

FROM  
THE ATLANTIC  
TO  
THE PACIFIC

**The new global order**

ARTURO  
**OROPEZA**  
**GARCÍA**



FROM THE ATLANTIC TO THE PACIFIC:  
THE NEW GLOBAL ORDER

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ARTURO OROPEZA GARCÍA

FROM THE ATLANTIC  
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ORDER



UNIVERSIDAD NACIONAL AUTÓNOMA DE MÉXICO  
INSTITUTO DE INVESTIGACIONES JURÍDICAS  
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The rise of Asia and everything that follows will be the dominant story of the history books that will be written 300 years from now; the Cold War and the rise of Islam will be secondary anecdotes.

Larry Summers (Mahbubani, 2013, p. 30)

## PREFACE

Leonardo CURZIO<sup>1</sup>

The dynamic nature of the interaction of actors in the international system requires constant analysis and a certain amount of staring into the crystal ball in order to attempt a prediction of what is upon us. The end of the Cold War, the post 9/11 world, and now the rise of a new international order, heightens the relevance of studying the changing behavior of traditional actors who in a necessary attempt for adaptability try on every suit available to them in order to see which fits best.

Whether we live in a non-polar world as Hass suggests, a multipolar or in Grevi's non-polar world, the future focus of study of international relations undoubtedly lies in the Asia Pacific region. We have witnessed in the last decade a surge in the activity and importance of "middle powers" whose activity has been studied individually and as groups that group under acronyms such as BRICS, MIKTA, MINT, CIVETS or CARBS.

The rise of the so called middle powers (although the suitability of this concept is one prone to debate as well, given China is hardly a middle power) has had a profound impact in the dynamic and rules by which the game is played. The end of the bipolar world gave way to the endless readaptation and interpretation to the rules, which is endemic to the game. Actors such as China and India have had to wiggle their way through and secure (hopefully increasing) in the spotlight and give themselves more room to maneuver. The indisputable domination of the US and the power bandwagon that Europe enjoyed prompted these actors to seek interaction among them.

The moment China, India, Russia and Brazil started their own conversation and were listened to by emerging powers leaving the traditional heavyweights out, was the moment alarm bells started to go off in Washington, London and the rest of the European capitals. That "friendem" they avoided for years and worked to keep out the way is suddenly an im-

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<sup>1</sup> Researcher CISAN-UNAM. [leonardocurzio@gmail.com](mailto:leonardocurzio@gmail.com)

portant voice, regional power and a serious contender in the race for world leadership.

An undermined, eroded, divided and slower growing USA has lost ground when comparing it to the growth, population, influence and power of rising China. This is not to say that the United States and Europe will be replaced and superseded, but the doings, comings and goings of these Asian giants must be monitored carefully and their potential studied in depth.

The chapters provide a concise, yet insightful analysis, into this undeniable force of change that the rise of China, India and Russia represent. Oropeza takes on the disjunction between not only regions, but also civilizations, that the TPP represents and provides an analysis on whether this opportunity offers enough to the Asia Pacific region for them to alienate China. In the recent past Asia Pacific has found they share not only a geographical area but also values, structures and a vision. In this analysis it is important to take into account the broader and more general issue of the division the TPP could generate in this never ending fight for power. As Oropeza underlines: “The TPP is a proposal that goes beyond the boundaries of a free trade agreement, and is inserted directly into a clash of regions (Atlantic-Pacific) and civilizations (West-East Asia) that will be determined throughout the first half of the 21<sup>st</sup> Century”.

The West and Asia could find themselves in a wedge and countries like Mexico could be caught in the middle. The author remarks the importance of considering not only the momentum but the conditions, clauses and situations that derive from this mechanism in the medium and long term.

The reflection on the BRICS project and the role of China considers this issue of studying the changes of the international system, its actors and its interactions in order to understand not only what is coming but more importantly, how what is coming is going to affect us and the functioning of the system. Not only answering what lies ahead, but what effect this is going to have. It provides a brief overview of the leaving behind of the Bretton Woods system and the rise of the BRICS in a global economy that is under reconstruction, the relevance these countries have in the construction of the future in a world that is less reliant on US stability but at the same time eager to seek new partners, to grow and to interact with strong players. The role of China in this respect (and especially among the BRICS) is crucial. It symbolizes rupture, a different and perhaps not as wholesome (in the western conception of the word), avid for recognition and active in its participation whilst loyal and adherent to its values and a development model that speaks for itself and that in around three decades has lifted China from extreme poverty and turned it into the next “it” kid around the block.

The importance of BRICS lies not only in the group per se, but in what it represents on the whole. Often the synergies of the system strike us and this is one of those times, perhaps they are the invention of an economist, but they represent the rise of the underdogs, those that now have a chance at playing at the highest leagues and become global powers.

Of course, there are certain aspects that are to be taken into account, although the Chinese development model has been successful, there are numerous social challenges and issues that remain unaddressed. The challenge for China now remains to address these issues, provide sustainability for its model and continue to provide an alternative to a western dominated neoliberalist system.

Oropeza studies also the case of India, a country preferred by the West to lead the BRICS alliance given its shared values. Being the most populous democratic country in the world, the support India receives from the West is considerably more important than that of China, especially with regard to political aspects. The issue with India lies on the numerous fronts in which it faces issues. Unlike China, India is a country that is culturally, religiously, socially and economically fragmented. It has a large percentage of its population living in extreme poverty and they cannot overcome their inability to provide basic services, such as healthcare and education to their population.

India is very much like Mexico in the duality of its societies. Academics often debate on the fact that there are two Mexico's one that struggles with poverty, inequality and stability and another that is pushing forth reforms, one that wants to jump on to the modernity train. As is the case of Mexico, India cannot logically assume the leadership of such a group with such unfinished issues when China is not only more stable and grows at a faster rate, but has in some measure tackled or is implementing measures that will attempt to overcome its deficiencies.

Russia struggles with a decaying economy, greatly affected by the sanctions imposed by the West and harbors a historical resentment that logically drives it to adhere to groups that seek to overtake the Western dominated order. As the author suggests, the Russian model for development is not particularly clear and they must make haste in thinking it out. Its geopolitical and economic importance gives Russia a certain bonus which neither China nor India have had in this quest for power and influence. It must be exercised in the right time or it may risk being lost.

It represents an arduous and daunting task for emerging and middle powers (such as Mexico) to find their role in the world, balancing their existing relations with dominating powers, building and strengthening their relations with aspiring powers and not upsetting everyone else. However

this is the way in which middle powers rise and it is part of the adaptability and nature of states in the international system. The rise of Asia Pacific and especially these three giants should be taken as an opportunity and it must be studied in depth in order to learn which opportunities and possibilities lie for countries like Mexico in the future both internally and externally. Re-arranging, rebuilding and reshuffling priorities and resources is an essential part in the development, growth and survival of a nation and something that must be done constantly if one wants to keep playing the game. Learn the rules and adapt to them, only doing this can one thrive.

In this sprawling inquiry into the shift of economic and political power from the Atlantic to the Pacific, Oropeza delivers a good researched, interesting and readable book about the new international order. Through his insight, understanding and ability to deliver an eye opening analysis, Oropeza establishes himself as a leader in the field of strategic studies.

## INTRODUCTION

Arturo OROPEZA GARCÍA\*

### I.

In 1916, after the deaths of more than 10 million people and the atrocities of a First World War that looked for, among other objectives, the new hegemonic definitions of the 20<sup>th</sup> Century, a belligerent solution line begun, which would not be resolved until 1945, almost at the middle of the century, with the military, economic and political victory of the United States. In 1815, the English leadership of the 19<sup>th</sup> Century was decided, among other factors, in the face of the forceful victory of Great Britain over France in the Battle of Waterloo, together with the momentum that was the Industrial Revolution, a new way of generating wealth, which began in 1750.

In the second decade of the 21<sup>st</sup> Century, which has gone beyond the fatidic line of the first three lustrums of the last two centuries, a more communicated and active global society, observes with concern the construction process of a new global order that debates between the ratification of what is known, through a renewed Western leadership headed by the United States, and the emergence of the new, by means of the economic position-

\* Mexican academic specialized in international economic law, comparative law, and regional integration systems. He graduated PHD with honors from UNAM-Mexico's National University. He's Researcher at the Institute of Legal Research of the UNAM. Mr. Oropeza has appeared as an arbitrator in Mercosur dispute resolutions panels appointed by Brazil. He also has lectured at diverse universities and institutions around the world, as well as participated in more than 20 publications regarding legal and economic impact in globalization. The list of publications include: "North America in the XXI century", "North American Free Trade Agreement (NAFTA),20 years", "The Transpacific Partnership" (TPP); "Mexico-India: Legal and cultural comparative systems", "Mexico-China: legal and cultural comparative systems, "Mexico-Brazil: Legal and cultural comparative systems"; "Brazil, Russia, India, China (the BRIC system)". He is also a regular commentator and columnist, and has been published in several newspapers and magazines in Mexico and Latin America.

ing of the current Asian reality, which in the past four decades has meant the economic, political, and military strengthening of China.

Certainly, there are many circumstances and multiple vectors that factor into the evolution of the pre-eminence of everything geopolitical in these last centuries.

As an example of the foregoing, the *global order* of the 19<sup>th</sup> Century was debated before a misinformed and disjointed social conglomerate that just reached one billion human beings, after ten thousand years of modern history. The society of the 20<sup>th</sup> Century, which already exceeded two billion people, already had the telegraph and telephone, as well as wider maritime and terrestrial communications. However, its new environment of technological communications was by no means comparable to the over-communicated village of the 21<sup>st</sup> Century, which already has more than 7,600 million people.

The West versus the West, for the world hegemony, was a constant for the fight for the economic and political leadership of the last 500 years. This occurred after the Pre-industrial Revolution (15<sup>th</sup> Century) through which the new maritime powers displaced the Asian leadership that had prevailed over the last 1500 years. Since the first discoveries of 1492 (Christopher Columbus), 1498 (Vasco Da Gama), etc., the West, through the new maritime hegemonies like the Spanish, Portuguese, Dutch, English, French, etc.; was substituting, little by little, economically, politically and territorially, for the previous Asian Powers that dominated the ancient world such as India and mainly China.

From the second half of the second millennium, everything Western became a constant in the economic and political world of its time. Similarly, through its Renaissance movement and its Enlightening period, the Western culture recreated a cosmogony that had been truncated since the 5<sup>th</sup> Century A.D. with the fall of the Western Roman Empire. Subsequently, with the advent of the Industrial Revolution in the mid-18<sup>th</sup> Century, this Western domination of the second millennium was consolidated, both because of its overwhelmed economic control at the time (80% of the world GDP, Ferguson, 2014), and because of an interpretation of the world and life which, by way of civilization, gave origin and destination over a period of approximately five centuries, to the global world of the moment.

Significantly, this competition for the leaderships, in its latest 20<sup>th</sup> Century version, differed from previous editions by the aggregates that arose after the war; by the creation of new institutions of global character, such as the World Bank (1944), the International Monetary Fund (1945), the Gen-

eral Agreement on Tariffs and Trade (1947), and the United Nations (1945), which as a whole generated a structure for the global solution to the different conflicts within a community increasingly intertwined in all its fields; which has managed to reduce in an important way the armed and violent *solution* of previous editions.

An infinite range of new forms of coexistence and communication were added to the institutionalization described above. This made the term global society move away from its subjective academic concept and land on a series of countless exchanges —economic, communication, commerce, tourism, etc.— among the nearly 200 nations of the world. Among these new forms of relationships stand out the world trade of agricultural products and industrial goods among countries, which together represent a business of approximately 28% of the world economy. Similarly, the new forms of communication technology make it possible for today's modern society to communicate anytime, anywhere, 24 hours a day. The financial transaction flows that cross the countries daily show a *village* that speaks, does business, and is visited every day in a world that is increasingly smaller.

As a result of what was mentioned previously, from the profound inter-relationship in which the present society lives, the struggle for the leadership of this century is unprecedented.

New relationships, new technologies, and intricate economic crossings, no longer allow the automatic repetition of the historical leaderships.

## II.

The era of the unique hegemonies ended during the nineties of the last century, precisely when the perpetuation of the Western leadership was under discussion. Just 27 years after the end of the story, a narrative begins and demands a new form of global management. About 10 billion people in 2050, almost four times more than 150 years ago, of which around 85% will correspond to underdeveloped countries, that is, living in poverty; will use the new media at their disposal to demand with a single voice decent housing and clothing and enough food; but also water, energy, security, etc., within the framework of a scarcity of raw materials and natural resources that will test both the new leadership and a highly demanding global society.

In the coming decades, the Industrial Revolution, which led to the birth of the *industrialized countries*, will see a decline in its importance as the sector of the economy that stands out for being the major job generator. In this re-

gard, Oxfam warns that 50% of the current work positions of the sector will disappear in the next 30 years (Oxfam 2015), derived from the sector's own sophistication, which will ignore the traditional labor force through a technological substitution of human labor.

The end of the carbon era, understood as the exhaustion of conventional fossil fuels, along with the unsustainable pollution that it generates, will also be causing a pressure that has not been registered before on the conformation of the hegemonies and the survival of human beings themselves. The depletion of conventional fossil fuels, in fact, is one of the factors directly responsible for what has been already called the *third world war*, which refers to the armed conflict that involves multiple Western and Asian Nations in the area of Asia Minor, which has already caused more than 400,000 deaths and around 11 million immigrants or displaced people. The 2, 3, or 4 degrees of temperature, which stand as the greatest threat to the survival of the global ecosystem, is a topic that is already part of a global agenda. However, the advance of the environmental problems that occur every day, together with the lack of direct links to the commitments adopted in Paris in 2015 (COP-21), will cause the world to return repeatedly to review an agenda not yet exhausted.

### III.

Although the transfer process of the economic axis from the Atlantic to the Pacific, that in light of the figures, speeches, and strategies proves evident with regard to the thinning of the West in face of the strengthening of East Asia, and of the United States with regard to China, is not a settled issue; the degree of its important advance can in no way be seen under the viewpoint of preceding centuries or as the mere economic and political competition of two nations or regions that at the end of their discussion or hegemonic struggle will sit to negotiate, as before, their particular vision and their group interests with respect to a divided global society.

As already mentioned, the era of absolute historical leaderships has concluded, and whatever the result may be from this struggle between the Atlantic and the Pacific, from both, or from any other alternative that may emerge out of the orphanage of the breakdown of the global order of the 20<sup>th</sup> Century, the challenges and shortcomings of eight or ten billion human beings, well-communicated and expectant, already marked by economic inequality, will not allow different versions of the repetition of previous imperial editions.

IV.

The new economic and political realities that open gradually toward East Asia and Pacific Asia, without forgetting the strategic value of Asia Minor and Central Asia, leave no doubt about the asset reallocation in central issues such as economic growth, per-capita growth, manufacturing, export of goods, accumulation of world reserves, contribution to world growth, etc., which before were dominated by the Western European countries and the United States, and have now passed to be led by East Asia and China. These changes are generating a new economic reality, as well as a new economic, commercial, political, and social mixing difficult to predict, since they involve in their transformation not only economic goods and services, but also include powerful civilizations that share and compete day-to-day in their exchange.

For Mexico and Latin America, today absent from this historical phenomenon of economic and political transfer among countries and among regions, the immediate responsibility to become actors and not witnesses of this change is generated. They must turn to the accumulated experience and move away from the easy recourse of the fascination for the other; the false political comfort of a hegemon change; of demonstrating their adulthood exercising with maturity the defense and promotion of their national and regional positions, transcending from the ancestral practice of 500 years of only selling raw materials, to fully enter into the only successful economic door of the 21<sup>st</sup> Century, which is that of intelligence services.

East Asia, along with China, and the West with the United States, live with intensity a geopolitical struggle that already draws long-term strategic positions. BRICS and One Belt One Road (OBOR), are the current policies of a bold and inclusive East Asia and China. The Trans-Pacific Partnership Agreement (TPP) and the Transatlantic Trade and Investment Partnership (TTIP), are the old solutions of the 20<sup>th</sup> Century to the new challenges of the 21<sup>st</sup> on the part of the United States.

None of these strategies is Latin American or is aimed at improving or strengthening a region of commodities and factories such as Latin America.

It falls, therefore, to the region to propose an agenda to both geopolitical options that favor its interests based on its *not weak* demographic, geographic, economic, natural resources, and energy strengths. From this perspective, Latin America and Mexico have ample opportunity to influence the geographic and political center between the Atlantic and the Pacific.

V.

The economic-political transfer from the Atlantic to the Pacific is an event of the greatest importance, which impacts directly on the public and private agenda of all the nations of this new global society.

In any scenario, its effects will continue to be felt directly in the economic, political, and social life of the countries, as already happens to date.

We hope that the edition of this book, that was made through the integration of several global essays on the topic, prepared at different times (2010-2016) on an individual basis, which when incorporated into this publication under a comprehensive view, fulfills the aim of joining with the first expressions that are being carried out by various authors, with the objective of revealing a new *Eurasian* era that will be prevalent during the first half of this century.

## CHAPTER I

### EURASIA: THE GLIMPSE OF THE NEW GLOBAL ORDER

## EURASIA OR THE CHALLENGE TO BUILD A NEW GLOBAL ORDER

**SUMMARY:** I. *Return to the silk route?* II. *Asia and the West or the debate on development.* III. *The struggle for the new global order.* IV. *Mexico and its circumstances.*

### I. RETURN TO THE SILK ROUTE?

Asia in general, including East Asia,<sup>1</sup> was a forgotten category in time. As a product of Western success that from the end of the 15<sup>th</sup> Century, along with the maritime discoveries at the time (the discovery of America in 1492, the arrival of Vasco de Gama in India in 1498, etc.), was coinciding with the easy neglect of a region that during 90% of our era steadily possessed economic leadership of the world.<sup>2</sup>

The famines that East Asia suffered during the 19<sup>th</sup> and 20<sup>th</sup> Centuries, especially in China and India, together with the advance of a Western society that barely 500 years before had initiated its Renaissance and 250 years after that its Industrial Revolution, contributed to the idea of an all-embracing Western world where everything started and everything ended, and in which everything else was secondary or dispensable.

The end of the Cold War with the fall of the Berlin Wall in 1989, and with the dissolution of the then Soviet Union in 1991, augmented the idea

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<sup>1</sup> For the purposes of this work, Asia Pacific means the composition of countries comprising the 10 economies that are members of the Association of Southeast Asian Nations (ASEAN), namely: Myanmar, Laos, Thailand, Vietnam, Cambodia, Malaysia, Indonesia, Singapore, the Philippines and Brunei. And East Asia will include both the nations belonging to ASEAN and Japan, South Korea, Taiwan, China, India and Russia for a total of 16 countries. The division of Asia by the West has always led to the arbitrary use of concepts. Middle East, Near East, Extreme Orient, Far East, East Asia and now Asia Pacific, are terms that confront specialists. From here, this arbitrary selection, that integrates East Asia and Asia Pacific, by reason of their economic and commercial synergy.

<sup>2</sup> From the year 1 to the year 1800 of our era, both India and China alternated representing the most important global economic power of the time.

of a Western authority that was celebrating, economically and politically, *the end of history*. At the same time, it ratified an era, or a predominance, in which in the long-term, the continuation of a Western hegemony headed by the United States was outlined.

A little more than 25 years after these events, the global world inhabitants, who are still accustomed to the *ways* of the West, need to recognize that this *reality* has changed, and to accept, consequently, that they no longer live in a Western era; but rather, in this reality that has transformed into a new political and economic geopolitics in the face of the strong emergence of the East Asian region, which already significantly affects the economic life of the majority of the 7.6 billion human beings that share the second decade of this century.

