945 liberal order—which is both ‘institutional and normative’—created by the Pax Americana.<sup>70</sup> They also claim that the post-1945 Pax Americana ‘allows the United States to ... wrap its hegemonic rule in a rules-based order’.<sup>71</sup> This helps to conceal the actual motives of self-interest and *realpolitik* that underlie American hegemony. Read together, the *International Security* and *Foreign Affairs* articles by Brooks, Ikenberry and Wohlforth make clear the authors’ view that the post-1945 LRPIO is inextricably linked to US hegemony; that is, to the Pax Americana. This is in keeping with the common understanding of hegemonic stability theory. As they see it, the post-1945 international order based on American pre-eminence ‘has served the US well for the past six decades and there is no reason to give it up now’.<sup>72</sup> The argument has special force given that, according to the—correct—logic of their argument (and of hegemonic stability theory), if American hegemony goes, the LRPIO goes with it.

In their preference for maintaining the post-1945 hegemonic American international order, Brooks, Ikenberry and Wohlforth echo the renowned late nineteenth-century British statesman Lord Salisbury. Presiding over a hegemonic Britain that was already perceptibly declining, he famously said: ‘Whatever happens will be for the worse. Therefore, it is in our interest that as little should happen as possible.’ The post-1945 international order is (or was) a concrete manifestation of America’s hegemonic status. So, of course, the US foreign policy establishment wants as little change as possible in international politics. Why would it wish otherwise, when change would inevitably be both the cause and effect of diminishing American power and influence? The United States has every incentive for wanting to prolong the post-1945 international order. After all, for most of the last 70 years or so, the US has occupied the geopolitical penthouse (‘when *America* ruled the world’). From that lofty height, however, the only direction it can go is down.

The lock-in strategy is seductive because it holds out (or appears to hold out) the possibility that the United States can preserve the status quo—the post-1945 international order—even as the geopolitical status quo of American hegemony is changing. Lock-in is attractive—superficially—because it assumes that China’s rise will not effect a major change in the international system. Specifically, lock-in holds that China’s rise can be managed by integrating it into the post-1945 international order, and ensuring that the exercise of Chinese power takes place within that order’s rules and institutions.<sup>73</sup> By doing so, it is claimed, the United States can offset its declining power and ‘ensure the international order it leads can

<sup>70</sup> Brooks et al., ‘Don’t come home’, pp. 11–12.

<sup>71</sup> Brooks et al., ‘Don’t come home’, p. 22.

<sup>72</sup> Brooks et al., ‘Lean forward’, pp. 141–2.

<sup>73</sup> Ikenberry argues that the US should ‘make the liberal order so expansive and institutionalized that China will have no choice but to join and operate within it ... America’s goal should be to see that Chinese power is exercised as much as possible with the rules and institutions that we have crafted with other liberal states over the last century, and in which we ourselves want to operate, given the more crowded world of the future’: *Liberal Leviathan*, p. 349.

remain the dominating logic of the twenty-first century'.<sup>74</sup> Lock-in assumes that China has no interest in overturning—or significantly modifying—the post-1945 international order in which it rose and became wealthy. Certainly, China *did* rise within the Pax Americana's LRBIO. However, China did not rise to *preserve* that American-dominated order. For some three decades (beginning with Deng Xiaoping's economic reforms) China took a low profile in international politics, and avoided confrontation both with the United States and with its regional neighbours. Integration into the open international economy spurred China's rapid growth. China's self-described 'peaceful rise' followed the script written by Deng Xiaoping: 'Lie low. Hide your capabilities. Bide your time.' However, the fact that China bandwagoned with the United States in joining the international economic order did not mean that its longer-term intention was—or is—to preserve the post-1945 international order. In joining the liberal economic order, Beijing's goal was not simply to get rich; by integrating itself into the post-1945 international order, China was able to avoid conflict with the United States until it became wealthy enough to acquire the military capabilities necessary to compete with America for regional hegemony in east Asia.<sup>75</sup> Judging from Xi Jinping's policy pronouncements, China's days of biding its time and hiding its capabilities are over.

