

COMMENTARY

**Superpower War of the 21st Century - Declining America and Fading Capitalism
Versus Rising China and Shining Communism!
Will US Trade War Conclude the Third World (Cold) War Started in the 20th Century?**

By Pushpa Kumari
July 5, 2018

Historically, a transition from one superpower to another has involved a war. If history repeats itself, should the recent US trade war be assumed as a last phase of the superpower transition from the US to China? Last transition took place during the WWI from then superpower the UK to the USA. During war the US became the biggest wartime trade and finance supplier for the UK, and it was in 1916 when US output outpaced that of the entire British empire. From then on there was no looking back for the US for several decades. However, now the 20th century superpower has been on its descending journey to become a history like European nations, the UK, and Russia (competed with the US till 1991) did in the past. This is yet a first quarter of the 21st century and the wheel looks turning away from not only the US as a superpower, but also from the centuries' old capitalism as a dominant system. All signs are signalling that China is ascending as a superpower and communism is winning over capitalism. China's rising power at old economic-political-military fronts and new technological-cyber-space fronts is undisputable. State intervention vs Laissez faire is weighing towards state's positive role in the direction, governance and delivery of the economic, social, political, technological and environmental outcomes.

The third world war, emerged after the WWII, was in the form of cold war and long fought between two 20th century superpowers, the US and Russia, along with their respective western capitalist and eastern communist allies on both sides. With the fall of Berlin Wall in 1989 and collapse of Soviet Union into separate nations in 1991, it was thought to be a fall of communism and an end of cold war between two competing superpowers. However, political form of cold war with Russia seemed to be over then, but it re-emerged that time around in the form of economic war heralded by mercantilist China. After several twists and turns, now it seems to have reached an inflection point with declining US (representing the capitalism) and rising China (representing the communism). Main feature of the present form the third world war has been that it is non-conventional – as it is high-tech, without borders, without human causality, and without much fanfare. Rising Russian aggression in Europe also indicates re-strengthening communist Russia. Communist North Korea, with its renewed nuclear capabilities, is also challenging not only

Korean peninsula but also the US. Cambridge Analytica, Wikileaks, cyber attacks, Panama Papers, and foreign political influence etc. have already exposed how external forces can influence every nook and corner (including democratic structures) of the capitalist world, whether this is North America, Europe, Asia, Africa, Australia, New Zealand or any other place on the earth. Whether or not this involves hands of other (communist) state(s) or non-state actors, it has exposed the truth whatsoever economic prosperity and national security capitalist nation states have built in and around them are not foolproof and immune to the attacks from outside.

Promoters of capitalism may term the shining communism as a win of authoritarian and manipulating regimes over democratic and rule-based system. However, a rule-based system is not necessarily just, if the founding rules themselves are biased. In reality, democracy and rules have hardly been just, balanced and equal for all. These have generally been power driven, capital-biased, imbalanced, and non-harmonious. Such upshots have evolved from the organic nature of the capitalism itself and have long inflicted the human civilization with its historical progression. Mercantilism, colonialism, market distortions and manipulations, neo-liberalism, globalization, neo-imperialism etc. all building organisms of capitalism over time have well served the interests of capitalists throughout its evolution with the help of state machinery (legislature, executive, judiciary, and even press). No wonder, why present-era most capitalist nations are experiencing some of the similar outcomes, like: structural imbalances (saving-investment and current account), excessive corporate power, asset economies, wealth concentration, economic inequality, social exclusion, consumerism, environment degradation, ecological destruction, political polarization, and individual extremism. In brief, capitalism has failed the economies, peoples, societies, and ecology. As of now, rising China, with its communist system, seem to use centuries old mercantilist, dominance and invasion tactics to become a superpower; time will judge the rising superpower's character and system's legitimacy through local, national, regional, global, and spacial outcomes.

'America first' and 'make America great again' are, in a way, a confession that it is no more the same first power as it was in its yesteryears. Its acceptance in a recent White House report ("How China's Economic Aggression Threatens the Technologies and Intellectual Property of the United States and the World") that the US and the world could not fight the economic, cyber and technological aggression by China. The recent trade war by the US, in fact, indicates its desperate move to regain the post-war economic prowess, but unfortunately this time without its partners. Unsuccessful wars against terrorism in Afghanistan, Iraq and Syria demonstrate its (along with its allies) strategic downfall. Clearly, America's powers at economic, political, strategic, technological, diplomatic fronts have been declining.

