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The Rise of China and the New Global Order

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Introduction

This book examines how China's political, economic, and military rise is reshaping the global order—and what that means for governments, businesses, and scholars tasked with navigating the transition. Over the past four decades, China has moved from a peripheral player to a system-shaping power. Its growth has altered trade networks, capital flows, technological standards, and security calculations across multiple regions. The central questions animating this study are straightforward but consequential: How is influence built and maintained in the twenty-first century, and how should the West respond to a rival that wields both markets and military power to strategic effect?

Our approach is grounded in the concept of economic statecraft: the purposeful use of economic tools to achieve geopolitical ends. Tariffs, export controls, market access decisions, investment screening, and development finance are no longer technical policy domains; they are instruments of competition. China's party-state capitalism—featuring state-owned enterprises, industrial policy, and tightly managed capital allocation—creates advantages and vulnerabilities that reverberate through supply chains and standards-setting bodies. Understanding these mechanisms is essential to interpreting Beijing's regional initiatives, from infrastructure corridors to digital platforms.

At the same time, the People's Liberation Army has undergone a sweeping transformation. Modernization has focused on power projection, maritime control, and domain awareness, underpinned by civil-military fusion that integrates commercial technologies into defense applications. This shift does not make conflict inevitable, but it does compress crisis timelines and raise the stakes of miscalculation, particularly in contested maritime zones and around Taiwan. The interplay between economic leverage and military deterrence—what this book terms the dual-track strategy—is a defining feature of China's rise and a core theme of our analysis.

Regional dynamics are equally important. In Asia, middle powers are hedging and aligning in novel combinations, while institutions such as ASEAN, the SCO, CPTPP, and RCEP provide platforms where rules, norms, and narratives are contested. Beyond Asia, China's engagement with Africa, Latin America, and the Middle East is reconfiguring development finance and resource security. These relationships are not monolithic; they vary by sector and country, but together they shape voting blocs, market entry, and the future of global governance. The result is a more multipolar, issue-specific pattern of alignment that complicates traditional alliance management.

This book also interrogates the health of global institutions. The dispute settlement

function of the trading system, standards bodies that govern emerging technologies, and forums addressing climate and public health face pressure from great-power rivalry and domestic politics alike. Rather than assuming the erosion of the rules-based order, we map how rules are being revised, repurposed, or replaced. In several domains—data governance, green technology, and digital payments—the rules are still being written, offering opportunities for constructive competition and coalition-building.

The audience for this study is deliberately broad. Policymakers will find actionable options calibrated to different risk tolerances and political constraints. Business leaders and investors will gain tools for stress-testing strategies against regulatory shocks, supply-chain realignments, and market bifurcation. Scholars and students will encounter a framework that integrates security studies, international political economy, and technology policy. Across these communities, our goal is to replace alarmism and complacency with disciplined, scenario-driven analysis.

Finally, the book advances a normative but pragmatic thesis: enduring stability will require competitive coexistence—clear guardrails, crisis-management mechanisms, and selective collaboration on shared challenges such as climate resilience and pandemic preparedness. The alternative is a world of entrenched blocs, slower growth, and heightened risk of escalation by accident or design. By tracing the levers of economic statecraft, the evolution of military capabilities, and the shifting geometry of regional influence, we aim to illuminate pathways that safeguard prosperity and security without foreclosing the possibility of cooperation where interests align.

CHAPTER ONE: From Deng to Xi: The Making of a Great-Power Strategy

China's ascent did not begin with a grand announcement or a single decisive moment. It was a gradual, often cautious process, stitched together from policy experiments, regional trials, and a willingness to learn from mistakes. What started as a search for breathing room after decades of upheaval evolved into a comprehensive national strategy. The arc from Deng Xiaoping's pragmatic reforms to Xi Jinping's assertive vision is a story of continuity and change, where economic opening and political control were held in deliberate tension. The result is a model that fuses market dynamism with party authority, projecting power abroad while guarding stability at home.

The story opens in the late 1970s, when Deng Xiaoping signaled a decisive shift. The phrase "to get rich is glorious" may be apocryphal, but it captured the mood: development would take precedence over ideology. The Third Plenum of 1978 launched reforms that dismantled collectivized agriculture, invited foreign investment, and created Special Economic Zones. Cities like Shenzhen became laboratories where market incentives could be tested under controlled conditions. Mistakes were expected; learning was prized. The logic was simple: without growth, the Party's legitimacy would fray. With growth, everything else—stability, sovereignty, and status—could be rebuilt.

