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COVID 19: THE GAME CHANGER FOR CHINA

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Abstract

The recent pandemic caused by the Corona virus seems, so far, to be the biggest game changer of this millennium. It has put the entire world in a situation that has never been more precarious. The strongest economies of the world have struggled to figure out how to contain the spread of the virus. Health systems of the most developed nations have proven to be insufficient in the wake of this crisis. The pandemic has not just defined the health crisis around the globe but has manifested to have the potential to create immense socio-political, economic crises that are bound to leave scars that would run deep. The paper using Gilpin's Hegemonic Stability Theory, aims to explore the possibilities of China emerging as a next hegemon in the wake of Covid 19. It is an exploratory research based upon the analysis of content available in the form of books, research papers, Newspaper articles, documentaries, and official reports. Since Covid 19 is an ongoing pandemic, it is nearly impossible to predict the exact outcomes as yet, but the paper has attempted to identify the opportunities that Covid 19 has unfolded for China to replace the US as the global hegemon and take lead in global governance.



1. Introduction

Mankind has made tremendous progress, but humans can never be prepared for the unpredictable turns that nature takes. History bears testimony to the helplessness of humans in the wake of pandemics. Although continuous efforts are made to minimize the risks, but nature always reigns supreme. COVID19, is yet another pandemic that has left the world economies, political systems, and human civilizations, vulnerable and helpless. With no vaccine available initially, humans seemed to be fighting a lost battle. Coronavirus disease 2019 (COVID-19) is defined as illness caused by a novel coronavirus now called severe acute respiratory syndrome coronavirus 2 (SARS-CoV-2; formerly called 2019-nCoV). It was first identified amid an outbreak of respiratory illness cases in Wuhan City, Hubei Province, China.It is interesting how Covid 19 has put the People's Republic of China at the center stage again. China, that has always been condemned by the West especially the US for the centralized economic system, has been successful in containing the spread of the virus and is now maneuvering power dynamics by lending out help to the economies around the globe. This Asian super power was not just being swift in the management of the Corona Pandemic within the country but demonstrated humanitarianism by sending their teams of doctors and paramedics to help countries struggling with the pandemic. Before delving into the details of how covid19 might be the harbinger of global change in terms of hegemony, ideology and power, it would be just rational to analyze how China had been rising since 1978 and had acquired economy stability, military and technological prowess in the pre-corona world.

2. Aims and Objectives

The paper aims to

- Identify the opportunities for China in the wake of Covid 19, to disrupt liberal international order and replace the US as the global hegemon.
- Assess the possibility of US and China escaping the Thucydides' Trap especially in the post-Covid 19 scenario.

3. China Before Covid 19

3.1 China's Phenomenal Transformation Since 1978

China transformed phenomenally from one of the poorest countries in the world to the one that is on the verge of joining the high-income countries, it transitioned from a purely agrarian economy into a global technology and manufacturing powerhouse, contributing to over 30% of the world's economic growth, lifting 850 million people out of poverty. This phenomenal transformation is attributed to the political prudence of visionary leadership who practiced economic pragmatism, and resilience of its people rooted in traditionalism.

It was primarily, paranoia about the stability and safety of the country and the unflinching desire to maintain a unified state, that guided all the Chinese leaders from Mao till Xi, in shaping the grand strategies. (Sulmaan, 2018). Deng's economic pragmatism allowed China to embrace

the dynamics and bounties of free market and hence grow at an average of 9.5%. China's GDP rose from \$40 in 1978 to \$10,000 in 2019. Xi's slogan "The China Dream" encapsulates the vison of an economically prosperous and militarily strong nation. Chinese want to be respected in the world as they think of themselves as the oldest civilization. They have always garnered respect and admiration in history and despite some rough patches, by and large they believe that Chinese nation deserves to be revered. It is for this desire to restore that position of respect, that Xi has been propelling the vision of "The China Dream". Xeotong, (2016).

Unlike their American counterparts who believe in, and practice the policy of incrementalism and short term approach, Chinese leaders have been proud of their centuries old civilization and have relied on their age old wisdom to guide them hence, out of their historical mindedness, have thought and devised policies in terms of decades and centuries to come. (Allison, 2017).

