

Too Big to Succeed? Three China Scenarios to 2050



Chinese word for crisis

By Michael Lee, Founder of the Institute of Futurology

Expect increased nationalism, including the flexing of military muscle, from China between now and 2050. Although I predict a surge in nationalistic sentiment and policy-making, one cannot rule out the possibility that a great new peaceful Chinese civilisation could emerge towards the middle of the century which would benefit, rather than harm, humanity.

China should succeed in landing a man and a woman on the moon before 2030 and this will be seen as a milestone in its quest for technological parity with the West. But China is almost certain to engage in more extensive military action, and build-up of its defence capability, as it seeks to establish strategic domination of Southeast Asia and searches for future supply routes for a variety of resources it needs for its growing and rapidly urbanising population, from marine fisheries to energy.

The Chinese word for crisis above indicates an imminent danger point. Such a national crisis can lead either to disaster or opportunity if the danger is overcome. Since China is already the second largest economy and the next global superpower, its approaching danger-point will affect our future as well. China's industrialisation, driving its spectacular economic rise, is gathering speed at a time when fossil fuels like oil, gas and coal, which made the Industrial Revolution possible in the first place, start their permanent, long-predicted decline to zero availability. When key resources like industrial energy become scarcer, two things go up – their price and their strategic value. The price increase, in turn, has significant economic knock-on effects while the rising value of these resources invites intense geo-political competition. Herein lies the danger.

China's industrialisation is occurring at the worst possible time for another reason: the world is faced with severe environmental threats as a result of climate change and ecological degradation largely caused by the process of industrialisation itself. A Catch-22 situation has emerged: if China does not complete its industrial development, it will never catch up to the West, but if it does succeed, the environmental and geo-political costs could be too high for all. China's approaching energy and environmental crunch is about to become the world's crisis.

China's leaders have already started to use nationalism as an important political tool for governing the country's phenomenal and challenging complexity in this Catch-22 predicament. Nationalism has become part of the guiding doctrine of the Chinese Communist Party (CCP). It is now a core aspect of the ethos cementing the nation. It's what lends legitimacy in the eyes of the population to what is effectively a one-party totalitarian state.

For this reason, Chinese nationalism is set to become one of the most important shapers of 21st century global politics. It could become as influential as German nationalism was to the previous century or British nationalism in the 18th and 19th centuries. In the coming Age of Asia, the 20th century Cold War could be mirrored by a Warm War, rather than a Hot War, between China and America.

Historically, times of large-scale international change, such as when one empire declines as another supersedes it, are pregnant with danger. The Cold War, for example, took place against the background of the rise of American power and the defeat of German and Italian fascism, paving the way for communist expansionism in a changed world order. Western domination of world politics will slowly begin to decline over the next few decades, eventually to be eclipsed by Asian power.

The ethos of Chinese nationalism we are currently witnessing is likely to deepen as the country seeks to manage its escalating complexity. China is industrialising on an unprecedented scale at the very time when domestic and global energy resources required for industrial power are waning. The CCP will be engaged in a life-and-death struggle to manage the forces and processes of modernisation, urbanisation and globalisation. It will employ nationalistic policies to maintain its hold on power, as a one-party dictatorship, while its people demand greater freedom and recognition to go with their growing wealth and improving levels of education.

For the near-future, the world will have to learn to live with rising Chinese nationalism which I see as inevitable for at least another decade. An era of nationalism was bound to follow China's long list of historical humiliations, including civil war, invasion, poverty and famine. And the nation is still haunted by the painful memory of the tragically misguided, failed Cultural revolution (1966-1976) of Mao Zedong. In short, after two centuries of lost progress, it is now time for this ancient nation to recover its national pride on the global stage.

The question the outside world should ask about this resurgent pride is: will China, as a consequence of its nationalism, become an increasingly repressive regime on a collision course with America and the rest of the world? Or is there a glimmer of hope that the Chinese powerhouse will become a superb civilisation of ultimate benefit to the human race in the way in which American power greatly accelerated social and technological progress in the 20th century?

