The COVID-19 crisis has sharpened the debate between China and the United States over future leadership of the global order that has been dominated by the US since the end of the Second World War. Global Asia looks at China’s vision for a world order that could displace that of the US.

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For the Global Economy,
US-China Rivalry Does Not Have to Mean Destruction
By Yves Tiberghien

The wrenching changes to the post-Second World War liberal international order were well on the horizon before Covid-19 struck earlier this year.

But given the way the global health crisis has sharpened the rivalry between the US and China, the way the pandemic is playing out brings to the fore a number of issues essential to understanding the emerging changes in the international order.

Conflict between the US and China, however, is not inevitable, writes Yves Tiberghien. There are still ways to avoid the worst outcomes.

TO FUTURE HISTORIANS, the great Covid-19 crisis of spring 2020 ought to appear extremely puzzling. Why is a global pandemic of relatively limited mortality — compared to the Spanish Flu of 1918-20 or even the Asian Flu of 1957 and Hong Kong Flu of 1968 — triggering the greatest economic recession since the Great Depression and the most dangerous geopolitical confrontation since the end of the Cold War? Why were major powers able to co-operate and solve the 2008 financial crisis or the 2009 H1N1 and 2015 Ebola pandemics but are failing to act together in 2020? How can humanity reach the highest levels of prosperity, technological progress and integration in history only to risk a brutal unraveling in the midst of a solvable health crisis? Why is the most scientifically advanced country losing trust in science and data? And why is economic interdependence, the very engine of global prosperity, turning into an acute security threat?

Public opinion in Asia, North America and much of the world seems caught in a paradoxical period of cognitive dissonance: the more people globalize economically, the more they seem to turn to political nationalism and oppose beneficial global co-operation. In spring 2020, global discourse seems to focus more on trading accusations and unproven assertions between the United States and China than on the crucial need for G20 co-operation to sustain the very system upon which everyone depends.

The stakes are high indeed. The field of international political economy has taught us that while the world has been engaged in a massive endeavor of global economic integration since the 19th century, that project never fully solidified the necessary systems to solve recurring instabilities and shocks. When important countries work together to manage shocks, as in 2008, they save their common system and themselves. When they fail to cooperate and turn to nationalistic approaches, the resulting tit-for-tat actions can bring down the system and all of us with it. Why is such crucial co-operation proving so hard in 2020?

Clearly, the scale and speed of the pandemic, uncertainty about the origins of the virus, and the early lack of transparent actions by Chinese authorities in Wuhan from at least December 31 to January 20 (and especially January 14-20) played a role in generating international tensions. However, the start of other recent pandemics all involved significant surprises and uncertainty and yet they did not degenerate into full-scale global crises. Unlike during the SARS epidemic in 2003, Chinese scientists shared the full genome of the new virus as early as January 11, allowing the whole world to prepare tests and start work on a vaccine.

This essay argues that the clues to this systemic failure lie in social interactions at a time of great change. Had the crisis happened in 2008 or 2000, Covid-19 would not have led to the current global conflagration. The key factors explaining this failure of global governance are a combination of prior global disruptions, shifts in the global balance of power and misunderstandings about China’s approach to the liberal international order. Unpacking these forces and misperceptions leads us to possible solutions to the current crisis.

In particular, I argue that the speed and level of worsening China-US relations is following a self-accelerating process of strategic interactions that are amplified in each country by domestic narratives, a process that was avoidable. Seen from the US, China is a revisionist and authoritarian power bent on uprooting the 70-year-old liberal international order and ready to lie to sustain the rule of the Chinese Communist Party (CCP). Seen from China, the US is an increasingly warlike superpower bent on breaking the global system when other powers are rising rather than giving them their due voice in the system. Sadly, China and the US continue to share large mutual interests and the strategic escalation is at least partly an unnecessary construct.

CLUES TO UNRAVELLING THE CURRENT GLOBAL IMPASSE

Many scholars and policymakers take the US-China confrontation as a given and see Covid-19 through that prism. Some argue that the crisis marks a great loss of soft power and influence for the US, due to its initial poor response, as well as its unproven threats and refusal to support a globally co-ordinated response. Instead, they see China scoring points with its massive and effective response to Covid-19 after January 23, its so-called mask diplomacy around the world, and its continued forward posture in the South China Sea, East China Sea, Southern Europe, and in the Belt and Road countries.

Others argue the opposite and point to rising anger at China in North America, Europe, Southeast Asia and beyond, for proving unable to nip the new virus in the Wuhan bud and for taking an aggressive diplomatic posture around the globe. These leaders argue that China’s Belt and Road will be deeply affected by this loss in soft power.

These types of arguments miss the essential. They all assume a realist framework of unavoidable tensions and possible conflict between two great powers strategically bent on building influence around the world and pushing back the other side. They focus on secondary actions.

Instead, what matters is to understand the roots of the current strategic escalation and the approaches that could abate it. I offer five essen-
tial clues to unpack the myth of the unavoidable US-China conflict and the involvement of other countries in the conflagration.

