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Chinism and the Future of the World

ABSTRACT The huge leap forward made by the Chinese economy over the past four decades as a result of market reforms and openness to the world is awe-inspiring for some and anxiety-inducing for others. Questions arise as to whether the foundations of Chinese economic success are sustainable and whether economic growth will be followed by political expansion. China makes great use of globalization and is therefore interested in its continuation. At the same time, it wants to give globalization new features, specific Chinese characteristics. This is met with the reluctance of the current global hegemon, the United States, even more so as fears arise that China may promote abroad its original political and economic system—Chinism. However, the world is still big enough to accommodate all of our systems. Potentially, not necessarily. What we need to make it happen is a proper policy, which, in the future, must also involve its better coordination at a supranational level.

KEYWORDS transformation, globalization, economic system, Chinism, new pragmatism

For some time, opinions have been expressed that a new era is inevitably coming, in which Asia, especially China, will dominate the world. Not necessarily. However, certainly the relative importance of China—due to the enormity of its still-growing economy and population size—will increase. This has obvious not only economic but also political implications. In an era of irreversible globalization, none of the world's great problems can be solved without China. It is therefore necessary for other nations not only to compete with China, but also to cooperate creatively. The sooner the culture of such cooperation develops, and the sooner its supportive institutions are developed, the better for development of the global economy.

In the future, human capital and technology will determine the competitiveness of knowledge-based economies. By themselves, however, these economies may not be strong enough to promote sustainable development. A political and economic system that favors the formation of capital and its efficient allocation is also indispensable. The Chinese system is still evolving, so the question arises as to how well it will be able to face the growing challenges.

POPULATION AND HUMAN CAPITAL

The time of quantity will never end, but now the time has come for next-generation quality—quality of systems, of civilization. Today, and even more so in the future,

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economic successes will depend less and less on the possession of natural resources, and tangible and financial assets, and increasingly on human capital. Since the dawn of time, economy has relied on knowledge, but never has so much depended on knowledge resources as it does now. It is knowledge, and the skills in leveraging it in production and exchange processes, that will determine which economy is at the leading edge. The competitiveness of economies increasingly depends on knowledge, and China is fully aware of it. Accordingly, the country invests an increasing amount of time and funds in knowledge and technological progress.

Chinese universities are working their way up global ranking lists, though they are far from the top positions. Those are occupied nearly entirely by US and British schools (only one continental European university is among the top ten: Swiss Federal Institute of Technology in Zurich) with MIT, Stanford, and Harvard on the podium—but Tsinghua University already ranks 16th, and Peking University, 22nd (QS, 2020). In top engineering school rankings, Tsinghua is already right after MIT, and experts say it is just a matter of a few years before it becomes a world leader.

The results of this rise to the top cannot yet be seen, for example, in the *Forbes* list showcasing the most valuable brands, where the remote 97th place went to the only Chinese company on the list—indeed, the most known and significant on the global, not only economic, scene: Huawei (*Forbes*, 2020). Huawei ranks between Danish Lego blocks and US John Deere tractors. Meanwhile, in a much more important ranking, having specific implications for decisions on investments and purchase orders—namely, in the Global Competitiveness Index compiled by the World Economic Forum—China ranks 28th, after Malaysia and Iceland and before Qatar and Italy (WEF, 2019). At the top of the list are Singapore, the USA, and Hong Kong. Interestingly, in terms of competitiveness, China is ahead of all other BRICS countries—Brazil, Russia, India, and South Africa—and most European Union countries.[1]

However, economy serves people, even if policy sometimes forgets it, and economy treats them selectively. One might be awed by such impressive achievements as the magnificent Pudong skyline in Shanghai or by the 38,000 kilometers of high-speed railway, but one also needs to know that public healthcare expenditure represents only about 2% of China's GDP and that the guaranteed monthly income, *dibao*, amounts to a modest RMB 600, which can buy not much more than a bowl of noodles a day. One can marvel at the architectural perfection of the Zhuhai opera house, whose beauty may rival the one in Sydney, but one cannot be indifferent to the fact that on many occasions, peasants are removed from their fields through corrupt lawsuits whereby land is taken over to build mega housing projects of doubtful allure. One cannot help but admire the reach and dynamic growth of the Weibo social media platform and the WeChat mega-app, each used by hundreds of millions, but one cannot help but complain that the BBC

1. Specifically, in WEF competitiveness ranking, China ranks higher than Italy, Estonia, Czech Republic, Portugal, Slovenia, Poland, Malta, Lithuania, Latvia, Slovakia, Cyprus, Hungary, Bulgaria, Romania, Greece, and Croatia, whose 63rd place puts it between the Philippines and Costa Rica (WEF, 2019).

TABLE 1. Population Growth Forecasts, 2020–2060

Country	2020	2060	Growth / Fall, %
China	1,439	1,333	−7.4
India	1,380	1,651	19.6
US	331	391	18.1
Russia	146	133	−8.9
Japan	126	98	−22.2
World	7,795	10,151	30.2

Source: UN (2019).

News online service is blocked by the Great Firewall, which is very technologically advanced. Hence, the big picture is very complex.

What will be pivotal for China's future is to what extent and how quickly changes will take place to satisfy the changing needs of the population. The same is ever increasing in countries working their way up to prosperity and ever smaller in rich countries, which, with exceptions, welcome immigrants. In China, the population will soon cease to grow though it will continue to age (Table 1).

According to UN projections, China's population will start to decline after 2030. Meanwhile, such a turning point will happen for India a generation later, after 2060. It is significant in this context that India—unlike China and other countries with a rapidly aging population—can leverage its demographic dividend in the form of a relatively young population, which is a contributing factor for a dynamic economy. While median age in the former country is around 28 years, in the latter, it is more than 37 (the global average is 30 years).[2] Hence, in this respect, China's situation is already unfavorable and will continue to deteriorate.