Lock-in proponents argue that even as the Sino-American military and economic balance continues to tilt increasingly in Beijing's favour, the post-1945 international order's rules, institutions and norms will offset America's loss of hard power. There is historical evidence that suggests this is wishful thinking. Take the case of Britain after the Second World War. Despite the dramatic weakening of Britain's economic and financial clout caused by its efforts in the two world wars, after 1945 British leaders believed that the United Kingdom could remain one of three major world powers. In pursuit of this goal, they formulated their own version of lock-in. As the historian John Darwin puts it, officials in London thought that by transforming the Commonwealth, Britain could transition 'from an empire of rule to an empire of influence'.<sup>76</sup> Specifically, they believed that 'free from the authoritarian, acquisitive and exploitative traditions of the old version of empire', the reconfigured Commonwealth 'would make the British connection voluntary, democratic, and mutually beneficial'.<sup>77</sup> The reformed Commonwealth therefore would serve as the institutional instrument of continuing British world power, within which shared values and norms would bind Britain's former colonies and dominions to London's leadership.<sup>78</sup> The reasons why British policy-

<sup>74</sup> Ikenberry, *Liberal Leviathan*, p. 349.

<sup>75</sup> On this point, see Mark Brawley, 'The political economy of balance of power theory', in T. V. Paul, James J. Wirtz and Michel Fortmann, eds, *Balance of power: theory and practice in the 21st century* (Stanford, CA: Stanford University Press, 2004), pp. 76–99; James Mann, *The China fantasy: why capitalism will not bring democracy to China* (New York: Penguin, 2007), p. 22.

<sup>76</sup> John Darwin, *The empire project: the rise and fall of the British world system, 1830–1970* (Cambridge: Cambridge University Press, 2009), p. 611.

<sup>77</sup> John Darwin, *Unfinished empire: the global expansion of Britain* (New York: Bloomsbury, 2012), p. 355.

<sup>78</sup> In Darwin's words, "Empire" was gradually excised from [British leaders'] working vocabulary. They reinvented the "Commonwealth" (understood before 1939 as the club of the white dominions) as a multiracial association of Britain's ex-colonies, ready and willing—or so it was hoped—to follow Britain's lead in world

makers bought into this vision sound an awful lot like the reasons why the present-day American proponents of lock-in think it will preserve the United States' global leadership even as its hard power erodes. Lock-in did not work for Britain following the Second World War, and there is scant reason to think it will work for the United States in the coming years of the twenty-first century.

The lock-in strategy also assumes that if the Pax Americana's institutions are reformed, Beijing (and other non-western emerging powers) will find it more attractive to remain in the post-1945 international order than to overturn it. That assumption, however, is logically flawed: achieving lock-in by reforming the existing international order presumes that the United States can have its cake (preserving the Pax Americana) and eat it too (reforming the current international system's legacy institutions). But, as we all know, when the cake is eaten, it's gone.

Reform—at least, any kind of reform that would appeal to China—would mean the United States yielding significant power in international institutions to accommodate Beijing. However, doing so would reduce US ability to shape outcomes, diminish Washington's voice in international institutions, and impose constraints on US autonomy in foreign and domestic policy.<sup>79</sup> As University of Birmingham lecturer Sevasti-Eleni Vezirgiannidou observes with respect to institutional reform: 'It is questionable whether this will really preserve US influence or rather, on the contrary, diminish it, as the United States will have to share power in a reformed order and thus will be restricted in its ability to act unilaterally.'<sup>80</sup> The US foreign policy establishment may talk the talk of reforming the international order (and the institutions that underpin it), but it is doubtful it will walk the walk with respect to reform, because that would mean accepting a downsized American role in international politics. On the contrary, Washington's opposition to the AIIB indicates that the United States is not prepared to see its influence in the international order diminished. And, with respect to reforming the post-1945 international order to accommodate the reality of a risen China, this is the nub of the problem: instead of preserving the Pax Americana, reform would lead to changes in the international order that would undermine it. Of course, regardless of whether there is institutional reform, the coming decades are likely to witness major changes in the international order irrespective of America's preferences.