First, we are living through a historic period of high-level disruptions that have combined to generate rising volatility and have taken citizens and policymakers around the world by surprise. The post-Cold War period since 1990 has unleashed unprecedented levels of prosperity, connectivity and human progress overall. Globalization went beyond the initial Triad (North America, Europe, Japan) and started to benefit the vast middle class in emerging countries such as China, India, Indonesia and Turkey. By the 2000s, it was reaching most of Southeast Asia, South Asia, Central Asia, much of Africa and many parts of South America. The Chinese Belt and Road Initiative after 2013 continued the advancement of this era of globalization to hitherto isolated regions. New norms were developed around the Sustainable Development Goals, agreed by all countries at the UN General Assembly in September 2015, promising inclusivity, sustainability and empowerment to all. Formerly silent voices in the former colonial world reappeared, with a new sense of pride in great cultures.

But this massive wave of globalization carried the seeds of great disruption. Because it is poorly institutionalized at the global level and often poorly managed by domestic policymakers in most countries, it led to great inequalities between winners and losers. As shown by Branko Milanovic, the middle class in emerging countries benefited, but the working class in developed countries suffered. This led to social and identity crises when not counteracted by smart social policy. Cities became hubs of globalization and rural areas declined. Baby boomers benefited from the rise in their assets, but young people around the planet lost access to property and saw risks accumulating. These massive imbalances led to Brexit, the election of Donald Trump and the rise of populism around the world.

Furthermore, interdependence led to greater complexity and fast transmission channels, ensuring that economic, financial, energy, or health crises in one part of the world would rapidly spread to the rest of the planet. The global governance system was not ready for these shocks. Systemic risks in global finance, technology, health and the environment accumulated. Two systemic risks now tower over all others. The first is climate change, which is still on course to wreak environmental, social, economic and political havoc around the world as soon as the early 2030s, when we pass the threshold of a 1.5°C increase of average global temperatures compared to the pre-industrial age. Climate change will destroy modern life in countless places within decades unless we fully shift to a green, sustainable economy by 2050. That shift has great consequences for distribution and potential conflict. The second great risk is the ongoing fourth industrial revolution, highlighted by digitalization, Big Data and artificial intelligence. This revolution has the potential to transform daily human life, reshuffle the distribution of winners and losers and generate tremendous inequalities if not governed properly domestically and globally.

The combination of these internal and external systemic risks to a globally interdependent system has generated enormous uncertainty, volatility and danger. It puzzles citizens and policymakers alike, who are fascinated by the upsides but not fully able to map and manage the downsides. And the pace of change has accelerated across the board.

Second, we have been going through a massive human transformation as the result of digitalization: the social media revolution. In 2020, social media is prevalent around the world and countries such as South Korea, China, and Indonesia score higher social media penetration scores than many developed countries. Social media has swept through Africa as well. We have taken this transformation in our stride, as a great opportunity for information flow, transparency, and connectivity. Yet social media also may be the most disruptive technology in human history, since it changes the way we gather information, think, trust others, relate to authority, mobilize love and balance between emotion and reason. We are barely beginning to learn the kind of impact that social media has on young generations and beyond, and how it changes social interactions, and above all, politics (both in democratic and authoritarian countries). Humanity will adapt to it, mature with it and regulate it, but we have a long way to go. What we can say today is this: social media has eroded trust in expertise and authority; it generates instant waves of information bundled with emotions, opinions and unclear boundaries; it generates so much information and social overload that it crowds out both physical connections and interactions with fellow citizens outside our core groups; and it is creating an economic and security free-for-all that is very hard to regulate.

The immediate response by policymakers around the world is one of fascination and fear. No leader today can stay unscathed from a tsunami of anger and emotions on social media. Witness the incredible wave that took China by storm earlier this year in the wake of Li Wenliang’s death on February 7. A medical doctor who had sought to sound the alarm about the existence and spread of the coronavirus, Li himself died of the virus and became a social media martyr. This has turned all leaders, including Chinese President Xi Jinping, more inward and focused on scoring points with public opinion on social networks than managing international politics. Unfortunately, because of the in-group reinforcement effect, social media also facilitates nationalist bubbles and resentments around the world.

Third, we have just experienced the greatest power shift in a century. Between 2000 and 2018, the share of the global economy represented by OECD countries (roughly, “the West,” including Japan and South Korea) went from 82 percent to 61 percent in nominal dollar terms. The share of the developing world as a whole went from 18 percent to 39 percent. The share of China went from 4 percent to 16 percent. China has consistently represented a third of world growth over the last decade and Asia as a whole represents two-thirds of world growth. Even though military power, economic power in dollar terms, and technological and higher education power lag economic trends by decades and continue
to be US-centric, expectations have started to shift massively. Everyone needs to adjust to such power shifts and calculate their positions in the future. It is a fact that great powers can turn very dangerous during great power transitions. This mega disruption adds to the two others outlined above to create a brew of further volatility.

