

China versus America: 'Great Game' for Global Order?

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The G20 summit in London ended with an optimistic note. But the final communique was a compromised document between the forces to preserve the basic architecture of the existing financial order and the forces to replace it with a new one: the first led by the Anglo-American partnership and the second by the BRICs with the support of the non-participating developing world. The Franco-German coalition took the intermediary position.

Notwithstanding this division, the most interesting phenomenon was an invisible struggle between the United States and China. From the perspective of international politics, the most serious issue in the 21st century will be whether China will challenge the U.S. dominant position in the international order, and if so, when and how it will. We can detect China's true intentions and strategy for a new international order by examining the actions and policies it has been taking in dealing with the international financial crisis.

The game in the 21st century financial crisis is actually a game between the United States and China. It is reminiscent of the Great Game between the United Kingdom and Russia in the 19th century. In that Great Game Britain staged all-out military and diplomatic moves to contain Russia's attempt to control Central Asia, particularly India.

U.S. President Obama said, shortly after the international financial crisis, that we are entering the beginning of the end of the crisis. I would say that we are entering the beginning of the end of U.S. hegemony in the world. The United States was one of the superpowers during the cold war period and has been the hegemonic power in the world since the end of the cold war.

There are similarities and differences between British hegemony and American hegemony. Both hegemonic powers were able to contain the challenger (Russia/ the Soviet Union) and other rising great powers opposed the challenger. Moreover, both hegemonic powers were in control of the international financial order and the international political and security order, both of which are two basic requirements for global hegemony. One difference is that Britain used naked military power to dominate the world, but the U.S. has alternated soft and hard power and relied on nuclear parity.

Now we are witnessing the beginning of the end of the international economic order based on the Bretton Woods financial institutions as well as the international security order sustained by American military superiority. The G20 summit signaled the beginning of a new Great Game between the United States and China. This new Great Game has started with a money game, but it will eventually develop into a full-pledged political game.

Let us read the signs indicating this. In a hierarchical international system, the hegemonic power maintains a constant watch on the rising great powers. Historically, rising great powers are divided into the powers satisfied with or tolerating the status quo and those against it. When a rising power challenges the status quo, other great powers may support or oppose it. In most cases, the challenger acts alone and is defeated.

In the United States, expert opinions are divided on the true foreign policy goals of China. Some argue that it will challenge U.S. hegemony singularly or in alliance with other great powers, and others hold that it will seek peaceful coexistence, believing that the U.S. will not be able to maintain its hegemonic position for long. Still others aver that it will seek a multipolar world, with China in control of East Asia. We can conceive of other scenarios after U.S. hegemony.

The international financial crisis has provided China with both a crisis and an opportunity: the economic recession for China and the restructuring of the unipolar international political order and economic and financial architecture. China leading the developing world and in coalition with some major powers including Russia, France and Germany, have been advocating a multipolar international political and economic order.

This time China, in league with other members of the BRICs and the Franco-German alliance, pushes for the creation of a new international reserve currency replacing the U.S. dollar. If this is realized, the U.S. will lose its hegemony in the international economic order and therefore it has rejected it.

Along with this reform proposal, China, together with major economic powers from diverse continents including Japan, Britain, France, Germany, Russia, the euro zone, Canada, Indonesia, Mexico, and Saudi Arabia, endorses the restructuring of the International Monetary Fund. However, it should be noted that it does not advocate the abolition of the IMF.

It is also interesting to note that France and Germany are more radical than China and other great powers on the agenda items of the G20 summit. Sarkozy demands that the rules for global capitalism be rewritten to conform to the more civilized form of the continental European model. Merkel goes further and calls for the creation of an economic body at the U.N., similar to the Security Council, to judge government policies. She actually advocates a supranational body to supervise international financial transactions.

Concerning the principles of the reform of the international financial order, China does not hesitate to lead the developing world, while on concrete measures, it hovers around the Anglo-American and Franco-German axes. Why does China take such an opportunistic and conciliatory position? The reason can be two-fold: First, it knows time has not yet arrived for China to challenge the hegemonic power, and secondly, its economy is too deeply dependent on the U.S. economy. It is evident that if the U.S. dollar goes down and the U.S. economy collapses, it will lose its investments in the U.S. treasury bonds and its exports will decline drastically, thus deepening its economic recession.

China's grand strategy was established when Deng Xiaoping adopted a new economic policy in the 1970s, and it has not changed. This strategy is to "rise in peace." The question to others is "for what purpose?" No wonder U.S. leaders and China specialists are divided on the proper U.S. China strategy. They talk about confrontation, containment, containment-engagement, engagement and appeasement. Obama seems to be leaning toward

engagement.

The lessons Korea should learn from the international financial crisis are first that it is time for Korea to expand its influence in the international economic institutions and it should closely watch the development of the economic strategies of the United States and China, two major game players.

What the whole world should learn for this experience is that globalization has truly changed the nature of international trade and financial activities and international financial institutions, and new rules and mechanisms should be adopted to reflect the changes created by globalization.

Obama's recent remarks at the summit summed it up well: "The voracious U.S. economy can no longer be the sole engine of global growth."

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