When Hobsbawm was asked about some of the visible lines of the West's decline, in a hesitant tone, he said, "This trend —*the West's success*— seems to come to a stop. I do not know if it has been inverted, but what is certain is that it has exhausted the impetus that drove it" (Hobsbawm, 2012, p.50). Glucksmann, for his part, on the deterioration of the West, says, "When in the tiny intimacy of a conscience, the West collides with the West, everything and nothing is at stake, the funeral tolling for the end of the story is suspended, the carillon of a new start holds its breath" (Glucksmann, 2004, p. 189).

A new beginning, the end of the story, the West defeated by the West, the loss of the hegemonic impetus, etc., are just some of the first interpretations of the weakening of a Western predominance; which has been translated at the same time into the strengthening of the East Asian region; which is inhabited by 16 nations, 5 billion people, and where five civilizations co-exist (Chinese, Russian, Indian, Japanese, and Muslim), having managed to survive throughout time until our days.

The global economy, the Western geopolitics and the surrounding world, as in the case of Mexico and Latin America, find it difficult to accept that they inhabit a new Eurasian era<sup>3</sup> that demands the change or adaptation of the paradigms that gave direction and meaning to their public and private life, both because of the complete ignorance of what is new, and because of the easy mechanism of its denial.

The West forgets East Asia, and the oversight has proven to be costly. However, most importantly, as noted by Glucksmann, the West forgets it-

<sup>3</sup> Arbitrary denomination to show the blending that, since the past decade of the sixties, is staged by the trade, economy and politics of the 16 nations of East Asia with the main economic players of Europe and the United States, as well as with the world in general

self; it fights with itself and is distracted from listening to the forward-looking voices that warned of a general fatigue that was reflected in the thinning economy and political and social instability. Regarding these symptoms Ferguson comments: “Western civilization seems to have lost confidence in itself”... “Beginning with Stanford in 1963, an entire series of major universities is no longer offering the classic history course on Western Civilization to its students”. Adding conclusively, after getting in touch with the Chinese success, “I think that perhaps it was only then when I really understood that it was what defined the first decade of the 21<sup>st</sup> Century...” “...the fact that we are living the end of five hundred years of Western supremacy” (Ferguson, 2012, pp. 59 and 19). Later forward-looking voices, such as Huntington’s, starting in the nineties, were already denouncing the Asian dynamism in the face of Western weakening, “The non-Western societies...” said Huntington, “...particularly in East Asia, are developing their economic wealth and laying the foundations for a greater military power and political influence”. To which he added in a premonitory way, “The era that began with the Western impingements of 1840 and 1850 is coming to an end. China is again assuming its place as a regional hegemon and the East is taking possession of what rightly belongs to it” (Huntington, 2001, pp. 22 y 285).

The doubts of the West, its callousness, the loss of direction that it has been suffering since the last part of the last century, the end of a postwar inertia that accompanied its best economic and political successes, contrast with an Eastern certainty that clearly stated that the 21<sup>st</sup> Century will be the century of China and the return of the Asian hegemonies. Mahbubani lays the foundations for the foregoing when he states, “Among the new Asian minds, the conviction and genuine certainty that the day of East Asia has come is popular, even if the area should stumble one or two times more before it rises....” Adding, not with a little conviction, that, “Having already awakened, the Asian intelligence is not willing to sleep in the near future. The successful revival of the development of the Asian societies will give rise to a new discourse between the East and the West” (Mahbubani, 2002; p. 18).

The contrast of the positions reflects, on one hand, the fatigue and the lack of interest of a West composed of Europe and the United States,<sup>4</sup> which for more than three decades has suffered from a progressive economic de-

<sup>4</sup> Hobsbawm comments that “There are internal reasons for which the American empire cannot last, and the most immediate is that the majority of Americans are not interested in imperialism nor in world domination in the sense of governing the world” (Hobsbawm, 2007, p. 82).

cay, which coexists with a political confusion that as a whole already shows, as a result, the erosion of their welfare policies, each one within the framework of its circumstances. On the other hand, the dynamic Asian discourse, fueled by the strength of the economic growth of most of the countries of East Asia, generates an inertia that has been growing with time. This has generated the grounds to be able to speak of a new order between the Atlantic and the Pacific, which at the same time, has been giving the project credibility.

The synthesis of these positions becomes even clearer when Tony Judt diagnoses, without taking shortcuts, that “Something is wrong”, in Europe, that the West in its helpless course has even lost its discursive capacity; that it simply no longer knows how to talk about all *this*, with an honest spirit that provokes the discussion of a future that rescues the future (Judt, 2013, p. 45). On the other hand, an empowered Mahbubani, together with the East Asian region, communicates to the world that “the century (21<sup>st</sup>) will be distinguished by the fact that East Asia will rise as a global center of power”... (Mahbubani, 2002, p. 143).

The history of civilizations, as well as of hegemonies, has never been linear. It cannot be because the path of their success or failure obeys multiple factors that depend in turn on countless circumstances. However, on the discursive debate of yesterday, on whether China will occupy a dominant position in the 21<sup>st</sup> Century or on whether the East Asian countries will consolidate a trend that will allow us to speak of a new Pacific Era, the controversy has left the world of ideas to be placed in the world of the economic results, the world of figures, which shows that the all-embracing Western world has changed.

Since the last century, the West has not been an innocent bystander to the progressive strengthening of East Asia or of how this push has resulted in the displacement of world wealth and the economy's center of gravity. As an example of the foregoing, it may be mentioned that during the period 1991-1995, the developed countries still generated 50% of global growth, while from 2011 to 2015 they only influenced 28%, making a fall of 22 points in a period of 25 years. On the contrary, China and India, two relevant representatives of East Asia, during the 1991-1995 period contributed only 11% and 5% of global growth, respectively. During the second period from 2011-2015, China alone contributed 30% of global growth, that is to say, two points more than the total from the developed countries, and India rose to 10% in order to reach a total of 40% between the two countries (CEPAL, 2015).

As a further example of the inertia of these trends, it can also be observed that during the period 1992-2015, the G-7 composed of the United States, Germany, the United Kingdom, France, Italy, Canada, and Japan lost 20 points of participation in the global GDP, while during the same period, China, India, Russia, and Brazil obtained 20 more points of participation.

Based on these trends, some authors such as Ferguson, Sachs, Summers, etc., indicate that the West, as a relevant hegemony, is going back in time to the economic, demographic, and territorial levels that it held half a millennium ago, or the year 1500, where it held 43% of the world GDP, 16% of its population, and 10% of its territory. Since having reached its peak in 1913 with 79% of the global GDP, 57% of the population, and 58% of the world territory, it is predicted that by 2020 the West will have only 35% of the world wealth, 25% of its population, and 12% of the world territory (Oropeza, 2013, p. 176); while in 2050, 60% of global GDP will be Asian (Sachs, 2013, p. 44).

Huntington, on the Asian renaissance with regard to the West weakening, says in a simpler way: “Two hundred years of—fleeting parentheses—of the West in the world economy will have ended” (Huntington, 2001, p. 103).

## II. ASIA AND THE WEST OR THE DEBATE ON DEVELOPMENT

There are many reasons that explain the causes of the Western weakness and the Asian resurgence. Furthermore, there are many positions that analyze an open matter that is far from being settled. The global society of the 21<sup>st</sup> Century will have to remain very attentive in order to see how a world overwhelmed for unprecedented reasons, solves the governance of the first half of the century in a reasonable manner.

However, among the reasons that stand out during the first interpretations of the clash, meeting, competition, fight, etc., between the West and East Asia, the issue of development models stands out due to its depth and consequences. On the one hand, and speaking in general terms without being able to take into account the particularities of each case, there is an Asian or *Market Socialism* model which is vertical, statist, heterodox and *low-cost*; and on the other hand, a democratic, and *orthodox* neo-liberal Capitalism.

The Asian economic model is not new, it began being built during the 19<sup>th</sup> Century, in the face of the arrival of the first maritime hegemonies to the Pacific Zone of East Asia, with the invasion of England in China in 1839 during the Opium Wars and the first of the North-American combats

against Japan in 1853 (India had been controlled since the 17<sup>th</sup> Century under an English domain which kept growing until its independence in 1947). Before the presence of these powers, as was noted, India surrenders from the beginning to the English hegemony; China never capitulates despite the multiple multinational impingements, and Japan resorts to a strategy of Western assimilation without losing its identity. As part of this assimilation, the first economic lines of a model arise, which today, in its more polished version, is known as Market Socialism, and which has been implemented by China.

On the transformation of Japan, from 1870 to 1884, and the first lines of the *Asian model*, Anguiano comments, “The Meiji Restoration was a period in Japan’s history in which social, economic, and political reforms of great importance were undertaken, which after a little more than four decades transformed that country into a capitalist-industrial one under the auspices and control of the State, which went from being dependent on the colonial powers to having full control over its national sovereignty, enjoying equal legal status with other countries of the world, and it began to awaken as a regional power” (Anguiano, CECHIMEX, 2014, p. 9). The industry, or the technological know-how, as a spearhead of the economic transformation, and the control of the State, as the commitment to making the economic development occur, as Mazzucato said, are two of the main lines through which Japan became a world power in the first half of the 20<sup>th</sup> Century and implemented its economic recovery after its military defeat in 1945.

Absence or reduction of social costs in the first phase of the project, direct involvement of the State in the economic planning, but more importantly, in its implementation, through monetary (currency control), market (subsidies, financial support, price controls, etc.), trade (supports and export subsidies, import barriers, etc.), fiscal (exemptions, reimbursements, etc.), and technological (priority, subsidies, and a large science and technology budget, etc.) measures, among others, and a self-selective compliance (*with Asiatic features*) of the commercial rules of the moment, constitute three of the most important pillars through which an Asian export-project has been outlined in the majority of the East Asia economies, which have progressively developed according to their own particularities.

In its time, after 1950, during the second Japanese takeoff, and before it became the second-largest economy in the world (now third after China), some players already evidenced both the Asian-Japanese informality as well as the Western-American tolerance. On the Japanese policies of state support, in 1955 Frieden recognizes that, “The Japanese government supported manufacturers with tax reductions, subsidies, cheap loans, and other

aids" (Frieden, 2007, p. 369). For his part, Huntington contributes on the subject: "... the repeated conflicts between the United States and Japan on trade issues responded to a modality in which the United States posed demands on Japan and threatened with sanctions if these were not met. Next, protracted negotiations were carried out, and then, at the last moment, before sanctions came into force, an agreement was announced. In general, the agreements were drafted so ambiguously that the United States could claim victory in a generic way, and the Japanese could comply or not with the agreement, as they wished, and everything continued as before" (Huntington, 2001, p. 272).

With regard to a State participation in the defense of its companies and national interests, nowadays, these brief examples of the informal nature of the Asian model would be fully reproducible in the cases of China, Vietnam, Bangladesh, Cambodia, etc., including, to a lesser extent, in Korea, Japan, and Taiwan.

China for its part, today, the second-largest economy in the world, through the integration of hundreds of special zones, first in the Pacific and then throughout the entire country, led the potentiality of the Asian model to its climax, achieving an average economic growth of 10% for more than 30 years, and becoming the first exporter and manufacturing nation of the world. On its development model, its promoter, Deng Xiaoping, believed that it was an experiment subject to a permanent review. Similarly, when he had to define it, he pointed out clearly without intellectual concerns: "There are currently two models of productive development. To the extent that each one of them will serve our purposes, we will make use of it. If Socialism is useful for us, the measures will be Socialist; if Capitalism is useful for us, the measures will be Capitalist." And he added, without doubts, that unlike the West, "There are no fundamental contradictions between Socialism and the market economy" (Oropeza, 2008, p. 450).

The two models, under their own developmental logic, have competed since the second part of the last century, and today they continue to do so. Their coexistence has crossed different stages of difficult explanation that have oscillated between head-on competition for world economic leadership, to an *association for the precarization* of the added value of the Asian workforce, in an intermixture of rivalries and interests where it is not possible to clearly distinguish how far the distribution of industrial income goes between a West that renounced its manufacturing and an East Asia that sets itself up today as the world's factory.

Nevertheless, the geography of the numbers tells us that in the last decades, the majority of the East Asian countries have had the strongest eco-

nomic growth, *i.e.*, for the Asian model of development. As an example of this, in the last ten years (2004-2014), the European Union had an annual average economic growth of barely 0.5%, and the United States had an annual average of 1%; while East Asia rose with a 6% annual average, and China, in particular, with an 8% annual average in the same period. The foregoing has contributed to Greece having seen a -22% decrease of its per-capita GDP from 2007 to 2014, Italy -11%, Spain -7%, Portugal -5%, Great Britain -4% and France -1%; while China increased it by 175% during the same period.

Over an 18-year span (1995-2013), the United States has been able to raise its per-capita GDP in 36%, while China increased it by more than 400%. (CEPAL, 2015).

While the West, and most of Latin America with it, continues to live in an existential economic problem, as Judt refers to it when he asks: Are we condemned to flounder eternally between a dysfunctional *free market* and the widely publicized horrors of *Socialism*? (Judt, 2013, p. 45); an Asian model without doubts (vertical, statist, heterodox) defines, through the increase in its economic indexes, the winning economies of the first half of the 21<sup>st</sup> Century.

### III. THE STRUGGLE FOR THE NEW GLOBAL ORDER

If yesterday's controversy on the possible emergence of a hegemonic China and a relevant East Asia has lost timeliness in the face of the evidence from the numbers, the matter that prevails, before this new Asian empowerment and Western weakening, is to know the path that these trends will follow both in their deepening and in their entanglement. What is revealed through the actions and discourse of the participants is that both sides, in a vigorous manner, fight for the rearrangement or the expansion of their assets, in a struggle without truce for the hegemony of the 21<sup>st</sup> Century.

On the actions carried out by China, the informal integration that began in 2009 regarding the group called BRICS, formed by Brazil, Russia, India, China and South Africa, stands out first and foremost. Today, they already have more achievements than other frameworks of global integration despite not having presented themselves as a formal partnership in the terms of the World Trade Organization (WTO). The BRICS framework today already operates a Development Bank and a Guarantee Fund for amounts of one billion dollars each; to which are added agreements on energy (China, Russia, 2015), research and development, trade, science and technology, ecology,

renewable energy, etc. In a relevant manner, along with this strategy, China has deployed throughout Asia (2013) a very ambitious integration project inspired by the Silk Route called “One Belt, One Road” (OBOR) (one integration, one path), by means of which it intends to reposition its geo-economic and political leadership throughout Asia, *i.e.*, Pacific Asia, Central Asia and the Middle East, in an area that covers 55% of the world GDP, 70% of the world population, and in a special way, 75% of the known energy reserves. “The declared goal of this great initiative is to sponsor the continuity and trade between China and more than 60 countries traversed by the OBOR” (Vanguardia, 2016, p. 8).

For its part, since 2009 the United States initiated the Trans-Pacific Partnership agreement (TPP), which is a formal integration project, with the participation of seven countries from East Asia (Japan, Singapore, Malaysia, Brunei, Vietnam, Australia, and New Zealand) and four American countries (Canada, Mexico, Peru, and Chile) with which it has instrumented, by means of a Free-Trade Agreement, a policy of geo-economic and political repositioning based on East Asia and in the framework of its dispute with China. This global strategy, just like the one employed by China, has been expanded with a second initiative that includes the signing of another Free-Trade Agreement (TTIP) with the 28 countries of the European Union, which represents a historic Western geopolitical strengthening.

This dispute of integration agreements and treaties that prevails today in economic and political fields between the Atlantic and the Pacific cannot be separated from the global conflicts that are currently happening on the planet, in which two hegemonic tendencies are already letting the weight of their interests be felt.

In the case of energy, for example, in the fight for hydrocarbons, which will be marking the winning and losing countries in this first half of the century for reasons of supply, exhaustion, and price, China signed a 270 billion dollar agreement with Russia for the supply of oil and gas during the next 25 years. Likewise, the two countries have explicitly and tacitly joined in the contest for the Middle East’s (50%) oil reserves; for example, through their support of Syria and the Government of Al Assad, with the idea of controlling the supply of global reserves, as well as the shipment of gas to Europe by Russia. For their part, the relevant players from both the European Union and the United States gather support against the permanence of Al Assad in Syria, also as part of the project for the supply of hydrocarbons to Europe without having to pass through an area controlled by Russia, accompanied by various players from the region such as Saudi Arabia and Qatar; where the presence and management of the Islamic State in

the area is a clear demonstration of the potential escalation to which both parties can reach. Another example of this debate on a geopolitical level, is the prevailing tensions in the South China Sea, both with regard to the possession of the islands Diaoyu on the part of China, or Senkaku on the part of Japan, as well as the issue of the maritime boundaries that China claims to Vietnam, the Philippines, Malaysia and Brunei, among others, in the framework of the area's potential in matters of hydrocarbons and the geopolitical control of the region's maritime transport, which directly involves the United States and its allies.

There is no doubt that we live in a new reality in gestation, whose end is still indecipherable. What is also certain is that the geopolitical phase of the West, as we conceive it, has ended, and regardless of the outcome that can generate the confrontation of two countries and relevant regions, today, we already inhabit a new geo-economic/political, Eurasian space, which makes it necessary to review what different countries have tried until today.

#### IV. MÉXICO AND ITS CIRCUMSTANCES

For Mexico, in the geopolitical arena, the antagonism between China—the United States, the West–East Asia, presents serious challenges in the administration of a role that by geographical definition places it as a neighbor of one of the protagonists. But from that geographic destiny, the best opportunities are derived for re-positioning a role that has not been valued nor supported in its dimension by the *partner* of the north.

In economic matters, the new Chinese–Asian reality directly affects the business matrix that Mexico has always had with the United States, which is the result of its geographical proximity, for which the USA has been both its main customer, as well as the most important destination for its exports. This matrix, by virtue of the economic transfer from the Atlantic to the Pacific, has become sophisticated as a result of the confrontation-association that the Chinese-American relationship lives, having Mexico to bear part of the costs. And in the second case, on the issue of the Chinese–United States association for the precarization of the Asian added value, Mexico ends up hurt on various issues, because this trans-commercial association impacts directly on its export offering and its line of costs.

Similarly, the country and the Latin American region are seriously hurt upon confronting every day, in commercial and economic terms, an Asian model that operates with impunity with informal or heterodox strategies that do not conform totally or partially to the WTO, with the support or as-

sociation of relevant Western players. This is perhaps the greatest challenge in aligning the region with the new geo-economic reality.

The Asian model is far from being the ideal answer for a world that urgently needs a more inclusive and sustainable development for all. Its deficits regarding the observance of global economic and trade rules and regulations, its serious ecological neglect, and its omissions on social policy, do not make it an example for the world to follow. However, the committed and successful participation of the Asian state with its national interests and players, which is another of the model's main characteristics, represent an opportunity for what Mexico and majority of Latin America have carried out until now. Therefore, in addition to remembering some of the Asian specialists (Deng Xiaoping, Lee Kuan Yew, Chi Fulin, Gao Shanyuan, etc.) on the topic, as Europe is doing and the United States is practicing; the region would have to review seriously current authors such as Mazzucato, when they remember that: "An entrepreneurial state does not only *eliminate the risk* from the private sector, but it also visualizes the space of risk and operates boldly and effectively from inside this space in order to make things happen. In fact, when the State is not convinced of its role, it is more likely to be *captured* and subjected to private interests. When it does not assume a leadership role, it becomes a poor imitator of private sector behavior, rather than a real alternative. And it is more likely that the usual criticisms about its slow and bureaucratic character will be true in countries where it is left aside and a purely *administrative* role is assigned. So, to treat the State as a cumbersome entity, which is only capable of achieving failures from the market, is a prophecy that ends up being fulfilled" (Mazzucato, 2014, p. 34.)

