Can China Really Become the Next Superpower?

Shujie Yao *

This paper aims to answer the question whether China can really become the next superpower through assessing China’s economic performance in the past three decades and evaluating the key constraints on China’s future development. It presents a few possible scenarios to sketch how likely it is that China will become the next superpower towards the middle of the 21st century.

Introduction

China has been successful in the last three decades under economic reform and a policy of openness. The economic miracle has been due to Deng Xiaoping’s gradualism and pragmatism in economic reforms and social changes, the smooth transformation to a mixed economy and the shift of development strategy from closed-door to openness.

China’s fast growth has been accompanied by many difficult social, political and environmental problems. Rising inequality, persistence of absolute poverty, environmental degradation, corruption, and declining standards of traditional Chinese moral and social values are key constraints and challenges to China’s further growth. China’s future depends on its ability to solve these problems.

The most pessimistic scenario is that China is unable to face up to those challenges and constraints, rendering the country vulnerable to polarisation, corruption and financial/material crises with little hope of becoming a real superpower. The most optimistic scenario is that China is able to maintain high economic growth, to reduce inequality and poverty, to improve the natural environment, and to overcome the potential problems of energy and material shortage. In this scenario, China will overtake Japan by 2017 and the US by 2037. China will also become a world leader of science and technology, possessing the world’s most advanced space, nuclear, computer, biological, medical, energy and military technologies.

What constitutes a superpower

The US and the former USSR are two examples of superpowers. The US has been the most powerful country in all aspects: the size of its economy, per capita gross domestic product (GDP), military strength, science and technologies, and international influence. The former USSR used to have huge military capability and influence over the world order. It was the only country able to challenge the US before the end of the cold war. Its economic strength was by no means comparable to that of the US. The key question is whether there will be another superpower in the next few decades, and if yes, which country? Russia, India, Japan or Germany is unlikely to become the next superpower for various reasons. Hence, one likely candidate must be China.

However, even if China can become the world’s largest economy, it does not mean that China will automatically become a superpower. There are some other conditions for China to be a real superpower. Such conditions should include the

* Shujie Yao is Professor of Economics and Chinese Sustainable Development, and Head of School of Contemporary Chinese Studies at The University of Nottingham. He is also Research Fellow at Leverhulme Centre of Globalisation & Economic Policy at The University of Nottingham. Email: shujie.yao@nottingham.ac.uk.
level of per capita income, social justice and income equality, the ability to become a world leader of science and technology, and the ability to influence regional and global peace and order.

**China’s rise and its significance in the world economy**

China’s economic reform is the largest project in human history because it has affected a population 16 times that of the four Asian Tigers (South Korea, Taiwan, Singapore and Hong Kong) combined, and more than 10 times that of Japan.

During 1978-2006, China achieved an average annual growth of 9.6% in real GDP. Two different ways are currently used to measure GDP: in nominal dollars using official exchange rates and in PPP dollars using the actual buying power of currencies. Measured in PPP dollars, China’s GDP in 2006 was $10.5 trillion, compared with $12.9 trillion for the US, $13.0 trillion for the EU, $4.1 trillion for Japan, $3.9 trillion for India, $2.6 trillion for Germany and $1.9 trillion for the UK. China is the third largest economic bloc after the EU and the US and the second largest economy after the US. PPP dollars tend to overstate the level of GDP for poor countries like China and India. Measured in nominal dollars, China was the fourth largest economy after the US, Japan, and Germany, with a total GDP of $2.72 trillion (20.94 trillion RMB) in 2006. China will overtake Germany to become the third largest economy in 2007 or 2008.

In the last thirty years, China’s real GDP increased 13 fold, real per capita GDP over nine fold, and real per capita consumption more than six fold. Many consumer goods and services that were virtually unknown in 1978 have become daily necessities in Chinese households today, including colour TVs, telephones, motor cycles and computers. In 1978, China ranked number 23 in world trade. By 2006, China was the third largest trading nation in both imports and exports, with a total trade volume of $1.8 trillion, generating a surplus of $177.8 billion. China had little foreign direct investment (FDI) before 1992 but has been competing with the US in recent years as the world’s largest host of foreign capital.

