

CHINA'S POST-OLYMPIC RISE AND ITS PLACE IN THE GLOBAL CONCERT OF NATIONS

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INTRODUCTION

The spectacular rise of China as an economic superpower and in the end a political and military giant as well, is the epic challenge of the early 21st century. China's own geo-strategic thinkers have vowed that its rise, unlike the destructive rise of 20th century newcomers Germany and Japan, will be peaceful, but Beijing does not control the agenda of an increasingly complex and unpredictable world. One unanticipated world-shattering event is the current global financial crisis, following the collapse of the American financial system. China unwittingly played a major role in the genesis of the Bush administration's irresponsible financial policies by investing hundreds of billions of its dollar reserves in US Treasury notes and bonds. China's main preoccupation for a few more decades will be the economic development of its vast hinterland and the expansion of its internal market, rather than ever expanding exports, the piling up of trade surpluses and investing these in the United States. This may in due course lead to a shift in the nature of the US-China relationship from overwhelming economic-financial interdependence to a new type of *balance of power*.

In global politics, China's dominant theme is the search for a 'multipolar world' that should replace the unipolar world, dominated by the sole superpower, the United States, but China's relations with the two most important other poles, Russia and the European Union, are not developing very smoothly. Russia has been China's principal arms supplier since the early 1990s, but is no longer willing to provide China with the advanced arms it wants, out of concern that China may turn into an adversary at some point in the future. The 'Strategic Partnership' that the European Union and China agreed to in 2003 is also stagnating, because Brussels is unwilling to lift the arms embargo on China and negotiations on a new long-term foundation for the partnership are at a stalemate over the failure to find a common language on human rights and the Tai-

wan issue. To a significant extent, these problems are rooted in the EU's lack of an effective foreign policy apparatus.

OLYMPIC HEIGHTS

China has descended from its Olympic heights and is refocusing again on the 'basics' of its rise. It may take a few years to fully grasp the impact that the Beijing 2008 Olympics have had and will have on China's status in the world, the nation's psyche and the further development of its authoritarian political system.

In terms of herculean management, the construction of state of the art hardware and infrastructure, the exertion of national will and energy and the unprecedented avalanche of gold and other medals for the host, the games were a spectacular success and have filled the Chinese people with considerable pride about their country's impressive progress. But that is not the full story. The other side of the coin was that during the prelude and all the way through to the aftermath, an atmosphere of paranoia, repression and preventive overkill has prevailed: draconian censorship of the internet and harassment of journalists; arrests and internal deportations of Tibetans and Uygurs; arrests of dissidents and even of two nearly eighty-year old grandmothers who took seriously their right to demonstrate – in assigned zones – against the government's bulldozing of their houses for Olympic redevelopment.

INTERNATIONAL IMAGE FURTHER TARNISHED

After the selection of Beijing as the venue for the 2008 Olympiad, optimists expressed hope that the seven-year prelude to the Games would be a huge incentive for China to improve its international image in areas such as human rights and its disturbing relations with the rogue regimes of the world (Burma, Zimbabwe, Sudan, Uzbekistan, etc.). The rationale was that the Beijing Olympics would be the apotheosis of China's renaissance as a great power, not only as the third, soon second largest economy in the world (after the United States and Japan) but also as a benign power and a moral force that teaches by example.

China has failed the benevolence and morality test, but only in Europe and North America where it is increasingly reviled as a negative force for its repressive policies in Tibet and Xinjiang, its intrusive restrictions of civil rights, press and internet freedom, lack of market access, violation of intellectual property rights, dumping, recurrent food safety scandals, etc. However, for most Asians, Africans and Latin Americans, China is at the pinnacle of its power and prestige

and will only rise further, whereas the United States during the George W. Bush presidency has lost the respect and goodwill of much of the world. Bush has learned somehow from his failures, though. After a turbulent start in relations with China in 2001, Bush has become the most accommodating American president towards China (and India!) in recent history. Bush had been led astray on Iraq and the wider Middle East by his sinister neo-con entourage but on China he did not listen to them, thanks to his father and former Secretary of State Colin Powell. In India Bush is highly respected and credited as having done for that country what the late President Richard Nixon did for China: laying the foundation for its opening and integration in the global order and its subsequent rise as a great power.