What will happen to the international order as China continues to rise, and America's relative power continues to decline? As Yogi Berra, the greatest of all American philosophers (immortalized in baseball's Hall of Fame), said: 'Making predictions is hard. Especially about the future.' However, one thing seems pretty certain: China is not on the verge of either of ruling the world, or becoming a global hegemon comparable to the United States after the Second World War; not

---

affairs. They insisted that the end of colonial *rule* symbolized the success of the British method of empire, and was merely the prelude to a new and more equitable partnership': *Unfinished empire*, p. 343.

<sup>79</sup> As Sevasti-Eleni Vezirgiannidou puts it: 'The US sits at the core of the current system, with a principal role in governance institutions. Giving this up through reform would mean accepting both a diminished voice within the system and a diminished capacity to act unilaterally. This will be a difficult pill for American policy-makers (as well as voters) to swallow.' See Sevasti-Eleni Vezirgiannidou, 'The United States and rising powers in a post-hegemonic world order', *International Affairs* 89: 3, May 2013, p. 637.

<sup>80</sup> Vezirgiannidou, 'The United States and rising powers', p. 635.

yet, anyway. Thus, for the next several decades (at least) it will be neither China's world nor America's: international leadership will be contested.<sup>81</sup> During this period, China can be expected to act pretty much as one would expect any Great Power to act while making the shift from rising to risen: it will use its newfound power to seek a much greater voice in managing—and shaping—the international order, and its underlying norms. For example, China will want others to acknowledge its 'core interests', including respect for its territorial integrity and its sovereignty. Beijing has expanded the geographic scope of its core interests beyond Tibet and Taiwan to include the South and East China Seas and Xinjiang. And, reflecting its insistence that states should refrain from intervening in others' internal affairs, preservation of its political, economic and social systems also has been defined as a core interest.<sup>82</sup>

During the period of contested international leadership there is unlikely to be wholesale abandonment of the post-1945 international institutions. For example, as one of the five permanent members of the UN Security Council, Beijing is an acknowledged part of the Great Power club. Similarly, we should not expect to see a dramatic overhaul of the international economic system. As the world's top-ranking exporter and trading state, China benefits hugely from economic openness. However, the state plays a much greater role in China's economy than it does in the United States and Europe. Beijing will want rules that protect its semi-mercantilist economic policies and also ensure that its state-owned industries are not disadvantaged. Beijing will continue pressing for an even greater voice, both for itself and for the developing world, in institutions such as the IMF and World Bank (unless or until they are superseded by new 'made in China' institutions). In this respect, China will position itself as the developing world's champion—a role for which it is well suited. Like many nations in the developing world—but unlike the United States—China has been a victim of western Great Power policies of imperialism and colonialism. As such, China has a claim to prominence in constructing a new international order that reflects the values of the developing world rather than those of the United States and the West.<sup>83</sup>

Even though the international economy will remain (more or less) open, in other respects the international system is likely to become much less liberal politically. The Chinese Communist Party's 19th Congress demonstrated that China is not converging with the West: it is not going to become a democracy any time soon—if ever. Consequently, as China's role in shaping the international agenda increases, democracy and human rights will become less salient. China will almost certainly try to change the norms that favour democracy promotion, 'humani-

<sup>81</sup> Charles Kupchan, *No one's world: the West, the rising rest, and the coming global turn* (New York: Oxford University Press, 2012).

<sup>82</sup> David Pilling, 'China's spreading "core interests"', *Financial Times*, 13 Sept. 2011, <https://www.ft.com/content/7aadb36-bdd2-373e-98f6-3d9e46547e7c>.