Having exhausted the economic and political order of the 20<sup>th</sup> Century, the emerging nations do not have the power to influence the formation of the new hegemonic blocks. However, in the opportuneness and the talent of their main economic players and politicians, there will always be the possibility of transforming the challenges into opportunities.

Finally, in the new Pacific Era, with all its new dazzle, baggage, and bibliographic reviews, one will have to be careful not to fall for the Vasco Núñez de Balboa syndrome, who, by wanting to be the first Westerner to see the Pacific, lost his head for his transgression.

## THE TRANS-PACIFIC PARTNERSHIP AGREEMENT: HINGE OR CONFRONTATION BETWEEN THE ATLANTIC AND THE PACIFIC?

SUMMARY: I. *Introduction*. II. *Pacific or Atlantic? That is the dilemma*. III. *The eagle or the dragon: a new dilemma*. IV. *Strengths and integration of East Asia and Pacific Asia*. V. *The TPP: hinge or confrontation between China and the United States?* VI. *Conclusions*.

### I. INTRODUCTION

Unlike previous frameworks such as the North American Free Trade Agreement (NAFTA), the Free Trade Agreement between Mexico and the European Union (FTA EU-MX), the Free Trade Agreement between Mexico and the countries of Central America (2001); or any of the other twelve treaties that Mexico has signed since 1994, the Trans-Pacific Partnership Agreement (TPP),<sup>5</sup> is presented as an entirely different proposal, in the sense that beyond its judicial-commercial content, its approach, the potential signatory countries, but above all, the global competition in which it is immersed, carry it away from previous business experiences and pose to it a historical challenge that demands multiple analyses and interpretations in order to explain to the various players involved in the matter the consequences that entail an American proposal that is far from being merely an invitation to participate in a free trade agreement (FTA) along with eleven other nations of Eastern Asia<sup>6</sup> and of the Americas.

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<sup>5</sup> The TPP has been receiving various translations from different economic actors. In this work, we will use the translation used by the Secretariat of Economy in its report to the Mexican Senate in November of 2012.

<sup>6</sup> Considering the different criteria that are used to establish the composition of the countries that belong to both the Eastern Asia and Pacific Asia concepts; based on the nature of every country and the most accepted order to date, in this work, the 10 countries which form the Association of Southeast Asian Nations (ASEAN) will be understood to be Pacific Asia (Myanmar, Laos, Thailand, Vietnam, Cambodia, Malaysia, Indonesia, Singapore, Philippines, and Brunei). References to East Asia will be comprised of the nations belonging to

Like a Russian nesting doll, the American negotiations (U.S.) to integrate the TPP; as it is under analysis, leaves its different layers behind little by little until arriving at a point of confusion in which the true intentions of the U.S. are lost, these being to place a trade integration strategy in the central courtyard of the People's Republic of China where seven Asian nations participate without, as of yet, having offered China a corresponding invitation.

Are we facing a trade confrontation between China and the United States? Are these the first expressions within a disabled commercial zone between Asia and America? Is it the response of the United States to the Chinese penetration into Latin America? Is it the struggle of the West against Eastern Asia to preserve economic hegemony? Is it a confrontation of countries or civilizations? Is it the strategy of the United States to release the World Trade Organization (WTO) which has been frozen since the Doha Round in 2001? Is it a new onslaught of the U. S. to extend the protection of its economic groups in the pharmaceutical and information technology sectors? Is it the end of an autistic political policy with regard to the heterodox Chinese dynamism? Or, is it the renewal and extension of NAFTA under the passive gaze of Mexico? These and many other questions are derived from the decision made by the U.S. in 2009 to "expropriate" the modest works of four countries (Pacific Four) that decided to populate the Trans-Pacific Area in 2005 through a Free Trade Agreement (FTA), which, without many pretensions, began its work in 2006 with the participation of Brunei (400,000 inhabitants), Chile (16.4 million inhabitants), New Zealand (4.3 million inhabitants), and Singapore (5.3 million inhabitants), with an integration of 26.4 million people and 664 billion USD in terms of its economic GDP (2012); that is, less than a quarter of the population of Mexico and approximately 50% of its gross domestic product (GDP). What led the United States to appropriate the Pacific Four and decide to head its operations from 2010 onward, moving it from its Asian center located in the Forum of Asia-Pacific Economic Cooperation (APEC) since 1989, and launch, "the most relevant and ambitious plurilateral trade negotiation at the international level" (Secretariat of Economy, 2012)? As we noted above, the answer is by no means simple and most likely there is not a single answer, but within the framework of the great global economic transformation that we are experiencing, there are many answers that respond to this American intent to preserve its economic power and its world hegemony in the first

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ASEAN as well as, Japan, North Korea, South Korea, Taiwan, China, India, and Russia (Regarding Australia and New Zealand, for the effects of the TPP, they will also be considered part of Eastern Asia).

half of the 21<sup>st</sup> Century, facing a leadership that is today closely threatened by the “Chinese miracle”.

For this reason, the analysis of the Trans-Pacific Partnership Agreement cannot be limited, important as it may seem, only to the study of the Treaty’s legal content, because to do so would be an act of huge irresponsibility given the relevant implications that the proposal keeps in the framework of the beginning of a century where not only the economic-political leadership of the world is disputed, but its own viability as well.

For the aforementioned reasons, this brief essay will attempt to address some approaches to the subject, with the idea that this contribution will be able to join different opinions that are surely being generated, just as the formalizing process of their integration is being carried out in late 2013 or early 2014.

## II. PACIFIC OR ATLANTIC? THAT IS THE DILEMMA

For a long time, the world has been foretelling that we find ourselves in a stage of economic-political change, which passes through slowly but inexorably from the Atlantic Era to the Pacific Era, with all the consequences that this entails. It is not an exaggeration to state that since the end of the 20<sup>th</sup> Century and the progress of the 21<sup>st</sup> Century, we are witnessing a historic change where every day not only is the economic supremacy of various Western countries dissolved in the face of a host of Asian economies; but in a relevant manner, we are witnesses to the competition between various nations confronting the global society’s leadership in the 21<sup>st</sup> Century.

Recently, it was still clear to the world that we lived within a global society where for the last 500 years, a Western culture and civilization had prevailed, which for five centuries has progressively been imposed militarily, economically, and politically, on other countries and civilizations of the world; to the extent that even in 1989 it was believed that in the face of the end of a history of civilizations, the rest of the world should be prepared to homologate the political (democracy) and economic (free market) culture of the time, in order to be part of a final history that wouldn’t change. Now, 24 years after this proposal, today nobody is sure whether this century will belong to the United States or to China, to the West or to East-Asia, or to any new proposal that emerges from the deep dynamic that a world in a permanent state of flux experiences.

To see the constant strengthening of East Asia as a purely economic issue, is to stop listening to the voice of the very Asian actors who indicate

clearly that what is at stake in this competition is not only economic supremacy; they tell us in detail that behind this dynamism appears an entire historical claim that seeks to recover a leading role lost in time; even worse, snatched by the West; to which they again try to gain access through the economic and political success of the present and the strength of their biography. In this regard, Mahbubani comments, “Among the new Asian minds the genuine conviction and certainty that the day of East Asia has come is common, even if the region must stumble one or two times more before it rises...” “Having already awakened, the Asian intelligence is not ready to sleep in the near future. The successful recommencement of the development of the Asian societies will generate a new discourse between the East and the West (Mahbubani, 2002)”. Mahbubani is a Singaporean academic scholar of Indian origin respected by the international community, and his restitution discourse does not speak of Singapore or India or China; it speaks clearly of the “Asian intelligence;” of the fact that, “The day of East Asia has come”. When touching upon the subject of the TPP, we have no choice other than to believe this important Asian spokesperson regarding the terms of the zone’s intention; if there were any doubt about this vision, Mahbubani shares:

The 21<sup>st</sup> Century will witness the confrontation between the ‘impetus of the Atlantic’ and the ‘impetus of the Pacific.’ The first has determined the course of world history in the last centuries. If my assumptions are correct, and the momentum of the Pacific displaces that of the Atlantic, the Eurocentric strategic analysts will have to rethink their concepts and answers in order to understand the future flow of history.

The 21<sup>st</sup> Century will be distinguished by the fact that East Asia will rise along with Europe as a global center of power, (which it has been for the past several centuries) and North America (which has been since the 20<sup>th</sup> Century). For centuries, Europe has set the course of history: it colonized most of the world, supplanted other empires and societies (such as China, Japan, and the Islamic world) and, through immigration, occupied relatively empty spaces (North America and Australia). The two World Wars of the 20th Century, and even the Cold War that followed, were, in essence, pan-European struggles. East Asia has exercised, on the other hand, little impact on the rest of the world.

For analysts to be unable to free themselves from Eurocentric conceptions of the world would be risky both for Europe, and for all of humanity. Like other parts of the world that enjoyed a splendor in other times, Europe is exhausted. The time has come for other regions to contribute as much as Europe has to the world’s progress (Mahbubani, 2002, p. 143).

Huntington dryly describes from a Western vision, “Non-western societies, particularly in East Asia, are developing their economic wealth and laying the foundations for a powerful military and a major political influence” (Huntington P., 2001, p. 22). “The era that began with the Western intrusions in 1840 and 1850 is nearing its end; China is returning to take its place as a regional hegemonic power, and the Middle East is taking possession of what belongs to them” (Huntington P., 2001, p. 285).

The idea of a transfer of civilizations is growing in both Asia and the West; it involves, on one hand, the progressive weakening and wear of the Western civilization, and on the other hand, moving in the opposite direction, a continued economic and political strengthening of East Asia. In this new global framework, the West lives in doubt and fear that this trend continues to be upheld, while its economic problems advance, its lack of political course continues, and its social wear deepens. Regarding East Asia, a good number of the five civilizations that already inhabit it (Japanese, Russian, Chinese, Indian, and Muslim), and of the 17 countries that are members, feast on part of a triumph that has not yet been consolidated, but they take it just the same as if it were the return of a brilliant past, of which Huntington notes, “Two hundred years of fleeting Western-parentheses on the global economy will have finished” (Huntington P., 2001, p. 103).

Are we really experiencing a historic transfer of civilizations and hegemonies of countries between the West and East Asia? Is it relevant that we know this? In political, economic, and commercial terms, is an impact generated towards Latin America, and in our case, towards Mexico? Beyond the possible answers, it will never be useful and pleasant to be a chess piece without knowing on which board we are playing.

What turns out to be undeniable in view of the economic and political success reached by East Asia during the last fifty years, and the corresponding trimming down endured by most of the Western countries in the same period, is that we are facing a global change of important consequences that different leaders and Asian scholars (Mahbubani, Mishra, Laugh, Yan Fu, Tagore, etc.) interpret with resentment, as if it were the return of a Golden Age that was taken from them by Western success; by the belligerent forces of multiple Western hegemonies who have been gradually taking over the Asian abundance since the 15<sup>th</sup> Century. Is this so? Is there a Golden Age to be recovered? The past is a vision that belongs to every country's sphere of perception; nevertheless, what is demonstrable is that India was the economic leader of the modern world the first thousand years of the New Era, and that China replaced its leadership during the following 820 years; both countries cover an economic hegemony of Asia for almost two millennia;

hence the idea of the Western “fleeting parentheses” of which Huntington speaks.

WORLD GDP  
(BILLIONS OF DOLLARS)

COUNTRY	1	1000	1500	1820	1850	1870	1913	1950	2008
INDIA	33.8	33.8	60.5	111.4	125.7	134.9	204.2	222.2	3415
CHINA	26.8	27.5	61.8	228.6	247.2	189.7	241.4	245.0	8908
WEST	14.4	10.9	44.2	158.9	260.3	266.2	902.1	1396	8698
UNITED STATES	—	—	—	12.5	42.6	98.4	517.4	1455	9485

Calculations made in 1990 dollars

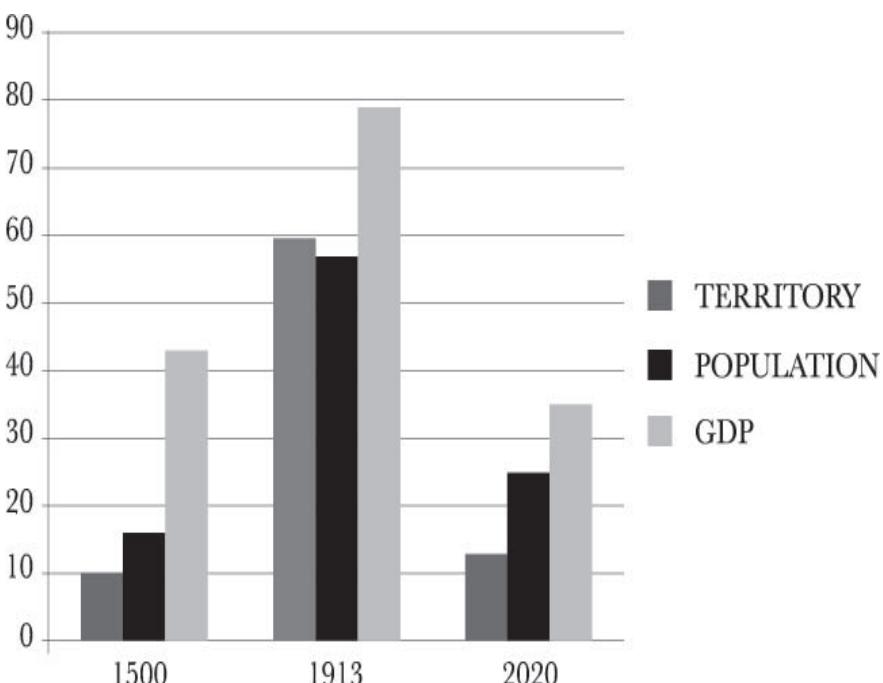
SOURCE: Ontiveros/Guillen; Una nueva época, 2012

The decline of classical Occidentalism in Greece and the collapse of the Roman Empire in the 5<sup>th</sup> Century A.D., contrasts with the flowering of the Indian and Chinese civilizations from the 1<sup>st</sup> Century, which dominated the economic, cultural, demographic, scientific, and political progress of the first 18 centuries of our era. Through a development with multiple encounters and failed meetings, China, due to the sustainability of its dynasties, and India with an economic success framed in a struggle of hegemonies and religions, managed to find spaces for development that led them to have a leading role in the progress and civilization of the humanity of their time, unlike the then decimated and impoverished European players. Since the First Century, the Indian population, which was then the largest (75 million inhabitants), together with the Chinese population (60 million), was superior to the European population by 110 million people, which at that time was 25 million human beings. The demographic factor in East Asia has always been higher than the European, and in the future it will be more so; in 2050, the population of Europe will make up approximately just 15% of the world's population, compared with approximately 55% from East Asia. In economic terms, the comparative is similar, as in the 1<sup>st</sup> Century, Europe's economy barely covered approximately a quarter of the Sino-Indian economy. This percentage declined in the Middle Ages to 10% to then grow in the Renaissance to 30%, and in 1820 to 60%; later it would surpass them and continue to do so up to present times; however, in the face of the Asian dynamism, most forecasts indicate that the Chinese

economy will surpass that of the U.S. before 2020, and that of East Asia will surpass the Western (European Union and United States) economy in the same year (IMF; Jeffrey Sachs, 2012; Ontiveros Guillén, 2012).

East Asia has a great history of economic, political, and social successes that began to show a progressive fatigue from the 15<sup>th</sup> and 16<sup>th</sup> Centuries, facing a preindustrial strengthening of Europe, which was slowly restructuring the geopolitical balance of the time. According to Ferguson, “If in the year 1411, the reader had been able to circle the world, he probably would have been impressed by the quality of life of the Eastern civilizations. The Forbidden City was being built in Ming Beijing, while at the same time the reopening and improvement of the Grand Canal began; in the Middle East, the Ottomans approached Constantinople, which they would eventually conquer in 1453. The Byzantine Empire exhaled its last breath. The death of the warlord Tinur Lang (Tamerlane) in 1405 had eliminated the repeated threat of cruel invading hordes from Central Asia, the antithesis of civilization. For the Chinese Emperor Yon-Gle and the Ottoman sultan Murad II, the future was bright”. On the other hand, the reader would have been surprised by the Western Europe of 1411, miserable, backward, that was recovering from the ravages of the Black Death —which would have halved the population in its travel eastward between 1347 and 1351— and was still troubled by poor sanitary conditions and a seemingly ceaseless war. In England, the throne was occupied by the leper King Henry IV, who had overthrown and killed the ill-fated Richard II. France was prisoner to itself in an internal war between the followers of the Duke of Burgundy and the murdered Duke of Orleans. The war of the Hundred Years between England and France was about to resume. The other kingdoms in conflict in West Europe —Aragon, Castile, Navarre, Portugal, and Scotland— did not seem to fare much better. A Muslim still ruled in Granada. The Scottish King, Jacob I, was a prisoner in England after having been captured by English pirates. The more prosperous areas of Europe were, in fact, the City-States of Northern Italy: Florence, Genoa, Pisa, Sienna, and Venice. As for the North America of the 15<sup>th</sup> Century, it was nothing more than an anarchic wasteland in comparison with the kingdoms of the Aztecs, Mayans, and Incans in Central and South America, with their towering temples and their very high roads. At the end of this world tour, the idea that the West could come to dominate the rest of the world during almost all half of the next millennium would have seemed extremely farfetched”, “And nevertheless, that was what happened” (Ferguson, 2012, pp. 42 and 43).

### The WEST AND ITS GLOBAL PARTICIPATION



SOURCE: Ferguson Niall, 2012; Jeffrey Sachs, 2011; I.M.F.

The West passed from a precarious control of 16% of the world population, of 10% of the world's surface, and of 44% of the economy of its time in the year 1500 to almost 60% of the population, 60% of the surface, and 80% of the world economy in 1913. How did this historical change happen without opposition from Asia? The Asian civilizations, as well as those that preceded them, only fulfill, inexorably, the dialectics of their cycle in accordance with their proper circumstances, which according to Carroll Quigley, includes the stages of conception, gestation, expansion, time of conflict, universal empire, decline, and invasion; and the Asian cultures (China and India), beyond their 15 centuries of political and military ups and downs knew how to maintain the fine thread of their civilizing sustainability; until 1499, when Vasco de Gama arrived in India to break this virtuous cycle as part of the new pre-industrial force that gave Europe the opportunity to make a military and economic incursion into the Asian Empires, which, in the distance, had been able to retain their strength. The arrival of the Portuguese was followed by the conquest of the Philippines by Spain in 1564;

the first English venture to Sumatra in 1601, which would be the beginning of a broad stage of conquest and meddling in both India and China. In 1602, the first Dutch East India Company was settled in India; in this Asian rediscovery, Russia risks an invasion of China in 1628, and the French set up their first factory in Surat, India in 1688. The Philippines, Cambodia, Vietnam, India, China, Japan, etc.; one by one the different Asian countries and the once powerful civilizations of East Asia were succumbing in various ways to the strength of a superior military power that, as all the hegemones, whether European, Asian, American, or of another origin, fulfilled their vocation of appropriation of foreign gains. The take-over of the East Asia region by the West was neither worse nor better than the historical conquests that preceded them in other parts of the world, or those that the Asian countries themselves perpetrated between themselves during the last two thousand years. The fall of India into the hands of the English, Dutch, and French, is no different from the fall of the Greeks into the hands of the Romans. The invasion of China in the 19<sup>th</sup> Century by the English, French, Russians, Americans, Japanese, etc. also resembles the siege suffered by the Roman Empire during its decline. In the case of China, beginning in 1838 it suffered its first great interference by the West through the Opium War orchestrated by England; and from 1842 to 1943 the period that has been called the “Century of Treaties” appears (Great Britain in 1842, United States and France in 1844, Russia in 1858, etc.), during which the maritime powers of the moment forced China to recognize various economic and commercial rights that disrupted the established legal order and the central concept of the Empire, from exercising its power and full sovereignty within its walls, because based on this hegemonic pressure and the signing of these treaties, China had to accept the equality of these countries (Great Britain, Russia, France, etc.), which severely damaged the principle of the Emperor's superiority with respect to the other rulers, preventing him from exercising his right to demand tribute and obedience (Oropeza García, México-China: Culturas y Sistemas Jurídicos Comparados, 2008, p. 481).

