

## **CHINA'S RISE AND THE GLOBAL DILEMMA: BALANCING ECONOMIC INTERDEPENDENCE VIS-À-VIS RULES-BASED SYSTEM?**

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Amidst the tides of decoupling narratives, China continues to remain integrated into the world economy, with its trade partnership extending to more than 120 states. Its trade with the United States (U.S.) is at an all-time high of USD 690.6 billion in 2022 (US Census Bureau, 2022). Similarly, Beijing's trade volume has grown considerably, with Africa to USD 282 billion, South East Asia to USD 975.3 billion, and Latin America to USD 485.8 billion (China Org, 2022). The European Union (EU) is not too behind, with its trade with China recording the USD 780 billion mark in November 2022 (Global Times, 2022). China's internationalisation of its currency is another indicator of measuring its global economic might, with the RMB Internationalisation Index (RII) reaching 5.02 in 2020. By November 2021, the RMB was the fifth most active currency for global payments by value (Xinhua, 2022). Additionally, in its World Economic Outlook update, the International Monetary Fund (IMF) projected growth reviving to 5.2 percent in 2023, predicting the further opening of the Chinese economy to the world and conversely (IMF, 2023).

Thus, the shifts in the pattern of interconnectedness in the global community concerning issues such as global pandemics, economic inequality, and human rights indicate that the polarisation of international institutions is on a normalised incline. China is using its economic interdependence with developing states to shape geostrategic outcomes. This economic power has given China a significant voice in global affairs, rendering it a major player in international trade and investments.

### **INTERDEPENDENCE: A WELL THOUGHT GEO-POLITICAL TOOL**

Since its rise on the global economic horizon, Beijing has self-transformed its role in turning interdependence into a tool to manage economic diplomacy and reap the geo-political benefits. The Belt and Road Initiative (BRI) (*Yi dai yi lu*) is a geo-economic strategy enabling China to leverage asymmetric equations, undermining the global economic network. China introduced BRI as a strategic plan to regulate the Chinese economy and reduce reliance on foreign enterprises. In other words, the BRI represents an effort to circumvent the global economic slowdown by rejecting the Western model and creating a new Chinese-led model, thereby amplifying China's role. As a result, China's well-thought Economic Statecraft outrightly denies credit to Western states and establishes itself as a global economic leader with an increasingly independent economic system.

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The BRI facilitates coercive interdependence with partner states whereby China obtains formidable collateral and rights for resource exploitation through significant debt accumulation. Consequently, leveraging its provision of large loans for infrastructure projects puts China in a formidable position to influence the political decisions of the partnered states, leading to greater economic leverage and policy shaping. Several (developing) states potentially have fallen into China's debt trap such as Sri Lanka, which took on substantial debt from China and was forced to lease its strategic Hambantota port to a Chinese company for 99 years to pay off its debts (China Daily, 2017). Pakistan also received significant investments from China under the BRI, leading to growing speculation that rising debt levels may render the dependent state out of desperation, forcing concessions to Chinese interests to repay its debts (Dawn, 2022). Djibouti is another example that has raised concerns, as China in 2017 established its first overseas military base there (China Daily, 2017). Additionally, Southeast Asian states including Malaysia, Laos, Cambodia, Thailand, and Indonesia have received massive loans and granted control to China over critical infrastructure projects, putting them at risk of falling into China's debt trap (Xinhua, 2022). Therefore, lending through the BRI has significant geopolitical implications, as debt-ridden states are becoming more vulnerable to China's influence and more willing to make concessions to protect their economic interests.

Besides being a dominant member in international institutions, including signing and ratifying treaties, China's influence increased significantly. Beijing became one of the most prominent players in the international community by establishing parallel multilateral organisations where it serves as the leading protagonist and has no balancing counterparts or opponents. China created the Forum on China-Africa Cooperation (FOCAC) in 2000 and the China-Arab States Cooperation Forum in 2004 (CASCF), all advancing its economic, political, and normative goals (MOFA PRC, 2004). Furthermore, China leads the Shanghai Cooperation Organization (SCO) established in 2001, the China-Central and Eastern Cooperation Framework (also known as 14+1) established in 2012, the China-Community of Latin America and Caribbean States (CELAC) established in 2015, and several others. These forums serve China's interests, promote its strategic interests, and influence global governance contributing to China's rise. As China started growing stronger, another significant attribute of its economic statecraft was its role as a major lender through financial diplomacy. For example, China provided substantial financing for infrastructure projects in Bangladesh, Egypt, Nepal, Pakistan, and Uzbekistan through the Asian Infrastructure Investment Bank (AIIB), established by the Chinese leadership in 2016.