<sup>83</sup> As Martin Jacques puts it: 'The main plan of American soft power is democracy *within* nation-states; China by way of contrast emphasizes democracy *between* nation-states—most notably in respect for sovereignty—and democracy *in* the world system. China's criticism of the Western-dominated international system and its governing institutions strikes a strong chord with the developing world at a time when these institutions are widely recognized to be unrepresentative and seriously flawed': *When China rules*, p. 354 (emphasis added).

tarian’ intervention, human rights and the Responsibility to Protect. Beijing will resist norms that divide states into two camps, ranging democratic ‘good guys’ against non-democratic ‘bad guys’.<sup>84</sup> Instead, it will offer its policy of ‘market authoritarianism’ to developing states as a better model of political, social and economic development than the US model based on the Washington Consensus.

As its power continues to increase, China will seek to recast the world order in a way that not only advances its interests but also acknowledges both its enhanced power and its claims to status and prestige equal to those of the declining hegemon.<sup>85</sup> For now, Beijing is (mostly) ‘working within the system’ to revise the post-1945 international order while simultaneously laying the groundwork for an alternative international order that eventually could displace the Pax Americana. As a 2007 report by the Center for a New American Security concluded:

Rather than seeking to weaken or confront the United States directly, Chinese leaders are pursuing a subtle, multifaceted, long-term grand strategy that aims to derive as many benefits as possible from the existing international system while accumulating the economic wherewithal, military strength, and soft power resources to reinforce China’s emerging position as at least a regional great power.<sup>86</sup>

Even as it stays within the post-1945 international order, Beijing is not doing so to preserve it. In this sense, as Martin Jacques has observed, China is playing a double game. It is operating ‘both within and outside the existing international system while at the same time, in effect, sponsoring a new China-centric international system which will exist alongside the present system and probably slowly begin to usurp it’.<sup>87</sup> The creation of the AIIB, which Beijing intends should ultimately eclipse the IMF and World Bank, is a good example of this strategy.

American scholars and policy-makers believe that a lock-in strategy can be employed to head off any Chinese attempt to create a new international order, or to create a parallel order. They believe this because they have imbued the concept of a ‘rules-based, institutionalized, liberal international order’ with a talismanic quality. In so doing they have air-brushed Great Power politics out of the picture. As they see it, rules and institutions are politically neutral and, *ipso facto*, beneficial for all. Hence, they can be an effective substitute for declining hard power. However, rather than existing separately from the balance of power, rules, norms and institutions reflect it. Hence the world is no more likely to continue upholding the Pax Americana once US power declines than Britain’s dominions and former colonies were inclined to perpetuate the empire after the Second World War. The fate of the Pax Americana, and that of the international order, will be determined by the outcome of the Sino-American rivalry.

<sup>84</sup> On this point, see Yongjin Zhang, ‘China and liberal hierarchies in global international society: power and negotiation for normative change’, *International Affairs* 82: 4, July 2016, pp. 795–816.

<sup>85</sup> On the importance of status and prestige in Great Power politics, see T. V. Paul, Deborah Welch Larson and William Wohlforth, eds, *Status in world politics* (Cambridge: Cambridge University Press, 2014).

<sup>86</sup> Campbell and Flournoy, *The inheritance*, p. 17. Stefan Halper of Cambridge University similarly observes that, ‘while China’s leaders follow a path of progressive engagement with the liberal international order, Beijing’s leaders are also leading a formidable assault on this order’: Halper, *The Beijing consensus*, p. 2.

<sup>87</sup> Jacques, *When China rules*, p. 362.

As the British scholar E. H. Carr observed, a rules-based international order ‘cannot be understood independently of the political foundation on which it rests and the political interests which it serves’.<sup>88</sup> The post-Second World War international order is an *American* order that privileges US interests.<sup>89</sup> Even the discourse of ‘liberal order’ cannot disguise this fact. Today, the ground is shifting beneath the Pax Americana’s foundations. Those who believe that lock-in can work view international politics as being, in essence, geopolitically antiseptic. For them, Great Power competition and conflict are transcended by international institutions, rules and norms. This is not how the real world works, however.<sup>90</sup> Great Power politics is about *power*. Rules and institutions do not exist in a vacuum, hermetically sealed off from Great Power politics. Nor are they neutral. Rather, they reflect the distribution of power in the international system. In international politics, who rules makes the rules.