These facts, that in their Asian aspects are part of the compendium of the history of humanity, keep a special place in the memory of the different Asian actors, who, based on the deep cultural roots of their civilizations, see the conquest and the loss of the hegemony of their territories that occurred from the 15th to the 20th Centuries in the West as a great humiliation. Therefore, in the framework of their new economic successes, the debate that they sustain with the West place it not only on level with the GDPs or trade, but, as Mahbubani clearly indicates, elevate it to a confrontation where the objective is to relocate the Asian civilizations and cultures to a

level that is superior to that of the West. In this regard, the Chinese historian C. Y. Hsu comments “Certainly in 1860 the great civilization that had been China was totally defeated and humiliated by the West” (Crespo MacLennan, 2012, p. 194). Meanwhile, Chris Patten who was a British governor in Hong Kong notes, China “is a nation with a sense of its past greatness, its recent humiliation, its current achievements, and its future supremacy” (Ontiveros & Guillen F., 2012, p. 158). As can be seen, a reminder of the historic humiliation is embedded in the majority of the concession speeches, as a motor of change, but also as a central objective in its 21st Century renaissance. Every nation, which is displaced from its territory or interests, keeps various grievances or negative feelings regarding its oppressor; however, in general, in Asia’s case, the different civilizations maintain a position of resentment that goes beyond other historical examples; which plays an important role in the realignment of the new global blueprint.

The feelings and actions of vindication in Asia are not new; they were born along with Aisa’s first submission. Nevertheless, in their last stage, they began to decant in a significant manner from the beginning of the 20th Century, in 1905, when the Japanese fleet commanded by the Admiral Togo Heihachiro defeated the Russian naval force in the Tsushima Strait; a paradigmatic triumph of a non-European country over a power that was considered by the Asian countries, at that time, to be, “Western.” This important victory, which then defined the fate of Korea and Manchuria, was taken by the various Asian actors as a vindication of East Asia over Europe; as the beginning of the end of the Western hegemony in the area. With respect to this victory, the then journalist Mahatma Gandhi noted at the time, “The roots of the Japanese victory have been spread in such a far and wide manner that now we cannot visualize all the fruits that it will give in the future” (Mishra, 2012, p. 2). The then young Ataturk, the Turkey reformer, would take the victory and the Japanese model as an inspiration. Also, the young Jawaharlal Nehru would accept later that the Japanese victory motivated him to pursue “the independence of India and the independence of Asia from European reign” (Mishra, 2012). Together with the aforementioned Asian personages, other relevant actors such as Rabindranath Tagore (India), Abdurreshid Ibrahim (pan-Islamic intellectual), Mustafa Kemal (Thessaloniki, Greece), Halide Edip (Turkey), etc., were part of a generation that began the vindication of Asian civilization with much impetus from different perspectives. As Mishra points out, the Japanese victory taught Asia the lesson that the “white men”, the conquerors of the world, were not invincible, which led to the emergence of innumerable feelings of freedom in the region. This same vision that has prevailed to date is outlined

in the Tokutomi Soho Declaration, which, regarding the Japanese victory, declared in its time that: “We have destroyed the myth of inferiority of non-white races. With our power, we are forcing our acceptance as members of the major world powers” (Mishra, 2012, p. 3). As can be seen from the aforementioned, a strong sense of inferiority and humiliation make up part of the declarations of independence and vindication of the different Asian forefathers, which, with its nuances, is still alive to date.

In contrast to this trans-economic feeling on East Asia’s part, which persists even after more than 500 years of civilizing displacement; more than 400 years of constant invasions from different Western hegemonies, up to two-thirds of the 20<sup>th</sup> Century; 200 years of lost world economic leadership on the part of China; 400 years of the various independence movements; and 50 years of a sustainable political and economic success; the position of the West appears uncertain, hesitant, isolated from the course that its weakened economic leadership sustains. This comparison shows that it has not recovered yet with respect to an Asian reality that it did not see coming; that it disregarded first as an issue that was not a priority; passing from disregard to the surprise of a new economic reality that not only challenges it, but that has come to remove the comfort of the world in which it dwelt, where everything was predictable. According to Quigley’s theory of the civilizations, it would appear that the West has been settled in the “comfortable” stage of its decline, going from actor to authenticator of the loss of its own hegemony. In this regard Glucksmann notes, “Civilization is a bet. Double. Against whom denies it and threatens to annihilate it. Against itself, very often an accomplice, or adventurist, of its disappearance”. “When in the tiny intimacy of a conscience, the West collides against the West, everything and nothing is at stake, the funeral tolling for the end of the story is suspended, the chime of a new beginning holds its breath” (Glucksmann, 2004, p. 59). For his part, Ferguson highlights “The Western civilization seems to have lost confidence in itself. Starting with Stanford in 1963, a series of large universities has ceased to offer the classical course of history ‘of the Western civilization’ to their students” (Ferguson, 2012, p. 59); adding in a forceful way, “I think that perhaps it was only then when I really understood that it was what defined the first decade of the 21<sup>st</sup> Century...the fact that we are living the end of 500 years of Western supremacy” (Ferguson, 2012, p. 19). In one way or another, the various currents of the Western thought, far from preventing or strengthening a deed of the uncertain future; prisoners of a feeling that begins to be widespread, move forward in marking a displacement of civilizing plates that they apparently judge to be inevitable; thereby strengthening the Asian thought, that already started to herald its arrival.

In this “competition” for the development and civilizing hegemony in which the Asian side has put its goals for the 21<sup>st</sup> Century, the West, in addition to claiming not to have heard the various Napoleonic voices that warned that when China awoke the world would tremble; as for the internal debate of the West vs. the West, there are more than a few European authors who speak of the “complicity” of the real actors of power in the area for having been relevant pieces of the Asian miracle. Regarding this point, Mandelbaum and Haber claimed, “One day some sociologist will have to analyze the reasons for which in the West—including the Western democracies’ elites— find it so difficult to see and hear the emerging reality”. At the end of the day, it is possible that the Westerners “do not want” to see nor hear, and that they close their eyes or turn a deaf ear, deliberately” (Mandelbaum and Harber, 2005, p. 17). Martin Hans-Peter and Harald Shumman add to this with regard to the technological, industrial, and financial transfer from the West to East Asia “Only naive theorists, or short-sighted politicians, will believe that we can, as is happening today in Europe, deprive millions of people year after year of work and social security without paying a political price for it at some point. It is something that cannot work” (Martin Hans and Shumman, 2005, p. 17).

The success of East Asia, in many ways, is explained through the weakening of the West; where there are two relevant factors: the geometric industrialization of Eastern versus Western de-industrialization; and the Asian economic pragmatism with regard to the neo-liberal “orthodoxy”. Regarding the former, it is worthwhile to remember that at the end of the seventies, carried under the leadership of Deng Xiaoping, China initiated an adventure, an “experiment”, in which for the first time in its history, it opened itself to a global world in search of an economic future, in the face of the failure of its internal strategies that had resulted in famines (30 million people died in 1960) and extreme sufferings. At the same time, the “post-industrial” world of Daniel Bell appeared in 1973 (The advent of the Post-Industrial society), just five years before Deng Xiaoping offered the world 900 million Chinese workers, who, faced with the urgent need for food, clothing, and shelter, were willing to work for 30 cents per hour, without any kind of social benefit; whereby, on the contrary, granting all kinds of benefits to the foreign capital in terms of infrastructure and tax incentives. For the Western world, already “located” in the post-industrial world of intelligence services, manufacturing became a “subsector” which could be attended to by developing nations and, on the other hand, abandoned the Bretton model and the responsibility of the welfare state. The majority of the Western countries could not resist the temptation of the precarization

of the Asian added value; thinking that as in the era of the unbridled liberalism of the 1<sup>st</sup> Industrial Revolution, “this would not have any consequence,” and that China, Asia, and the rest of the countries to be compromised, would just become a great global, assembly plant, which could be dismantled at any time, or run from the post-industrial intelligence world. This was not like that, and although China maintained its offer of cheap labor to the Western world, it made clear from the very beginning that this offer would be only a starting point while it obtained the resources to generate its own development. Since the signing of the first Joint Venture contract in 1979, China conditioned the entry of foreign capital to the transfer of technology; and from that moment forward, China initiated the largest “technology expropriation” project that anyone remembers, through all kinds of means and proceedings until achieving today a first word technological assimilation; climbing today to a stage of innovation in which it is already undertaking its own developments.

The leadership of England in the 19<sup>th</sup> Century was born as the result of an explosion of industrial inventions; in the 20<sup>th</sup> Century, the United States consolidates itself within a process of assimilation and innovation of industrial technological products. The Chinese hegemony and the industrialization of East Asia, unlike the two previous examples, were born copying informally and formally the industrial technology of the West, in a transfer that is unmatched in the history of mankind. The Western industrial “throw away” coincided with the need of China. The Western carelessness and tolerance regarding the capture and informal appropriation of its technological heritage by East Asia, in general, and China, in particular, only rivaled their usury and the precarization of the Asian labor assets. The new map of world manufacturing that is generated in this important stage of the 20<sup>th</sup> Century is built with the formal and informal capture that China and East Asia carried out of the industrial technological knowledge of the West; in the same way as with the loss that the Western industrial countries register as the reason for this change (Oropeza García, México frente a la Tercera Revolución Industrial: Cómo relanzar el proyecto industrial de México en el siglo XXI, 2013, pp. 223 and 224).

As for the Asian “pragmatism”, which is another of the essential elements of the economic “miracle” of East Asia, it has been carried out based on a selective and advantageous compliance with agreements set out in the General Agreement on Tariffs and Trade (GATT, 1947) and the World Trade Organization (WTO, 1994). Japan, for example, has maintained a permanent public policy of control of its currency to support its exports since 1950; while at the same time encouraging formal and informal tariff

restrictions to stop the purchase of products manufactured abroad; in the same way, it deployed state subsidies to its domestic industry that caused innumerable political and economic problems with Europe and the United States; this strategy allowed it to grow at rates above a 10% yearly average from 1950 to 1973 and to be today the world's third-largest economy. Korea followed this Japanese path of industrial appropriation, and selective and advantageous compliance with commitments with respect to trade regulations; its take-off was underpinned over a determined state participation in the form of soft loans to domestic companies; imposition of large duties to competitive imports; currency undervaluation; technical barriers to imports; low wages; absence of social benefits; grants and subsidies to national exporters; preferential supply of raw materials and equipment for the production of its national companies; discount rates for transportation, ports and, costs of basic services, etc.; all these allowed Korea to grow at an average annual rate of 8% in the seventies and at 9% in the eighties. China, as was already indicated, following the same economic "pragmatic" model, combined with a market socialism, grew at an annual average rate of 10% from 1979 to 2011. However, the same could be noted in Taiwan and Singapore, and now in Vietnam or Bangladesh, and the vast majority of the East Asian countries that, through foreign investment, technology expropriation, direct state participation, and selective and advantageous compliance of the international trade rules, have succeeded in the last five decades in becoming the new world factory with 70% of the manufacturing value of the developing countries; where China (20%), Japan (11%), and Korea (2.6%), occupy the first, third, and seventh places, respectively, of the world's manufacturing industry (Marsh, 2012).

The clash, encounter, competition, fusion, etc. of civilizations, is a heavy topic that involves a myriad of factors, all relevant at this time of debate between two global orders of great importance; however, in its economic dimension, which is one of its core competencies, we cannot neglect to highlight the atypical phenomenon of transfer of wealth that has been mediated to make this happen. During the displacement of East Asia by the West five centuries ago, Europe carried out its maritime and military conquests thanks to its pre-industrial and industrial progress, which endowed it with the technological superiority required to suppress each of the Asian nations conquered. Unlike the above, from the "opening" of Japan to the West during the Meiji Dynasty (1868), until the opening of China in terms of economy and trade in 1979, East Asia has put all its efforts in generating development through a selective and advantageous imitation of the Western economic model. To this should be added that the appropriation of the

model and its technology during the decades from 1950 to 2013 has been represented by the use of a strategy that, in different speeds and modalities, has been characterized by the direct participation of the Asian State with regard to the behavior of its different economic actors, which has given them a permanent advantage during this period with regard to the Western and non-Western companies such as the Latin American companies, who have adhered to the exchange rules of the international trade regulated by the GATT-WTO.

The systemic East Asia-West debate will continue intensively during the first half of the 21<sup>st</sup> Century, but the West can in no way be called surprised by the important economic results that the Asian countries celebrate today and that cause much concern for Western countries.

This vision does not dismiss in any way the Asian meritocracy that has had to exist in order to produce this important economic boom in the region. It is evident that up to date the Asian strategists Yukichi Fukuzawa (Japan), Deng Xiaoping (China), Lee Kuan Yew (Singapore), Park Chung-Hee (Korea), Zu Ronghi (China), Jian Zeming (China), etc., in general, have overcome the Western leaders of the time in talent and strategy; nevertheless, in spite of this recognition, the affirmation that, “The East Asians attribute their spectacular economic development, not to the importation of the Western culture, but rather to the adherence to their own culture; and that they are successful because they are different from the West” (Huntington P., 2001, p. 109), lies outside of a reality where, at least on the economic plane, the renaissance that East Asia lives today, in great extent, is a product of the deindustrialization that the Western countries started with “great enthusiasm” during the last third of the previous century.

For Mexico as well as for Latin America, which are not technically regarded as Western countries (Huntington), the relevant issue, in economic and commercial terms, of this competition between “civilizations” results from the “complicity” that the economic groups of power from both regions have maintained, in the sense that they have practiced and allowed a commercial economy that has been openly tolerant with currency undervaluations, grants, state participations and interventions, subsidies, high levels of pollution, protection at all costs of the domestic markets; etc.; while all Latin American countries have been required, during the same period, to comply strictly with the GATT-WTO rules, and even more so, as in the case of Mexico, that have committed to the WTO-Plus regulations, which have resulted in a permanent advantage for East Asia and unfair trade practices for Mexico and Latin America. Under the committed interest to Asia’s precarization, and the maximum profit by the West, which prevails to this

day, Europe and the United States have precipitated on an economic clash of civilizations without any shame; while they have limited Latin America's economic development by forcing it to compete globally in a commercial field of equality that only exists in the official documents of the WTO.

In this framework of a strong competition of civilizations, that experiences a process of countless questions and few answers; between a stage of a frank Asian expansion and a questioned Western progress, Mexico and other Latin American countries cannot allow themselves to be dragged unconsciously on a North American adventure of uncertain fate, based on the pretext of a "simple" invitation to participate in a Free-Trade Agreement. The technical convenience, or not, of each national assessment, must be accompanied by the referential framework and possible consequences that will be generated, for each country, with respect to the geopolitical commitments that derive from its possible involvement in the TPP.

Finally, despite the great importance of this competition between civilizations, it is worthwhile not to forget the words of Huntington when he notes that the decline of the West could be extended in the future for decades, perhaps centuries. It is also possible that the West experiences a period of renaissance and reverses the declining trend of its influence on world affairs and confirms its position as the leader that the other civilizations follow and imitate (Huntington P., 2001, p. 362), because "...the primary lesson of the history of civilizations is that many things are probable, but nothing is inevitable" (Huntington P., 2001, p. 363).

For Mexico and Latin America, which are in the middle of this historical debate, a fantastic opportunity to reposition their respective positions under a regional perspective presents itself.

### III. THE EAGLE OR THE DRAGON: A NEW DILEMMA

While the Atlantic-Pacific debate directly involves the majority of the countries that form the respective areas, it does not go unnoticed that, despite the large number of civilizations involved in the issue (Western, Chinese, Indian, Japanese, Russian, Islamic), the central debate up to date is focused on the struggle between China and the United States for the economic and political leadership of the 21<sup>st</sup> Century, where, according to the trends, the United States registers a stage of weakness that is accepted by a good number of experts (Sachs, Huntington, Rifkin, Hobsbawm, etc.), and China is going through a phase of expansion that places it in confrontation with American interests every day.

In the case of the U.S., beyond the mountain of figures that have been attesting to a weakening, a thinning, of the American power since the late seventies, the evaluation of the present life of the American nation shows a country with severe economic problems; with a wear on its social life and with a loss of its political leadership that depicts it as entrapped, locked in its labyrinth, with an identity problem that does not allow it to understand what its role is in the new global context and how it is going to recover, maintain, or manage its loss of leadership. Hobsbawm comments to us, “There are internal reasons for which the American empire cannot last, and the most immediate is that the majority of the Americans are not interested in imperialism nor in world domination, in the sense of ruling the world. What interests them is what is happening to them in their own country. The American economy is not looking at all well and at some point the government, and the voters, will decide that it is much more important to concentrate on the economy than to undertake military adventures abroad, particularly if we take into account that these military interventions abroad will be paid, in good part, by the Americans themselves, something that did not happen in the case of the first Gulf War, nor, to a large extent, during the Cold War” (Hobsbawm, 2006, p. 82).

The difficulty of giving an opinion on robust hegemonies, or as in this case, true civilizations (the U.S. has been the Western leader since the 20<sup>th</sup> Century), is that their cycles are not linear nor are they short-term; these are slow historical processes with multiple variants, but at the end of the lustrums or decades, as in the case of the United States, they accumulate a deterioration that shows them undeniably diminished. Regarding the U.S., that since the cusp of its economic and manufacturing power, which allowed it to hold almost half of the economic value and world's manufacturing production in the middle of the 20<sup>th</sup> Century, currently registers a balance of approximately 20% of the GDP and 18% of world manufacturing, with an approximate loss of 30 points in each case with regard to its previous wealth. In terms of its economic value, the European Union maintains a slightly higher percentage (21%) and China is very quickly closing this gap with 15%; and in terms of its manufacturing throughput, from the year 2010 onward, China became the main power in the field with 20% of the production of the world's goods.

