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The End of Globalism

Where China and the United States Go From Here

By Eric X. Li

When it rains, it pours. As the Great Recession, eurozone crisis, stalled trade deals, increased conflict between Russia and the West, electoral revolts against European political elites, and finally Brexit followed the 2008 financial

meltdown, the fact that globalization was running out of steam should have been obvious to all. Yet most of its converts were blind, and even the fiercest rebels against globalization never expected to claim the top prize—the White House—and so soon.

World powers are now scrambling to react to Donald Trump's paradigm-shifting election as president of the United States. Japanese Prime Minister Shinzo Abe, after repeatedly expressing concern about a potential Trump presidency and pointedly meeting with only Hillary Clinton before the election, rushed to New York for face time with the president-elect. European leaders have been more ambivalent, with German Chancellor Angela Merkel even putting conditions on working with Trump. And the Russians have seemed downright gleeful; in a congratulatory note, Russian President Vladimir Putin wrote that Trump's victory could bring "a constructive dialogue between Moscow and Washington on the principles of equality, mutual respect and real consideration."

Yet the feelings of perhaps the most consequential power—China—remain somewhat unclear. During the campaign, China was a primary target of Trump's dissatisfaction with trade. Yet Trump's likely jettisoning of the Trans-Pacific Partnership (TPP) trade agreement would immediately benefit China. And for obvious reasons, his anti-interventionist foreign policy outlook suits the Chinese. For now, there are signs that Beijing is still processing the enormous development and is calibrating its response.

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It better hurry. In the new era ushered in by Trump's victory, the Chinese

have the most to gain—or to lose. And as the world's second-largest economy and its largest trading nation, China's response could mean the difference between prosperity and stagnation, and even war and peace, around the world.

THE RISE AND FALL OF GLOBALISM

Globalization started as an innocent enough concept in the 1970s: the world was becoming increasingly connected through trade, investment, travel, and information. But after the Cold War, it was injected with an ideological component: globalism. And now one can hardly distinguish between the two.