It is estimated that China's economy will surpass that of the USA as early as 2016 by producing 18% of total world output compared to 17.7% by the US. But underneath China's glittering economic growth can be detected the underlying tensions of competing historical trajectories which are incompatible, namely the path of absolute political domination *or* the path of civilisational growth. The reason they are contradictory is that the former will curtail human freedoms while the latter will allow them to flourish. And it is true that Chinese nationalism will not be able to hold all the nation's competing interests together forever. It is an ethos with a limited political shelf-life.

I would wager any time that human freedom is the one political aspiration with greater longevity and historic influence than nationalism. I therefore estimate the Chinese population will outgrow the CCP's brand of nationalism, especially as education and internet become part of the lives of the new urban middle class which is already hundreds of millions strong in its mega-cities, cities and towns. At that point, the CCP's hold on power would begin to disintegrate. I suspect that China would then undergo a devolution similar to the collapse of the Soviet Union in 1989 and that there will one day be "former states of the People's Republic of China" just as there are today Post-Soviet, or former Soviet, republics¹.

To get a broad understanding of the kind of future China is likely to experience in the first half of this century, one could construct three 2050 scenarios summarised below: the runaway train future, the juggernaut future and the Xanadu future. The fate of the 21st century is literally tied up with which future emerges for China between now and mid-century.

¹ 1. Armenia; 2. Azerbaijan; 3. Belarus; 4. Estonia; 5. Georgia; 6. Kazakhstan; 7. Kyrgyzstan; 8. Latvia; 9. Lithuania; 10. Moldova; 11. Russia; 12. Tajikistan; 13. Turkmenistan; 14. Ukraine; 15. Uzbekistan.

In the **Runaway Train Future**, China, obsessed with economic growth at all costs, and caught indecisively between the trajectories of evolving into a great civilisation or going deeper into a totalitarian nationalistic state, irretrievably damages its environment and the trust of its population leading to ecological and social collapse. In this scenario, China will self-implode, breaking down under its own weight and complexity. The Chinese Communist party would be unable to govern effectively following loss of control over the environment and its vast and diverse population.

Can the current system – the state, the CCP, the private sector and the environment– continue to support the growing economy and provide for the changing needs of the rapidly urbanising population in the midst of increased complexity?

If China's consumption leads to the economy and industry outstripping the country's carrying capacity – then its systems of order will collapse in an overshoot scenario.

In the **Juggernaut² Future**, China becomes increasingly authoritarian, nationalistic and militarised, mercilessly crushing all domestic and international opposition in its rise to become an imperialistic global power. This scenario would radically destabilise geo-politics and would lead eventually to a Chinese Revolution and the violent overthrow of the Chinese Communist state. East Asia would become a fierce battleground, globalisation would unravel and loss of life through World War 3 would surely exceed that of World War 2.

Will the CCP complete the political reform process it has initiated and introduce the rule of law, political freedom and constitutional protection, or will the party back-track and revert to totalitarianism and excessive nationalism? Will the power of nationalism prove to be an intoxicating and fatal temptation to the CCP for holding on to power, playing on the sense of historic humiliation still very much present in the Chinese collective psyche? Will the need for resources outside China, from food to energy, lead to a more aggressive foreign policy?

If China seeks to manage its complexity through a repressive authoritarian one-party system, a growing disconnect between the state and the urban population, with its improved education, internet access and increased wealth, will develop. This path would lead eventually to a Chinese Revolution, with China turning in on itself to produce mass disturbances and eventual civil war.

² Wikipedia defines a juggernaut as a “literal or metaphorical force regarded as mercilessly destructive and unstoppable. Originating ca. 1850, the term is a metaphorical reference to the Hindu Ratha Yatra temple car, which apocryphally was reputed to crush devotees under its wheels.” <http://en.wikipedia.org/wiki/Juggernaut>

In the **Xanadu Future**,³ China evolves into a modern Middle Kingdom civilisation after centuries of historic humiliation. In this scenario, China establishes a new political system enshrining the rule of law and the core values of freedom, emancipating Chinese women, its religious population, and its labour force within this current generation. Chinese civilisation would be a global powerhouse of education, science, technology and innovation. China would once again become a world of wonders as it was for Marco Polo on his 13th century travels to Asia. The world would admire China, as a model of progress, much more than it ever feared it. This Xanadu Future would keep China in a strong position for centuries, not just for decades.