For many years, ahead of Thomas Friedman's “perfect storm,” authors such as Arthur MacEwan, James M. Cypher, Elaine Levine, to mention just a few, were already documenting the decline of the United States. MacEwan said, for example, at the beginning of the 1990s, “The United States is in many ways the most powerful nation in the world... however, we find that

things are breaking up in the interior of the United States. The lack of housing, the drug problem, and a high level of infant mortality are leading the news while the local social services seem to deteriorate throughout the country" (Macevan, 1992, p. 42). He supported this, documenting that between 1973 and 1987 the erosion of the living standards of the American families began, when the average family income of one-fifth of the poorest families decreased by 7.3%; while that of the one-fifth of the richest families increased by 14%. In the same vein, he showed that between 1966 and 1985, the effective tax rates for the top 1% of taxpayers fell between 27% and 36%; in the same way, for 10% of the more affluent classes, the rates decreased between 10% and 16%, which was combined with substantial tax increases for the poorest. At the same time, he illustrated the high cost of the military force (7% in 1986), and especially its uselessness for the maintenance of The United States' economic hegemony. Meanwhile, Cypher was also already warning, from the end of the eighties, of the weakening of the United States, based first on a loss of productivity, arguing that from 1950 to 1973 (which includes the "Golden Age" of the American post-war economic cycle), that this loss of productivity had increased to 2.44% yearly, whereas from 1973 to 1990, it had only achieved an increase of 0.825%. At that time, he also denounced something that today constitutes a matter of great concern among American analysts and officials, the so-called "triple deficit," which in 1990, regarding the budget deficit, already represented 6% of the GDP; the commercial deficit showed an annual debt of 100 billion dollars; and from 1989 onward, the United States took the place of the most indebted nation of the world with a deficit of 650 billion dollars, a place that it has not left to date. Likewise, Cypher was already commenting on the growth of the domestic debt, which in 1950 represented 35% of personal income, and in 1989 already pointed to 80%. In an important way, this author was also denouncing the weakening of the American industrial sector, underlining, together with Cantwell, that the American multinational corporations, in the period from 1974 to 1982, lost 20% of their degree of internationalization in twelve manufacturing sectors; and that even the high-tech sector recorded its bad evolution declining by 21% in the fiber-optic global market in the period from 1980 to 1988; 24% in semiconductors; 13% in supercomputers; and 23% in machines and tools. In a relevant way, Cypher put the low global manufacturing wages (low cost) on the reflection table as one of the central causes of the decline of the economic strength of the United States. The author indicated, "Food, some clothing, and services can be provided to the industrial workers by a vast army formed of a reserve of peasants in transition (sometimes referred to as the tradition-

al sector) who now survive in the interstices of the society in most of the NIC. An additional advantage can be found in the virtual absence of environmental constraints and restrictions that allow both the transnational corporations and national domestic groups to avoid the internationalization of many of their social production costs" (Cypher, 1992, pp. 62-65). In other words, early on, some authors were already talking about the global trap; that is, the policy that bases the national interest on the "cheap" consumption of the middle classes, at the expense of tolerating and sponsoring all kinds of dumping (social, financial, monetary, ecological, etc.), believing that this would not affect their economies, nor affect the environmental climate of their countries; premises which we know today were and continue to be wrong and have ended up backfiring, in one way or another, on all nations (Oropeza Garcia, 2010, pp. 150-152). After these multiple warnings, authors such as Paul Kennedy in the nineties, in addition to being concerned about the, "excessive imperial extension" of the U.S., already had serious doubts about the American strength, although he emphasized that while there was a decline, this was relative and that "...the only serious threat to the true interests of the United States can only come from the failure to adapt itself in a meaningful way to the new world order" (Kennedy, Auge y Caida de las grandes potencias, 1994, p. 830); adding that "...it remains to be seen whether the traditional approaches will successfully lead the American people into the 21<sup>st</sup> Century, or if they will pay a high price for assuming that things can continue the same at home, while the outside world changes more rapidly than ever before" (Kennedy, Hacia el siglo XXI, 1993, p. 412). More recently, at the beginning of the second decade of the 21<sup>st</sup> Century, Sachs commented, "It is easy to see that America is in crisis, especially from abroad. The nation that even recently was called the superpower, the 'New Rome' and the indispensable nation, has become the epicenter of financial instability, political paralysis and business immorality. The American wars in Afghanistan, Iraq, and Yemen (although secretly), and in other places, have gotten tediously and painfully bogged down. China is now the golden child of the city, the new power in ascent, not the United States" (Sachs, 2012, p. VII). In addition to all of the above, Rifkin recounted to us recently, "The final result of 18 years of an artificial extension of credit is that the United States is now a bankrupt economy. The gross liabilities of the U.S. financial sector, which amounted to 21% of the GDP in 1980, have been increasing at a steady pace during the last 27 years to reach an incredible 116% of the GDP in 2007". "Even more disturbing are warnings such as those of the International Monetary Fund that predict that the U.S. federal government's public debt could reach, no later than

the year 2015, levels of 100% of the GDP, which would call into question the future possibilities of the United States of America as such" (Rifkin, 2011, pp. 42 and 43). From the end of the seventies until today, pundits in the United States and abroad, have maintained a narrative of the events that show that the economic power of the first-world power has been decreasing bit by bit, to the point that it leads Rifkin to denounce its possible financial bankruptcy, to which should be added its social weakness and political problems. Certainly, on the other hand, there is also an important group of apologists who tell us that the United States is well and that if there is a decline this refers to a "relative" weakness or even a "rebirth of leadership". Some of the new criteria about the economic revival of the United States are being underpinned, in an interesting way, in the new oil and gas production technologies (Shell), by which means the United States has been able to increase its production of gas by 25% from 2007 to 2012, where the majority has corresponded to the new shale gas production. With regard to oil and other liquid hydrocarbons, production rose in 2012 by an annual average of 7%; a figure that had not been reached since 1951. More importantly, the U.S. International Energy Agency expected that by 2017, the country will surpass Saudi Arabia as the main world oil producer, which would increase the U.S. GDP by 3% during the next decade. "A resurgent housing sector, a revolution in energy production, a remodeled banking sector, and a more efficient manufacturing industry..." (Allman, 2013, pp. 99-101) are four of the pillars on which specialists like Allman lay the foundations of the new boom of the United States.

Contrary to the important number of analysts who attest to the weakening of the U.S., increasingly there are fewer experts who talk about the fall of the Chinese success; which suggests that the virtuous circle may break or stop its developmental pace of more than three decades. While recognizing that the growth rate should be adjusted, in recent years the various specialists have been competing, as if in an economic casino, to see who gets the right date on which the Chinese GDP will exceed the US GDP (Goldman Sachs, B. M., etc.). The above, of course, does not mean that the road that lies ahead for China is free of obstacles, which will have to be solved if it wants to prove the hypothesis of its economic leadership. Some experts such as Ontiveros and Guillen indicate "that in view of the competition from countries with lower wages; the over-reliance on exports; the inflation on the prices of the assets, especially in the real estate sector; the rampant pollution; the aging population; the urban congestion; the increase in the inequality of the income distribution; and of the internal political instability..." "there is a considerable disagreement among the experts, politicians,

and even Party officials on the sustainability of China's economic growth (Ontiveros and Guillen F., 2012, pp. 170 and 171).

Other specialists such as Ferguson, who also questions the economic future of China, base the possibility of its setback on at least three hypotheses. The first points out that China's case was already experienced by Japan, about which it was said at the time that it would surpass the American economy in the 20<sup>th</sup> Century and, on the contrary, because of various internal contingencies, in the last two decades it grew at a meager annual rate of 0.8%, falling into 24<sup>th</sup> place in the world based on per capita income. The second hypothesis refers to the great social delay that China still has, and the fact that it is in 86<sup>th</sup> place in the world based on per capita income, with 150 million poor people with an income of less than a dollar and a half a day; on the other hand, 0.4 % of Chinese families possess around 70% of the country's wealth. It is necessary to add the population problem to the things mentioned previously, where the percentage of the sixty five-year-old, or more, population will be 16% in 2030; while in 1980, it was 5%. The third factor lies in that in 1990 three of every four Chinese people were living in the countryside and today 45% live in cities, and in 2030, this number might rise up to 70%, that is, 900 million people, which constitutes the most ambitious development strategy of China, with the aim being to place the domestic market, instead of the exports, as the great development engine. This transfer involves moving a rural population similar to the total population of the United States (250 million people) to live in the cities, with all the challenges and the expenses involved in issues like infrastructure, social spending, job creation, etc. (Ferguson, 2012, pp. 419 and 420).

As can be seen, today we have more than enough grounds or reasons for which both the defenders and the protesters of China or the United States build their respective theories or hypotheses. However, what cannot be denied is that we are dealing with the presence of a clear debate about the economic and political supremacy between these two countries; which has been developing for the past thirty-five years in an atypical and buried manner; decomposing itself during the last decade; a complication that surely will keep surprising us throughout the first half of the 21<sup>st</sup> Century.

In this rhythmic masquerade ball, which initiated its last stage since the rise of Deng Xiaoping in 1978 and the opening of China in 1979, there is no doubt that the one that has imposed the rhythm of the dance has been China, although its economic, military and technological level has been lower than the accumulated power of the U.S.; which from 1945 to date has maintained the greatest military and economic power in the world.

China, based on a millennial experience, has dominated its diplomatic relationship with the United States at all times. Through symbols, signs, signals at a distance, pounds on the table, threats, selective and advantageous speeches, etc.; except in exceptional cases, China has managed to get the best deal out of this encounter. As indicated by the Chinese themselves, in the beginning when, “We wanted to be friends with the wolf”, the speech was dim, modest, friendly, and smooth; without warning the wolf that China, under a historical aspiration, aspired to be the wolf. In this regard, Deng Xiaoping used to say in his 28 character strategy that Chinese policy at that time claimed to focus on, “Observing and analyzing calmly, securing our position, dealing with the issues with tranquility, hiding our capabilities and waiting for the opportune moment, being good at keeping a low profile, never leading the vindication, and carrying out operations of a modest nature” (Cardinal John Paul, 2012, p. 9). On the other hand, in order to be the wolf, China always had a clear strategy, knowing that it needed investments from the West, its technology, and the transfer of its companies. Later, it understood very clearly that its priority was to generate exports and send them to the large Western market, which had the high consumption it needed. However, its shipments must have arrived without opening their domestic market to the West, so it applied and obtained from the United States the authorization to trade under the benefit of the “Most Favored Nation” Clause. For example, when the United States tenuously attempted to restrict this benefit to China in 1994, after 14 years of growing at an annual average of 10%, it backed down when it was faced with a reaction of solidarity from Japan and Singapore so that these restrictions would not be applied; with even the Prime Minister of Singapore, Lee Kuan Yew, threatening that if China was pressured, “The United States would be totally alone in the Pacific” (Huntington P., 2001, p. 272); which resulted in the repeated tolerance of the U.S. regarding Chinese pragmatism and informality.

Regarding the “historic” handling of the Chinese currency undervaluation, one of its most notorious non-compliances of a commercial nature was with respect to its international commitments; in the face of the feeble “pleas” of the majority of the U.S. presidents that this practice be changed, the Chinese Prime Minister Wen Jiabao responded with a laconic speech, “There is no point in pressuring us over the renminbi exchange rate. Many of our export companies would have to close; immigrant workers would have to return to their villages. If China experiences social and economic turbulence, it would be a disaster for the world” (Ferguson 2012, p. 413). On the subject, the diplomatic classicism of the U.S. in the person of Henry

Kissinger stated, “When China had a secondary role in the global economy assigned to it, the exchange rate of its currency had no relevance; during the decades of 1980’s and 1990’s, no one would have thought that the value of the Yuan could become a topic of discussion in the American political debate...” (Kissinger, 2012, p. 508). Under the “tolerant” vision of Kissinger, China’s 20 years of growth at an annual average of 10% from 1980 to 2000, or 240% more than the gross value of the economic growth of China, was not a topic for the United States, nor was it relevant, under this vision, that, as a result of this growth, China will pass from occupying position number thirty among the international exporters in 1980, to be the sixth exporting nation of the world before entering the WTO in 2001, and now it is the first.

China has always had a clear agenda about what it expected from the U.S., which it has been successfully advancing from 1979 to date. Contrary to this position, the U.S. fails to understand China; the U.S. does not know what it wants from China; and now faces the surprise of an emerging power that threatens to surpass it in terms of GDP in four or eight years; the U.S. continues without structuring an adequate strategy that allows it to support its hegemony; except the new wager that has already been commented upon, regarding its new potential in the area of hydrocarbons; which more than a strategy, is the hope that these new reserves of hydrocarbons come to solve a problem for which it did not have a sufficient response.

In the 1<sup>st</sup> decade of the 21<sup>st</sup> Century, when the Chinese specialists were asked who had been their best president, with more than a little sarcasm, they replied that it had been George W. Bush. In this final stage of Hu Jintao-Obama, Xi Jingpin-Obama, China has the advantage again to socialize, even today, with an American president, who does not know clearly who China is, who does not understand it, who does not know what he wants from it. In this regard, Loretta Napoleoni noted that, “At the end of 2009, Barack Obama visited China”, “The meeting of the two presidents was full of ambiguities; the descriptions of the main terms of the relationship were the same that have prevailed between Washington D. C and Beijing.” “One had the impression over the brief visit that Obama was negotiating on egg shells. He measured his words, and although he armed himself of his classic joviality, he always maintained a distance with respect to his counterpart, Hu Jintao” (Napoleoni, 2011, p. 179).

The anecdote has become history, and what appears today is the reality of two economically powerful nations; leaders of two great civilizations; who have before them the challenge of validating themselves to themselves; but more importantly, of leading the future of a global world that unlike the

19<sup>th</sup> and 20<sup>th</sup> Centuries, does not have much room for maneuvering in order to maintain its sustainability. Ten thousand million people in 2050 will be hoping that in these four decades that remain what prevails is the wisdom of two global leaders who understand that this century, unlike those that preceded us, cannot belong to a single power or civilization; that it demands new ways of international understanding for the survival of the human race. The aforementioned is relevant because in the framework of this economic-political competition, of their realignments and their movements, on the West's side, both Huntington and Kissinger, based on the strands of history, speak to us about the possibility of a warlike conflict caused by the “clash of civilizations” or the lack of maturity of the hegemonies to manage the space of the common domain. On the other hand, from the Chinese perspective, Sang Xiaojun and Liu Mingfu, from resentment, humiliation, and a desire for revenge, already say that, “The country must be prepared, militarily and psychologically, to fight and win in a conflict for strategic preeminence” (Kissinger, 2012, p. 521).

The China-United States topic is of the utmost importance for the international community, which must claim its right, in this global village, to mediate in this realignment that will not rest during the next decades, between a today insecure American hegemony that represents the West and an impulsive and resentful Asian hegemony, as the leader of the East Asia vindications; because as Mishra points out, nobody will win if we are wrong: “To condemn the environment to its early destruction, or the creation of reserves of furious and disappointed nihilists among hundreds of millions who have nothing, would be a bitter result of both the victory of the Western modernity, and of an ambiguous and obscure Asian revenge; all these victories would be pyrrhic” (Mishra, 2012, p. 310).

In this China-United States framework, which goes from economic rivalry to a “possible” warlike struggle during the 1<sup>st</sup> part of the 21<sup>st</sup> Century, is presented the signing and operation of the TPP. The analysis of its signing cannot be exhausted in a simple free trade agreement, as is deduced from the importance of the extremes in which it is placed. The TPP, given the dimension of its historical reference, appears as a small walnut shell that is subject to the ups and downs of a sea that it does not dominate.

#### IV. STRENGTHS AND INTEGRATION OF EAST ASIA AND PACIFIC ASIA

The Trans-Pacific Partnership Agreement proposal, in its Asian integration, includes four countries from the Asia-Pacific region (Brunei, Malaysia, Singapore, and Vietnam), to which is added one more in East Asia, which is Japan, as well as two nations of Oceania, which are Australia and New Zealand.<sup>7</sup> However, as an imitation of its own geography, the area is an archipelago of cultures and nations that from its origins has generated multiple expressions that involve the largest number of civilizations in a single geographical area, these being the Chinese, Indian, Japanese, Russian, and Muslim civilizations.

The region has been determined for several millennia by the Indian and Chinese cultures, but the Japanese, Muslim, and Russian cultures in their Asian aspect, have also contributed to the melting pot of languages, religions, cultures, and hegemonies that have prevailed up to date. As was already discussed, during their boom, these civilizations influenced and controlled most of the different cultural expressions of the area, however, they began a period of decline from the 15<sup>th</sup> Century which propitiated that they were gradually subjugated by the marine hegemonies of the time such as Portugal, Spain, Holland, England, France, Russia, etc.; which resulted in both a blending of cultures and in the Western economy prevailing in the region for half a millennium, until the middle of the 20<sup>th</sup> Century, when a process of emancipation began, which under various forms has been allowing the political and economic recovery of the nations of East Asia.

For a long time, the Asian importance was lost in the inauguration of a global world that on one hand, was installed in the vision of the winner and on the other hand, the noise that was made by the success of a Western society in its apogee, propitiating the different non-Asian countries not to worry much about knowing what was happening on the other side of the Pacific, except in that knowledge that still remembered the deep roots of the Asian cultural tree. For a long time, the West forgot that Asia existed.

East Asia is not a new topic. It is a subject as old as the human being, which, culturally, as was already discussed, lost the leadership to the West for 500 years; and economically, was surpassed for nearly two centuries by the generation of wealth that resulted from an Industrial Revolution in whose beginning it did not take part. The isolation that cultivated most of its cultural production and economic wealth for more than two millennia was the same cause that deprived China, India and the area in general, from being part of the accelerated process of invention and technological

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<sup>7</sup> Some authors also placed them in East Asia for reasons related to economic interaction.

innovation that brought about the pre-industrial and industrial global processes in the 15<sup>th</sup> and 17<sup>th</sup> Centuries, respectively. For this reason, given the resurgence of the region which is based on its new economic boom, it is convenient to remember that this new dialogue is not only with the exports, imports, or investments of 17 East Asia countries, or 10 Asia Pacific nations. It is advisable to bear in mind that along with the increases in GDPs, new traditions and customs, visions, and vindications of five civilizations that want to recover a trans-economic positioning are sprouting.

In the middle of the 19<sup>th</sup> Century, East Asia was already experiencing Western subjugation through its military incursions, its inventions, its institutions, its international legal order, its culture, etc. Notwithstanding the foregoing, it is precisely from this date that the first antecedents of the economic recovery process were produced through a blend of strategies which, in various ways, have prevailed until today. Under the impulse of the first successful reform movement in Asia, the Meiji Dynasty initiated the great transformation of Japan in 1868 within the framework of the burden of their internal contradictions and of Western interference, which in many ways pestered it to impose conditions; as in the case of the American Commodore Matthew Perry, who in 1852-1854 forced Japan to open to the West through the Treaty of Kanagawa, breaking the traditional Japanese isolation that was also practiced in China. Faced with the force of the reality of the moment, unlike India, which was subdued by the West, and China which confronted the West, Japan decided to assimilate itself into the West; to copy it in its own way and to develop the qualities of the adversary. In the words of its great reformer Yukichi Fukuzawa, we could understand the change of Japan as, “Escaping from Asia and integrating with Europe” (Mahbubani, 2002, p. 134). Under this approach, Japan got deeply involved in a long process of Western assimilation, changing its legal order to resemble the European order and transforming part of its institutions with this example, which caused the envy of its neighbors, as in the case of China, that during the same time and before the decline of its empire went as far as to discuss the possibility of following the example of Meiji. Of the changes that Japan brought about, two decisions stand out, which have prevailed to date; the first one, which was to detect opportunely that it was the industrial technological factor that was differentiating the result of the two civilizations; and the second, to maintain and integrate the powerful role of the Asian State within the Western economic process, in order to strengthen economic performance. The first of these continues to keep Japan as the third industrial power in the world; and the second was spread throughout East Asia as a model to be followed in the different stages of encounter and

economic competition that it had been maintaining with the West since the 19<sup>th</sup> Century. In this sense, it can be argued that the Asians have read Adam Smith “in their own way” and they have interpreted it in their time according to the convenience of their respective interests. Frieden comments with regard to the remarkable success of Japan, “The Meiji restoration of 1868 put an end to the military power of the shoguns, the feudal lords. The new imperial government aspired to modernize the economy through a full participation in the world economy. It avidly incorporated foreign capital and technology, and after a few years, the country was successfully exporting to the European markets” (Frieden, 2007, p. 90).