Bush was not petulant about the Olympic Games, unlike French President Nicolas Sarkozy and German Chancellor Angela Merkel. Merkel did not go to Beijing at all in retaliation for Beijing's high-handed criticism of her official meeting with the Dalai Lama last year in the Federal Chancery. Sarkozy threatened not to go but when Chinese citizens retaliated with a tentative boycott of French hypermarket Carrefour, the French President immediately caved in. Sarkozy pledged to meet with the Dalai Lama upon his return from the Olympics, but when His Holiness arrived in Paris, Sarkozy dodged him and his spokesperson explained that the Buddhist High Priest did not ask to see the President. This is what you get if you customarily speak loudly without carrying a big stick!

THE FINANCIAL CRISIS

China can revel in the memory of the glorious Olympics for a while, but what lies ahead for the country in the mid-long and longer term? Over the last two decades China and the United States have become interlinked like Siamese twins with China being the giant industrial manufacturing centre for the American consumer, piling up hundreds of billions of dollars in trade surpluses each year and lending these to the United States to finance its wars and indulge in ever-expanding overconsumption and bottomless deficit financing. Harvard economic historian Niall Ferguson baptized this phenomenon *Chimerica*, one transpacific country, 13% of the world's land surface and a quarter of the population. For a time, this symbiotic relationship seemed almost perfect: The eastern half, China, did the low-cost industrial manufacturing and the government-imposed saving; the western half, America, did the limitless spending.¹ Comparing net national savings as a proportion of gross national income, US savings declined from

¹ Niall Ferguson, 'Not two countries, but one: Chimerica', *Sunday Telegraph* (4 March 2007).

more than 5% in the Clinton era to virtually zero by 2005, while Chinese savings surged from less than 30% to nearly 45% in the same time frame. This divergence in savings allowed a tremendous explosion of debt in the United States, because the Asian 'savings glut' made it much cheaper for American households to borrow money. Meanwhile, cheap Chinese labour and low-priced exports to the United States helped hold down inflation. As this tremendous expansion in borrowing (and lending) was taking place, some economists tried to rationalize what was going on. Some American economists argued that this was 'Bretton Woods II', a system of international exchange-rate management akin to the one that linked Western Europe to the United States after 'the Second World War. Others called it a 'stable disequilibrium' that could be relied upon to continue for some time.

Chinese commentators (with an American passport) did not take to this so kindly. Henry C.K. Liu, the Hong Kong-born chairman of a private investment group in New York, eloquently wrote in a long series of articles, 15 to 25 internet pages each in the *Asia Times* (Hong Kong), that the global economy has been operating as a global *Holy Dollar Empire* with the Federal Reserve as the *Holy Dollar Emperor*. Similar to the Holy Roman Empire (in Mediaeval Europe), which disintegrated from the rise of Lutheran nationalism, this Holy Dollar Empire will eventually disintegrate from the progressive centrifugal forces of a new populist economic nationalism. This new nationalism is not to be confused with regressive trade protectionism. The formation of the new Group of Five (G5 – China, Brazil, India, Mexico and South Africa) is a sign of this new trend of progressive economic nationalism. The 2008 US presidential election may herald in a new populism in US history to reform the structure of US *debtor capitalism*.²

China decided in the 1980s to emulate the East Asian model of high economic growth through exports, which had produced miracles, first in Japan and then in Taiwan, South Korea, Hong Kong and Singapore. This meant China would have to play by the rules of the *American Global Dollar Empire*. The United States soon became China's biggest export market and tens of thousands of American enterprises, big, medium and small, moved their operations to China which became the 'workshop of the world'. Labour costs were kept to a minimum so as to encourage ever-expanding foreign investment and container loads of consumer goods were paid for in fluctuating dollars which in recent years steadily decreased in value. The dollars could not be used in China because of strict foreign exchange controls, and exporting enterprises had to turn over their

² Henry C.K. Liu, 'China's dollar millstone; Breaking free from dollar hegemony, Part 1', *Asia Times* (Hong Kong) (30 July 2008) <<http://www.atimes.com>>.

dollar revenues from exports, more than one billion a day in total, to the People's Bank of China (Central Bank).