But will China prize its civilisation more highly than its own global power and growing wealth? Will the expanded role of the Chinese intelligentsia shift the nation decisively towards political reform, especially as the power of education becomes linked to greater freedom and equality? Will a long-term and historic vision prevail over short-term emotional needs for nationalistic assertion and military expansion?

If China embraces the values of Confucius at the level of the state, seeking to create a modern, sustainable, devolved and free Chinese civilisation, it will have a positive impact on world progress and ensure its own long-term survival.

The good news is that the groundwork for the creation of a great Chinese civilisation is already in place. In the philosophy of Confucius (551-479 bc), the pragmatic and benevolent values of a society are ingrained in rules of social conduct and personal discipline. It has been said that to be Chinese is to know how to behave in all circumstances.

China also has 2,000 years of history to draw on (in futurological terms, it has a “memory” of its Xanadu future). China has been called a civilisation trying to be a nation-state.⁴

In addition, there is a powerful role for the extended family in Chinese society. Much enterprise and entrepreneurship is based on extended family businesses and clan conglomerates. The foundation of a civil society is also there, with 285,000 registered NGOs in the country. A modern Chinese civilisation would be built on these strong structures.

³ “In Xanadu did Kubla Khan
A stately pleasure-dome decree :
Where Alph, the sacred river, ran
Through caverns measureless to man
Down to a sunless sea.”

From the poem “Kubla Khan” by Samuel Taylor Coleridge

⁴ See, for example, Martin Jacques’s essay “Civilization state versus nation-state” - <http://www.martinjacques.com/articles/civilization-state-versus-nation-state-2/>

China is already on its way to evolving away from communism, albeit gradually, under leaders like Deng Xiaoping and Zhu Rongji. There has been a private sector revolution. China has even joined the World Trade Organization, which will lead to reduced trade barriers and greater respect for intellectual property rights.

This is not to say that the CCP is beyond reversing this reform process, for example, under the influence of the new left and the communist youth league. For now, though, it is part of party doctrine to create a harmonious society using science and socio-economic development.

Financially, China is a nation of savers and has strong fiscal discipline compared to heavily indebted Western nations. It has good foreign exchange reserves of around \$1 trillion and is the 2nd largest foreign creditor of USA, holding billions of dollars of US financial assets. These cash reserves would help to buy China time to continue its programme of political reforms and to extend its civil society.

A generous Chinese civilisation could make a compact with the world – a *Pax Xanadu*. In such a pact, China would provide peace, as an international power-broker, in return for extended trade and a secure supply of resources it requires, becoming a fully committed global citizen.

Clearly, China will only have one future, not three. It will need to decide which evolutionary trajectory to navigate, either the path to a great civilisation or towards doomed totalitarianism. These two trajectories are mutually exclusive. That is why the idea of a crisis, complete with critical, destiny-shaping choices, is apt. Being caught between these two paths would increase the probability of the Runaway Train Future with its inevitable breakdown of governance. The stakes could not be higher for China or for the world.

If China continues to reform its state, gradually providing greater freedom and constitutional protection for its citizens, as well as devolution of power to the provinces and local communities, and embraces once again at state level the ancient, internationally respected Chinese values of the philosophy of Confucius, it will dismantle from within its totalitarian apparatus and evolve towards the Xanadu ideal.

The tension between the two trajectories will grow from now until a decision is forced upon the nation. The response to this escalating tension within the Chinese state and its collective psyche could either tear China apart – or propel it into unprecedented progress, becoming one of the greatest nations earth has witnessed. If, on the contrary, China fails to reform and allows itself to sink into the delusions of totalitarianism, it will veer towards the unspeakable Juggernaut option. If the Chinese leadership dithers and vacillates between these two paths to the future, the Runaway Train Future would result.