3.2 China's Power On Rise

While Organnski defined power as the ability of an actor to influence the behavior of others to achieve the goals (Organnski, 2018), Joseph Nye conceptualized power differently. Instead of pivoting his definition on military and economic measures, Joseph put forth two distinct subdivisions i.e. soft and hard power.

Hard power refers to the conventional metrics of power, military and economic capabilities, soft power encapsulates elements of national power which are not tangible. Hard power is coercive in nature, it uses the strategy of positive and negative sanctions to affect the behavior of the actor. Soft power, however, can attract the other actor by the strength of culture and values, hence is co-optive in nature. (Joseph Nye, 2004).

Nye argues that both the powers are equally important for the accomplishment of policy goals. He even gave the concept of "smart power" that indicates the combination of both soft and hard power in different proportions to address the policy issues. (Joseph Nye, 2004)

3.3 China's Hard Power

There are many variables to measure hard power. This paper would analyze China's GDP and military expenditure to assess its hard power. China's GDP has been rising constantly since Deng allowed private ownership and FDI in the country in 1978. GDP per capita has risen from \$40 in 1978 to \$10,000 in 2019, with the country growing at an average rate of 9.5 %. Although America still is the largest economy in the world but with China's robust economic growth, it is projected that it would surpass America by 2025 hence taking the position of the largest economy in the world. The following table 1 shows constant increase in China's GDP indicating its strengthening economic position. Defense expenditure directly measures the potential military might of a state. Although Chinese centrally controlled government does not give out accurate information nevertheless, they report information about military expenditure annually. In May 2020, China announced a yearly defense budget of RMB 1.268 trillion (\$178.6 billion), marking a 6.6 percent increase from the 2019 budget of 1.19 trillion yuan (\$177.5 billion).

Table: 1 Shows constant Increase in China's GDP

GDP	USA	China
1990	5.963 trillion	360.858 billion
1991	6.158 Trillion	383.373 billion
1992	6.52 trillion	426.916 billion
1993	6.859 trillion	444.731 billion
1994	7.287 trillion	564.325 billion
1995	7.64 trillion	734.548 billion
1996	8.073 trillion	863.747 billion
1997	8.578 trillion	961.604 billion
1998	9.063 trillion	1.029 trillion
1999	9.631 trillion	1.094 trillion
2000	10.252 trillion	1.211 trillion
2001	10.582 trillion	1.339 trillion
2002	10.936trillion	1.471 trillion
2003	11.458 trillion	1.66 trillion
2004	12.214 trillion	1.955 trillion
2005	13.037 trillion	2.286 trillion
2006	13.815 trillion	2.752 trillion
2007	14.452 trillion	3.55 trillion
2008	14.713 trillion	4.594 trillion
2009	14.449 trillion	5.102trillion
2010	14.992 trillion	6.087 trillion
2011	15.543 trillion	7.552 trillion
2012	16.197 trillion	8.532 trillion
2013	16.785 trillion	9.57 trillion
2014	17.522 trillion	10.439 trillion
2015	18.219 trillion	11.016trillion
2016	18.707 trillion	11.138 trillion
2017	19.485 trillion	12.143 trillion
2018	20.544 trillion	13.608 trillion

Table: 2 Military expenditure

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(SIPRI 2019-2020). China's military expenditure exceeds the combined military budgets of Japan, Philippines, South Korea, Vietnam. China's is second after America's military expenditure. The

consistent increase in China's military expenditure is linked with its rising GDP and has been 2% of GDP since 2000. (China Power, 2020).

3.4 China's Soft Power

The best measure of soft power can be a country's initiative to undertake development projects in developing countries. China's Belt and Road Initiative comprises of vast array of projects that would enhance connectivity through Eurasia and beyond. It is expected to involve 4.4 billion people across the globe, which makes 62% of the world's population. Trade worth 3 trillion US dollars took place between China and BRI countries in just two years from 2014 till 2016. (China Power, 2017) BRI has the potential top vield massive economic and political gains for China. Expansion in China's export markets, promotion of Chinese currency, reduction in trade barriers, increased connectivity, trade, and investment are only some of the economic gains that China aims to achieve.