Fourth, in order to navigate such massive change and uncertainty, societies and their leaders require focal points for their actions. Domestic narratives provide these focal points. In times of great complexity, narratives serve as simplifying devices and emotional rallying points (particularly relevant in the age of social media). They build on culture and history to provide guidance for the present. The problem, of course, is that the rise of national narratives generates parallel realities and parallel meanings in many countries. At best, these narratives are misunderstood by other players and generate misperceptions. At worst, narratives of the “others” create a sense of threat and trigger a kind of fight-or-flight behavior. Today, Chinese leaders have developed a narrative of the “China Dream” to complete the long and painful search for Chinese modernity. That narrative is focused on the right to develop and preserve national sovereignty. The narrative also includes extremely strong and historically derived reactions to things like “trade war” (reminding domestic audiences of the 19th century Opium Wars) and “compensation” for international guilt (reminding Chinese audiences of reparations imposed after the two Opium Wars and the Eight-Nation Alliance of Western Nations leading to the occupation of Beijing in 1900 in response to the Boxer rebellion). To Americans, the China Dream narrative and the rising footprint of China around Asia and beyond appear like a threat to the US-led world order. Americans have their own long-standing narrative of American destiny and the US role as the indispensable country to keep a prosperous and peaceful global order. However, this requires a sense of strength and continued benefit. Those dueling narratives have replaced a sense of common humanity and a shared global commons.

Fifth, the combination of power shifts, crisis in the global order and dueling narratives have led to a process of tit-for-tat strategic interactions about all global rules. For Beijing, the China-dream narrative means that China must play a commensurate role in the existing liberal global order and participate at a high level in global institutions. For the US, this growing Chinese presence triggers a sense of loss and displacement. Strategic interactions mediated by domestic narratives have permeated all regimes of global governance, from trade (the World Trade Organization), to health (the World Health Organization), to climate change (the Paris agreement), to development (the Belt and Road Initiative), and recently, the G20. The actions of each side are interpreted by the other side as a threat that needs to be counteracted. Third players, even allies of the US, continue to support global governance regimes and to seek options to maintain global commons, but lack critical mass and fear reprisals from either or both great powers. So, they hedge, adjust, accommodate or bandwagon on one side.

IMPLICATIONS AND CLUES FOR WORLD ORDER
The framework presented here generates five key implications.

First, it is essential for all players to develop more intelligence and awareness of the core drivers in other powers and to allow a broad debate at home (rather than resort to groupthink behavior or control). Careful analysis will reveal that the level of mutual threat between China and the US or other countries is lower than it is perceived or amplified to be. China is not a general threat to the US-led liberal international order (LIO). It supports core pillars of that order, such as the Bretton Woods institutions, the WTO, the UN and the new Paris Agreement. It seeks safety and time for the evolution of its own governance system and is currently undergoing a period of political hardening, but is not bent on overthrowing democracy, and is currently undergoing a period of political hardening. Threat components exist alongside large areas of mutual interest. No country, not even the US or China, can achieve its domestic priorities without cooperation of the other and of a stable global system. It is essential to separate domestic narratives from actual behavior and avoid unnecessary death spirals. To a large extent, both the US and China are hurting their own interests and those of the world during the global Covid-19 crisis. And these losses are in large part generated by amplified reactions to the words and narratives of the other side.

Second, it is essential for all sides to be aware of highly sensitive domestic constraints on the other. The best multilateral agreements strengthen all leaders in front of their domestic constituencies. By addressing one or two core domestic priorities, it is possible to gain co-operation on a slew of other issues.

Third, all countries must realize how toxic and dangerous territorial issues have become, because they interact with core national narratives and feed domestic social media frenzies. At this time when humanity collectively has not yet mastered the emotional consequences of social media, it would be wise for all leaders to freeze minor territorial issues and let them recede in the background, pulling back forces and focusing on more critical interests.

Fourth, all countries should seek multilateral approaches to resolve conflict. In a larger regional setting or a setting such as the G20, it is easier to tone down domestic narratives and focus on facts and common actions. In Asia, all middle powers should seek to enliven common institutions such as APEC and ASEAN forums. They should signal to both the US and China that they don’t buy the death spiral option and want to work toward common interests, with strong signals that we are getting near a cliff and should stop before it is too late.

Finally, once we understand that the current escalation of conflicts and inability to address common global challenges such as the Covid-19 crisis is linked to parallel domestic narratives amplified by social media, it becomes possible to devise a strategy. I call this counter-cyclical signaling. Carefully crafted reassuring signals to the other side that are compatible with their national narrative can have oversized effects on dispersing toxic strategic interactions.

In summary, it is wrong to take bottom-line approaches and react on the assumption of overriding domestic frames, whatever the consequences down the line. Moving toward security conflict, decoupling and all-out confrontation is a recipe for disaster for every country on earth. During great power transitions and periods of complex transitions, leaders can fall into the fallacy that gambling with conflict is easier and domestically safer than struggling with painful co-operation. This is what the leaders of Germany, France, Britain, Russia and Austria-Hungary alike thought in 1914, and every single one paid dearly for it by sparking the First World War. The solution today lies in reforming institutions in a way that addresses novel challenges for all. To get there, we must understand the new power of narratives and develop effective counter-signaling toward new global narratives.

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