This has now contributed to China close to \$2 trillion in foreign currency reserves, which were subsequently invested in US securities by the State Administration of Foreign Exchange (SAFE), which served as one of the two Sovereign Wealth Funds. Thus far, SAFE has pumped about 70% of its dollar investments into the United States, mostly in Treasury notes.- apart exchange rate fluctuations – the safest bid and some into the stock market. Some were shifted into Euros. China tried to make more profitable investments in the United States, with mixed results. The giant computer firm *Lenovo* succeeded in buying the PC arm of IBM in 2005, but China National Offshore Oil Corporation's (CNOOC) efforts to buy the Californian oil company *Unocal* were vetoed by Congress for political reasons. Occasional measured hints by Chinese officials or academics that the country was losing heavily – depending on the fluctuating interest rate – on its dollar investments and would unload huge chunks of them, caused panic in global financial centres on several occasions, mostly when Premier Wen Jiabao lamented in November 2007: 'We are worried about how to preserve the value of China's dollar holdings.' What held the Chinese back from signalling a loss of faith in the dollar and the American financial system too openly, was that it would lead to a surge in the Chinese currency, the renminbi (RMB) or yuan, which could do colossal damage to Chinese exports, not to speak of the damage to China's one trillion or so dollar holdings in the United States.

Former US Secretary of the Treasury (and the former Harvard President) Lawrence Summers described the financial relationship between the United States and China at the AFL/CIO Trade Summit in 2006 as a *Balance of Financial Terror*... 'a situation where we rely on the costs to others of not financing our current account deficit as assurance that financing will continue...' 'Any miscalculation,' Summers said, 'would lead to *Mutually Assured Economic Destruction* (MAED).'³

CHINA SUBSIDIZES THE AMERICAN CONSUMER

Writer James Fallows calculated in the *Atlantic Monthly* that every (rich) American gets about \$4,000 a year in loans from China, which the Chinese government denies its own (poor) people. What is the rationale of the Chinese government in subsidizing the American high-living standards. 'The obvious

³ Charles Horner, 'What will China do with all that Money?', *Washington Post* (16 January 2007).

reason for doing this is to keep Chinese-made products cheap, so Chinese factories will stay busy [...] The government doesn't want to let the market set the value of the RMB, because it thinks that would disrupt the constant, stable growth and the course it has carefully and expensively set for the factory-export economy.'⁴

After a long campaign of pressure and threats from the United States, China, on 21 July 2005, revalued its currency by 2.1 % and repegged it from the dollar to a trade-weighted currency basket of dollar, euro, yen and won. The yuan was permitted to fluctuate 0.3% daily, which in theory allowed it to creep up. However, central bank intervention made a dramatic appreciation unlikely. The United States had demanded at least 10% but welcomed this as a 'good first step'. China categorically stated that there would not be any more adjustments. By mid-2008, the dollar had fallen to 7 yuan from 8.28 yuan in 2005, a drop of more than 15%.

According to Ha Jiming, the chief economist of China International Capital Corp, one of China's largest financial services conglomerates, it is estimated that China holds up to \$400 billion in securities in the now nationalized American mortgage reinsurance giants Fannie Mae and Freddy Mac.⁵ In an attack on John McCain, Barack Obama said that China now holds \$1 trillion of America's national debt. Mocking McCain's militaristic, jingoistic tendencies, Obama said: 'There has never been a country on earth that saw its economy decline and yet maintained its military superiority.'⁶

As America went into recession in 2008 with the subprime crisis and the Wall Street meltdown, Niall Ferguson wrote that the days when the dollar was the sole international reserve currency are coming to an end. 'The last time the dollar weakened significantly, there was no alternative. There is an alternative now. It is perfectly plausible to imagine a world economy in which the euro is at least equivalent to, if not superior to, the dollar.'⁷ For several years Chinese economists have been urging that China should move part of its holdings into stronger currencies and it did happen, but discreetly so as to not upset the 'Balance of Financial Terror' with the United States. China dreaded that if it stopped feeding dollars into US treasuries, it would trigger a dollar crisis and China's own reserves would sink together with the greenback.