The society's condition and the well-being of the people, especially the financial circumstances of their households and the assessment of individual economic situations, are not determined by the size of the economy nor by the nation's population. That "we are the largest country" or "we are more numerous than you" counts for something—more in political than in psychological terms—but welfare and the subjective sense thereof is not improving much in China simply due to the fact that the Chinese are still the most numerous in the world[3] and that they produce the highest GDP in terms of

2. The population of China is rapidly aging, which is one more aspect of its economic success. Life expectancy at birth is 77 years for China. For comparison's sake, in Japan it is eight years longer, 85 years, and in India, eight years shorter, 69 years (Macrotrends, 2020).

3. The UN estimates that India will become the most populous country in the beginning of the fourth decade of this century. In 2035, it will have a population of 1.504 billion, while 1.464 billion people (UN, 2019) will inhabit China.

TABLE 2. Human Development and Inequality Adjusted Human Development Indices

Country	HDI rank	HDI	IHDI	Overall loss, %	Difference regarding HDI rank
Norway	1	0.954	0.889	6.8	0
US	15	0.920	0.797	13.4	–13
Japan	19	0.915	0.882	3.6	15
Russia	49	0.824	0.743	9.9	1
China	85	0.758	0.636	16.1	4
India	129	0.647	0.477	26.3	1
World	-	0.731	0.584	20.2	-

Note: Overall loss: Percentage difference between the IHDI value and the HDI value.
Source: UNDP (2019, pp. 308–311).

purchasing power parity (PPP). Likewise, the fact that, say, Indonesians are seven times as numerous as Poles and that in total they produce almost three times as much is little cause for rejoicing for the former if their country's GDP per capita represents only 42% of the same category in the latter, where, for this reason, among others, the average lifespan is nearly five years longer. In China, the average lifespan is only two years shorter than in the USA (77 compared to 79 years), and the Chinese enjoy an average income that is rising very fast but still represents only 30% of the American income, which stood at USD 64.700 per capita in 2019. These are the reasons why one needs to draw on more adequate information than the simple measure of income per capita. Categories describing the human capital level are highly useful from this perspective (Table 2).

In terms of the Human Development Index (HDI), the United States ranks 15th, between New Zealand and the United Kingdom, and Belgium and Japan,[4] and China, 85th, between North Macedonia and Peru, and Ecuador and Azerbaijan.[5] Norway tops the list (HDI of 0.954), and Niger is at the bottom (HDI 0.377). Taking account of income distribution inequalities—very high in both the United States and China, with the Gini index of 41.5 and 38.6, respectively—the US goes down 13 spots, to 28th place, and China moves up by four, to 81st place,[6] so the distance between them is slightly less than in income differences.

Another thing that matters is the dynamic of change and the shifts on the world map reflecting differences in the level and quality of human capital. In just three decades, since 1990, the average HDI for the world as a whole has risen from 0.598 to 0.731, whereas in the United States it has gone up from 0.860 to 0.920 and in China from 0.501 to

4. In the ranking, Belgium and Japan sandwich Lichtenstein, which I ignore in those comparisons.

5. The ranking includes Hong Kong, which, with a HDI of 0.939, ranks fourth *ex equo* with Germany. Poland, with an index of 0.872, ranks 32nd, between Greece and Lithuania.

6. United Nations Development Programme estimates for 2018 (UNDP, 2019).

0.758. Hence, 30 years ago, China was below the global average, and now it is already above. While the quality of human capital measured this way has been rising globally by 0.72% a year, the pace of its growth in the United States was three times as slow (0.24%) and, in China, twice as fast (1.48%). Of course, it is easier for a country to work its way up to higher thresholds when it starts from a low level. Now it is getting ever more difficult.

NOT CAPITALISM ALONE, CHINISM TOO

Branko Milanović, in his interesting book titled *Capitalism, Alone: The Future of the System That Rules the World*, argues that, though following the fall of the Soviet-style state socialism (most often referred to in the literature as communism[7]) the history by no means came to an end—capitalism triumphantly and universally took hold over the world (Milanović, 2019). He believes that the future must follow its path, as there is no alternative to the victorious capitalism. One could reduce the matter to definitions, but it is much more complicated. In particular, Milanović often puts different categories of political and economic systems under the umbrella term "capitalism," distinguishing between its two fundamental types: meritocratic liberal capitalism headed by the United States and political capitalism headed by China. Therefore, even though the book title speaks of capitalism alone, in the capitalist reality suggested by the author we would deal with more than just one identity.

Maybe this is the case, but the problem is that rather than two varieties as part of one system, we can see a systemic multiplicity. It is not the same case as that of, say, gorilla and orangutan, two apes belonging to the same family of creatures, but one more similar to that of a monkey and a lemur: very similar on the exterior but different deep down. One can hardly squeeze in such vastly diversified present and future time into one systemic category, as there are many of them. We still have several worlds, and the point is to decide which of them deserves to be dubbed the first one, where the second one is and what is going on with the third one, and perhaps with yet a couple others.

To solve the dilemma of socialism/communism (yet) or capitalism (already), often a simple criterion of the share of state and private ownership in the economy is used. Janos Kornai (2008), using such a principle, claims that we have had capitalism in China since the turn of the century, because as early as 1998 the private sector was delivering a larger proportion of national income than the public sector. The capital market has been gradually developing since the beginning of market reforms. Inter alia, in 1981, treasury bonds were offered for the first time; in 1984, stocks and company bonds were

7. In the West, before the turning point of 1989, the political and economic system dominating the Soviet Union and Central and Eastern Europe was referred to as "communism," whereas in the part of the world where the system was spreading, the term "socialism" was used to mean the same. Later, in the period of systemic transition, also in those regions, one would most often hear the term "communism" with reference to the period between 1945 and 1989. Therefore, one could sum up saying that it is a matter of terminology, but it is not true as significant substantive differences and ideological disputes lie behind the ambiguity of the definition (Walicki, 1995; Kolodko, 2000; Nuti, 2018).