The Japanese assimilation to the Western economy was so successful, that as long ago as the end of the 19<sup>th</sup> Century and until 1945 in a first stage, and from the fifties until today in the second, the Asian country became one of the industrial powers of the world; however, in a relevant manner, its “Know How” permeated in the many East Asia countries in a domino effect, industrial osmosis, which has led to the region being considered today as the new, “world’s factory.” In its first phase, the good results of the Japanese process led it to become not only a world economic power (while China could not find the realignment of its path in a new global society, and India was subjected to an English hegemony in an impoverishment that was carried out to the extreme) but also in a regional military axis that drove it, in its time, to invade China, Formosa (Taiwan), and Korea, and to confront Russia itself; and then, as is known, to challenge the United States itself, and like Commodore Perry, to bomb Pearl Harbor, only to finally succumb to its military defeat in 1945. But in the second stretch (1950-2013), and by repeating the path of success that it had already learned, the Japanese government, with the help of the United States (500 million of dollars in the Marshall Asian Plan) was devoted to reproducing an industrial model that China, Taiwan, South Korea, and most of the countries of East Asia followed afterward by giving priority to the development of industrial technology under a pragmatic and heterodox economic model, with a permanent participation of the State. Frieden says to us again, “During the previous thirty years the Japanese industrials acted quickly in the adoption of developed technologies, by skipping the intermediate phases to launch themselves directly into the manufacture of the latest novelties and by using intensively a very trained and cheap labor force. During the 1950’s and 1960’s, Japanese companies spent between 25%–50% of their budgets for research and development in the purchase of foreign technology. Sony, for example, was born in 1946 as a repair shop, and the first thing that it manufactured was an electric pot for cooking rice that did not work well.

During the following years, it made cheap copies of the tape recorders that the American occupants had taken with them to Japan. In 1953, it obtained a license from Western Electric to produce transistors, which were recently invented in Bell Laboratories. With them, it assembled its first transistor radio—the second in the world—in 1955 and two years later it released a miniaturized “pocket radio.” In the meantime, companies like Honda—in motorcycles—and Toyota—in cars—imitated thoroughly the American production techniques to supply the Japanese market”. “The Japanese government supported the manufacturers with the reduction of taxes, subsidies, cheap loans, and other aids” (Frieden, 2007, p. 369).

The Japanese model stands out since the 19<sup>th</sup> Century for its frank assimilation of the Western example, and in the euphoria of emphasizing the “conversion” of this important Asian country to the Western culture, it is usually forgotten that based on the millennial participation of the State and the vertical order in the integral life of the country, Japan never gave up the use of this fortitude in its economic competition with the various Western countries. As MacFarquhar noted regarding China, but that applies to Japan and to a vast majority of the Asian countries, “The traditional Chinese world view was a reflection of the Confucian view of a carefully articulated hierarchical society” (Huntington P., 2001, p. 280). This subject, in the case of East Asia as well as of Pacific Asia, is of the utmost importance, because the West has “forgotten” it both during the analysis and during the negotiation, especially after the birth of the international trade rules from 1947 to 1994, for which East Asia, in general, has maintained a unilateral interpretation and an advantageous practice that started with the first implementation of the Japanese model, which has been perpetuated in different ways and under distinct intensities until the present date. On this tolerance of the importance of the West with respect to asserting an international regulation in its economic exchange with East Asia, Huntington details as an example, “...the repeated disputes between the United States and Japan over trade issues responded to a mode in which the United States raised demands on Japan and threatened with sanctions if they were not addressed. Next, protracted negotiations were carried out and then, at the very last moment, before the sanctions come into force, an agreement would be announced. In general, the agreements were written in such an ambiguous form that the United States could declare victory in a general way, and the Japanese could comply or not comply with the terms of the agreement as they wished, and everything remained as before”. When in some cases there was more pressure on the part of U.S., and it tried to impose market quotas on the Nipponese products, Huntington abounds “...almost all Asian countries

from Australia to Malaysia and South Korea supported Japan in its resistance to the American demand for numerical targets for imports" (Huntington, 2001, p. 272).

Japan, in the past 145 years (with its major interruptions), but also Taiwan, South Korea, Singapore, and in a relevant manner China, by the consequences of its process; as well as the majority of East Asian countries, have been reproducing the Japanese experience successfully in their own way from the second part of the 20<sup>th</sup> Century onward, which has had a major influence in the West's economic demerit in the last 60 years. Latin America, for its part, has lost more than 20 points with regard to its participation in the global manufacturing added value in the last twenty years, which were won by East Asia.

The case of China is as a widely commented of a topic in terms of its heterodox practices, as is the proposal for the implementation of homologation measures an orphan. The Chinese pragmatism has never tried to mislead anyone; since its beginnings, it was defined publicly and the West "took advantage" of it, believing that its results would not have the impact that it now has. Chinese heterodoxy, as was commented before, was born in 1979, with the vision of a new economic project whose central objective was the search for a development that could solve the enormous social needs of more than 900 million human beings. Deng Xiaoping in the early 1980's, made it very clear that the objectives of the new model were to comply with the basic satisfiers of the Chinese people. The urgency of China in the eighties was to avoid returning to a time in which millions of Chinese died of famine; therefore, Deng was exhorting his people telling them, "We have to be more daring than before, to carry out the reform and to open to the outside world and to have the courage to experiment". For this purpose, since the beginning of the eighties he knew clearly the path to follow: "There are currently two models of productive development. To the extent that each one of them will serve our purposes, we will make use of it. If Socialism is useful for us, the measures will be Socialist; if Capitalism is useful for us, the measures will be Capitalist", and in the middle of this new heterodoxy, not to leave any room for doubt, he declared: "There are no fundamental contradictions between Socialism and the market economy" (Oropeza García, México-China: Culturas y Sistemas Jurídicos Comparados, 2008, pp. 447-450). The transfer of wealth from the West to Asia, particularly to China, has been part of a mechanism in which there has been no ignorance. China publicly stated its offer to produce goods at a low cost (based on a policy of precarization, without social coverage and without environmental protection) since the beginning of the eighties, through a

heterodox model, to solve the Chinese people's food problem; an offer that, as was already stated, the West accepted like a topic of "opportunity", generating with it a war of disorderly production in search of the lowest cost, in which the economic world lost its sanity and common sense and the path that had advanced in the last 60 years for economic scaffolding of the new global world. When the "future of the world's population" was placed in the pocket of global consumers, the world economy lost its common sense and its social responsibility. When countries placed the "national interest" in the cheapest purchase of their middle classes, regardless of the "how," nations lost the control and the stability of their development. From 1979 to 1987, approximately 10,000 investment projects with a foreign participation of approximately two billion dollars were approved in China. From 1988 to 1991, the interest intensified and approximately 30,000 investment projects with close to 3 billion dollars were authorized. At the end of 1991, both indicators were applied to 42,000 investment projects, with more than 5 billion dollars. In 2000, 200 of the 500 most important multinational companies of the world were located in China with capital from the U.S., Japan, Germany, France, Taiwan, etc. (Oropeza, *China entre el reto y la oportunidad*, 2005, p. 102). This capital was flowing through the economic structure mounted on Special Economic Zones (SEZ), which, within their strategy for attracting capital, ran a heterodox fiscal policy (fiscal dumping), that was strategically managed for its export or high-tech development, included incentives ranging from total income tax exemptions (ISR), to reductions and tariff preferences of 10 per cent of the ISR; as well as tax refunds from 40% to 100%, and a 0% rate for technological imports (Oropeza, *China entre el reto y la oportunidad*, 2005, p. 300). Similarly, on the monetary issue (monetary dumping), China had a fixed exchange rate of 8.28 Yuan from January 1, 1994 until June 22, 2005, as an unorthodox support of its public policy for the facilitation and expansion of its exports. This policy, despite the objections of some developed countries like the United States, was handled in a sustained manner for more than eleven years, and although in 2005, it initiated a period of adjustment (approximately 20% to 2010), at the insistence of Western "pressures", China continues to handle its monetary policy at its convenience (40% undervaluation, ECLAC, 2011) as a strategy to support its worldwide exports. With regard to its "commercial dumping," Oded said that beyond the considerable progress which is recorded in some areas, the violations are abundant and that these can no longer be attributed to problems of implementation (Oded, 2005, pp. 167 and 168). In the same way, it is alleged that the technology transfer is continually used as a condition for the approval of investments or the granting of incentives;

and there are complaints that the clause which denied China of all kinds of pressures of that nature was canceled in the original project of adhesion to the WTO. However, in relation to the commitments signed with the WTO, it is on the subject of intellectual property where the main criticisms to Chinese trade continue. Here, it is worthwhile to stress that the “technology expropriation,” as Fishman calls it, is a consubstantial policy of the Chinese development model and has been part of its growth strategies from its beginnings. From the copy of the assembly plant model that it knew in Mexico at the end of the 1970's, up to the ownership and development of new technology during the 1980's, 1990's and early in this century, regarding the issue of intellectual property violations, there continue to be innumerable cases that pass through the pharmaceutical, electronics, clothing, and automotive sectors. Finally, in this area of economic heterodoxy, the important issue of the ecological deterioration cannot be ignored (ecological dumping) where authors like Pang Zhongying speak of the huge Chinese “ecological debt”, caused by some aspects of their economic success (Oropeza, BRICS: El difícil camino entre el escepticismo y el asombro, 2011, pp. 156-160).

As with Japan, since the nineties, both the United States and Europe have been “pressuring” China so that it complies with international regulations on issues such as the undervaluation of its currency, the intellectual property rights, the intervention of the State, etc.; however, this dialogue, as well as with Japan in the past, has never yielded results that correspond adequately to the international trade regulations. In this sense, non-Western countries such as those in Latin America, have had to deal not only with the “pragmatism” or mercantilism followed by the United States and Europe on the agricultural issues; but also, they have had to take part in a game of mirrors where participation with a selective and advantageous compliance of the different Asian countries with a heterodox international trade policy has been accepted; while most of Latin America has worked for being the most outstanding student (the only one?); emphasizing in the latter group Mexico's orthodox position.

The East Asia “adaptation” to the Western economic model has not been limited to imposing a statist, vertical, and pragmatic vision in the center of its development; along with these policies, since 1950 it has deployed an import-substitution industrialization (ISI) strategy that brought the region to generate a greater number of economic and commercial strengths. The import-substitution process, which some countries of East Asia such as India, South Korea, Taiwan, etc., followed together with Latin America and some other nations, took advantage of the opportunity that the Second World War conflict generated on the issue of industrial production to begin

a process of transformation, which would help them to reduce their heavy purchases from abroad, to lower the historic dependence that they were registering with Europe and the United States in this segment, and to start their own economic development path. In a first stage, this process achieved the takeoff of the industrial production of these countries as well as their insertion into a culture of industrialization that had started in the world in the 18<sup>th</sup> Century with the emergence of the First Industrial Revolution, in which these countries had not been involved because of their dependence on the Western hegemony. However, unlike the ISI process followed by Latin America, the Asian nations took a strategic turn from this process, directing most of their production to the external market, moving from the ISI to an export-oriented industrialization (EOI), which was a great success in the framework of the postwar period in the face of the purchasing preference that the United States maintained after 1945 for products from South Korea, Taiwan, Japan, etc., for reasons of political conjuncture. As an example of the above, it can be mentioned that in 1973, South Korea already exported 41% of its industrial production and Taiwan 50%, compared to the meager exports of 2% and 3% that Latin America realized during the same time. Despite this important turn of economic strategy followed by East Asia, the state's participation was kept on the front line at all times; at the same time, they continued to apply incentives and heterodox trade policies to maintain their export products at a competitive level. In this regard, Frieden points out, “The East Asia exporters did not develop dual economies with high wages in the modern sector and low wages in the informal sector, but they were compelled to maintain ‘all wages’ low, often repressing the workers so that their exports remained cheap. Their currencies were undervalued to maintain the competitiveness, limiting the purchasing power of the working and middle classes. The conservative macroeconomic policy allowed for low inflation, but also meant that the governments provide little social security” (Frieden, 2007, p. 466). Another of the components that have been decisive in that East Asia-Asia Pacific is presented today as the “world’s factory,” and as an increasingly economically integrated region has been that the Japanese success of the postwar, by its dimension, had to be shared with the countries of the area, given the impossibility of Japan to cover both the supplies and the production needs of a Western market that demanded a greater quantity of goods at the lowest price, regardless of how they were obtained. As Zavala points out regarding the Japan of 1974, “The rise of the yen and the better access to the natural resources of the region caused the Japanese industry, which had reached a rapid growth a decade ago, to be forced to transfer its operations to other countries. Along

with an official aid to the outside from the Japanese government, Japanese private investment participated in the promotion of the export of large-scale plants to the ASEAN countries" (Haro Navejas Navejas and Zavala Roman, 2012, p. 239). This process, which in its last stage now covers more than 60 years absorbing a larger global production of goods, in the presence of the western de-industrialization and the Asian precarization of the labor factor, has acted in a manner of communicating vessels as a "development drain" that the countries, which are the engines of the Asian growth, such as Japan and now China, have been pouring out over the countries of the area under a common pattern adopted by all of its participants; which has derived in a robust and sophisticated commercial architecture that advances and is very well geared. On this topic, Rosales and Kuwayama commented, "This increase in the intra-Asian trade has been motivated, in part, by the robust growth of the intra-firm and intra-industry trade, thanks to the construction of a complex network of supply chains integrated vertically by transnational corporations in which China exercises a fundamental roll as an origin and as a destination" (Rosebushes and Kuyuwama, 2012, p. 130).

In the dynamics of this process, the intra-regional commerce of the countries of the Association of Southeast Asian Nations (ASEAN) is close to 25%, but when China, Japan, and South Korea [ASEAN+3, Hong Kong, Macao, and Taiwan (RAE)] are added, the integration climbs up to 50%, beating the rest of the integration blueprints except for the European Union (65%), which demonstrates the high degree of cohesion that the area has in the important task of industrial goods production, in which although China represents 21% of the intra-regional exports, it absorbs 44% of the intra-area imports, which marks the high dependence that the region is taking from the Chinese success (CEPAL, 2012). Within this approach and in the framework of this group (ASEAN+3+RAE), the intra-region trade dependency that the Asian countries that participate in the TPP have, ranges from 71% on the part of Brunei, up to 33% on the part of New Zealand; passing through 52% for Malaysia, 51% for Vietnam, 49% for Singapore, 51% for Australia, and 37% for Japan (ECLAC, 2012).

All this synergy has generated China, Japan, and South Korea to be the first, third, and seventh manufacturer-producing nations in the world since 2010; that 90% of the total exports outside the region are manufactures; that East Asia covers more than 70% of the manufacturing added value of the developing countries; and that China is the world leader in 9 of the 16 relevant industrial sectors and the sub-leader in another six (ECLAC, 2012). "In this manner, with China as the core, the Asia and Pacific regions have

become one of the major axes of intra-regional trade on a global level" (Ro-sales and Kuyuwama, 2012, p. 132).

Facing this intra-industrial Asian integration process that has been under construction for more than half a century, it would be worthwhile to ask whether the American countries, and especially the Latin Americans, have prepared themselves in the same way for this encounter.

#### V. THE TPP: HINGE OR CONFRONTATION BETWEEN CHINA AND THE UNITED STATES?

What does the United States want from East Asia? What does it expect in the area through the TPP? How will it address its competition against China in the region? How will it lead the Western position considering the five regional civilizations? What is its position of strength to achieve this? Similar questions to those of the 20<sup>th</sup> Century, when the struggle for the hegemony between Great Britain and the United States was discussed; or in the 19<sup>th</sup> Century, between Great Britain and France, with the difference that in the previous centuries, the debate was between Western hegemonies and in this case, the competition is between Western powers and emerging East Asia hegemonies.

Starting in the 19<sup>th</sup> Century, the United States made its interest in East Asia clear, when in spite of the distance, its internal rearrangements and the deployment of the strategy, "America for the Americans" (through which it underpinned its hegemony in Latin America), it deployed an entire "open door" policy through which it sent the message to the various Western hegemonies that were fighting over Asia, that in spite of the above limitations, the U.S. maintained a hegemonic interest in the area, and that it was willing to pay the costs. Based on this strategy, it took part in multinational military interventions against China in the 19<sup>th</sup> Century, and in 1900, it sent a contingent of 2,500 soldiers to join the European powers (Great Britain, France, Holland, Russia, Austria, Hungary, Italy, and Japan) that "confronted" the Asian country in the Boxer Rebellion (Curl MacLennan, 2012, pp. 193-201); in the same way that it led and achieved the commercial opening of Japan in 1852-54 through military actions, and in the face of the triumph over Spain in 1898, it took control of the Philippines. Notwithstanding the foregoing, its presence in East Asia during the 20<sup>th</sup> Century was full of surprises, where many of the consequences of the geopolitical decisions that it made are still in force today and define the relationship of the U.S. with the area.

In a relevant manner, as was already mentioned, an unfortunate relationship with China stands out in the foreground, which it did not diagnose properly in the framework of its social rearrangement from 1911 to 1949; both because in this period, the largest armed conflicts of history occurred in the Western world's center, and due to its limited interpretation of the Chinese idiosyncrasy and its incorrect approach with regard to the movements (Communist and Nationalist) that were fighting for the political supremacy of the country. This attitude led it on one hand to take its distance from Mao's followers, and in 1941 to formalize an agreement with Chiang Kai-chek as an ally in the framework of the Second World War. Fairbank comments regarding this, "The ignorance and the American sentimentality came to the point that President Roosevelt imagined the Nationalist government filling the power vacuum that would be created in East Asia after the fall of Japan". Adding later, "The disastrously unrealistic nature of North American politics was very well illustrated by the special emissary of President Roosevelt, General Patrick J. Hurley, from Oklahoma, an extravagant American and a simpleton who reminds us of Ronald Reagan. His awkward efforts to avoid civil war through mediation gave way to the influence that Chiang Kai-chek exercised on him. Against wind and tide, General Hurley opposed all embassy personnel by defending American assistance to Chiang. When this came to a head, of course, Hurley had disappeared from the scene, but his policy was still followed in Washington and caused the Americans to be rightly distanced from China" (King Fairbank, 1996, pp. 394-396). When in the 20<sup>th</sup> Century, the U.S. had to take a leadership position opposite China to guide the relationship to a position consistent with U.S. interests, it could not decipher the leafy tree of its identity. However, if the U.S. has had an opportunity to control China politically and economically in the last 70 years, it has been in the forties, when it was in a position of strength, which emerged from its World War II military and economic victory; it had the opportunity to play a more successful role. Of course, with China, given its longstanding geographic, historical, and demographic dimension, there are no absolutes. In this regard, Fairbank accepts, "The illusion that the United States would have been able to forge China's destiny makes one suspect that we Americans can truly play other countries like a violin, if we wish to do so, even among 475 million people in the inaccessible rice fields of a subcontinent located 16,000 kilometers away" (Morison Eliot, Commager Steele, and Leuchtenburg E., 1993, p. 806).