To my mind, one key factor in this fatal choice awaiting China is how it collectively processes its recent history of humiliation. If it absorbs this past hurt negatively, internalising and exaggerating the pain, converting it into nationalistic aggression, the nation's courage to open up its society may fail. This would reinforce totalitarianism and nationalism and, by implication, the militarisation of Chinese society.⁵

An aggravating factor for the impending decision about the nation's strategic direction would be the national mood at the time and how desperate the struggle for global resources and environmental management becomes following Peak Oil. The more desperate the mood, the more likely it would be that China would choose to tighten totalitarian controls and systems instead of completing its political reform process.

If, on the other hand, China processes its historic hurts positively, reaching back in time to its world of wonders which so bedazzled the explorer Marco Polo and to its rich heritage of philosophical wisdom, while embracing at the same time a long-term evolutionary future, a shift towards the Xanadu Future we all wish for China would become the most likely option. Whatever path is chosen, one thing is certain. A time of immense danger for China – and the world – will soon be upon us.

About Michael Lee

Michael Lee is a futurist who founded the World Future Society's Southern African Chapter and the Institute of Futurology. He is CEO of the ATM Industry Association (www.atmia.com), a non-profit trade association with more than 3,500 members in 60 countries. Lee is a member of the World Future Society (www.wfs.org), the International Society for the Study of Time (www.studyoftime.org), the Royal Institute of Philosophy (www.royalinstitutephilosophy.org) and the Institute of Physics (www.iop.org). He serves on the Board of Directors of the global ATM Industry Association and the US-based Benefit Corporation Standards Institute (<http://www.bcorpoinstitute.org/>). His book *Knowing our Future – the startling case for futurology* will be published in November 2012 - http://www.infideas.com/pages/store/products/ec_view.asp?PID=1804. The book is also available on Amazon at <http://www.amazon.com/gp/product/1906821984>

⁵ There have been double digit increases to the country's military budget every year since 1991. The 2006 defence budget, for example, was \$35.1 bn. This represented a 14.7% increase over 2005 which itself had doubled the size of the 2000 defence budget. I expect this trend to continue for the foreseeable future.

Appendix 1

Elements of Three “China 2050” Scenarios

The key elements involved in this historic choice between two mutually exclusive paths to the future, described in “Too Big to Succeed? China to 2050”, are set out below. The decision will determine which future China embraces. The threats and challenges faced, which are the variables sure to influence this historic national decision, are as follows.

1. Energy

China is the world’s biggest energy consumer and third largest net importer of oil. It has 14% of global coal resources but a 47% share of global coal consumption – this is an unsustainable position to be in. China already imports over 50% of the oil it consumes. Its oil self-sufficiency ended back in 1993. The International Energy Agency estimates that by 2015 China’s dependence on foreign energy will rise to 60-70% of its total consumption. This high rate of dependence on overseas energy supplies reveals in stark terms the nation’s lack of basic energy self-sufficiency. This is what is driving its global search for energy security. Energy is the nation’s Achilles Heel. Energy security will remain a key driver of China’s future domestic and foreign policies.

In my view Peak Oil, followed by Peak Coal, will be a time of unprecedented danger for China and the world order.

2. Demography

Three gigantic demographic challenges face China: rapid urbanisation, an ageing population and a gender imbalance between males and females. One can add to these three factors the two additional social challenges of significant poverty and health scares like the current HIV epidemic. This all illustrates the level of complexity facing China’s government.

Every day, there are over 60,000 people migrating to its cities from the country. Today, 35.8% of the population live in urban areas and 64.2% in rural locations. By 2030 this will reverse dramatically to 60.3% in cities and 39.7% in rural areas. China will shift from being a predominantly agricultural country to an urban one. The 540 million now living in the cities is forecast to swell to 900 million by 2020. This is a vast constituency to govern.