TABLE 3. The Number of State-Owned Enterprises in the Group of 100 Largest Companies

Country	China		Germany		Japan	
Year	2009	2018	2009	2018	2009	2018
State-owned	78	72	5	5	3	3
State-controlled	9	9	3	4	1	2
Total for state companies	87	81	8	9	4	5

Source: Own estimation based on data provided by "Orbis. A Moody's Analytical Company." I would like to thank Professor Maciej Bałtowski from the Maria Curie-Sklodowska University for help in providing these data.

issued and circulated; in 1990, the Shanghai and Shenzhen Stock Exchanges—now very important on the global capital market—were initiated.

State-owned enterprises are particularly visible among the largest companies. These include companies in which the state has full or majority ownership as well as those in which, although there is no majority participation, it has a sufficiently large block of shares to control the company. In 2018, the state-owned companies, while owning 88.2% of assets, obtained 84.2% of revenues of the group of the 100 largest enterprises. Among the ten largest Chinese firms, nine are state-owned—four in the oil and gas sector, four in construction, and two in manufacturing. The situation is radically different in other major economies, including Germany and Japan (Table 3).

While the dominance of large state-owned enterprises in China is enormous, in Germany and Japan only a few of them appear in the infrastructure sectors (roads, railways, post office). It is also worth noting that, although small, the number of state-owned companies in the group of 100 giants in China is decreasing—from 87 in 2009 to 81 in 2018.

There is certainly a need to distinguish between liberal capitalism that evolved in the West over a long historical process, and state capitalism that originated from a shorter historical process in many post-colonial countries—the erstwhile Third World—and some countries of the post-socialist transition. In the first group of state capitalist countries, a classical example would be an economy such as that of Saudi Arabia or Egypt; in the second, an economy such as that of Russia or Belarus.[8]

8. Let us leave out of this taxonomy the particular cases that need to be assigned their own unique category. Cuba should be classified as state socialism, although following recent gradual market-oriented reforms it has acquired the characteristics of Chinism. A type of its own is North Korea with its unique *Juche* system and ideology (Lankov, 2013). None of those models will have any followers in the future. On the contrary, these countries' greatest opportunity for growth lies in following the hybrid system of China. As a side note, when I crossed the border between North Korea and "communist" China on the bridge over the Yalu River, I could not resist the impression that I was entering a liberal country where freedom reigns . . . Everything is relative.

China differs in terms of quality and it would be too far-fetched to classify it according to that model. This is neither a case of communism, as some scholars would still have it, nor of capitalism, even one adorned with this adjective or another (Pei, 2016) but that of a different quality. It is a political/social/economic system in its own right, which I refer to as Chinism (Kolodko, 2018, 2020a). It is no *Beijing consensus* laden with statism and centralized bureaucracy, which some attempted to hail for a time as the antithesis for the neoliberal *Washington consensus* (Halper, 2010). Though one can see some analogies between those concepts, there are definitely more significant differences (Lin, 2013). Neither is it a simple period of transition from a centrally planned economy to a market economy, though in the form of state capitalism (Lardy, 2014).

What determines the true nature of the state, society, and economy are the facts. However, language is also important. In the case of China, in particular, the phrases applied in official government documents and in party propaganda are meaningful. When in 1989 the United University World Institute for Development Economics Research (UNU-WIDER) team of scholars was implementing a research project on economic reforms in socialist countries (Kolodko, 1989), the Chinese researcher's approach caused a lot of controversy. His analysis was based more on the description of the evolution of vocabulary used in China to explain systemic changes than on the interpretation of institutional changes and real events and processes (Zhang, 1989). Indeed, one can follow the process of systemic transformation through the prism of narrative and the phenomenon of slogans exploited in documents, specialist literature, and the media (Alvaro, 2013). Three decades later the narrative about the system and policy, especially economic, is quite different and is still evolving (Karmazin, 2020).

> A serious matter seems to be the wording used in the Party Constitution. It had been changing often, as were the idioms describing the core of the system.[9] The versions adopted in years 1969, 1973, and 1977 (Mao Zedong's leadership time) stated: "The basic guiding principle of the CCP is to thoroughly overthrow the capitalist class and all other exploiting classes, to replace capitalist dictatorship, to defeat capitalism with socialism." However, in the 1982 document this expression was gone and replaced by the phrase "According to Marx and Engels theory . . . capitalist dictatorship will be replaced by proletariat dictatorship." Twenty years later, in 2020, the phrase was omitted. The current interpretation, adopted in 2017, still claims that "Marxism-Leninism reveals the laws governing the development of the history of human society," yet also adds that the CCP uses "Mao Zedong Thought, Deng Xiaoping Theory, the Theory of Three Representations,[10] the Scientific Outlook on

9. I am grateful to Dr. James Tong for drawing my attention to this issue.

10. The theory—Principle—of the Three Representations refers to the main goals of the CCP: increasing production, including through private entrepreneurship; developing culture, including its promotion around the world; and maintaining political consensus during gradual and prudent democratization of the party, including admission of private businesspersons into its membership. These principles were proposed by Jiang Zemin, a Chinese leader in the decade 1993–2003, and adopted at the CCP Congress in 2002. At that time they, if not revolutionary and far-reaching, constituted an interesting attempt to develop and reconcile the thoughts of both Mao Zedong and Deng Xiaoping.

Development, and Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era as its guides to action" (CCP, 2020).