For the United States, China has always been a dense country, difficult to decipher. Both President Roosevelt and President Truman failed in the task of the diagnosis, negotiation, and results in the moments before

the War of '39, during it, and after its completion; when the U.S. was the great military and economic hegemony in the world and China, beyond its historical strengths, was passing through a phase of economic and social weakening, which would not be resolved under a sustainability principle until the eighties, that is, forty years later. This unfortunate encounter for the U.S. in the 20<sup>th</sup> Century, far from ending with the victory of the Communist current of Mao Zedong in 1949; escalated through the problematic conflict of the division of Korea at the end of the War, which confronted the two countries again in a struggle for the control of the area. In the face of the invasion of North Korea into South Korea in 1950, the U.S., and an army of the already established United Nations Organization (UN), counter-attacked and pushed the enemy armies back to the northern border with China; where it was again confronted with the doubt of what to do with the Asian giant, while President Truman and General Mc Arthur discussed the infringement of the 38<sup>th</sup> parallel: "Masses of soldiers from Red China were penetrating Korea through «Yalu»". On the night of November 25, Mao's "volunteers" unleashed a fierce assault. Three days later, Mc Arthur wrote a frightening bulletin: "We face an entirely new war." An army of more than one-quarter of a million Chinese pushed Mc Arthur's troops out of the territory that they had conquered in North Korea and made them step back through the 38<sup>th</sup> parallel" (Morison Eliot, Commager Steele and Leuchtenburg E., 1993, p. 810). With the greatest military technology and nearly 50% of the world's GDP, the U.S. did not know how to administer or negotiate with China at the crucial moments of the middle of the 20th Century, losing the game both in the Chinese territory (in 1945, the U.S. came to have 53,000 soldiers in China) as well as in its confrontation against North Korea. In this regard, it should be recalled that only five years before, on August 6, 1945, the U.S. had set off the first atomic bomb in Hiroshima, precipitating the unconditional surrender of Japan and dismantling all its military assets, within which it liberated the positions taken from China since 1895, among which was much of the Chinese northeast, which was quickly recovered by Mao's army.

The decisions made by the United States in East Asia, in that historical moment of the middle of the last century, involving China, Japan, Taiwan, Korea, and Russia, are critical to understand a geopolitical reality that even today continues to be drawn in light of the consequences of such decisions. To the failures in East Asia on the part of the United States in the last century, its disastrous war with Vietnam should be added in a relevant manner, on which it can also be said that it revolved around its misunderstanding of the area and the Chinese issue. Based on a French "inheritance" (1954), or

the mistake of supporting France against the Communist guerrillas in the Indo-China area, the U.S. remained in charge of “stopping” the Communist advance in the region, within a conflagration where it still is not clear what benefits were sought, but all the players of the area, directly and indirectly, inherited a deep imprint of the worst face of the American Empire. The war of supposedly low intensity increased and got painfully stretched out in time, where, as Howard Zinn says, “From 1964 to 1972, the most powerful nation in the history of the world conducted its maximum military effort, including all kinds of weapons, except for atomic bombs, to defeat the revolutionary Nationalist movement of a tiny country of farmers, and it failed” (Zinn, 2003, p. 469). The fire stopped 19 years after its first antecedents (1954-1973), when in March of 1973, the last North American contingents left Vietnam leaving an enormous cost behind, “The war had cost 57,000 American lives and more than 300,000 injured men; it had caused more than one million casualties to the Asians, absorbed billions of dollars and caused incalculable damages to American society and to the efficacy of the United States in world matters” (Morison Eliot, Commager Steele, and Leuchtenburg E., 1993, p. 889).

To date, the United States has not been able to reverse the trends set in the 20<sup>th</sup> Century. While it has been the prevailing hegemony in the area in recent decades, it has been because the Asian actors have taken advantage of the “North American pax” in the region as a free consumable good of its economic and trade rise. Whenever there has been the beginning of a conflict in the area after the syndrome of Vietnam, the Asian “teeth” of Japan and now China, have prevailed over American pressures. For this reason, Mahbubani does not hesitate to assert that, “The United States is also an exceptional power, perhaps the most benevolent great power in history. Beyond its colonialist attempts in the Philippines and Cuba, in general, it has no had expansionist purposes” (Mahbubani, 2002, p. 167).

The United States maintains a distant relationship with China, cautious; that of a tiger tamer who lets out a growl each time he touches the tiger and makes him take a step back, without actually knowing how to relate to the tiger. This contrasts with a position of permanent vindication on the part of China, which has evolved from a “cautious” position during its economic opening from 1979 to 2000, as already noted, to an open competition from its “economic renaissance” (2000-2013). In the framework of this relationship, China has gone from having a GDP of just 303 billion USD in 1980, to register the extraordinary figure of 8 trillion USD in 2012. In the same period, the U.S. has gone from an amount of 2.8 trillion USD, to a figure of 16 trillion USD (IMF, 2012). The numbers speak

for themselves about the dividends generated by each country during the period; within which the economic distance between the United States and China has been reduced from ten times to one time in favor of the Asian country.

As for Taiwan, it is also an unfinished issue of the North American participation in the middle of the 20<sup>th</sup> Century; it moves in an increasingly awkward position for each of its participants: for Taiwan itself, because it knows that the Chinese GDP, besides being an insurmountable barrier, is eleven times larger than its own GDP, and serves as a motivation to achieve a more advantageous integration for itself; for China, because its empowerment warns it that the return of the island is only a matter of time, and every day it makes progress in taking over the economy and trade of Taiwan; for the United States, because the defense of the former Formosa has become an increasingly more uncomfortable and costly issue for American interests, although the island will continue to be a piece of change on the chessboard that East Asia has become.

In the case of Korea, the U.S. still suffers the effects of following the wrong strategy in the 1950s, in the presence of the public and permanent threat of a North Korea that only talks with China, and that maintains a position of permanent check that makes the U.S. uncomfortable and limits its alternatives. Regarding its twin South Korea, although it remains covered by the protective blanket that the U.S. offered in its confrontation with the North, gradually its interests have been moving to China, which has become its most important trading partner; where Korea is the fifth investor through the installation of more than 10,000 Korean companies in the Mandarin territory and has the largest number of foreign students in the Asian country.

As for Japan, the decisive three-point relationship, Beijing, Tokyo, Washington, has escalated to a more relevant point, and the geopolitics in and outside the area maintain their greater attention on the unfolding that each of the parties will follow, which will be marking the path of the first part of the 21<sup>st</sup> Century in the area and in the world. Japan, as we know, “fled” from Asia in the 19<sup>th</sup> Century and assimilated itself to the winning Western model in all its different forms; with such success that in a short time, it became a major industrial power which led it to be a military power that, together with Germany and Italy, tried the adventure of redistributing the world in 1939. Since the end of the War and during the last 60 years, Japan has orbited around the U.S. as part of the costs of its defeat and its post-war commitments; as well as the convenience of not being loaded with the budgetary distractions of military spending because based on the Mutu-

al Security Treaty (MST) that it signed with the U.S., the North American country maintains a strategic military base in Japan. It also does so because in the framework of the agreements of its capitulation, the U.S. forced Japan to commit itself, constitutionally, to the fact that, “The Japanese people will forever renounce war-making as a sovereign right of the nation” (Morrison Eliot, Commager Steele and Leuchtenburg E., 1993, p. 808).

However, faced with the vertiginous Chinese advancement, Japan has ceased to be the area’s economic power, with the aggravating circumstance that since 1945, it stopped being the military power, which undermines its position right in the center of its structure, because neither Japan nor the U.S. prepared themselves to arrive at this point in time, in which Japan, by moving to the third place in the world economy, with China likely being in first place in a few years, will have to rebuild this “comfortable” path because the one it had traveled to be the East Asia economic leader and a strategic partner of the most important military power of the world, will have to answer to itself: How will it articulate its regional economic position in the 21<sup>st</sup> Century? How is it going to structure its geopolitical relationship with China? As a consequence, how is it going to renegotiate its relationship of more than half a century with the United States? All these dilemmas do not have easy answers, because both China and the American nation will be pressuring to align it to their own positions; and considering the way both sides have handled their chips, today they do not seem to be reconcilable. China, for its part, since 2004 has been pressuring Japan so that it formalizes a free-trade agreement with the 10 ASEAN countries and South Korea, to form the economic block called ASEAN+3, which would represent 21% of the world GDP and 30% of the total world population (year 2009, CELAC); however, despite the fact that Japan has already formalized its ASEAN+1 commercial alliance framework; without refusing to date, it is still reporting the project as being in “feasibility study,” status, which has been delaying its formal integration with China. The United States, for its part, also presses heavily on Japan for it to integrate itself into the Trans-Pacific Partnership Agreement, the counter offer of the ASEAN+3, in order to strengthen its regional block in East Asia, which it has achieved by integrating Japan, in a first instance, to the preparatory meetings of the TPP in Malaysia, held in July 2013. Japan, now converted into the crown jewel, will be helping to define the winner of the first round of this contest with its decision. Rosales comments “The signature of the free trade agreement between the United States and the Republic of Korea encourages Japan to resume the negotiations suspended on a similar agreement with the Republic of Korea and to advance towards an

eventual agreement in the scope of the Trans-Pacific Partnership Agreement. If substantive progress is made between the major players toward the achievement of these Trans-Pacific initiatives, it would alter the balance of the economic and commercial power in the Asia and the Pacific area not only between China and Japan, but also between China and the United States, and it would substantially change the panorama of integration into Asia and to the Pacific. If Japan chose to participate in the Trans-Pacific Partnership Agreement negotiations, the possibility of achieving a commercial agreement among the three main countries of Asia would be greatly affected" (Rosales and Kuyuwama, 2012, p. 199). From the initial acceptance of Japan to be integrated into the TPP, by going to Malaysia, the United States is building, after a long time adrift, the beginning of a strategy to compete against China on the economic and commercial terrain. Despite the importance of Japan's integration into the TPP negotiations, it is worthwhile to follow closely the outcome of this meeting and not to lose sight of Huntington's commentary when he warns that, "Ideally, the Japanese leaders and people would prefer without a doubt the regime of the last few decades and remain under the protective arm of a predominant United States. Nevertheless, as the U.S. involvement in Asia declines, the forces that in Japan call for the 're-Asianization' of Japan will gain in strength, and the Japanese will come to accept as inevitable China's renewed control in the East Asia scene" (Huntington P., 2001, p. 283).

As can be appreciated, the relationship of the Atlantic with the Pacific is presented in the 21<sup>st</sup> Century as a rough process, within which, to date, their differences prevail with respect to their agreements. In the U.S.-China relationship, even though they try to present a civilized discourse, they can no longer hide the differences between their political and economic interests from the international community's view. In this geopolitical framework of huge transformation, we once again ask, what does the United States hope for through the leadership and promotion of the TPP in the central courtyard of China, without China? Is it a proposal so that the TPP acts like a hinge between these antipodes? Or, is it a Trojan horse that is placed in the region by the U.S. as a first movement within a comprehensive strategy to address the challenge of a powerful China?

From 1999 to date, the trade balance of the United States with China has had a deficit; registering 13 years of continuous losses with negative annual balances that from 2005 exceeded 200 billion USD. From 2005 to 2010, the accumulated trade loss of the U.S. was 740 billion USD. However, in this marked tendency of losses, the U.S. is not alone; the entire West participates, where the European Union in the same period registered

a trade deficit with China of 575 billion USD. However, the commercial losses of the West with China (in which Mexico participates in an important extent with 56 billion USD in 2012) do not obey a classic principle of competitiveness with which China has surpassed Europe and the United States; in fact, in the global competitiveness ranking China is still appearing significantly above the ranks obtained by the E.U. and the U.S. [6th place Germany, 10th place England, 15th place the U.S. and 26th place China, The Global Competitiveness Report (2012-2013)], so the advantages with which China has been dominating the world market of goods have not been under the parameter of the competitive “virtues” that mark the OECD, IMF and the WB; not with the rules to facilitate the commerce that the World Economic Forum measures (2012), where the Western countries continue to have better positions than China (13th place Germany, 19th place the United States, 48th place China, etc.); nor much less in the “strategic” network of free trade agreements that China had woven with the world, in which we also find that in 2011, China reported a coefficient of coverage of just 11% (ECLAC, 2012), i.e. 89% of its exports lacked the tariff and commercial advantages offered by the countries with which such agreements are signed. Derived from the above, the relevant question is, if China is not as “competitive” as the West, nor does it offer the best facilities to foreign trade as the West; nor does it have as many FTA’s signed as the West; even worse, if it is the student whom the WTO scolds the most for violating the rules of international trade (more than 825 cases of dumping have been initiated against China in the last 15 years, making it the most reported country; WTO, 2011); why has its commerce overwhelmed the West for more than 30 years? The West knows the answer very well, and it knows that in both the success of China, and of the Asia region nowadays, as well as of Japan before that, the West has been a “partner” of an industrial relocation of Europe and the United States toward East Asia, in a strategy that has been mainly led by a profit exacerbation (low cost) at the expense of the wages and the social security of the Asian workers and now of the whole world. The Western deindustrialization and the East Asia industrialization are “mirror” phenomena, which have not occurred based on competitiveness or innovation. At least to date, its fundamental reason has been the technological, financial, and industrial transfer, which was produced in the second half of the 20<sup>th</sup> Century and persists to the present day. In China even in 2006, the companies with North American foreign capital accounted for 26% and with European, 18 %; between the U.S. and the E.U., foreign investment (FDI) is 13% (ECLAC, 2012).

Today, the reality has been transformed, and the cunning, the talent, and the Asian working capacity have transformed the world's largest assembly plant into being the world's largest factory; a transformation that the West did not consider, and that was not in the script, which is why the West does not know what to do with it. If the United States is betting on reversing this reality with the Trans-Pacific Partnership Agreement, it is like wanting to kill a dragon with a slingshot.

One of the main reasons for the economic problem between the United States and China, between the West and East Asia, is structural. Its solution, in the first term, is to pass through the leveling of the normative floor that "governs" the world's trade, which can no longer continue being a simulation for some (most of the countries of the West and East Asia) and a strait-jacket for others (such as Mexico and a good part of the Latin American countries). The gross commercial differentiation that predominates in the agricultural issue on the part of the West cannot be sustained anymore; and the repeated violation of WTO norms on the part of China and East Asia should not continue either. The United States' hope to expand its privileges in services (high technology, the pharmaceutical industry, patents, marks, etc.) through the TPP is a lack of sensitivity and sense of future towards the achievement of a more harmonious and just trade in the 21<sup>st</sup> Century. While the U.S., along with Europe, continues without channeling a substantive proposal to recompose these structural deviations of international trade, China and East Asia will continue turning a deaf ear to a call, which for having been born flawed, they feel does not bind them, and on the contrary, justifies their "pragmatic" actions to deploy the economic strategy of the "cat," in which, according to the Chinese proverb, it does not matter whether the cat is white or black (Socialist or Capitalist), what matters is that it catches mice.

On the other hand, as was already commented, the U.S. always has had interests in the East Asia region and in spite of its large faults, its presence in the area since the second part of the 20<sup>th</sup> Century has been hegemonic in the face of the large social and economic weaknesses of China, India, and Russia, and its political agreement with Japan. However, within the economic resurgence of the region and the remarkable success of China, the countries of the area have become nervous, and currently; they are struggling in trying to discern which country has a better future and in whom they are going to deposit the chips of their allegiances and interests. Is it through the TPP that the U.S. is trying to place a Trojan horse in the region in order to diminish the ascending power of China? Or, does the U.S. truly believe

that through this phased out free trade offer it can build a hinge between the regions or earn the sympathy and the alliance of the region's economies and maintain its hegemonic role? For the moment, Oksenberg comments, "The Asian leaders are concerned that the balance of power may shift in favor of China, but in a restless anticipation of the future, they do not want to confront Beijing now," and, "They will not join the United States in an anti-Chinese crusade" (Huntington P., 2001, p. 282).

In 1993, in what was still a pre-Chinese world, and within the framework of the Forum of the Asia-Pacific Economic Cooperation (APEC), President Clinton declared that the time had come for the U.S. and Japan to create a new Pacific community. Four years after the end of the story (1989-1993), and in a world that was still full of certainties, the U.S. felt that the East Asia region could continue to be managed with the help of the regional economic power of the time, Japan; and through an economic integration proposal that it had put into play along with Australia in 1989 (APEC). The cooperation proposal to convert a wide free trade area made up of 21 countries, of which 16 corresponded to the East Asian region, was a wide-reaching bet that covered around 90% of the area's countries and set out to commit the parties to the current international regulations. After more than 20 years, the vision of a successful APEC commanded by the U.S. has been diluting year after year, as a result of a 10% annual average increase in the Chinese GDP, which did not facilitate the institutionalization of a geo-commercial figure commanded by the U.S.

Meanwhile, China walked slowly towards its integration with the WTO in 2001, sailing with greater privileges in the international market with the Most-Favored Nation Clause. At that time, China did not need an APEC, and the United States did not invest enough political capital for this to occur. Again, the lack of U.S. attention in the area and its repeated mistake in identifying the Chinese nature and interests, to date resulted in informal APEC models that communicate much and bind little to their members. Faced with this failure of not advancing in the normative institutionalization of the APEC; with a new U.S. president, Obama, and twenty years later (1989-2009), the United States changes its "strategic" negotiation center in East Asia from an ambitious proposal, APEC, to a "modest" proposal, TPP, which covers approximately 35% of the countries of East Asia (7), and that with regard to its Asian value, is very inferior to APEC.

**APEC- TPP (ASIAN VALUES, 2011)**  
**COMPARATIVE TABLE**

	APEC	TPP
Asian Countries*	16	7
Population (millions of people)	2,243	280
GDP (trillions of USD)	20	8.0
<i>Total Trade (trillions USD)</i>	11	3.6

SOURCE: World Bank, Comtrade, World Fact Books

\* Includes Australia and New Zealand

The Asian countries of the TPP with the greatest economic value, other than Australia and Japan, are Malaysia (287 billion USD) and Singapore (239 billion USD); the first has a population made up of 25% of Chinese origin, and the second has 76% of Chinese origin, which, from the start, gives them an orientation motivated by origin and history. With respect to Malaysia, China was its second trading partner in 2010 with 29% of its exports and 15% of its imports. As for Singapore, it was its third trading partner (10%); although Hong Kong turned out to be its second with 12%, for a total of 22%. With regard to Vietnam, which is the most uncomfortable Asian country for China because of its military conflict from 1979; although the U.S. continues to be the main destination for its exports (20%), China now occupies first place with regard to its imports, at 30%. Brunei, the smallest country of the six TPP Asian Nations, has just half a million inhabitants and a trade of eleven billion USD (World Bank, Comtrade, World Factbook, 2011) and is completely oriented toward China. Finally, in what corresponds to the two Asian countries of Western origin, Australia and New Zealand, the geopolitics of the 21<sup>st</sup> Century have left them encapsulated in a limbo in which their trade and economy are being determined by the East Asia region [regarding Australia, its exports in 2009 went to China (25%), Japan (19%), Korea (9%), U.S. (4%); and its imports came from China (19%), U.S. (11%), Japan (9%), Thailand (5%), etc.], and since 2002, when the United States requested Australia's support in its dispute with China over Taiwan, Prime Minister Malcolm Fraser defended the country's neutrality despite the Treaty of Defense that it signed with the U.S. (Shambough, 2005, p. 321).

To expect, as it seems, to face or to stop the Chinese economic boom through an agreement such as the TPP, is to forget what Kissinger said, "An

explicit American project to organize Asia on the basis of containing China or creating a block of democratic states for an ideological crusade is unlikely to succeed, in part because China has become an indispensable trading partner for most of its neighbors" (Kissinger, 2012, p. 539).

