

China and the Crisis in the Liberal International Order

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Donald J. Trump is the consequence, not the cause, of the crisis in the current international order led by the United States. That crisis and decline has been forewarned for some time. Even though many of the liberal order's proponents were slow to acknowledge it.

In my 2014, book, *The End of American World Order*, I had argued that the American-dominated world order, often termed as the liberal world order or liberal hegemony, is coming to an end.¹ This has little to do with whether or not American itself is declining. The question of US' decline remains unsettled, but there is less doubt about the decline of the order America built.

A related argument was that the liberal order was never truly a global order. The globality of the US-led liberal order for much of its history was but a “myth” because the Soviet bloc, China, India, the Third World were not part of it. The liberal order should be seen as “an international order, but not the world order, of the post-World War II period”. I also questioned its “benevolent role”.² In an essay in *Foreign Affairs* published soon after Trump's victory, Joseph S. Nye, one of the staunchest defenders of liberal order, echoes my view when he remarks that the liberal order “was largely limited to a group of like-minded states centered on the Atlantic littoral” and which “did not include many large countries such as China, India, and the Soviet bloc states, and... did not always have

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benign effects on nonmembers.”³

Looking at what comes after liberal hegemony, my argument was, and remains that the emerging world order is neither unipolar nor multipolar, but a Multiplex World.⁴ Although it is commonplace to see pundits talk about a return to multipolarity, the world today is very different from the multipolar world especially of the pre-World War II European kind. For one thing, today’s key players in international politics are not just great or rising powers. They include international institutions, non-state actors, regional powers and organizations, and multinational corporations. European interdependence before World War II, based narrowly on trade, was undermined by dynastic squabbles, balance of power politics and a bloodthirsty rivalry for overseas colonies. The major nations of the world today are bound by much broader and complex forms of interdependence comprising trade, finance and production networks as well as shared vulnerability to transnational challenges such as terrorism and climate change.

In a Multiplex World, as in a multiplex cinema, there are varieties of actors, scripts, producers, giving the audience more choice. A Multiplex World is a decentered or post-hegemonic world featuring multiple key actors bound by a complex interdependence. The key features of a Multiplex World would include:

- Absence of a single overarching global hegemony (like the US until now or Britain in the late 19th century until World War I), although power inequalities & hierarchies remain (hence the idea of a ‘nonpolar’ world as coined by Richard Haass, or the idea of ‘the world is flat’ from Thomas Friedman, is misleading);
- Actors are not just great powers, as in a multipolar system, but also international and regional bodies, non-state groups, corporations, and people’s networks;
- Persistence of cultural, ideological and political diversity, despite globalization;
- Increasing global and regional interdependence, covering not just trade, but also economic and ecological linkages;
- Multiple layers of governance – global, regional and local – comprising formal institutions, networks, and hybrid structures. Security

challenges are increasingly transnational, requiring transnational approaches.

A Multiplex World does not mean the emerging powers such as China and India could be simply “co-opted” into the existing liberal hegemonic order. Neither can they lead the world on their own; shared leadership is key to global governance. The Multiplex World does not mean a return to 19th-century European regional blocs, but may feature open and interactive regionalism that can support global order. A Multiplex World is not necessarily “G-zero” or a world of chaos. While it is not free from conflict, its stability can be helped by a “G-plus” approach, i.e., beyond the old and emerging great powers, with the participation of civil society, regional and local actors, and increasing equity, transparency and accountability in global rules and institutions.

While Trump might have promised to make “America great again”, he is unlikely to reverse the decline of the American-led liberal international order. On the contrary, Trump’s election platform and statements on trade, alliances and immigration, if carried to their logical conclusion, will speed up the breakdown of the hegemonic liberal order and ushered in the Multiplex World. Trump is really the consequence, rather than the cause of the crisis and decline of the American-led liberal order which has been going on for some time.⁵

For example, the rate of global trade expansion, a key force sustaining the liberal order, has been slowing for some time. Since 2010 global trade has been growing at an annual rate of 2% and the trade-to-GDP ratio has been falling.⁶ The thing to remember is that decline of trade growth had nothing to do with US, but to the economic slowdown in China, which is unlikely to grow at over ten percent rate again. It may now have another enemy in Trump’s policies, but the latter cannot be its main cause.