Francis Fukuyama believes that China, since the takeover of power by Xi Jinping's team in 2012, has been moving from an authoritarian to a totalitarian system. While this is highly debatable, if not wrong, Fukuyama is right that in reality the centralization of power and constraining already very limited democracy can be stopped and reversed only by internal forces. The more so because "Unfortunately, over the past three and a half years, the United States has been doing everything it can to weaken itself. It has elected a leader who revels in demonizing his domestic opponents far more than his foreign rivals, who has blithely thrown away the moral high ground that used to be the foundation of American global power, and who has governed the country with such incompetence during the largest crisis of the past three generations that it is no longer taken seriously by either friends or enemies" (Fukuyama, 2020). It is therefore necessary to agree with his conclusion, and more precisely with its first part: "Before we can think about changing China, we need to change the United States and try to restore its position as a global beacon of liberal democratic values around the world" (Fukuyama, 2020).

However, there is no way to agree with the second part of the conclusions, because as a result of the failure of neoliberalism and now the fiasco of liberal democracy during the presidency of Donald Trump, imagining the future of the United States as a world leader in democracy is wishful thinking. This opportunity has been missed. It probably was already gone even several years earlier. At that time, I argued with Zbigniew Brzezinski, who in 2007 wrote about the "second chance" of taking global leadership (the first followed the end of the Cold War and the collapse of the Soviet Union). That chance was to beat the Republican candidate for the White House. Although this happened because Barack Obama won, the United States was no longer able to restore its hegemonic and leadership position. As I wrote at the time, I think so today: to aspire to global leadership, one must take care of the world, not one's own interests, often at the expense of the rest of this world (Kolodko, 2011). Undoubtedly, then and now, the possibility of such global re-expansion of the United States has been blocked by the rising China. Thus, it must not only to be acknowledged, but we have to go further: accept the reality, look for pragmatic compromises, and create a positive synergy, not naïvely dream of becoming a lone superpower.

Chinism, *sui generis*, is a syncretic economic system based on multiple forms of ownership of means of production, with a strong macroeconomic policy and limited government control with respect to microeconomic management. Deregulation is subordinated to maintaining enterprises' activities on the course that is in line with the social and political goals set by the ruling party.[11] Widely used, flexible but generally

11. The Communist Party of China. It would be only right to add "the so called" as for a long time now it has been communist in name only, not in essence. This designation is a historic legacy of the bygone days. Now the ruling party advocates implementing and using mechanisms representing the reverse of the communist ideals—for example, private ownership of means of production and capitalist gain, and situations that contradict them such as unemployment and major income inequalities.

far-reaching economic interventionism implies both indicative planning addressing the business sphere and command planning with respect to some state-owned enterprises and infrastructure. China's policy for the government, local authorities, and the central bank also makes use of classical instruments of market interventionism. The pricing system is essentially decentralized, which, despite not fully hardened budget constraints with respect to public enterprises, guarantees maintaining a dynamic money market equilibrium.

At the same time, Chinism has helped eliminate the shortage syndrome and effectively keep price inflation in check (Kolodko, 2020c). This is a feat none of the former state socialism economies—neither the Soviet Union nor any of the CEE economies—was able to accomplish, which was the main reason behind their economic and, consequently, political demise (Kolodko & Rutkowski, 1991; Csaba, 1996).

Such a hybrid economic system comes hand in hand with an authoritarian, one-party state with centralized power essentially based on meritocracy. The policy implemented by the state is competent and responsible. At the same time, it is oriented to fulfilling long-term strategic goals, to which medium-term and immediate goals are subordinated.[12] The Chinese authorities use traditional and modern social impact methods; for example, they resort to controlling the society's compliance with behaviors promoted by the general direction of development set by the party and by legislative and executive power. In exerting social influence, such diverse measures are used as references to Confucian philosophy and quasi-religion, on the one hand, and modern electronic surveillance invigilation, on the other. Digitization of social communication is increasingly used for controlling the public dialogue, inclusive of influencing the content shared on social media.

Chinism does not stand for turning back from the path of market reforms and returning to the omnipotence of the state sector in the economy (Lardy, 2019); this is an overly simplified image of a highly complex reality. The state plays a major role—most of all as a regulator and also as the owner of some means of production—but it does not crowd out nor replace the market but rather corrects and supports it and creates a synergy with its forces (Huang, 2017). One should not overestimate isolated events nor hastily generalize individual observations, but the fact that in 2008 the prestigious post of vice president and chief economist of the World Bank was assigned to an eminent Chinese economist, Justin Yifu Lin, was meaningful. This was not an empty gesture directed at China in recognition of the country's achievements from those who in fact decided it—the US authorities in consultation with Japan, the United Kingdom, Germany, and France. Rather, it was a sign, especially to economically backward countries, that valuable conclusions can be drawn from China's experience in the development policy and that it

12. The lifting of the two-term presidential limit in China, so unsettling to the West, is generally seen to herald Xi Jinping's continued holding of that office and probably that of the chairman of the party, too, once his second term comes to an end in 2022. This act can be read as a clear message that the policy line associated with him will be firmly pursued in the long term. The West equates this with a yet greater dose of authoritarianism and further restrictions of what already is a surrogate democracy. When UK Prime Minister Tony Blair or German Chancellor Angela Merkel have their term extended beyond two terms, it is democracy, but when the term of China's leader Xi Jinping is extended, it is the assault on democracy (even if there is none there).

is worth adopting such good practices elsewhere. Lin's term of office, 2008–2012, did not revolutionize Washington's technocratic way of thinking or the World Bank's activities, but it undoubtedly contributed to this organization's further departure from neoliberal orthodoxy.

RELATIVE ATTRACTIVENESS OF CHINISM

Outside the Middle Country, the attractiveness of Chinism is limited. Certainly, it will not be transposed to countries of liberal capitalism, but, in turn, it can be—and already is—an inspiring offer, or at least an option worth contemplating for many countries of the former Third World. Of course, this is not an option for countries whose naïve leaders believe that their strong political power and a large state sector in the economy are enough to repeat China's economic boom. Chinism, deeply rooted in historically embedded culture, is much more than that.