The political gains would result from the reorientation of the world economy towards China. By exploiting its financial prowess China could assert itself on the partner countries. America on the other hand has adopted more inward approach. With Trump dismissing NATO and other allies as useless burden, and advocating protectionism to make America great again, many scholars suggest that America's hegemony is on a decline and would be challenged by that of China's who is building up on soft and hard power.

3.5 China's Emerging International Statecraft

China's been growing at a double digit for almost three decades. Despite the slowing down of the economic growth rate, trends show that China would surpass America and become the largest economy of the world. Economic growth has enabled China to amass enormous wealth that yields power as well. It has expanded its influence via trade and investment across the world. It is beefing up its military capabilities to assert its power and influence in the foreign countries. These capabilities have endowed immense power on China which is putting it strategic use Not only has China been increasingly engaging and participating in the existing multilateral organizations but it has also been successful in building new institutions such as Asian Infrastructure Investment Bank (AIIB) and the New Development Bank (NDB). Although the existing liberal international order is complex, multilayered, and laden with intricate rules and regulations China has undauntingly increased its participation and engagement in the system. By staying within the system, that comprises of many multi layered, complexly institutionalized bodies such as the UN, WTO, IMF and the World Bank, China is trying to assert its influence to change the prevalent rules & regulations, norms & practices of the existing intuitions. This is facilitating China in her ambition of establishment of an alternative order. China's active participation in the existing multilateral intuitions has allowed her to increase influence and challenge the status of the United States which enjoys immense authority and privileges in the existing international order. China has been pushing for increased shares in voting in the IMF that indicates that she aims to have greater influence in the formal processes and operations of the institutions. By working with the United Nations Security Council, China in a subtle way has worked towards changing the definition and application of the tool such as Responsibility to Protect (R2P). Though this strategy of institutional obstruction, China has been resisting reforms aimed at increasing liberalism. (Ikenberry *et al.*, 2007).

Beijing Consensus embedded in three ideologies i.e. innovation, promoting work through chaos management and self-determination, offers a potent alternative to the Washington Consensus which is based upon the doctrines of liberal market-orientedness. This external innovation formed the basis of the establishment of AIIB which has emerged as a new competitor in the institutional marketplace. Asian Infrastructure Investment Bank is a multilateral development bank that has 102 countries on board. US and Japan are the only two developed countries that have not yet joined the bank. (Ikenberry *et al.*, 2007).

As per China's official narrative, the bank is not there to compete with the existing multilateral institutions such as the World Bank and the Asian Development but would complement their efforts in providing finance for development projects ranging from infrastructure to health, education and environment. By maintaining influence on the deployment of capital through AIIB China

has been able to increase returns by making safe investments. AIIB would also help China internationalize Chinese currency thus jolting the status of US dollar. Along with the construction of rival institutions, China has also been violating the rules and norms set out by the liberal institutions. China has been constantly undertaking construction activities in the South China Sea and East China Sea which is indicative of China's blatant dismissal of status quo rules and norms.

Robert Gilpin explains in that an emerging hegemon uses its capabilities to establish new rules, norms and principles of international system in the form of institutions. (Gilpin, 1987). Norms based on the hegemons values and national interest through international institutions and the impression of policy preferences on weaker actors how great powers challenge the existing international order. In China's case, it has been expanding its influence in the fields of trade and finance. To meet its energy requirements for the massive production, it is constantly looking out for energy resources, hence China is keen to get connected to most of the countries around the globe through Belt and Road Initiative.

Along with amassing wealth, China is constantly building itself militarily and technologically. She seems to be driven by its motive to increase political influence to eventually enhance its presence and authority in international governance.