Another key foundation of the liberal order, the post-war system of multilateral institutions built and maintained by the US, was already fragmenting.⁷ The big UN-based multilaterals, such as the IMF, World Bank, WTO or specialized agencies like the World Health Organization, are no longer the only game in

global governance. There has been a proliferation of regional and plurilateral arrangements, private initiatives and various forms of partnership involving government, private and civil society actors in security, climate change and human rights, many of which were neither the product of US leadership nor beholden to American purpose.

A third element of the liberal order, the global democratic revolution called the Fourth Wave, which had seen the number of democracies nearly double after the end of the Cold War, had already peaked by 2000 as noted John Micklethwait and Adrian Wooldridge in their 2014 book *The Fourth Revolution*.⁸ The failed promise of the Arab Spring and the turn to authoritarianism in Turkey and Thailand attest to this trend.

But until now, it was generally assumed that the main challenge to liberal order will come from external factors, especially from the rising powers led by China. Yet, the irony is that the emerging powers are not doing all that well today. Instead, the liberal order is imploding. Trump's victory and Brexit suggest that the main challenge is also from within, especially due to disillusionment with the effects of globalization.

This was clear from the 2016 presidential polls in the US. It showed that the states that Clinton was expected to carry, such as Wisconsin (which had not voted for a Republican presidential candidate since 1984), Pennsylvania and Michigan (which had not done so since 1988), as well as Ohio and North Carolina voted for Trump because of sentiments against economic globalization that underpins the liberal order.⁹

The Trump team has already indicated a hostility towards conventional UN-based multilateral institutions. It has vowed to place greater stress on bilateral deals based on a stricter and direct reciprocity than multilateralism. Under Trump, WTO, already suffering from a virtual paralysis, could be especially hard hit. A key question is whether Trump will pursue the unilateralism of the first George W. Bush administration, which triggered a wave of anti-Americanism around the world. But that administration learnt from its early mistakes and the anti-Americanism was reversed by Obama. Will Trump do likewise will be a key factor in the future of

multilateralism.

A major question about the future of the liberal order, already weakened by the slowing of democratic transitions, is whether Trump's victory might encourage authoritarianism around the world. As many commentators have pointed out, Trump's victory is encouraging to anti-democratic leaders not only outside the West such as Putin in Russia, Erdogan in Turkey, and Orban in Hungary, but also far-right movements in Western Europe, such as those led by Le Pen in France. Whether such an authoritarian wave will materialize remains to be seen. But there is little question that Trump's victory has given democracy a bad name. "Democracy is the loser in U.S. Vote," declared *China Daily* while criticizing the level of personal attacks and "nasty aspects" of American style democracy during the long and brutal presidential election campaign.¹⁰

What is also clear is that the 2016 election and Trump's victory has already severely eroded its claim to leadership in projecting liberal values, a key element of American primacy, and of the US-led liberal order. It has also dented America's soft power, which rests partly on the attractiveness of its domestic politics and institutions. People around the world are unlikely to forget Trump's attack on the Hispanic judge in California, which the House Speaker Paul Ryan described as a "textbook case of racism", or his attack on Mexican immigrants and on the parents of a Gold Star family of a Muslim US soldier who died of a car bomb attack in Iraq. It is hard to imagine the elected leader of a major country who has expressed such openly prejudiced views.

China and the Emerging Powers

In *The End of American World Order*, I argued that the emerging powers cannot offer an alternative form of world order because of the tensions and differences among their interests and aspirations. Yet, nor can they be simply co-opted into the existing liberal international order (as some liberals hoped for) without significant reforms to accommodate interests and voices of the emerging powers. Now, the most important question posed by Trump's victory to the future of the liberal order may be this: will

the emerging powers defend the existing liberal order or give it a further, final shove down the edge?

My answer is this. When it comes to the liberal order, Russia, China and India have different interests. Putin might have helped to put Trump in the White House, and clearly stands to gain if Trump's policies undermine NATO and other US alliances and lead to a significant cutback on US global engagement. Among the BRICS nations, Russia clearly has the least interest in preserving the liberal order. With Brexit weakening the EU, this is Putin's moment in international affairs.

But there is far less interest on China's part to undermine the liberal order. Some sections of China's elite cheer a Trump victory. They see the death of the Trans-Pacific Partnership (TPP) as opening the door to alternative regional arrangements, such as the Regional Comprehensive Economic Partnership (RCEP). But the situation is not that simple. The RCEP is a multilateral initiative. Here the chief obstacle is not the TPP, but India's difficult negotiating stance, which is unlikely to disappear, Trump or no Trump. Japan will also push against any Chinese dominance of RCEP.