Countries that show certain similarities with the characteristics of Chinism—with all individual caveats—include Brunei, Cambodia, Laos, Myanmar, Singapore, and Vietnam in Southeast Asia; Azerbaijan, Kazakhstan, Tajikistan, Turkmenistan, and Uzbekistan in Central Asia; Iran, Oman, and United Arab Emirates in the Middle East; Algeria, Eritrea, Namibia, Sudan, and Tanzania in Africa; and Nicaragua in Latin America. In addition, a number of other countries have some similarities: in particular, on the economic side a large, centrally controlled state sector, and on the political side, a strong authoritarian government. However, these attributes are not sufficient to qualify these countries in the same group as the abovementioned countries.

Systemic similarities with Chinism do not necessary mean that the adoption of particular features occurred after it happened in China. In certain instances, for example, Laos, Myanmar, and Nicaragua, indeed such was the case. In others not so, yet the fact that certain institutions or policies work in China does strengthen the arguments of the rulers in favor of using them in their own countries. It does not mean that the leading politicians must explicitly declare that China was the inspiration for their thinking and acting. Far from it, because admitting to imitating China in many places would not be welcome. It would not be politically correct; hence the political leaders officially—and hypocritically—declare their commitment to democracy, when in fact they are resorting to autocratic governance. Following the Chinese specific undemocratic regime is fine, but confessing "We do the same what China is doing" is bad. It is much better to follow the pattern while maintaining, contrary to the facts, that the nation enjoys a democracy, as do, for example, Kazakhstan and Azerbaijan.

Of course, between China's system and policies, and the relevant features of those countries, there are a number of differences, as they do exist within the same family of "free market and liberal democracy" countries. It is sufficient to compare the United States with Latin American states as Mexico or Brazil, Argentina or Chile; or Great Britain with East Central European countries as Czech Republic or Croatia, Latvia or Slovenia; or Japan with Far East countries as Indonesia or East Timor, the Philippines or Malaysia. With the criteria of taxonomy outlined emphatically, they can all be included in the category of market economies and democratic states, but when we look closer at their characteristics, there are many differences between them.

However, none of the countries with systems similar to Chinism or inspired by it in economic reforms and development policy corresponds fully with it. While in each of them the market mechanism and government regulation overlap and intertwine, and private and state ownership coexist in various proportions, in many of them it is difficult to see the meritocracy, so symptomatic for Chinism. Everywhere there are authoritarian governments—mono-party or quasi-multiparty, with elections from time to time, but every time the same party wins—reigning with a large degree of centralization, from limited in Singapore to extreme in Eritrea.

What is particularly interesting is that while some of these countries, like Cambodia, are pro-Chinese, certain others, like Singapore, are pro-Western, especially pro-American. While some, such as Algeria and Nicaragua, are distancing themselves from the West and approaching China, others, like Myanmar and Vietnam, are politically distancing themselves from China and approaching the United States. Indeed, one can have certain characteristics of Chinism and at the same time be in political opposition to China.

Therefore, this is a seemingly highly diverse group of countries, but when one looks deeper into their systemic features, one can see many similarities vis-à-vis important aspects of China's economy; several indicators of Chinism appear in the economic systems of these countries. Particular attention should be paid to the large share of state ownership, including monopoly in strategic industries (in this case, "strategic" implies much more than in Western market economies), central planning, control of the exchange rate regime, and the central bank reporting to the government. There are also certain similarities with regard to economic policy methods, especially state intervention as a means of industrial and trade policies, protectionism of vital sectors, state subsidies for export-oriented firms, and government influence on major inbound and outbound foreign direct investments. In the case of sectors at a higher level of technological advancement, there is often protection and state financial support to increase the international competitiveness of the companies in these sectors.

Countries regarded as liberal democracies, in the face of the crisis thereof, must look for ways to protect themselves against the wave of new nationalism (*The Economist*, 2016) and the crisis-generating potential of neoliberalism (Galbraith, 2018), but they will surely not follow the Chinese model. This may be done, though to a very diverse extent, by emancipating economies and societies, that is, those thrown by neoliberalism into the category of so-called emerging markets. The important aspect is that two significant processes overlap at the same time: a huge economic success of Chinism on the one hand, and a structural crisis of liberal capitalism on the other.

Countries that look for a lighthouse, on this chaotic ocean of global economy, can be more quickly reached by the light from Beijing than from Washington, D.C., more clearly from the Pearl River Delta and Guangzhou than from the Great Lakes region and Chicago. This is also supported by the strong activity of Chinese foreign policy. Beijing has more diplomatic posts scattered around the world than the United States does. Its political impact cannot be underestimated, but at the same time one should not fear it will be more successful than the West, including the Anglo-American influence, when it comes to so-called soft power. It is a good thing that in many countries more than a hundred Confucius institutes have been launched, which promote China and Chinese values. This is not threatening; on the contrary, a bit more of us will understand Mandarin, which will also contribute to expanding international exchange in the sphere of education, science, culture, and sports. The next culminating event in the soft power clash will be the 24th Winter Olympic Games in Beijing in 2022, especially since the 2020 Summer Olympics in Tokyo were postponed.

This external expansion—irrespective of its strictly economic goals, mainly to export major surpluses in the infrastructure construction sector, develop outlets for increasingly competitive industries, and gain access to deposits of raw materials and other resources—is pursued on a spectacular scale by means of the Belt and Road Initiative (BRI) (Maçães, 2018), often referred to as the new Silk Road. Its principal purpose is not to conquer other countries by making them economically dependent—though this, too, can happen in cases of reckless policy in the recipient country, so caution should be exercised—but rather to maintain an internal economic dynamic. For China, despite its enormous size, this cannot be achieved without having recourse to external factors or without further tapping into globalization for quick growth in domestic production and consumption. Over the last couple of decades, no nation has leveraged globalization so well for its own growth as China has. And of course it wishes to continue to do so. The Chinese are better positioned to leverage globalization as it seems that, unlike Westerners who, on their visits to China tell the locals how the world should be organized, the Chinese, while traveling, look for solutions that may prove useful to them as well. China has probably learned more from the West over the last decades than the West has from China—Westerners could learn a lot from the Chinese.