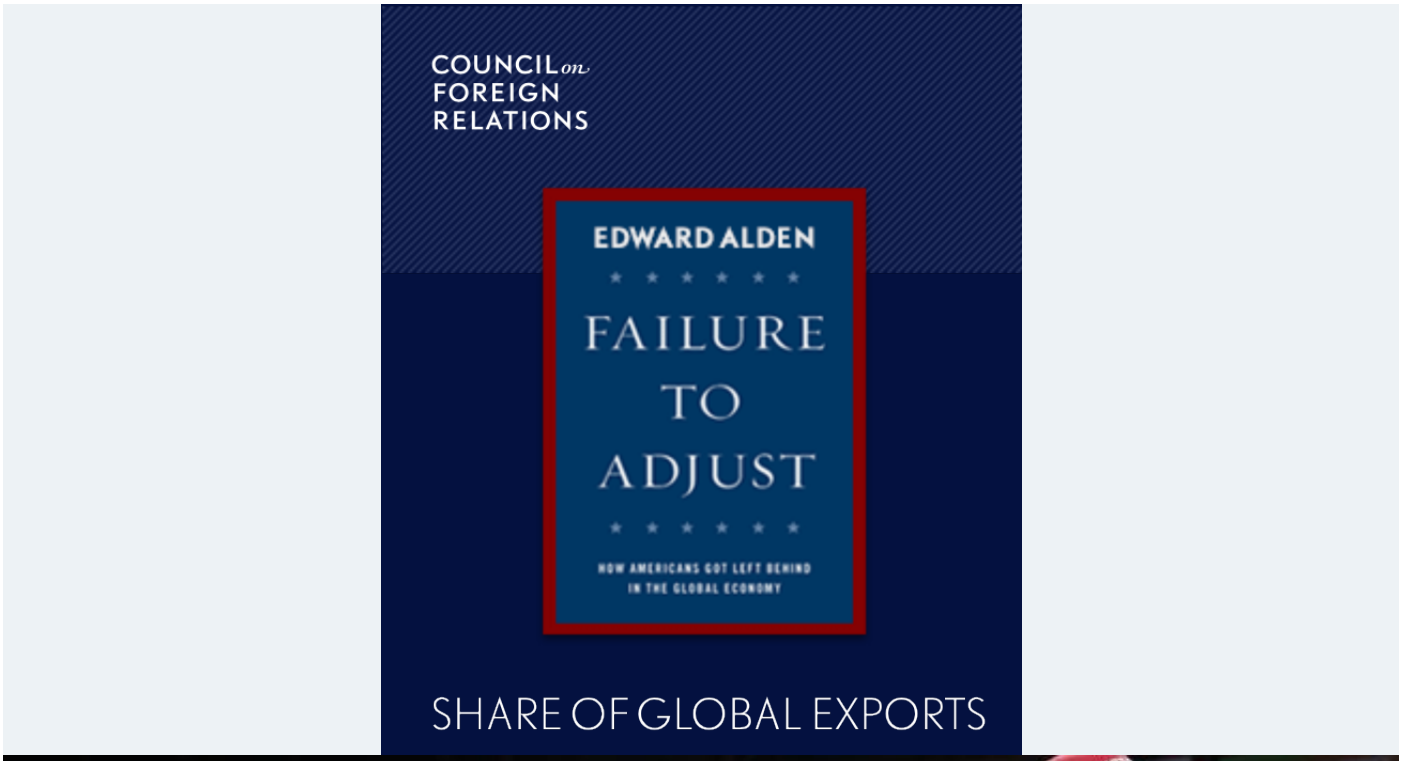
Globalism is rooted in the neo-liberal doctrine of the Washington Consensus, which was initiated by the first post–Cold War U.S. president, Bill Clinton, and carried out by the successive administrations of George W. Bush and Barack Obama. It envisioned a world moving inextricably toward the adoption of a unified set of rules and standards in economics, politics, and international relations. National borders would gradually lose relevance and even disappear. Cultural distinctions would give way to universal values. Electoral democracy and market capitalism would spread the world over. Eventually, all countries would be governed in more or less the same way.

The process would be backed by the United States' hard and soft power. Indeed, it was partially according to this logic that neo-liberalism's offspring, the neo-conservatives and liberal interventionists, took America to war in Afghanistan and Iraq. And therein lies the problem; globalism was a Trojan Horse. It devoured globalization, turning it into a force that seemed unstoppable until it collapsed under the weight of its own hubris.

In the West, the leading disciples of globalism became its greatest beneficiaries. Wealth and power concentrated at the top, among the owners and deployers of capital, who favored free trade, multiculturalism, multilateral institutions, and even regime change and nation building in foreign lands. But their vision harmed the vast majority that constituted the middle class. Just

one generation after winning the Cold War, the United States saw its industrial base hollow out, its infrastructure fall into disrepair, its education system deteriorate, and its social contract rip apart.

Beyond the economic damage, changes in social values propagated by globalism threatened social cohesion. The political scientist Robert Putnam captured the process best in his important book, *Bowling Alone*, in which he described in painful detail the collapse of American communities. In the name of globalization, in other words, American elites had been building an empire at the expense of a nation.



A Trump supporter leaves a rally for Democratic primary candidate Bernie Sanders in New York, Ap… +

THE VIEW FROM BEIJING

China, more than any other developing country, has benefited from

globalization. It saw itself transform from a poor agrarian economy into a global industrial powerhouse, all while lifting more than 600 million people out of poverty. Yet China chose to engage globalization on its own terms, embracing connectivity while decisively rejecting globalism. In turn, China was able to strengthen its one-party political system and open its market according to its own national development priorities.

Perhaps sensing as much, Trump has taken to blaming China for many of the United States' ills. This seems wholly unfair. Chinese leaders simply exercised their responsibility to do what was best for their people. They would have been in the wrong if they hadn't. But it is also wholly understandable and justified for Trump to want to do what is best for the American people—to put, as his slogan goes, "America First."