India's Foreign Secretary and National Security Adviser, Shivshankar Menon, recently described India as an "anti-status-quo power" that seeks to "reform and revise the [existing] international order" but not "overthrow" it.

One factor undercutting the emerging powers' challenge to the existing international order is that Trump's victory comes at a time when the emerging powers are themselves in considerable economic and political distress. The growth of the five BRICS nations slowed from an average of 9% in 2010 to about 4% in 2015. Investment growth slowed from 16% in 2010 to 5% in 2014. In 2015, Goldman Sachs closed its BRICS investment fund, which had lost 88 percent of its value since its 2010 peak. Given such a situation, the emerging powers are able to exploit the crisis in liberal order through concerted action. Instead, the putative challengers to the liberal order may hold back or even offer greater support to that order while the people of the core liberal states, the US and Britain undermine it.¹¹

A China-LED Globalization?

What are the implications of the crisis in the liberal order and the emergence of a Multiplex World for China? To begin with, it provides China with an opportunity to enhance its own leadership in world affairs. Chinese President Xi Jinping's defense of globalization at Davos in January 2017 was neither unexpected nor insincere. It showed China as one of the main beneficiaries of globalization. But while globalization is a key element of the liberal order, China's defense of globalization does not necessarily mean it will accept all aspects of the contemporary globalization process led by the West, especially the political elements. Instead, China and other emerging powers are likely to pursue a different route to globalization.

This globalization may be led more by the East rather than the West, by the emerging powers such as China and India than the established powers, and built more around South-South linkages than North-South ones. It will be more respectful of state sovereignty and led more through the aegis of new bodies such as the Asian Infrastructure Investment Bank and other new multilateral bodies launched by the emerging powers, instead of the traditional multilateral economic bodies such as the IMF, the World Bank and the WTO. While these will not replace the existing multilaterals, they will demand their space and compete for the management of globalization.

The indicators of this new globalization, led by the East and driven by South-South linkages, have been emerging for some time. The volume of South-South trade has been increasing relative to North-South or North-North trade. South-South merchandise trade rose from less than 8% in 2008 to more than 26% in 2011.¹² In the area of investment, according to the UNCTAD, South-South FDI flows now constitute over a third of global flows. In 2015, Multinational Enterprises (MNEs) from developing Asia became the world's largest investing group for the first time, accounting for almost one third of the world total. Outward Investment by Chinese MNEs grew faster than inflows into the country, reaching a new high of \$116 billion.¹³

Second, the decline of the liberal order may also allow China

to take a more proactive role in reshaping global and regional governance. China has already stepped up such a role by spearheading the establishment of the AIIB, the BRICS' New Development Bank and financial contingency arrangement. While China's Belt and Road initiative is not a multilateral institution, it also has the potential to reshape the post-war arrangements for development priorities and financing. China's initiatives point to a future of globalization that lays more stress on development, than mainly trade.

A third implication for China is the opportunities for strengthened ties with the emerging powers and the developing countries in general. These would include the BRICS, but also regional powers in Asia, Africa, Middle East and Latin America which were already looking to reduce their dependence on the West. Last but not the least, China has the chance to develop new regional ties, especially with the death of Trans-Pacific Partnership (TPP) and Obama's rebalancing policy (although this may reappear in a different form).

Despite the opportunities, the current situation in world politics presents new risks and challenges for China. There is now greater uncertainty and complexity in world politics. With a slowdown in Chinese economy, global trade will be hard to revive. Add to this Trump's threat, as indicated in his electoral platform, to "bring trade cases against China, both in this country and at the WTO," in retaliation against "China's unfair subsidy behavior".¹⁴ Whether the Trump administration will be able to carry out such threats, it will be mindful of Chinese retaliation here, as his rhetoric causes uncertainty for China, which has already been affected by a slowdown in global trade.

China's ability to develop closer ties with other emerging powers depends on improved relationship with India. China and India represent the two most important emerging powers in the world today, and are projected to become the two top economies in the world by 2050. Yet, while they share many common concerns about the reform of global institutions and transformation of world order, they are also at odds over key issues. For example, while India is the second largest shareholder in the AIIB, it is suspicious of the Belt

and Road initiative because of the involvement of Pakistan in it.