However, the retreat is coming from the United States. American consumers are broke and will cut down drastically on buying Chinese products. What magni-

⁴ James Fallows, 'The \$ 1.4 trillion question', *Atlantic Monthly* (January/February 2008).

⁵ See Liu, *supra* n. 2.

⁶ David Pilling, 'America's chance to kick its Asian addiction', *Financial Times* (1 October 2008).

⁷ Niall Ferguson, 'The End of Chimerica' (22 August 2008); a slightly different version: 'Rough Week, but America's Era goes on', *Washington Post* (21 September 2008).

tude this will take and how long it will last is still unclear. The abrupt scaling down of the abnormal, unsustainable commercial-financial US-China relationship intersects with ideas for global economic adjustment that the United States and the European Union have already been discussing with the Chinese government for some years. US Treasury Secretary Henry Paulson opened a high-level 'Strategic Economic Dialogue' with the Chinese government in December 2006 as a regular biannual channel of institutionalized engagement so as to persuade the Chinese to radically overhaul their economic system of overly-heavy reliance on exports, high savings, low consumption – 35% in 2007 against 70% in the United States and 60% in India. China must further develop its financial sector and offer its people higher yield investment options than low-interest bank deposits. Appreciation of the Chinese currency and greater flexibility is high on Paulson's agenda since it could limit the impact of rising world oil and commodity prices on prices in China and at the same time allow Chinese monetary policy to be a more effective tool for ensuring stable growth.⁸

The goals of Paulson's 'dialogue' dovetail fully with EU policy objectives and proposals by global economists that the 'rise of China' should be handled *in a globally coordinated way*. European Commission President Jose Manuel Barroso, accompanied by nine commissioners, inaugurated the EU's own 'high level economic and trade dialogue mechanism'.⁹ China should shift away from export-led growth to domestic inland markets and consumption-led growth. The EU and the United States should focus not on sectoral protectionism, but on *co-ordinated global macroeconomic adjustment* encouraging China to boost domestic demand, modernise its inefficient financial system, reduce the need for savings, reduce the purchasing of hundreds of billions of US treasury bonds and allow the renminbi to appreciate.

The Chinese have a habit of listening stoically to American lectures on how they should reform their systems and answer with a ritualistic call for the United States to reform its own economy, reduce its excessive demand for Chinese goods and loans, thereby sustaining gigantic American trade and budget deficits. China is expected to respond in only a piecemeal fashion to outside *ad hoc*, very specific demands. The transformation from an export-driven economy to a domestic consumption-driven one may take decades. The opening up of the vast interior regions, 1,500 to 2,000 km or more from the coast is socially disruptive and painful, with a permanent *Great Trek* of rural people in search of jobs in new industries. Resource scarcity, social unrest, food and job safety and

⁸ Henry M. Paulson, Jr., 'A Strategic Economic Engagement, Strengthening US-Chinese Ties', *Foreign Affairs* (September/October 2008).

⁹ Charles Grant with Katinka Barysch, *Can Europe and China shape a new world order?* (London, Centre for European Reform, May 2008).

health care are all major challenges and keeping control and maintaining stability are the prime concerns of the regime. That is why the United States and the European Union should not pin too much hope on political liberalization and democratization in the near future.

CHINA'S PEACEFUL RISE

China has been engaging in dynamic *omnilateral* diplomacy since the early 1990s, for regional security in Asia and for energy security globally.