4. Opportunities for China in the wake of Covid 19

4.1 America's Incompetence

Covid 19 became a global event. This pandemic can be compared to the Suez affair when the United Kingdom's incapability was exposed to the world and it practically, marked the end of the of its reign as the superpower. United States management of the crisis left the superpower exposed to the world. Key institutions such as the White House, Department of Homeland Security and the center for disease and prevention, misled the masses with their missteps which resulted in the loss of confidence in the ability and capacity of the American governance. The entire health sector crumbled with both private and public sectors having been rendered incapable to produce, procure and distribute testing kits, ventilators and medicines. America's mismanagement was not just reflective of their domestic inability to manage a crisis but also went on to prove that the US is certainly not capable to manage a global crisis of massive magnitude. (Campbell et al., 2020). The three key elements of the American leadership that helped America attain, build and maintain its status as the world leader were: well-coordinated domestic governance, provision of public goods to its citizens and America's unflinching ability, readiness and willingness to rise up to the occasion to respond in the times of global crises. Unfortunately, in the wake of Covid 19, the US failed to live up to all the three key characteristics.

4.2 China's Adeptness at Crisis Management Taking advantage of the vacuum created by America, China was adept to take the center position. As Washington falters, Beijing was moving quickly and adeptly to take advantage of the opening created by U.S. mistakes, filling the vacuum to position itself as the global leader in pandemic response. China managed containing the virus by imposing strict lockdowns, bans on travel and quarantines. By March 2020, China started claiming victory in combating the pandemic. The smart move on the Chinese leadership to project their success strategically helped them conceal their initial mismanagement of the crisis. They began to propagate a new narrative that would make China look like a leader; the first one to manage the global crisis. China used its official machinery most efficiently to propagate its success. Constant flow of articles, tweets and public messages in different languages left the world convinced of China's effective model of domestic governance. China attributed its success to its centrally controlled system thus putting the Western idea of free market system, to shame. America's mismanagement and China's dexterous management of the crisis earned China a huge mileage.

4.3 China's New Foreign Policy Tool Amidst Covid 19

Xi through the rejuvenation of China and China Dream has been pushing hard to lead reforms for global governance. The Covid 19 crisis offered China this opportunity to take the central stage. China had an advantage in the production of most of the things that the world urgently needed.

Through rapid industrial mobilization, China boosted the production of masks, N95 respirators, antibiotics. She used its ability of mass production as its foreign policy tool and had been sending out material assistance in the form of masks, respirators, ventilators, and medicine to Italy, Serbia, Pakistan, Spain and 54 African countries. In this crisis when US was struggling to manage its supply shortage, with only 1% masks and 10% of the ventilators. China was earning good will and asserting its presence as the new leader who could lend out help to the world in this desperate hour of need. Material assistance aside, Trump did not even display any intention to address the crisis as the world leader whereas Xi had been effectively using the platform of Shanghai Cooperation Organization to get connected to the world leaders and share with China's successful experience of battling with Covid 19.

4.4 China's Financial Status Gives Her an Advantage Over The US

According to the World bank report, in 2008 when one of the worse recessions originated in the US and hit a major chunk of the world shrank Chinese growth from 10% to 6.5% and reduced the world economy from 4.3% to 1.8%, Chinese government was quick enough to lift its economic growth rate from 6.5% in 2008 to 9.2% in 2009. This happened through the robust expenditure (580 billion US dollars, 14% of its GDP) that China undertook on massive projects that led to employment creation. Expansionary stimulus package helped China reverse the economic downturn not only in its homeland but by buying