The Belt and Road Initiative—and the attendant policy instrumentation and system institutionalization, as exemplified by the relatively easily accessible loans from state-owned Eximbank or the establishing of a multinational investment bank, Asian Infrastructure Investment Bank (AIIB)—warrants a broader perspective. BRI is not a threat to the West, nor to Western Europe, considering the part of BRI known as 16+1, and 17+1[13] since Greece followed in the footsteps of post-socialist CEE economies in 2019.[14] Though much hope was pinned on 16+1, its first seven years have proved rather lean.

Elsewhere, the swift inflow of Chinese infrastructure and manufacturing investments, and trade cooperation as well as educating medical services and assisting in the expansion of its material support, may result in additional development. Let us look at a broader picture: the faster this growth bears fruit, the greater will be the benefits reaped directly in the countries to

13. China has put 17 countries in one group for obvious geographic—and, more precisely, geoeconomic and geopolitical reasons—but also taking account of the difference of scale. The sum total of GDPs of those 17 CEE economies represents merely ca. 14% of China's GDP (ca. 16% at PPP).

14. The 16 CEE countries invited by Beijing in 2012 to join BRI are Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Montenegro, North Macedonia, Poland, Romania, Serbia, Slovakia, and Slovenia. This group does not include Belarus, Moldova, and Ukraine. It does not feature Kosovo, either, whose independence China has not recognized to date and neither have Chinese maps as they still show Kosovo as part of Serbia.

which investments and economic aid are addressed. There will also be less pressure to migrate from poor countries of Asia and Africa to Europe, and a smaller influx of refugees and economic migrants, the waves of which the Europeans find difficult to handle.

BATTLE FOR TOMORROW, OR THE IMPERATIVE OF INCLUSIVE GLOBALIZATION

Ironically, it is the coronavirus-induced restriction on face-to-face contacts that brings to the fore the strong and unbridled human desire to travel and absorb other cultures, work together in the field of education and scientific research, and in cultural exchange and sports competition. We want to be together, not apart. These factors, no less than the classical links as part of production, supply and sales chains, and global trade, make globalization—the integration of capital and goods markets following liberalization—irreversible. It is even more surprising that calling globalization into question came from the least expected direction. The opinion-leading liberal weekly *The Economist* came out with the cover title "Goodbye globalisation," advising its readers: "Wave goodbye to the greatest era of globalisation—and worry about what is going to take its place" (*The Economist*, 2020b). While elaborating on the pandemic's devastating consequences for liberalization and the integration of the world economy, the weekly at last has understood that the existing form of extractive globalization no longer stands a chance. However, *The Economist*'s doubts that the inclusive globalization can be successful are not justified.

It is true that the COVID-19 pandemic—with its psychological and political side effects such as growing xenophobia and mutual hostility—is highlighting the symptoms of protectionism and naïve mercantilism that were felt before. The neoliberalism-induced financial and economic crisis of 2008 led to a wave of new nationalism. For neoliberalism, intended to help a very few people get rich at the expense of the majority, the public enemy was the government as the regulator and income redistribution policy maker, whereas for populism and new nationalism, this role is reserved for globalization. This clash both weakens the capacity—already an impaired one—to focus policymaking on a multinational scale, and it is conducive to throwing political, social, and economic relations into anarchy.

Adding to the crisis of mishandled economy liberalization—it being improperly deregulated from the point of view of social cohesion and economic equilibrium—is the crisis of liberal democracy.[15] There are those who believe that liberalism has already collapsed (Deneen, 2018). This crisis is taking different, sometimes surprising forms—one in the United States following the election of President Donald Trump in 2016; another one in Poland ruled by the Law and Justice party; yet another one in Australia with its nationalist government of Prime Minister Scott Morrison; and a different one in Brazil with the populist right-wing president, Jair Bolsonaro. In every case, the crisis of

15. Some authors, wrongly not distinguishing between neoliberalism and liberal democracy, advocate the view about the fall of the latter in Central and Eastern Europe. In fact, illiberalism, or illiberal democracy, is emerging in some countries of the region—especially in Hungary and Poland—as a result of the failure of neoliberalism (Krastev & Holmes, 2019). The action causes a reaction; it is not the aversion to liberal democracy that stimulates populism and nationalism, and ultimately illiberalism, but rather the defeat of neoliberalism.

liberal democracy harms the supranational social cohesion and makes it difficult for globalization to stay on a reasonable course.

This course must be based on non-orthodox economic thought, particularly new structural economics (Lin, 2012), economics for the common good (Tirole, 2017), and new pragmatism—a sort of interface between descriptive and prescriptive economics indicating the ways to integrate economic, social, and environmental development into an economy of moderation (Kolodko, 2014). Economists of various contemporary theoretical schools (Galbraith, 2014; Phelps, 2013; Rodrik, 2015; Stiglitz, 2019) voice the conviction that it is possible to create a good economy.

China—the greatest beneficiary of globalization—fully grasps that, which is why (though, above all, because it has its own interests at heart), it is globalization's great advocate. Chinese leaders repeat the phrase *win-win* ad nauseam, emphasizing that globalization must be advantageous for all parties involved. It is right, though some astute observers are sneering that behind this *win-win* lies a desire for a 2:0 win . . . To save globalization, to make it truly irreversible, it must become inclusive. Letting it continue in its neoliberal way—preferred by special interest groups and selfish economic and political lobbies, coinciding with adverse megatrends in the natural environment, global warming, uncontrollable large migrations, and the COVID-19 pandemic, which has led to what I call a Yet Greater Crisis, YGC (Kolodko, 2011, 2020b)—is not an option.