There is rural and urban poverty to manage. For example, 400 million people in the country live on less than \$2 a day. Vast migrant towns on the edges of Chinese cities could become cauldrons of trouble.

Regarding gender imbalance, there are 117 males for every 100 females in China, compared to a corresponding global average of 105/100. In 2000, for example, there were 42 million more males than females in China, creating a large pool of permanent bachelors who will never find a wife in their homeland. The gender imbalance is most pronounced for age groups below 20 years old. This is not a healthy demographic profile for a stable society or for the future of the Chinese family structure. This can also increase the risk of intensified militarisation in China since there is a virtually unlimited pool of possible soldiers the state can conscript. It is also well-known that most criminals are disaffected young males.

What is especially sad is that it is reported that 25% more women commit suicide in China than men, which is highly atypical in global terms. Is this a function of their lack of power, a political alienation, within a male-dominated Chinese society?

China's population is ageing at an inopportune time when economic growth is vital to carry along the triple, interrelated processes of industrialisation, globalisation and modernisation. This is because the country will need a growing working population, not a contracting one. China already has 134 million people aged over 60 (the world's largest elderly population) which will reach 397 million by 2050. The country also has one of the lowest fertility rates along with its rising demographic longevity. The population aged 60 and above will rise from 10.1% in 2000 to 31.1% by 2050 – giving a total of over 435 million in that age group. Those aged 80 and above will rise from 0.9% of the population in 2000 to 7.3% in 2050 – creating over 100 000 million very old people. It is doubtful if this ageing demographic profile is compatible with high rates of economic growth.

In terms of health, it is estimated there are about 70,000 new HIV infections every year in the country. Given that China's population is ageing fast, the costs of supporting its unhealthy, and elderly citizens, is set to sky-rocket.

3. Environment

The danger of environmental overshoot is real. There is a significant shortage of arable land which affects China's ability to feed its population in the long-term. It occupies 7% of the world's arable land but must feed 20% of the world's population. Food security, like energy security, is going to be a massive issue underpinning domestic and foreign policy. China is already a large net importer of soybeans and cotton.

In addition, the land faces pollution, degradation and the threats of drought and flooding. More than three quarters of the surface water flowing through China's urban areas is unsuitable for drinking and 90% of urban groundwater is contaminated. Sixteen of world's most polluted cities are in China and yet there are plans for over 500 new coal-fired power plants, with energy consumption escalating. 138 million more people are expected by the UN to be added to the total population by 2050.

4. Ethos

The greatest danger faced by any totalitarian state is the growing disconnect between the government and the governed. Moderate disconnection can lead to unrest and rioting but extreme disconnection will certainly lead to a Chinese Revolution (see Appendix 2). Will an educated middle class, the backbone of the new economy, be content forever with the current brand of nationalism, with women, workers and religious citizens all lacking full rights? That is extremely unlikely in the long-term. The private sector revolution is now irreversible in the country and this will water down the legitimacy of the ideology of communism over time. There is therefore a real threat of a future loss of credibility and a collapse of the social contract between the CCP and the people. A modern China could not last long if there are too few state officials bossing too many disgruntled citizens.

Will the authorities be able to manage these fundamental challenges and complexities at the political, social, demographic, environmental and ideological levels? With social unrest on the rise, the clock is ticking. If China drifts into a default, business-as-usual future, it will risk a chain reaction of systems collapses.

5. Politics

While a modern education system will encourage the growth of freedom in a society, especially in a globalising, internet-connected world, China's autocratic political system does not allow freedom of the press and has a top-heavy, male dominated power structure.

As part of the country's inadequate levels of democracy, there is no separation of power, no independent judiciary, no checks and balances. This can lead to widespread stagnation and corruption when political leaders are unaccountable⁶.

While women constitute 49% of the population (perhaps less than that now), and 46% of the workforce, only 20% of managers in China are women. The role of career women in determining the future of Chinese society should not be underestimated. For example, there are 29 million female entrepreneurs!