If there is a single, recent programmatic document of note for China's foreign policy, it should be Zheng Bijian's speeches and writings (1997-2005) published under the title *China's Peaceful Rise*.¹⁰ Zheng Bijian is the senior foreign affairs adviser to the Chinese President Hu Jintao and is even in retirement (he is 75) an influential voice in the most prominent think-tanks and committees in China. The essence of Zheng's ideas is that China has become a good global citizen, that it accepts the world order as established under Western domination, that it will not challenge the *status quo*, that its rise will in no way resemble the turbulent, bellicose rise of the new 20th century big players Germany and Japan and that its primary preoccupation for decades to come will be economic development. Below is a key paragraph from one of Zheng's major speeches:

I reiterate that in speaking of a peaceful rise, I am referring to peaceful development, which is one of the defining characteristics of China's socialism. China has made history in two aspects: First, as an emerging major country, China has transcended the old path of industrialization characterized by rivalry for resources and bloody wars, and has chosen to rise peacefully through sustainable development. This is unprecedented. Second, China has transcended the Cold War mentality that rejects peaceful development and cooperation on the grounds of differences in social systems and ideologies. China is rising peacefully and independently, building a socialism with Chinese characteristics through brave reforms and opening up – in other words, by integrating into the world economy rather than self-imposed isolation. This, again, is unprecedented ...

Zheng's ideas are basically a further elaboration of Deng Xiaoping's historical words *Tao guang – Yang hui* ['Hide one's capacities and bide one's time'], uttered in the late 1970s. China will be a relatively weak, emerging great power for another 20 years or so. Its grand strategy is not an 'assertive' one like an

¹⁰ Zheng Bijian, *China's Peaceful Rise, Speeches 1997-2004* (Washington DC, Brookings Institution 2005).

established superpower practises, but a 'calculative' one of pragmatism, non-ideology, restraint and the search for asymmetric gains.¹¹

TOWARDS A MULTIPOLAR WORLD

One recurrent theme in China's diplomatic strategy is the search for a multipolar world that should replace the 'unipolar world, dominated by the sole superpower, the United States.' China has never specified how many poles it envisages, but Russia and the EU are definitely the most prominent ones. China and Russia have once again been in a (non-military) alliance since 2001, in which China is now the big brother with an economy two and half to more than three times bigger (depending on whether one relies on the exchange rate or Purchasing Power Parity (PPP) figures). The recent crisis in Georgia has interestingly highlighted the limits of the Sino-Russian alliance. At the summit of the *Shanghai Cooperation Organization* in the Tajik capital Dushanbe, China and the four Central Asian member states did not condemn Georgia (as Russia had hoped) and none of them backed Russia's decision to recognize breakaway South Ossetia and Abkhazia. The Russian media reported before the summit that Russia's efforts to insert wording condemning Georgia were thwarted by China. Mindful of its own problems with Tibet and the Uygurs in the western territory of Xinjiang, the Chinese government is usually wary of supporting separatists in other countries.¹² Well before the Dushanbe summit, Chinese President Hu Jintao had urged Russia to resolve the problem through dialogue and appropriate negotiation.¹³ Hong Kong commentator Ma Ting-sheng said that employing military means and war to resolve ethnic problems is no longer the trend in the 21st century.

Again, it dramatically illustrates the difference in style between Russia and China. The Russians, like the Americans, cannot kick the reflexes of their assertive, militaristic superpower psychology and the Chinese stick to their calculative strategy of patient negotiations. For 15 years they negotiated with the British and prepared the constitutional framework for the near seamless return of Hong Kong to Chinese sovereignty in 1997. For the future reintegration of Taiwan they are nearly completing the diplomatic preparations and it will happen sooner or later, preferably and probably peacefully, but there is no guarantee. Compare this to the Russian *modus operandi* and decide who is the more reasonable to deal with.

¹¹ Michael D. Swaine & Ashley Tellis, *Interpreting China's Grand Strategy: Past, Present, and Future*, Rand/Project Air Force, 2000, pp. 97-98, 113.

¹² Peter Leonard, 'China faces boost from Georgia War', *Moscow Times* (1 September 2008).

¹³ Phoenix Television, Hong Kong, 8 August 2008.