In his classic study of international relations between the world wars, *The Twenty years’ crisis*, Carr analysed the political crisis of the 1930s caused by the breakdown of the post-First World War order symbolized by the Versailles Treaty.<sup>91</sup> The Versailles system cracked, Carr argued, because of the widening gap between the order it represented and the actual distribution of power in Europe. Carr used the events of the 1930s to make a larger geopolitical point. International orders reflect the balance of power that exists at time of their creation. Over time, however, the relative power of states changes, and eventually the international order no longer reflects the actual distribution of power between or among the leading Great Powers. When that happens, the legitimacy of the prevailing order is called into question, and it will be challenged by the rising power(s).

When the balance of power swings—or is perceived to swing—in its direction, a rising power becomes increasingly dissatisfied with the international order, and seeks to revise it. The challenger wants to change the rules embodied in the existing international order—rules written, of course, by the once dominant but now declining Great Power that created it. It also wants the allocation of prestige and status changed to reflect its newly acquired power. The incumbent hegemon, of course, wants to preserve the existing international order as is—an order that it midwived to advance, and consolidate, its own interests. The E. H. Carr Moment presents the incumbent hegemon with a choice. It can dig in its heels and try to preserve the prevailing order—and its privileged position therein; or it can accede to the rising challenger’s demands for revision. If it chooses the former course of action, it runs the risk of war with the dissatisfied challenger. If it chooses the latter, it must come to terms with the reality of its decline, and the end of its hegemonic position.

<sup>88</sup> Edward Hallett Carr, *The twenty years’ crisis: an introduction to the study of international relations* (New York: Perennial, 2011; first publ. 1939), p. 179.

<sup>89</sup> With respect to the liberal international economic order, Gilpin points out that ‘a liberal economic system is not self-sustaining, but is maintained only through the actions—initiatives, bargaining and sanctions—of the dominant power(s)’: Gilpin, *US power*, p. 85.

<sup>90</sup> John Mearsheimer, ‘The false promise of international institutions’, *International Security* 19: 3, Winter 1994–5, pp. 5–49.

<sup>91</sup> Carr, *Twenty years’ crisis*. For a somewhat different account of why the Versailles system collapsed, see Zara Steiner, *The light that failed: European international history, 1919–1933* (New York: Oxford University Press, 2003).

The E. H. Carr Moment is where the geopolitical rubber meets the road: the status quo power(s) must choose between accommodating or opposing the revisionist demands of the rising power(s). Liberal internationalists such as John Ikenberry argue that China will not challenge the current international order, even as the distribution of power continues to shift in its favour. This is a doubtful proposition. *The* geopolitical question—the E. H. Carr Moment—of our time is whether the declining hegemon in east Asia, the United States, will try to preserve a status quo that is becoming increasingly out of sync with the shifting distribution of power, or whether it can reconcile itself to a rising China’s revisionist demands that the international order in east Asia be realigned to reflect the emerging power realities. Unless the United States can adjust gracefully to this tectonic geopolitical shift, the chances of a Sino-American war are high—as they always are during power transitions.<sup>92</sup> However, whether change comes peacefully or violently, the Pax Americana’s days are numbered.

<sup>92</sup> For the argument that the Sino-American power transition is likely to culminate in war, see Christopher Layne, ‘The sound of distant thunder: the pre-World War I Anglo-German rivalry as a model for Sino-American relations in the early twenty-first century’, in Asle Toje, ed., *Will China’s rise be peaceful?* (Oxford: Oxford University Press, 2018). This volume is based on essays originally presented at the Norwegian Nobel Institute’s 2014 summer symposium. For case-studies demonstrating that war is the likely outcome of power transitions, see Graham Allison, *Destined for war: can America and China escape the Thucydides trap?* (New York: Houghton Mifflin, 2017).