Coupling with developing states and international institutions is another approach to China's economic statecraft. This fostered economic interdependency. However, economic intimidation is one of the tactics China utilises with incentives and disincentives to pressure other states into making political decisions that align with its interests. For example, Beijing demands its partners or dependent states adhere to the "One China Principle" (*Yi hua zhengce*) to cut off diplomatic relationships with Taiwan and isolate it. As such, Honduras, Sao Tome & Principe, Panama, the Dominican Republic, Burkina Faso, and El Salvador changed their diplomatic recognition from Taiwan to China in a trend that

started in 2016. Nonetheless, 13 states continue to have diplomatic relations with Taiwan (MOFA ROC).

## **GLOBAL GOVERNANCE RISK**

The world economic order is at risk from China's economic policies and trade practices, which are rooted in an authoritarian and state-led model of governance that contrasts with the democratic and market-oriented approach. The continued use of trade and investment restrictions and domestic subsidies distort global economic networks and threaten established international institutions. For example, China's use of export subsidies violates World Trade Organisation rules, creates an unfair advantage for Chinese companies, and has been criticised by other members for causing adverse impacts. Furthermore, China's ambitious "Made in China 2025" (*Zhongguo zhizao 2025*) plan to upgrade its manufacturing sector in critical areas like robotics, aerospace, and electric vehicles has drawn international concerns due to the level of state intervention involved, which is inconsistent with free trade principles and fair competition (Xinhua Net, 2017). This is because the plan challenges the global economic system by making reaching agreements on critical economic issues difficult.

However, after the U.S., China is one of the greatest beneficiaries of globalisation. Opening up the market and gradually relaxing capital controls have added to the global role of China's currency. This has built on the momentum towards interconnectedness in Asia, the West, Africa, and Latin America.

Successively, international institutions are not being left untouched. China's growing influence has been noticed lately at major international bodies such as the United Nations (UN). The World Health Organisation's (WHO) handling of the COVID-19 pandemic clarified that the organisation was deferential to China. The Chinese government not only acted irresponsibly in not releasing clinical data and withholding crucial information that would have helped the world thwart the epidemic, but it also exerted influence over the WHO to try to get it to deny China as the source of COVID-19 (UN News, 2023). Concurrently, the UN is China's prime target to reform because its values and priorities diverge significantly from those of the global governance system that has emerged since the end of World War II. In 2018 the Chinese government called for global governance reform (*Quanqiu zhili biange*) (Xinhua Net, 2018). China's publication of a White Paper (WP) on foreign policy highlights the UN as the core of global governance and the apex institution supporting this assertion (MOFA PRC, 2021).

Moreover, China represents a stark departure from the established international human rights norms where the focus is on economic development, social stability, state sovereignty, and non-interference in domestic affairs, not individual rights, and freedom. China is also establishing a like-minded nexus within the UN through a normative approach by organising forums such as the South-South Human Rights Forum (SSHRF) (SSHRF, 2021). Amidst all these advancements, China's Global Security Initiative (GSI) is framing Beijing as an alternative to the U.S. globally and a regional security partner (MOFA PRC,

2023). The initiative outlines how China plans to address transnational security challenges and achieve stability in different regions. The GSI capitalises on China's influence at the UN and upholds its authority as the leading platform for global security governance.

## CONCLUSION

Upsetting international relations, China's economic rise has significantly altered the balance of power in the global economy, creating tensions between the U.S., the EU, and China. China has created fractures in the global governance system by creating rival multilateral institutions where it established the rules of engagement to its advantage, especially to counterbalance the power of Western states. Moreover, contemporary cooperatives in parallel multilateral cooperation with different states are China's pre-emptive approach to stake claims over re-institutionalising the global governance setup. This shift and the leveraging of interdependence have created complex global governance dilemmas. Furthermore, Beijing fostered the idea of creating a "community of a shared future of mankind" (*Renlei mingyun gongtongti*) emphasising that the international rules should be written by all states collectively.

On the other hand, the power dynamics between China and states dependent on China bring severe implications for the global governance architecture. Like-minded states rely on China's support to advance their foreign policy goals in international organisations. This further enthruses China's ambition to enhance its influence by wielding economic power.

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