China is the world’s largest producer and consumer of many key industrial and agricultural products, including steel, cement, coal, fertilizers, colour TVs, cloth, cereals, meat, fish, vegetables, fruits, cotton and rapeseeds. By 2006, China had constructed 3.48 million km of highways and 45,460 km of motorways, or five times the total length of motorways in the UK. China is currently constructing the same length of the entire UK motorway system every two years. In 1978, China had only 598 universities recruiting 0.4 million students, by 2006, it had 1,800 universities recruiting over 5 million students and sending another 120,000 students abroad.

High and sustained economic growth has led to rapid industrialisation and urbanization. During 1978-2006, agriculture’s share in national GDP declined from 28% to 11%, agricultural employment in national employment from 71% to 45%, rural population in national population from 82% to 57%.

**Why China succeeds**

China’s economic miracle can be attributed to its institutional reforms, transforming the former plan system to a mixed plan and market system. The approach of reform is gradual, guided by Deng’s theory of ‘Crossing the River by Feeling the Stones’. The reform was carefully managed with appropriate experimentation, accurate timing, correct sequence and manageable scale. Reforms progressed from agriculture and the countryside to the urban economy.
and state-owned enterprises, from the real economic sectors to the banking and other financial sectors, and from prices to the labour and capital markets, etc.

Adopting appropriate development strategies is another reason for China’s success. Development strategies are shifted from import substitution to export-push and from closed-door to openness and globalisation.

China’s reforms have been guided by some important development theories unavailable from existing economics text books. One such theory is ‘Spots to Lead Areas’ development, which is featured with some growing centres propelling the growth in the surrounding areas and then remote regions through the transmission of growth momentum incubated in the growth centres. In the early 1980s, China established the special economic zones and open coastal cities to be the country’s growth centres.

Another theory is ‘Walking with Two Legs’ development to improve China’s capability in science, technology and innovation. China has relied heavily on foreign technologies through direct purchase or indirectly through FDI to improve productivity. It has also invested heavily to improve its ability in technological innovation and knowledge creation at home.

**Constraints and challenges**

Although China has made tremendous progress in the last thirty years, it is now faced with many challenges and constraints. The most important problems include high and rising inequality, corruption and persistency of poverty, environmental pollution, and over-dependency on non-renewable resources. All these problems could loom so large that China may become vulnerable to various crises. China’s GDP is about 5% (14% in PPP terms) of the world total but it consumes more than one-third of the world’s outputs of coal, steel and cement. China’s past pattern of industrial growth is unlikely to be sustainable in the future.

Rising inequality and corruption are two major social and political issues which can render China vulnerable to social and political unrest, causing unwanted disruption to its economic progress.

**Current policies and possible scenarios**

The government is aware of China’s development constraints and challenges. Some policies have been implemented to resolve these problems through building a harmonious society and reducing income inequality. In agriculture, more land will be converted into forest and grass. Agricultural production will become more efficient and less dependent on chemical fertilisers and pesticides. More investments will be made in the rural areas to improve farm incomes and reduce urban-rural and inter-regional inequality. More effective measures are being adopted to combat corruption and strengthen the leadership of the Communist Party. Huge investments have been planned for the next 30 years to greatly improve the country’s human capital, research and innovation capability in the strategic areas of space, energy, environment, computer and internet, biology and medicine, military affairs and defence, transportation and telecommunications, etc.

If the current policies are ineffective, China’s growth can slow down, leading to higher unemployment and more poverty. In this scenario, the chance of China becoming a superpower will be small. If all policies are effectively implemented, China will be able to maintain high growth, to reduce inequality, poverty, and corruption, to improve production efficiency and the environment. In this scenario,
China will overtake Japan to become the second largest economy by 2017 and the US by 2037, and will become another superpower. This prediction is based on the assumption that all countries continue to grow in the next 30 years following their own growth trends in the past three decades and that GDP is measured in nominal dollars, not in PPP dollars. By 2037, China will also become a world leader of science and technology and have sufficient military and/or diplomatic capability to compete with the US in maintaining regional and global peace and order.

**Further Readings**