Economic engineering was accompanied by diplomatic restraint. Deng's "hide and bide" guidance—hide capabilities, bide time—was not a call for passivity but for patience. China sought membership in international institutions, lowered trade barriers, and welcomed technology transfer. In 1992, the "Southern Tour" reaffirmed market-oriented reforms after a period of political uncertainty. As the state retreated from micro-management, township and village enterprises flourished, and export-oriented manufacturing took off. The external environment was favorable: globalization was accelerating, supply chains were stretching, and China's large labor pool provided irresistible allure for multinational firms.

By the late 1990s and early 2000s, the "going out" strategy marked a new phase. Instead of merely attracting capital, Chinese firms were encouraged to invest abroad, secure resources, and learn global best practices. Entry into the World Trade Organization in 2001 sealed the integration. It forced domestic reforms, opened markets, and tied China's growth to global rules. Concessions on intellectual property, subsidies, and market access were made, even as officials learned to navigate and, at times, bend those rules. The bet was that integration would buy influence and that

influence could eventually be leveraged to revise norms from within.

The 2008 global financial crisis was a pivotal inflection point. Where the West appeared fragile, China's state-led stimulus rebuilt infrastructure at a breakneck pace and left a legacy of productive assets and, in some corners, overcapacity. The episode reinforced the view in Beijing that the liberal economic order was brittle and that China needed greater insurance against external shocks. It also emboldened a shift from passive integration to active shaping. The state, having proven its capacity to mobilize resources in a crisis, began to craft tools aimed explicitly at shaping outcomes beyond its borders.

This gradualism obscured a deeper continuity: the primacy of the party-state. Even as markets expanded, political control was reinforced. The Party's committees remained embedded in state-owned enterprises and private firms alike, ensuring that strategic objectives trumped pure profit. Cadres were evaluated on growth but also on stability, environmental targets, and ideological alignment. The result was a hybrid system—party-state capitalism—that could unleash entrepreneurial energy while directing it toward national priorities. This hybridity is not a bug; it is a feature that underpins China's use of economic statecraft.

After 2012, under Xi Jinping, the tone changed from cautious integration to confident assertion. The Chinese Dream promised national rejuvenation, and institutions were reorganized to deliver it. Anti-corruption campaigns consolidated political control; party organs gained authority over economic planning; and the role of the state in strategic sectors was reaffirmed. The language of policy shifted from seeking "a seat at the table" to writing the menu. The focus moved beyond growth for its own sake toward high-quality development, technological self-reliance, and a globally visible exercise of influence.

In 2013, the Belt and Road Initiative signaled that China would build the connective tissue of Eurasia and beyond. It was a sprawling vision—ports, railways, energy networks, and digital corridors—financed through a mix of policy bank loans, state-guided investment, and public-private partnerships. The initiative was loosely defined by design, allowing tailored deals and iterative experimentation. For many developing countries, it offered a long-missing infrastructure proposition. For China, it promised new markets, buffer against external pressure, and a demonstration of capacity. Critically, it also exported industrial overcapacity and, in places, raised debt concerns.

Parallel to infrastructure, the state pushed financial internationalization. The renminbi entered the IMF's special drawing rights basket, swap lines proliferated, and pilot programs for a digital currency began. Capital controls remained tight, but the toolkit expanded to settle trade, hedge risk, and reduce dependence on dollar-centric systems. These steps were cautious, often reversible, but they signaled intent. Economic influence, if anchored in a credible currency and payment infrastructure,

could generate durable leverage. In sectors from telecom to artificial intelligence, standard-setting became a new battleground where the rules of tomorrow's economy are written.

Domestically, the development model kept evolving. The "Made in China 2025" industrial plan—subtly de-emphasized after foreign backlash—illustrated the push into high-value sectors: semiconductors, aviation, robotics, and green technologies. State capital was channeled into champions, while regulators strengthened oversight of data, capital outflows, and foreign firms. The line between the market and the Party blurred further, particularly in data-rich industries, where national security rationales justified expansive oversight. Innovation was to be indigenous where possible, and strategic where necessary, with the goal of reducing chokepoints and widening competitive advantages.

Reform also brought hard choices. The early 2010s debt-fueled local investment boom created vulnerabilities in the financial system and real estate. Regulators moved to curb risky lending, introducing "red lines" for property developers and tighter supervision of shadow banking. These measures imposed short-term pain—visible in defaults and sectoral slowdowns—but they reflected a determination to manage long-term risks. The leadership's willingness to accept slower growth to preserve stability and control became a defining feature of the era. It is a calculus that shapes foreign policy as much as domestic planning.