Rather than balking, China should see this as a teachable moment. The awakening of a large portion of the American people should not be viewed as a wholesale rejection of China or as a precursor to unavoidable and fundamental conflicts. Rather, it should be seen as a study in how to engage the United States in a new era.

The lesson comes at an important moment. China's opinion leaders tend to get their information about the United States from American elites. So they are just as disconnected from Middle America as those in the country's own newsrooms and think tanks. As such, they are susceptible to seeing Trump's supporters as "deplorables," as Trump's rival, Hillary Clinton, put it, who are racist, uneducated, and misogynistic. And that would be a grave misjudgment.

China would do better to look in the mirror to understand the ways in which the United States and Europe are changing for good. The Chinese have been among the loudest voices criticizing the one-size-fits-all model of globalism and calling for the world's nations to be allowed to pursue their own development paths. As Chinese President Xi Jinping famously said, "One could only know if a pair of shoes are good by wearing them." Trump, it

seems, is ready to try on some new ones for America. Meanwhile, Trump's non-interventionist approach to the world—he has emphasized that it was "a dangerous idea that we could make Western democracies out of countries that had no experience or interest in becoming a Western democracy,"—must hearten the Chinese.

No doubt, there will be conflicts as Trump pursues American national interests. But the grievances behind his rise deserve China's attention and due respect. If, for example, Trump were to be less friendly to China on trade, as is expected, China would do well to exercise a degree of restraint. If it responds with tit-for-tat escalation, the risk of a geopolitical conflict is real. In such a scenario, both China and the United States would lose.

ROOM TO MANEUVER

Chinese leaders, having proved wise over so many years, should see unprecedented opportunities to pursue common interests with Trump's America.

China's ideas are fundamentally compatible with Trump's vision. Strong sovereign nations are paramount to a functioning international system. The primacy of culture must be recognized, and enforcing uniform rules should never take precedence over national considerations. Multilateral institutions, moreover, should not be used to suppress bilateral engagements when bilateral arrangements are more effective. All these statements could have been uttered by Trump or by Xi.

On a practical level, there is a wide range of policies that could benefit both the United States and China. One of Trump's most important initiatives is to rebuild America's decrepit infrastructure. He has promised one trillion dollars in spending, which might not even be enough. His is a laudable goal that would infuse the U.S. economy with much-needed vitality by creating jobs and by building new roads, airports, and dams and upgrading existing ones. But challenges, namely financial constraints and industrial capacity, abound.

Had the globalist elites been more modest in their goals, they might have been able to push their vision further. But it appears to be too late.

China understands a thing or two about building infrastructure. And as his many campaign speeches indicated, Trump knows it. On the campaign trail, Trump complained loudly that, compared with China, America's infrastructure was "third world." China could bring its considerable capacities to bear in the United States. For one, it could bring the United States into the Asia Infrastructure Investment Bank (AIIB) and supply industrial capacity on favorable terms and relatively quickly. This would significantly benefit China, which needs to deploy its excess capital and capacity. And there is no better place to do so than in its largest trading partner.

In the area of geopolitics, there are likewise significant common interests. Both Trump and China seem to recognize that the gravest threat to world peace comes from nonstate actors. One of the worst injuries globalism has inflicted on the world has been to weaken the state just as the threat of transnational terrorism has grown. By erasing national borders and diminishing the powers of national governments without providing a good replacement, globalism has created a more dangerous world. Over the years, of course, globalists have condemned China for a supposedly regressive insistence on protecting its national sovereignty. But China certainly seems to have fared better in protecting its people's safety and interests. China and Trump's America can find much common ground in that.

Even on trade, there is potential for convergence. The globalist elite narrative presents a dichotomy between free trade and protectionism. Anyone who eschews global standardization risks being labeled a protectionist. (In fact, China has frequently been accused of protectionism on those grounds.) But the globalists' dichotomy is false. It is possible to promote trade and to protect legitimate national interests at the same time. For example, China's

proposal for trade expansion in Asia Pacific, the Regional Comprehensive Economic Partnership (RCEP), specifically allows for many differentiations on tariffs and industry standards based on participating countries' varied economic and political conditions.