Since 1977 current account of the US has continuously been in deficit with only three years' exceptions (1980, 1981, 1991), meaning thereby the US has become a permanent

debtor. But another important shift took place in 2013 when the US GDP at Purchasing Power Parity (PPP) was overtaken by China. With uncontrolled trade deficits, especially with China since 1985, a promoter of free trade has now turned against it. Actually, the US has since beginning blamed some one or the other for its deficits – in 1980s first it was Japan then south Korea, since 1990s upto financial crisis came China, and post-crisis it is Germany. Of late, it has started blaming almost every other nation for being unfair with it in trade. Pulling out of Trans-Pacific Partnership (TPP) and threat to pull from North American Free Trade Agreement (NAFTA) also indicate its anti-trade tone. With its steel and aluminum tariffs, the US has launched trade war with its trading partners, be neighbors (Canada and Mexico), or EU members, or China and other Asian nations. Current desperate trade moves of the US expose its challenged superpower position. Instead of setting right own house by tackling its structural problems, its blaming and name-calling others may appease its own old superpower ego; but it will not gain its lost trust and power.

During the old cold war years, the US used its aid and trade policies as an instrument of foreign policy to keep nations together in its camp or away from communist camp. A gamut of formal institutional structure was established under the US leadership, for example United Nations, Bretton Woods twin institutions, GATT (later WTO), and NATO. Entire post war multilateral organism has been in fact to showcase that capitalism is a rule-based and fair system. And also, through this multilateral organisational structure, the US aimed at fulfilling its own agenda to gain and maintain its superpower position. After the fall of Berlin Wall and dissolution of the USSR, the US became an undisputed global superpower in the unipolar world, and capitalism turned out to be the only efficient economic system with no competent alternative.

Circumstances have changed; with the decay of power, now the same multilateral establishment and rules have become a liability for the US. The US, who was instrumental in this post-war establishment, has become now critical of it. Because its own rules now seem to be binding it. Its withdrawal from the UNESCO, Paris Climate Accord, and UN Human Rights Council does reflect its anti-establishment rhetoric. No surprise, if WTO, NATO, another UN agency, or any other international organization is the next.

Strong allies help any superpower maintain its position globally as it happened with the US in WWI, WWII, and even during cold war. But things have turned different now: US has created rift with almost all time-tested old friends whereas China has strong allies on its side like Russia and North Korea. No doubt, China has territorial issues with its neighbors (Japan, South Korea, India, Taiwan, Philippines, Mongolia, Vietnam and some others) but two things will keep balance in favor of China; one, individual nation may not have that military capability to handle a war with the nuclear China, and second, many nations have trade, investment and value-chain linkages with China too, so those nations would not like to risk their economies.

China has become a world factory forcing factories shut elsewhere in the world, especially the rich world. It has turned the industrial nations almost deindustrialized. Its state-run, state-sponsored and state-supported industrial sector's success is well documented. In 2015, China's share (produced or assembled) in total global supply of various products were: more than 90% mobile phones, more than 80% computers, 80% air conditioners, 60% color TV sets, more than 50% refrigerators, 50% steel, 41% ships, 28% automobiles, and 24% power (as per the European Chamber of Commerce in China). Military-wise, China is undoubtedly a top-tier military power like the US, Russia, France and the UK; hence, capable of fighting a nuclear, cyber and conventional war. It is one of the only three powers on earth, besides Russia and US, capable of operating space-based military presence, offence and defence. China has emerged as the third largest exporter of weapons (after the US and Russia). China's expanding military aspirations are not hidden – world's second (after the US) largest military budgets and increasing at a high rate (8.1% in 2018 from last year's 7%) might not even reveal the real figures which might actually be much higher than the official figures. Funds given away elsewhere in fact might be a part of military outlay, like on the subsidies (to material production used by military), nuclear, strategy, paramilitary, corporate technologies and application (with dual use – civilian and military) e.g., robotics, artificial intelligence, drone, semiconductor chip, virtual reality etc. Furthermore, not revealing the actual figures is in its strategic and economic interests, after all China would not want to jeopardise its economic interests (by agonizing the west or its own neighbors) which are in fact underlying condition for the another, i.e. building its military might. Silk Road, South Sea initiatives and 'Made in China 2025' have generated enough anxiety globally already.

The third world war between capitalism and communism is at present on the verge of turning the wheel away from capitalism. So, neither capitalism (as the only system) nor the post-war II champion of capitalism, the US, could prevail forever. One question is still left: will there be any hot war to conclude this transition between the rising and declining forces, using the modern 21st century hi-tech warfare. Time will answer this question, but in case the answer is 'yes', it is the humanity who will suffer the most (who knows, may be earth, space or universe too this time!); unfortunately, superpower or any system (whether capitalism or communism) have no human face. Declining superpower, falling old alliances, and weakening multilateralism are turning the post WWII "new world order" old. What next world order will look like, perhaps no one knows; but a reasonable wishlist would include prosperity, security, human rights, good governance, and a safe universe FOR ALL!