There is another potentially more serious rift in Sino-Russian relations: the arms-supply relationship, vital to China, is in crisis. Russia's arms industry is suffering a near collapse in exports – a 62% decline in 2007 – to China as the Russian top-brass agonizes over which technology can safely be sold to China, as well as Beijing's desire to receive licences to do the work itself. What Russia is willing to sell, the Chinese no longer want and need.¹⁴ Russians feel genuinely concerned that, in the medium to longer term, Russian and Chinese interests may collide once again and that the Chinese may eventually turn against them. To the great chagrin of the Chinese top-brass, Russia is willing to transfer more advanced military hardware to India than to China, e.g., fifth generation fighter aircraft such as the Su-30 MKI and the MiG 35. How the renewed Sino-Russian Pact of 2001 will develop is difficult to say. It is interesting to note what Zbigniew Brzezinski said about this: 'In the longer run, I happen to think that Russia really has no choice but to become gradually more associated with the Euro-Atlantic community. Because if it isn't, then it's going to find itself essentially facing China all by itself.'¹⁵

That sounds very plausible, but with the steady deterioration of US-Russia relations over NATO expansion, Kosovo, Ukraine and Georgia, it is expected that Russia will improve relations with Europe, particularly Germany rather than with the United States. Most Europeans, including President George W. Bush's best European friend, Chancellor Angela Merkel, consider the American cornering of Russia dangerous. The European Union now has a broader and deeper relationship with China than with Russia, but it is still an unfinished work in progress. The EU is unable and unwilling to lift its arms embargo against China, dating from the bloody 1989 suppression of the student rebellion, because of a lack of consensus among the 27 as well as American opposition. We now have a situation where China remains subject to a long-standing arms embargo by the EU and the United States and a selective embargo by Russia, while the latter two have no restrictions on their military supplies to India.

The Bush administration has, after seven and three-quarter years of inaction, just before its demise, announced that it will provoke China with a \$6.5 billion arms deal with Taiwan. It comes at a time when the relationship between China and Taiwan under the new President Ma Ying-jeou is at its most relaxed since 1949. Is it just to please the arms industry and possibly to benefit Senator John

¹⁴ Stockholm International Peace Research Institute, *Background Paper on SIPRI arms transfer data* (31 March 2008) <www.sipri.org/contents/armstrad/SIPRI_Background.pdf/download>. For Russian views, see: 'Russian Arms Exports to China in Collapse – AFP' (WSJ), quoting the Russian independent newspaper *Nezavisimaya Gazeta* (29 January 2008); David Lague, 'Russia and China rethink arms deals', *International Herald Tribune* (2 March 2008).

¹⁵ 'Charlie Rose interviews Zbigniew Brzezinski, Henry Kissinger and Brent Scowcroft', *International Herald Tribune* (18 June 2007).

McCain in the coming presidential election? Chinese academics in the United States are musing on the internet that a much stronger China should no longer take this and should dump \$200 billion of its dollar holdings and cause a major currency crisis. After the approval of the long-delayed US-India nuclear deal by Congress last week, American arms dealers are now eyeing long-term multi-billion dollar arms deals with India. The Indian Prime Minister Manmohan Singh was in Paris late September 2008 to sign an agreement on nuclear power cooperation and to discuss possible sales of French fighter aircraft to India. All this will benefit international arms industries but will not necessarily serve security and stability in Asia. It is unlikely that China will take all this hands down.

THE EU-CHINA (NON-)STRATEGIC PARTNERSHIP

Another imponderable is the relationship between China and the European Union. In an effort to curb American unilateralism the two agreed to enter into a Strategic Partnership after the Bush-Blair invasion of Iraq in 2003. After five years, the partnership is still in search of a meaningful content, due to the continuation of the arms embargo. There are many sectoral cooperation agreements, the most important ones concerning energy, the environment and sustainable development, but what is lacking is a solid, well-structured foundation. Since early 2007, negotiations are on the way on a *Partnership and Cooperation Agreement* (PCA), also called the *New Framework*, which will encompass the full scope of bilateral relations, including enhanced co-operation in political matters, such as the arms embargo, human rights and the Taiwan issue. These negotiations will update and expand the obsolete foundation of the Europe-China relationship, the 1985 EEC-China Trade and Economic Cooperation Agreement.