Neither an inclusive globalization, nor any kind of globalization whatsoever, can be continued without the necessary degree of harmony between the world's two largest economies—those of China and the United States (Kissinger, 2011). When it already seemed that we were on the right track in this respect—especially thanks to the efforts of President Barack Obama and President Xi Jinping, yielding a number of bilateral and multilateral agreements of global implications, as exemplified by the fundamental 2015 Paris Agreement on climate change mitigation—there came President Donald Trump, a fierce opponent of globalization who fails to understand its essence. The hope for development of *pro publico mundiale bono* cooperation and friendly rivalry as part of the so-called G-2—or Chimerica—was replaced with Cold War 2.0. In the heat of the pandemic psychosis, in both Washington, D.C., and Beijing there is talk of a possible "hot war" that may be provoked by a Taiwan crisis. When US hawks made allegations that China is preparing to join the island to the motherland by force—which needs to be prevented through military measures, even if it means unleashing a war—Chinese analysts from a military think tank speculated that it is Americans who are instigating radicals in Taipei to declare independence (*The Economist*, 2020a). The reason it is dangerous is that, in addition to Donald Trump's extreme Sinophobia, Republicans' Democratic Party opponents are somewhat Sinophobic themselves. It will take some time before better, pragmatism-driven relations can be reestablished . . .

An interesting perspective that systematizes the analyses and provides a methodology to facilitate the discussion of China's foreign relations is suggested by Kerry Brown. In his inspiring book *China's World: What Does China Want?*, he divides China's global surrounding into four zones. The first one is the United States; the second, the rest of Asia (including Russia); the third, the European Union; and the fourth, other countries of the world (Brown, 2017). China-US relations are paramount for the functioning of the global economy and politics—with or without globalization. Another thing of strategic importance is the behavior of the European Union, which President Trump would like to win over to his side in the US-China face-off. Trump is failing at that, and one should hope that nobody will succeed in turning the EU and China against each other as that would harm them both and the whole global economy as well.

Hard times call for prudence and calm rather than thoughtlessness and overexcitement. Some Western politicians, failing to comprehend the objective imperative of pragmatic coexistence with China, have radically turned their backs to it. This can be felt much stronger in the United States than in the EU. Now, in the face of their own powerlessness, they are losing common sense. While in politics one cannot entirely avoid lunatics and fools who need to be restrained and eliminated from public life, some statements by top-echelon politicians and influential government advisers are very alarming. These are people from whom we expect expertise and responsibility, and if they are guided by cynicism, so common in politics, this should be exposed and opposed in a debate.

When Peter Navarro, an economic adviser to whom President Trump lends an ear, says that China "inflicted tremendous damage. . . . We're up to close to $10 trillion we've had to appropriate to fight this battle. . . . A bill has to come due for China . . . it's a question of holding China accountable, the Chinese Communist Party accountable," it is already dangerous for the maintenance of correct mutual economic and political relations. Maybe it would be more legitimate for China to claim from the West, especially from the British, a compensation for giant losses caused knowingly by the intentionally waged Opium Wars in the mid-19th century where the half-colonized Chinese population was subjected to planned debilitation by being forced to buy poison cultivated by poor peasants in fully colonized India. Let us just wait for somebody to come up with such a demand . . . Maybe Central and Eastern Europe will demand to be paid back for the losses brought on by the Washington-championed "Consensus" at the time of post-socialist transition? In addition, the countries of Western Africa may demand retribution for the irreparable damage sustained in the past as a result of devastating slavery, which was, in turn, one of the forms of original accumulation of wealth in North America. Americans' present-day wealth is also built on the blood and sweat of millions of African slaves, which some wish to easily forget but others should never forgive.

When a technocrat of Margrethe Vestager's class—seemingly one of the most competent European Commissioners—warns against the threat of takeover of European companies hit by the COVID-19 pandemic, this is cause for concern. If a Chinese investor knocks on the door of entrepreneurs who are not coping well with the crisis, even with generous public aid from governments and the European Commission, one needs to negotiate with him and strike a deal rather than refuse to consider his offer. Even if the Chinese take full control of some companies and penetrate, to a wider extent, industries of interest to them, this will be an inflow of fresh capital that is in short supply amid the crisis. This will often involve a transfer of high technologies, which are increasingly abundant in China, and access on an ever-larger scale to the Chinese market and to third markets. Actually, many of such investments will be oriented to production for exports. When Danish or German capital flows into Slovakia or Poland, these are desirable direct foreign investments, and when Chinese capital flows into Spain or Sweden, this is a "takeover of European firms"?

A harmonized global order requires a strong and united European integration (Shambaugh, 2016), but, unfortunately, it is being weakened due to the financial and migration crisis and the growing wave of new nationalism and devolutionary tendencies. Brexit is further undermining the EU, reducing its economy by approximately 15%. Unfortunately, the European Union is becoming weaker at the time when it should gain strength to counterbalance China's growing influence. At the same time, the EU is China's leading cooperation partner and strategic rival; this is no contradiction but a sort of dialectic.

Against such a backdrop, one should add another complication to this already complex equation: the triangle formed by China–Russia–the EU, notably Germany. The latter wants a strong, more deeply integrated European Union. It also wants good, pragmatic relations with both Russia and China. Today, such Russian-German relations are not being sought by a Kaiser and a tsar, but rather by a chancellor and a president who speak its language. To both, China is a vast market outlet; to Germany, for high-tech industrial products, to Russia, for raw materials, of which its land sprawling over eleven time zones has greater underground deposits than any other country. Geopolitical games played between those three have a major impact on the geoeconomic situation.