A worker inspects a mask of then-presidential candidate Donald Trump in Jinhua, China, May 2016. +

By contrast, Obama's TPP was solely designed to enforce a set of uniform rules regardless of the particular requirements of nations at very different stages of development. Ironically, many Americans now see the agreement as unsuitable to their country's own needs. As China restructures its economy to rely less on exports and more on domestic demand and service industries, which are higher value-add, and as the United States seeks to rebuild productive capacity, the two countries are in a good position to explore new approaches to expanding their trade.

Last but not least, Trump seems to intuitively grasp the damage done to the United States by what the historian Paul Kennedy called imperial overreach.

The desire by American elites to remake the world in their country's own image has cost them—and the world—dearly. The United States has less than five percent of the world's population and about 20 percent of its total GDP, but it accounts for 40 percent of its total military expenditures (that figure reaches half in some years). Trump has said that he would like to curtail such interventionism, and global elites have derided him as isolationist. But there is plenty of room between a United States that insists on telling other countries how to govern themselves and total disengagement. For example, the United States should remain engaged on Middle East issues, but end efforts at regime change or nation building there.

It is very much in China's interest to encourage Trump's shift away from an ideologically driven worldview. And, as the second largest economy in the world, China has a responsibility to help maintain global stability. It could do so by moderating its own geopolitical postures in the Asia Pacific so as to foster a more peaceful region, as it has already done with the Philippines. China could also share the burden in the Middle East, where it is fast becoming the region's largest oil importer and has a long-term interest in stability.

A NEW WORLD ORDER?

Trump's victory was not an accident. It was the culmination of structural changes within American society that elites had ignored for too long. These forces will continue to push the United States and the world down a different path than the one they've been on for 25 years now. It is critical that Chinese leaders see this reality and respond accordingly. If China gets it wrong, trade wars, geopolitical confrontations, and even military conflicts could follow. It would be a classic case of the Thucydides Trap, in which a rising power strikes fear in an established power and tensions escalate into war. The United States has legitimate reasons to place itself first in its dealings with the world. China, more than any other nation, should be capable of understanding that. And China, also more than any other nation, could offer Trump's America

room to successfully adjust its national priorities.

The death of globalism does not mean the end of globalization as the idea was originally understood. On the contrary, interconnectedness will probably continue to increase, driven by secular trends in technology and economics. Effective global governance, in other words, is needed more than ever. But it can no longer be based on the narrative of globalism.

The world needs a new order grounded not in twentieth-century ideological fault lines and the idea that history would soon reach its end, but in respect for diversity among nations, state sovereignty, and cultural integrity. Instead of trying to run the world according to a singular set of global standards, nations can cooperate freely in ways that are suited to their particular circumstances. Only strong sovereign states can effectively cooperate with each other and, when appropriate, willingly moderate their sovereignties for the benefit of world order. 

If we want a peaceful and prosperous twenty-first century, China should work with Trump's America to develop that new future. Although competition between the two powers will be unavoidable, their now-shared outlooks on the world and common interests far outweigh their differences. Indeed, China's leaders would be well advised to hear what Trump had to say in a major foreign policy speech last April: "We desire to live peacefully and in friendship with Russia and China. We have serious differences with these two nations, and must regard them with open eyes, but we are not bound to be adversaries. We should seek common ground based on shared interests."

With so much doomsday thinking—so many dire predictions about what's going to happen to America and the world—a dose of optimism is needed. China harbors no designs to somehow replace the United States as the dominant world power. It naturally seeks to reclaim a leadership position in its neighborhood. And America needs to focus on rebuilding itself. If the two nations have the wisdom and pragmatism to work together on those goals, to live and let live, they can perhaps formulate a new consensus on global governance that will lead to a more stable world.

Globalism has committed suicide. A new world order has been born. Let's engage it now.

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