By the mid-2010s, security and economics were formally integrated. The concept of "comprehensive national security" linked internal stability, economic resilience, technological sovereignty, and external defense. New laws tightened control over foreign NGOs, data, and exports of strategic goods. Cybersecurity and intelligence frameworks expanded state access to information. The Party's focus on "sovereignty" and "ideological security" placed limits on foreign influence operations, while encouraging China's own narrative-building abroad. The synthesis was clear: economic openness is conditional, calibrated to serve security objectives.

The organizational machinery kept pace. The Central Commission for Foreign Affairs, established in 2018, centralized oversight and coordination across party, state, and military actors. Streamlining of government bodies under the State Council improved implementation, while the Party's role in personnel appointments ensured alignment. The strategic cycle lengthened, with five-year plans, long-range goals to 2035, and centenary targets for 2049. This planning culture—iterative, data-driven, and performance-oriented—creates a pipeline from diagnosis to policy to execution, which is then monitored and adjusted.

The COVID-19 pandemic offered a stress test of the model. Initial suppression through sweeping lockdowns, paired with mass testing and digital surveillance, showcased the state's mobilization capacity. Production recovered faster than many competitors, and

China became a critical supplier of medical goods. At the same time, stricter border controls and information restrictions complicated international engagement. The episode reinforced two lessons in Beijing: that centralized control can deliver in a crisis, and that global interdependence can be weaponized. It also exposed reputational risks tied to transparency.

External headwinds intensified in this period. Trade frictions, technology controls, and investment screening by advanced economies signaled a shift from engagement to selective competition. The “dual circulation” strategy—emphasizing domestic demand as the main engine while maintaining external linkages—was formulated to reduce exposure to shocks. It is not autarky, but diversification: building internal consumption and supply chains resilient enough to withstand external pressure. The COVID era underscored the importance of health security, food security, and energy security, all now embedded in policy with renewed urgency.

Growth is no longer the sole metric of success. Quality, sustainability, and security now share the stage. Environmental commitments—the promise of carbon peaking by 2030 and neutrality by 2060—reflect a pragmatic recognition that pollution constrains health, growth, and global standing. Demographics pose a structural headwind: an aging population, shrinking workforce, and uneven gender ratios complicate long-run potential. Policy responses include raising the retirement age, promoting higher labor productivity, and pressing ahead with automation. Education and skills are receiving renewed emphasis as the workforce transitions from quantity to quality.

Throughout, the Party’s legitimacy has been anchored in performance and nationalism. Performance means delivering growth, services, and order. Nationalism means defending sovereignty and projecting status. When the international environment turns hostile, the latter tends to loom larger, and policy leans toward assertiveness. When opportunities for gain remain in engagement, pragmatism tempers rhetoric. The oscillation is not confusion; it is the calibration of a system designed to extract advantage while guarding against vulnerability. Managing that balance is the essence of the strategy.

What, then, is the strategic template that emerges from Deng to Xi? First, a commitment to comprehensive national power that treats economics, technology, and security as interlocking domains. Second, a preference for shaping environments rather than merely reacting to them, using institutions, standards, and finance to set conditions. Third, a patience with tactics—allowing pilots, iterations, and reversible steps—while keeping goals fixed. Fourth, an acceptance of competition, but on terms designed to maximize leverage and minimize exposure. And fifth, an insistence on party control as the ultimate guarantor of coherence.

The West has often underestimated this coherence. Observers highlight local debt, demographic strain, or external pushback and assume the strategy is faltering. Yet the

Chinese system is built to absorb shocks, adjust policies, and persist. A debt crisis in one sector becomes a reason to tighten oversight. A foreign embargo becomes a catalyst for industrial policy. A protest becomes a pretext for tighter controls. The system is self-correcting in the service of continuity. This does not make it infallible, but it does make it durable.

For governments and businesses, the implication is to expect a layered approach. China will open where it gains access or technology, and close where sovereignty or stability are at stake. It will partner where interests align, and compete where they diverge. It will build redundancy into supply chains, press for representation in institutions, and set standards where it can. Understanding this playbook—its origins in the Deng era’s pragmatism and its refinement under Xi’s confidence—is the prerequisite for effective strategy. The chapters that follow unpack the levers, the domains, and the choices that define this new global contest.

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