China cares about developing cooperation with other countries and regions, at the same time engaging them further in the globalization process. While the United States has more than 200 military installations abroad in 120 countries, China has one—a small naval base in the Horn of Africa, in Djibouti—but, in contrast, it is the largest trade partner for 130 countries. The sheer size of its economy makes it necessary to institutionalize foreign policy in the form of multilateral contacts. China must reach agreements at the bilateral level with countries like India and Russia but not with Tanzania and Argentina. This is why numerous forums have been created for communication and discussion, and sometimes for engaging in joint projects. Contacts with Africa are dealt with as part of the Forum on China-Africa Cooperation (FOCAC), of which all of the continent's countries are members except Eswatini, the only country in Africa to still officially recognize Taiwan. To foster cooperation with South America, the Forum of China and Economic Community of Latin American and Caribbean States (Foro China-CELAC)[16] was established. Two other organizations intended to strengthen contacts with immediate neighbors are the China-South Asia Cooperation Forum (CSACF) and the China-Central Asia Cooperation Forum (CCACF). There are other such institutions as well, because China does not lose sight of any world region—including Oceania, the Arctic, and the Antarctic. The functioning of those

16. The Forum does not include the region's countries, which maintain diplomatic relations with Taiwan: Belize, Guatemala, Haiti, Honduras, Nicaragua, Paraguay, Saint Kitts and Nevis, and Saint Lucia.

structures certainly brings multilateral benefits, and adds the "Chinese characteristics" to globalization.

Carrying out numerous projects requires finance. If their own funds are not enough, emancipating economies resort to foreign loans. China once used them, too, but at some point it became a lender, especially for developing economies, and it is now the largest creditor in the world. Loans granted by China, nearly none in 2000, in 2020 exceed the sum total of loans extended by the World Bank and the International Monetary Fund. At nearly 400 billion US dollars, the loans are twice as high as the official public debt of developing economies to the Paris Club countries. These amounts and relations between them are changing due to the pandemic-induced crisis because, on the one hand, both rich countries and China write off some of the irrecoverable debts of the so called highly-indebted poor countries (HIPC),[17] and, on the other, they extend new loans to those in need. The ongoing shifts in that area will strengthen China's position, especially because the White House's irresponsible policy discourages it from financing the US public debt. Part of the surplus that could have been placed in US bonds will be invested in securities of emancipating economies. In the long run, it is a favorable structural change as it will boost the development of countries that lag behind, while—perhaps—partly motivating the US to crack down on living beyond its means, which is financed with continuous borrowing.

Some authors believe that in the coming decades the main—not only economic—clash will be in the field of artificial intelligence (AI; Lee, 2018). In recent years, China has made enormous headway in this area, using scientific and technological breakthroughs in electronic engineering and digitization, as well as its unique position of having abundant Big Data. The bigger an active population is, the larger the amount of data that helps build AI applications. In this specific respect, only India can rival China. Meanwhile, the latter still has a lot to learn, and needs to create a more open system of innovation (Medvedev, Piatkowski & Yusuf, 2020).

Considering the whole context—including the hardware and software quality, and especially highly qualified professionals—the main competitive clash will, again, pit the United States against China. The ensuing economic tensions will become politicized, which can already be felt. It is beyond question that one of the reasons for the trade war and the new cold war initiated by Americans is this very fear of losing AI supremacy. We are faced with a choice between (1) a rivalry that upsets the equilibrium and dynamic and (2) cooperation and looking for synergies. So far, none of the parties seems willing to choose the latter.

Since globalization can no longer be stopped—what is linked with the development and expansion of China—there will be a continuing debate on what is good and bad for the

17. The World Bank classifies 39 economies as HIPC, as many as 33 of which are in Sub-Saharan Africa: Benin, Burkina Faso, Burundi, Chad, Democratic Republic of the Congo, Eritrea, Ethiopia, Gambia, Ghana, Guinea, Guinea-Bissau, Cameroon, Comoros, the Congo, Ivory Coast, Liberia, Madagascar, Malawi, Mali, Mauritania, Mozambique, Niger, Senegal, Sierra Leone, Rwanda, Central African Republic, Somalia, Sudan, Tanzania, Togo, Uganda, São Tomé and Príncipe and Zambia; one in Asia, Afghanistan; and five in South and Central America and in the Caribbean—Bolivia, Guyana, Haiti, Honduras, and Nicaragua (World Bank, 2020).

world. Yes, there are good and bad economies (Sedlacek, 2011), there are systems that are more and less effective in terms of meeting their objectives, there are progressive and backward ideologies and political systems that follow them. It is all the more important to learn as much as possible from one another and draw on the experience of other countries' systems and policies in a creative way. Bad examples are also useful—if only to know what *not* to do. China has learned a lot from other countries, from their experience, failures, and successes, while showing a unique capacity for approaching its problems from a pragmatic standpoint rather than an ideological one—the way it used to do. Nevertheless, it still has a lot to learn. One should hope that it will be willing and able to do so.

The British historian Ian Morris suggested one of the most interesting comparative analyses of history. He developed an original Social Development Index, which takes particular account of the energy capture, a given social culture's capacity for organization, measured with the size of its largest urban areas, war-making capacity, and the advancement of information technology, determined by the speed and extent of the spread of the written word and telecommunications (Morris, 2010). Using those metrics, he reaches the conclusion that the West will keep dominating the world only for a couple more generations after which, in the first decade of the 22nd century, the world will be dominated by the East, the most important part being, of course, the Middle Country—China. Time will tell . . .

A long, long time ago—in the Mediterranean world that knew nothing of the Chinese civilization, though already back then smooth silk would be brought from there (Uhlig, 1986) —all roads lead to Rome; *omnes viae Romam ducunt*. Is it now the time of *omnes viae Beijing ducunt*? ■

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