bulks of resources from other countries and making investments their China was able to pull out countries like Brazil and Australia out of the recession that was started by the mismanagement of the US policy makers. Since 2009, China has contributed to more than thirty percent of the economic growth around the globe. Covid 19 has put China at the center of the stage again. China National Bureau of Statistics released economic indicators of April according to which China's industrial production increased by more than 11% and exports had gone up by more than 3%. According to the China's official media outlets, approximately 830,000 new businesses had entered the market in April 2020, which would boost private consumption in future. China through its centrally controlled system seem to have managed to reverse the economic downturn caused by Covid19, and just like it lent out help to the developing world in the aftermath of 2008 financial crisis, China was in good shape once again to take the lead in pulling developing countries out of the economic crisis by buying resources in bulk. Although BRI seems to have suffered a big blow due to Covid 19, but it is still moving on and countries like Turkey and Nigeria have entered into new agreements on investment projects with BRI. Over the four months from January till April 2020, China's bilateral trade increased by more than 3%. (Monk, 2020). While US was struggling to flatten the curve and miserably failing at managing the economic and social crisis that had erupted in their land of opportunity, China was leading the world. The unemployment in the US went up to 15%, in the third and the fourth quarters of 2020. The US government took steps like easing off the interest rate to almost zero and appropriating almost 2trillion US dollars to mitigate the devastating consequences of the recession caused due to the pandemic. But the problem lies in the inability of the US administration to contain the spread of virus. With huge protests being carried out in different states, there was a massive disagreement in different states regarding the imposition of lockdowns. Mounting military expenditures because of US engagement in the South and East China Sea and the Taiwan Strait, earned US justified backlash from the taxpayers who seem to have gained nothing out of the administration's frivolous spending on their futile efforts to scare China off in the region which she seems to be national interest to her and would go to any length to confront US on it. According to the CIA Factbook, China's international indebtedness, estimated at less than \$2 trillion or 14% of GDP, is considerably lower than those of the US, UK and Japan, respectively estimated at about \$20 trillion (almost 100% of GDP), \$8 trillion (280% of GDP) and over \$3 trillion (60% of GDP) in 2019. (Monk, 2020). No other country other than China seemed capable enough to pull the world out of doldrums. China with an accumulated capital formation of 30 trillion US dollars and foreign reserves of 3 trillion US dollars, was in a relatively good shape to weather the crisis and by undertaking investment projects in China and abroad it could once again emerge as a potent leader advocating the nondemocratic values and its state capitalist economic model.

4.5 World's Increasing Dependence On China

Despite regular pressure by the American and Japanese for their respective businesses to leave China, they were reluctant to comply. Primarily because of the comparative advantage that China offered to them in the manufacturing sector and of course because of the massive domestic market that China offered to them. EU and UK export heavily to China. China is the biggest buyer of German automobiles and industrial products. Britain's dependence on China is bound to increase especially after Brexit when it no longer be easily accessible to the European market. While US got more and more isolated, China did not let any opportunity go un-availed of portraying itself as the world leader ready to help the rest of the world. As per the analysis of JP Morgan, the economic losses of the pandemic would cumulate to 11trillion US dollars over a decade. (Morgan, 2020). McKinsey however have given a more pessimistic projection with losses totaling up to 19 trillion dollars over the decade. (McKinsey and Company, 2020). With such grim state, it would be highly improbable for the US to continue with the military expenditure of 676 billion US dollars which it has had in 2019. Just like in 2008 crisis, US slashed down its military expenditure by almost 500 million dollars, there is a huge probability that the US would have to cut down its military budget by a bigger proportion this time as well. This would not give signals because the American good government had been naïve to spend way too much on its military engagements in the Middle East and failed to assess the danger posed by the rising power, China and its increased activities in South and East China Sea. With military budget slashed down, America would not be able to assert itself in the Asian rimland which would be a major blow to America's primacy. The pandemic has exposed to the world the extreme inequality that has been there in the US with 80% of the population earning only 48% of the national income. This means that there is going to be pressure from the public to divert resources to fix the losses faced by these 80% of the households, rather than spend them maintaining America's hegemonic order. (Katherine Schaeffer, 2020)

US that has successfully been maintaining its hegemony, economically, technologically and militarily, by innovating and creating new sectors that produced supernormal returns, were stuck in low levels of productivity. If this trend continues, as is predicted, it will shrink the aggregate demand which would be major blow to America's economic position, hence damaging its primacy. (Lawrence H. Summers, 2014). The pandemic has exposed some of the major structural constraints in the American regulatory system. The inability to increase the production and supply of masks, test kits and drugs, lack of contingency plans, absence of permanent budget for national stockpile an inequality in the access of medical care.