Groups not yet fully accommodated within the existing, officially atheistic, political system include:

- 23m Moslems
- 60-70m Christians
- Hundreds of millions of traditional folk religion followers

In addition, there 11 million students – another significant constituency. Women, just under half the population, are not fully empowered. Nor is there any right of secession in this unitary, highly centralised state.

⁶ In 2004, for example, 2,960 officials were investigated for corruption in China.

Although China is the new workshop of the world, producing about 20% of all the world's manufactured goods, there is not yet a system of labour rights, including the right to strike, which was dropped from the 1982 constitution. This is surely not politically sustainable. In autocratic states, it is difficult to create institutional trust, an important social glue in modern societies and economies.

While the educated middle class is expanding, the actual size of the state is shrinking. The state sector has shrunk from 75% dominance of the economy in 1980 to 15%. There is still a very influential alliance of state and business but the state sector will be under 10% of the economy by 2015. This means the economic power base of the ruling CCP⁷ is decreasing. If this were combined with a growing disconnect between state and the population, it would be like *glasnost* in Russia – the precursor of the outright collapse of communism in China. These observations should not lead one to underestimate the role of the state, however, because power is still highly centralised and entrenched. The CCP's 80 million members represent 6% of the population. It also has control of the 2.25 million strong standing army of the PLA. Yet there are only 204 members of CCP's central committee, 25 full members of the politburo and just nine of the Politburo Standing Committee.

The three strongest drivers of freedom – economic growth, consumerism and education – together constitute an irresistible force in China. In this scenario, a tipping point will be reached when there are too few elites governing too many disenfranchised citizens and the state begins to collapse.

6. Geopolitics

Unification with Taiwan is a foreign policy goal of China, as well as a “sacred duty”, but the US, probably China's biggest strategic rival, supports the independence of Taiwan. Other potential flashpoints for conflict in Southeast Asia could be Tibet, North Korea or even Japan. There is some ingrained bitterness regarding Japan's invasion of Taiwan and occupation of China in first half of 20th century. Ultimately, China would want to expel the US from East Asia but America has military forces in Japan, Australia and South Korea. The scene is set for long-term strategic rivalry. This will increase the likelihood of intensified militarisation of China and an eventual Warm War with America.

⁷ The CCP's growth may not yet have peaked after 91 years of existence. It was founded in 1921 and only had 420 members in 1923. This grew to 40,000 by 1928 and 1,2 million by 1945. Membership reached 60 million by 2000 and 80 million by 2010. It is clearly a huge and powerful political party.

Appendix 2

Similarities between China Today and Russia before its 1917 Revolution

Similarities between Russia before its 1917 Revolution and China today include:

- Empires with huge populations following diverse religions and cultures
- Undergoing an irreversible, state-led, large-scale industrialisation process
- Playing economic and technological “catch up” to the West in a modernisation programme
- Rapid and widespread urbanisation
- Rural poverty and growing urban squalor for migrants
- Class polarisation with rising middle class breaking away from poor masses
- Government by a remote, autocratic government with no political voice for democrats or full rights for workers (i.e. too many disenfranchised people within a non-democratic political system)
- Partial state emancipations carried out – Russia emancipated its slaves in 1861, 56 years before the Revolution, while China has embarked on a private sector revolution, allowing significant economic freedom
- The world at the time of the Russian Revolution, like the world today, was a time of massive historical change of empires; today the Age of the West is slowly being overtaken by the Age of Asia, while Peak Oil and climate change represent considerable global resource challenges
- Environmental stress– the crop failures and severe famine of early 1890s in Russia radicalised its already disconnected population, while China today faces environmental challenges ranging from drought to land degradation and pollution

These historical similarities together represent a truly uncanny parallel. The likelihood of history repeating itself grows by the day. Should China follow the Runaway Train Future or the Juggernaut Future, it is likely that a Chinese Revolution will ensue comparable to the Russian Revolution of 1917 a century earlier, since the global, political and social conditions prevailing have so much in common.

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