However, the PCA may not be completed unless the EU concedes to lift the arms embargo. In December 2006, the European Council made the lifting conditional upon Chinese acceptance of a strong human rights clause, specific improvements in human rights, such as the release of the remaining Tiananmen (1989) detainees, the abolition of administrative detention without charge, rehabilitation through labour and ratification of the United Nations Covenant on Civil and Political Rights. China must also offer more transparency over its defence budget and account for its close relations with rogue regimes around the world.

It is quite likely that the EU-China partnership will stagnate for an indefinite period of time. A senior EU official guessed five years or longer is quite possible.¹⁶ China is too old, too monolithic and too strong to yield to outsiders on

¹⁶ Interview, 7 October 2008.

its core values. These are neo-Confucian, authoritarian harmony and rejection of adversarial, divisive multi-party democracy. As the Israeli scholar Azar Gat wrote a year ago: 'By shifting from communism to capitalism, China has switched to a far more efficient brand of authoritarianism. As China rapidly narrows the economic gap with the developed world, the possibility looms that it will become a true authoritarian superpower.'¹⁷ This need not necessarily be permanent. As national development spreads and the integration of the non-Chinese borderlands Tibet and Xinjiang succeeds, China may eventually evolve towards a more liberal order.

UMWERTUNG ALLER WERTE

The era of Western domination of the world which started in the 16th century and reached its peak in the 19th and 20th centuries is coming to a close. We are living in a neo-Nietzschean transition of *Umwertung aller Werte* ('Re-evaluation of all Values'), with the difference being that during Nietzsche's time, the *Leitmotiv*, the main theme, was that 'God is dead'. Now the *Leitmotiv* is: 'The myth of Western superiority is dead.' For decades after political decolonization, numerous Asians continued to think that modernization meant Westernization, but one of Asia's leading intellectuals, Singapore's flamboyant scholar-diplomat Kishore Mahbubani writes in his latest book that Asia's true 'Renaissance' is unthinkable without 'De-Westernization.'¹⁸ The Chinese led the charge for 'De-Westernization' in the 1990s, when the highly public confrontation with the Clinton administration over human rights reached its climax in 1993. Prior to the world conference on human rights in Vienna in June 1993, they convened a preliminary conference with other Asian countries in Bangkok, that basically 'de-universalized' the Western glossary of terms in the human rights field and declared that Asia would set its own standards in the human rights field, the so-called *Asian Values*. The United States mainly focuses on political and civil rights and uses the megaphone; the European Union has more consideration for the priority that China accords to economic, social and cultural rights, and prefers quiet diplomacy, but nevertheless the Sino-European negotiations over a new PCA are bogged down, among other things over the human rights issue.

China is no Soviet Union, which was an autarkic, expansionist military empire with a *cordon sanitaire* of conquered territories and satellites, and without interest in integration in any of the global systems, be they economic, trade or

¹⁷ Azar Gat, 'The Return of Authoritarian Great Powers', *Foreign Affairs* (August/September 2007).

¹⁸ Kishore Mahbubani, *The New Asian Hemisphere, The Irresistable Shift of Global Power to the East* (New York, Public Affairs 2008) Chapter 4.

financial. Since the start of its reform-communism in 1978, China has come to accept the Western-dominated world order, has been integrating in the world trading and financial systems and has reached advanced degrees of economic-financial interdependence with many countries including the United States. China plays a constructive role in many problem areas in global politics, e.g., UN peacekeeping, and the North-Korean and Iranian nuclear issues. It even disapproves of the Russian use of force against a former Soviet Republic and refuses to accept the unilateral Russian recognition of the independence of the Georgian enclaves of Abkhazia and South Ossetia. China has also proved to be sensitive to Western criticism of its policies in Sudan and Burma and has contributed to some extent to improvements there. The scope for productive cooperation between China and the European Union under any bilateral or multilateral umbrella is infinite. It would be most regrettable if the European Union fails to reach agreement with China over a Partnership and Cooperation Agreement as this would not be in the long-term interest of either side.