4.6 America's Leadership Crisis, Opportunity for China

Lack of rational and timely assessment of the severity and repercussions of Covid 19 revealed the dearth of competent personnel in the decision making positions in the US. The bureaucratic mess at agencies such as Centers for Disease Control and Prevention, Food and Drug Administration, Department of Health and Human Services, resulted in a huge trust deficit in the public. On top of it, confused and contradictory statements from the White House put a huge dent on America's reputation as the world leader. Presidential leadership in America aggravated the situation. As Thomas Hobbes rightly put it "Reputation of Power is power", America's reputation seems to have suffered a major blow. It is not just the material prowess that helps the hegemonic state maintain its position but more importantly, the effectiveness with which the state asserts its authority. In this domain, American administration under the presidency of Donald Trump failed miserably. The Trump administration dismissed the allies as burdens hence questioning their value and utility for the US. In the wake of Covid 19, the US did not show solidarity to its allies who were most likely to revisit their policies vis a vis cooperation with the US. America's leadership crisis proved to be a major blow to the liberal international order. America that has been able to maintain its hegemonic status since 1945, through arrangements of free trade, collective defense, economic and political development, negated each of these principles. With Trump openly disregarding US allies, advocating protectionist policies, cutting down funding to WHO, America's hegemonic status suffered a huge jolt. America that had attained the status of world leader in global governance by providing security to the allies, giving asymmetric access to its markets, and creating global institutions such as the IMF and the World Bank, was in a state of limbo under Trump's leadership.

4.7 Have US and China Escaped the Thucydides Trap?

In the words of Athenian historian Thucydides "It was the rise of Athens, and the fear that this inspired made Sparta, that in war inevitable." Graham Allison in his book entitled "Destined for War" has drawn the attention towards the strategic dilemma and dangers that occur when a rising power rivals a ruling one. Out of 16 cases cited by the author, twelve of them ended violently and this happened over the past 500 years. He has indicated that in four cases there was no more. This proves the historical premise insufficient, implying that there could be an escape from the Thucydides' trap. (Allison, 2017). China has been rising at a colossal rate. America under the leadership of Clinton, Bush, Obama, had considered China to be a strategic ally. This diplomatic stance of the American leadership was indicative of the superpower's intention of building strong ties with the fastemerging superpower and turn possibilities of war into opportunities for future partnerships. When Donald Trump took over the White House, the whole narrative underwent a drastic change. Once-a-strategic-partner China has now officially been declared a strategic adversary. Trump and his administration were bent upon wreaking economic havoc for China by intensifying trade wars.US marginalized Huawei, China's strategic

asset, and imposed stringent restrictions on non-American companies that are supplying Huawei with chips designed with any American equipment. (Fang, 2020). Trumps ban adversely affected Taiwan Semiconductor Manufacturing Company. US predatory trade policy put American companies like Qualcomm, Cisco, Apple and Boeing, at a colossal risk. (Sup China, 2020). China in retaliation announced to impose restrictions on Apple and stopping any further purchases from Boeing. All these steps coupled with Trump's whimsical personality, indicated towards a possibility of America's strong intention of going into a war thus proving Thucydides theory correct. But the logistical and structural bottlenecks that that were exposed during the pandemic undermined the probability by a large degree. Trump administration failed miserably in domestic governance, Trump had already offended many of its allies, Huge economic stimulus was appropriated to haul the American economy out of the doldrums, American taxpayers were indignant at the inability of the Health department to address their needs. On the other side, China was able to tackle the situation wisely, and had ample financial resources to cushion.

5. Conclusion

China has been growing with leaps and bounds. Economic strength coupled with military and technological capabilities have endowed this state capitalist country with immense power. China that has always been proud of its 5000 years old civilization has been swiftly making its way towards taking position as the leader in global

governance. With the establishment of new institutions, it has offered the world an alternate to the liberal international order. Chinese leaders have passed all the tests of crisis. In the recent pandemic Chinese leadership has yet again come out victorious and seems ready to claim its position as the world leader. China's emergence seems highly probably; it is too soon to say as to how long it would take for China to complete replace the US as the hegemon. America's leadership failed miserably at the management of Covid 19, which earned China an added advantage but America to date remains the largest economy in the world. China despite all its capabilities has its own domestic issues such as rampant corruption, increasing inequality, aging population etc. Despite all these factors there is no denying the fact that China has used Covid 19 to its advantage and has taken a huge mileage in terms of political and economic variables.

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