In Asia, China also faces new challenges. If Trump's policies undermine the vitality of US alliances with Japan and South Korea (although this is by no means a certainty, despite Trump's tough call for more burden-sharing by the allies), it might push Japan and South Korea towards developing nuclear weapons. This cannot be in China's security interests. While the death of the TPP may seem to offer China an opportunity to lead the Asian regional economic integration, this does not mean China can dictate the alternative Regional Comprehensive Economic Partnership (RCEP). The presence of other big players, such as Japan and India in RCEP will also be important in shaping China's role.

And China's relations with ASEAN is not necessarily going to better under a Trump administration. The Philippines might have done a "pivot" towards China under Duterte, but the US-Philippine alliance will remain important given the close ties between the two militaries forged through decades of interaction and the dependence of the Philippine military on US weapons. The fate of the China-ASEAN relationship or at least China's relations with some of the key ASEAN members, will depend on progress in finding a peaceful settlement of the South China Sea dispute. While the Trump administration may not embrace ASEAN or the principle of ASEAN centrality as closely as its predecessor, the Obama administration, this does not mean ASEAN countries will walk away from their close security, economic and diplomatic ties with the US.

¹ Amitav Acharya, *The End of American World Order* (Cambridge: Polity, 2014). See also: Amitav Acharya, "American Primacy in a Multiplex World," *The National Interest*, September 27, 2016, <http://nationalinterest.org/feature/american-primacy-multiplex-world-17841?page=show>; "The End of American World Order: Insights from Amitav Acharya", by Mercy A. Kuo, *The Diplomat*, 10 November 2016. <http://thediplomat.com/2016/11/the-end-of-american-world-order/>.

² Acharya, *The End of American World Order*, p.37, 39.

³ Joseph S. Nye, "Will the Liberal Order Survive? The History of an Idea", *Foreign Affairs*, vol. 96, no.1, January/February 2017.

⁴ This is echoed in a recent *Foreign Affairs* essay, which argues for developing a "mixed order" to

cope with a “pluralistic world”. Michael J. Mazarr, “The Once and Future Order: What Comes After Hegemony?”. “Out of Order? The Future of the International System,” *Foreign Affairs*, vol. 96, no.1, January/February 2017, <https://www.foreignaffairs.com/issues/2017/96/1>

⁵ Amitav Acharya, “Donald Trump as President: Does it Mark a Rise of Illiberal Globalism?”. *YaleGlobal*, 22 January 2017, <http://yaleglobal.yale.edu/content/donald-trump-president-does-it-mark-rise-illiberal-globalism>.

⁶ Barry Eichengreen, “Globalization’s Last Gasp”, *Project Syndicate*, 17 November 2016. <https://www.project-syndicate.org/commentary/growth-before-globalization-by-barry-eichengreen-2016-11?barrier=accessreg>.

⁷ This fragmentation is vividly illustrated in Amitav Acharya, ed., *Why Govern? Rethinking Demand and Progress in Global Governance* (Cambridge, UK: Cambridge University Press, 2016).

⁸ John Micklethwait and Adrian Wooldridge, *The Fourth Revolution: The Global Race to Reinvent the State* (New York: Penguin Press, 2014).

⁹ Edward Alden, “The Biggest Issue That Carried Trump to Victory”, *Fortune*, 10 November 2016, <http://fortune.com/2016/11/10/trump-voters-free-trade-globalization/>.

¹⁰ “Democracy the loser in US vote”, *China Daily (USA)*, 9 November 2016. http://usa.china-daily.com.cn/opinion/2016-11/09/content_27317869.htm.

¹¹ Amitav Acharya, “The emerging powers can be saviours of the global liberal order,” *Financial Times*, 19 January 2017, p.12. <https://www.ft.com/content/f175b378-dd79-11e6-86ac-f253db7791c6>.

¹² United Nations Development Program, *Human Development Report 2013, The Rise of the South: Human Progress in a Diverse World* (New York: United Nations Development Program, 2013), p.2.

¹³ http://unctad.org/en/PublicationsLibrary/wir2015_en.pdf, pp.5, 8-9.

¹⁴ “7 Point Plan to Rebuild the American Economy by Fighting for Free Trade”, <https://www.facebook.com/notes/the-2016-committee/donald-j-trumps-vision/1251246731604221/>.