China has not been invited to the TPP proposal, but there is no doubt that China is now within it demographically, historically, economically, and commercially. Furthermore, China is reconstructing hastily the Sino-centrism that prevailed before the 19<sup>th</sup> Century through a huge geopolitical promotional campaign that the Asian country has deployed with the majority of the East Asia countries through student scholarships, loans, and the important power of its new imports.

## VI. CONCLUSIONS

The TPP is a proposal that goes beyond the boundaries of a free trade agreement, and is inserted directly into a clash of regions (Atlantic-Pacific) and civilizations (West-East Asia) that will be determined throughout the first half of the 21<sup>st</sup> Century.

The U.S. confrontation with China in the economic area starts late, and a long chain of actions and omissions place the new Asian power at the level of the U.S. today; where it does not matter anymore whether or not the Chinese GDP will surpass the American GDP before 2020; since it is a fact that China's most important transformation has been completed; it has gone from being a country of assembly plants to a transformational country with its own impetus, and the other actors will have to redo their strategies to manage a new reality for which no one was prepared, other than China. Therefore, the TPP proposal, which follows the phased out hegemonic path of the second half of the 20<sup>th</sup> Century, without greater imagination than to hope to perpetuate the commercial interests in the service sector of American companies, will not be enough for the U.S. to integrate in a solidary way the seven Asian nations that by history, origin, geography, or interest, want no part in a confrontation with China. "Historical experience shows without the shadow of a doubt that —Huntington points out—in the nineties, every East Asian country already had the feeling that, in matters relating to the Pacific as a whole; they had much more in common with other countries in their same region than with the United States" (Huntington P., 2001, pp. 272 and 273).

In the commercial terrain, the signing of a Trans-Pacific FTA will be of no use if the competition field is not leveled for all participants. Within the

framework of this commercial inequity practiced by the West in the agricultural and service sectors and East Asia in the goods market (in which Mexico and Latin America are in the middle), the United States and Europe have gotten the worst part, at least in the last three decades, in which Asia's economy was rebuilt and the West's was weakened. For this reason, repeating old recipes to solve new problems is just continuing on a path that will follow the destiny of the Chinese proverb that says, "If we follow the path on which we're going, we will certainly arrive where we are headed;" which is Sino-centrism predominance in the economic and geopolitical world. Regarding this, the only complaint is that on its way to its development, it is not in compliance with the established multilateral commitments, or that it climbs over the commercial interests of other countries; as, of course, the West has been doing for the last 500 years.

American countries such as Mexico, Chile, Peru, and to a lesser extent Canada, which have taken the invitation to this commercial adventure by the Pacific with much "enthusiasm," should check the small print of a commitment that refuses to mend the "commercial privileges" that both the West and East Asia have been practicing during the last few years, and that, on the contrary, leaves them in the middle of a geopolitical confrontation in which expressly or tacitly, they would be taking sides. If these starting points are not changed, the "adventure" will finish, in time, with more negative than positive balances.

Mexico, from the "enthusiasm" to participate in the TPP, which closely resembles its "commercial illusion" of 1994, could review with a little more depth and experience the geopolitical, economic, and trade interests that can be pared away for the country from that commitment, in order to generate a comprehensive strategy that results in more dividends than setbacks. In view of more than a few empirical studies (Clyde Prestowitz, 2013), for Mexico, the commercial equation alone predicts more negative than positive results of its "adventure" through Asia. To search for the encounter with the TPP without negotiating advantageously its geopolitical commitment with the U.S.; to sign the TPP without being included in the FTA between the United States and Europe; to renew NAFTA through the TPP in exchange for nothing; to arrive at a trade encounter with East Asia armed only with its insufficient and orthodox economic structure, which in the last ten years has left a clear imprint of its inferiority with respect to the Asian heterodoxy; will not be, in time, anything more than the story of a previously foretold poor commercial encounter.

The U.S. still has room to repair its comprehensive strategy in East Asia. The problems of the economic future and the historical sensitivities with the

region do not belong to it exclusively. China also has at this time the challenge of validating the economic success of what it has achieved up to today; and the concerns in the area over its new hegemonic role will be running very high at least with India, Russia, Japan, Vietnam, etc., with which it has already had war conflicts in the past. Within a possible restructuring of the American strategy, whether or not the chips it has are enough to sustain a direct confrontation with China through the TPP could be reviewed; alternatively, on a more objective level, it ponders the potential invitation of China to participate in said treaty, which has previously expressed its interest in being part of the TPP. A fairer commercial regulation; a more committed compliance from China (East Asia) and the United States (West) with the regulation of the global exchange of goods and services, would be good news for an economic world that will be fighting for its rearrangement and survival throughout the 21<sup>st</sup> Century.

## CHAPTER II

### CHINA OR THE NEW GLOBAL FORCES

## CHINA AND THE BRICS PROJECT: SKEPTICISM OR AMAZEMENT?

**SUMMARY:** I. *Introduction.* II. *The BRICS in the framework of a global economy under construction.* III. *The rupture from the Bretton Woods System and the rise of the BRICS.* IV. *The relevant role of China within the BRICS group.* V. *Goodbye neo-liberalism? Welcome market socialism?* VI. *The world according to new trends.*

### I. INTRODUCTION

To speak of the BRICS is to speak of the future; therein lies the complexity of embarking upon a topic in the framework of the commencement of a century as it begins, that, just like the two previous centuries, challenges us, not so much to surmise what comes next, but to understand what is happening today. We are living through the syndrome of a globalization without repose that has left us without answers for the majority of the questions that today are necessary for a harmonious cohabitation of the human being. We are witnessing the end of the political and economic certainties of a global world that, through multiple expressions, attests to the unresolved transformation that is translated into a dissatisfied world society that wonders about its respective solutions every day. In some manner, in some way, we have become hostages of our own success.

For that reason, to speak of the BRICS, or rather, of the group of countries made up of Brazil, Russia, India, China, and South Africa,<sup>1</sup> beyond the position that is assumed, the topic invites us to take care not to fall into the simplicity of the past or in the global speculation of the present, of only knowing about the displaced and the winners. The profound integration that all the countries that currently form part of the global community are witnessing, be it accepted or imposed, does not allow us to witness today as simple spectators the scene of a transformational refill on

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<sup>1</sup> South Africa was not integrated into the block until April of 2011, thus it is not included in the analysis of this work for editorial reasons.

whose results depend greatly the possibilities of the success of a compromised world society.

To know if this is China's century or not; if we are witnessing the decline of the United States; if India, Russia, or Brazil will displace Japan, Germany, or France through the first half of the 21<sup>st</sup> century; as a global society this is not the most relevant. What matters, on the contrary, is to know the why and the how of these rearrangements; and to what degree it will affect or benefit the common heritage of some finite assets that belong, now more than ever, to a global society that can now only pass collectively toward a future in the medium and long term. In this sense, the success of the BRICS countries in the 21<sup>st</sup> century, as of any other nation, can only be understood in the framework of the future of a global society that takes into account and respects the sustainability of all of its participants.

Naturally, this approach was not taken in the 18<sup>th</sup> century, at the beginning of the Industrial Era, when the Watts and Cartwrights were inventing the steam engine and cotton spinning machinery, and with them they were marking the beginning of a global society without repose that in an unstoppable race gave rise to the most lucid and successful period of its existence, just as it yielded the stepping off point of its self-destruction. Nor did Great Britain do it when, with a base in these new technologies, reaffirmed belligerently in 1815 with the Battle of Waterloo, throughout all of the 19<sup>th</sup> century it imposed upon the new global world a form of cohabitation and economic exploitation that led it to retain 25% of the land and population of its time. Great Britain, and the first industrial countries, did not know, nor did they wonder, if this form of "development", and exploitation would lead us to today, in a mere 250 years, where we record concentrations of greenhouse effect gases in the Earth's atmosphere greater than those that were present eight hundred thousand years ago and that quickly and geometrically approach those that are presumed to have been there fifteen million years ago (Smith, 2011). The industrial era, led by Great Britain, inevitably but irresponsibly imposed, was born and developed before a global community that witnessed, passive and shocked, the "Century of Great Britain", where 2% of the industrial participation that grew its teeth in 1750 was elevated to 23% in 1880. At the same time, Europe, in that last year, conjointly accumulated 62% of the development of the new exploitation of the industrial world (Kennedy, 1994). Likewise, at the beginning of the 20<sup>th</sup> century, a less satisfied and full of demands global society, but with the same illness as in the beginning of the 19<sup>th</sup> century, was wondering if the 20<sup>th</sup> century would be the century of the United States and the downfall of Great Britain; and if we were on the road to the "Americanization of the world" (W.T. Stead); or

if the world would unite itself or defend itself from the, “Colossal American business” (Kennedy, 1994).

Paradoxically, at the beginning of the 21<sup>st</sup> century, the same global society, more distressed than ever, but with the renewed illness from before, today questions itself in the face of the evident decline of the United States, if this is China’s century or if this will be the Century of the BRICS.

Equally, it questions who is winning or who is losing in an advanced exercise of alliances and interests. Unfortunately, for this same global society, the stage of simple speculation has already passed, and under the weight of some numbers that speak to us with serious fundamentals that we can easily convert into the sixth massive extinction in the history of the Earth, and in the “First since the extinction that was projected in the Cretaceous-Tertiary Period, that ended the dinosaurs some sixty-five million years ago” (Smith C., 2011, p. 186); as much the decline of the old hegemonies such as The United States or England as the appearance of new economic players such as Brazil, Russia, India, and China, should be looked upon with the concern that all that is recounted today in the global society economic and commercial subject matter has or generates direct repercussions on all the countries that inhabit said society, which has a bearing on their social and political welfare.

Today it is not sufficient that the arrival of new parties from the economic success is applauded under a simple philosophy of winners and losers. If from 1750 to 2011, what had prevailed over the old preeminent countries has been their irresponsibility for the future, their irrational consumption of the common patrimony’s natural resources, this in no way can convert itself today into a justification for the old and new economies to do the same to the detriment of a collective sustainability. It should be added to the aforementioned that within the global society, there is increasingly a greater consciousness of the finite resources on which it relies. 100 or 200 years ago the scarcity of the consumables that are required for the development of the coming years was not clearly known: the fact that there is only petroleum for the next 41 years, copper for 35 years, natural gas for 60 years, iron for 72 years, silver for 14 years, etc. Nor was it known that the levels of CO<sub>2</sub> concentration (280 parts per million) from the pre-industrial era have increased by 40% (387 ppm, 2009), which is producing the greenhouse effect on the Earth, and that two-thirds of this increase have been scientifically documented only since 1958 (Smith, 2011).

When England lived the first stages of the Industrial Era (1800) “the concern” of the global society of the time included “only” one billion inhabitants, which had accumulated after approximately ten thousand years

of ancient and modern history. In the case of the consolidation of the pre-eminence of the United States in the 20<sup>th</sup> century (1930), the expectant world that witnessed it, after 130 years, had duplicated to two billion human beings. Currently, in the case of the BRICS (2011), we are taking about a compromised future for seven billion human beings that integrate and share a global society that turns out to be six times larger than that which prevailed during the English hegemony, and 2.5 times greater than that which was maintained with the United States. One cannot fail to comment upon the aforementioned that for the year 2050 the global society will be surpassing 9.2 billion human beings, who, just as today's populations, will be in search of their development and welfare. L. Smith comments on this respect that if this "development and welfare" that the countries of the world seek equally were to standardize itself to that which currently only the developed countries have, now in 2011, one would be talking about a need for natural resources that would not be for 7 billion people but for 72 billion people, and that in 2050 this figure would escalate to 105 billion human beings (Smith C., 2011, p. 36) which, by all means, is a future that would be impossible to attain because our planet today does not have sufficient natural resources to offer this level of goods and services to all its inhabitants.

For that reason, upon speaking about the BRICS, or rather, upon scrutinizing the future that is coming, it does not turn out to be more convenient, at least from the point of view of academic criticism, to do so only with the comparative focus of winners and losers, since today like never before the medium and long term future of the global society is highly compromised. We can avoid doing it in this manner, but at the beginning of 2100, then we will be creating the balance sheet not of the new winners of the 21<sup>st</sup> century, but of the administration of the damages of a broken and failed civilization.

## II. THE BRICS IN THE FRAMEWORK OF A GLOBAL ECONOMY UNDER CONSTRUCTION

The rise of China and the BRICS countries occurs just in the last decades of the 20<sup>th</sup> century and in the first years of the 21<sup>st</sup> century, and its result cannot be separated from the lines of transformation and crisis that have characterized this time period. Equally, given the parallelism that is drawn with the economic phenomena that are presented at the beginning of the past century, its review in the framework of these antecedents is obligatory.

At the beginning of the 20<sup>th</sup> century, before the Great Depression of 1929, the world was celebrating the decade of the twenties. Happily, the

class responsible for the control table of the first decades of the 20<sup>th</sup> century “inheritant” of the post-war period of World War I, was celebrating the development of its insufficiencies and of its economic contradictions that would lead the world to a period of adjustment that lasted more than twenty years (1929-1950) and that had a balance of sixty million deaths (World War II). Or, as other authors point out (Friedman 2007; Hosbawm, 2007), it was prolonged for more than 35 years (1914-1950) with the figure of 100 million victims (G. Steiner). Beyond the different visions, one of the central themes in economic subject matter was that the new global society of the moment, that had passed from a world commerce in the 18<sup>th</sup> century, from 1% to 5% in 1870 to 10% world GDP in 1929, did not take notice of the new world that the Industrial Revolution was inaugurating since it did not accept individual responses because the action of some of the countries that participated in the new world concert automatically had a bearing on the stability of the other nations. In the same way, they ignored the fact that the inauguration of a new sector of the economy, the industrial sector, would have a direct impact on the transformation of a world society that had been agricultural for the last 7,000 years, to which it had cost an enormous amount of work to re-order its sustainability overnight, in order to orchestrate a new successful industrial sector and dismantle an agricultural sector with which it had cohabitated and generated its wealth for the last seven millennia. The economy and international commerce passed from being businesses for farming goods to a world of industrial businesses when in 1825, 1869, and 1875 the English, American, and French industrial sectors, respectively, had a greater weight in the agricultural sector on their economic product (Attali, 2007). The rural society was transforming into urban and the birth of the new sources of work was giving rise insomuch as the new factories that the permanent industrial innovation was generating were being built. What the world was experiencing in the 19<sup>th</sup> century and the beginning of the 20<sup>th</sup> century was not a simple change of paradigms, it was the birth of a new Era, of an industrial society that required a whole new understanding of the administration of the economic life of the “Western” world that was dealing with the new production of goods. This demanded a principle of understanding that this new economic cycle would become sustainable and involved and bound the participating countries. In order to preserve the national economic order, a minimal global understanding had to be generated that made a new worldwide cohabitation possible, which never again could be administrated exclusively behind the national walls. However, it did not occur this way, and despite the economic boom that the

new cycle of world commercial expansion generated [the world economy scaled down from 695 billion dollars in 1800 to 27,995 million dollars in 1900 (Frieden, 2007)]; the disarticulation of economic players and sectors moving completely out of sync globally provoked a “disorder” that was evidenced in the first decades of the 20<sup>th</sup> century. It exploded and the bottom fell out of it abruptly in 1929.

When the Great Depression began at the end of the twenties, the world commerce for goods was taken aback by 70%; unemployment shot up 25%; industry was disintegrated by 30% for a five year period; global production fell 20%; 18 central banks plunged in a timeframe of six months; and in five years 50% of all United States banking disappeared (Frieden, 2007), among other symptoms. However, just as today, the global society of its time first identified the problem as a stock market issue (the New York Stock Exchange fell 12.8% on Black Tuesday, October 29, 1929, and in three weeks lost all that it had gained a year and a half before. *Bierman, Harold. “The 1929 Stock Market Crash”.* EH.Net Encyclopedia), only to be handled later as a mortgage problem [in 1934 in the United States mortgage payments fell behind by 30% (Frieden, 2007)]. By the same token, the loan liquidators of their time (Andrew Mellon) were not in short supply, those who cried out because the governments maintained themselves on the margin of the problem (Frieden, 2007, pp. 305, 241). However, what was evidenced by all of that is that the economic society of '29, as much for created interests as for its lack of capacity to interpret the new times, condemned the generations of the first half of the 20<sup>th</sup> century to face an economic insufficiency and contradiction that they could no longer resolve locally and traditionally, that demanded, in the face of the new industrial world and as a global consequence, a new manner of attending to geopolitics, the economy, and the world's commerce. After decades of poverty, this was only achieved when two global facts of greater relevance were specified: the first, through the collective agreements signed by the Bretton Woods post-war economic players in 1944; and the second, by means of the recognition that was made by the western economic world of the social rights and welfare of the most deprived. From the referential framework of these two large events, positive economic results begin to be generated for the majority of the countries that participated in this new “western economy” which were prolonged until the decade of the seventies, when again the global contract began to deteriorate amidst the lack of harmony of a global agricultural sector that had been outdated since Mercantilism, an anarchical and predatory industrial sector, along with a rising society of the knowledge that was taking its first steps.

Naturally, along with the aforementioned, an infinite number of political-economic and social vectors that influenced the development of the phenomenon were crossed, but for the effects of the present work, what one attempts to highlight is that at the beginning of the 20<sup>th</sup> century, as is happening in the 21<sup>st</sup> century, what has prevailed is society's incapacity to identify in turn the structural historical change that it is experiencing, and its helplessness, interested or catatonic, to resolve it. As far as the 20<sup>th</sup> century, once crisis erupted, the renovation of global economic thought had to come with Keynes and the precursors of the Welfare State in Sweden and the rest of the Baltic countries, among others, in order to rethink and humanize a capitalism and an economic model that as Keynes said in 1933 "The self-indulgent but individualist international capitalism, in whose hands we find ourselves after the war, is not a success. It is not intelligent. It is not pretty. It is not just. It is not virtuous. And it does not satisfy the needs", adding later in a manner of synthesis regarding the Great Depression of 1929: "The inconvenient principals of the economic society in which we live are its incapacity to procure full employment and its arbitrary and unequal distribution of wealth and income".<sup>2</sup> The aforementioned turns out to be relevant because one hundred years later, and at the beginning of the 21<sup>st</sup> century, in the framework of the economic problems that are presented and the new economic players that emerge, the causes that Keynes mentions continue to be the same, that is, the high unemployment indexes and a reiterated inequality in the distribution of global wealth.

Regarding the economic insufficiency of the 21<sup>st</sup> century, despite the multiple symptoms that have been presenting themselves since the seventies, the first stances have been denial toward the sizing of the crisis and to minimize its possible results. Since 2005, for example, as far as the United States is concerned, Thomas Friedman, was already forewarning a colossal economic crisis and suggested that in that moment there was still time to change directions, "not when the typhoon is on the verge of gobbling you up". He also complained regarding this that in the face of the warning of dramatic changes such as the events of 9-11, where a great opportunity for the call to national sacrifice from the United States to resolve the urgent financial, energy, scientific, and educational problems had presented itself, President Bush, instead of urging the people to sacrifice, invited them to go shopping (Friedman T. , *La tierra es plana*, 2006, p. 270). In 2011, as is known, the economic question of the United States is far from being

<sup>2</sup> The poor of the world increased by more than 50% from 1820 to 1950; passing from one billion to more than 1.6 billion people (Doldin & Reinert, 2007, p. 59).

resolved, although now its escalation has led it from simple concern to internal debate on the possible, “moratorium”, of its bulging debt, with the unimaginable international consequences that this could cause.

The perception of the global economic phenomenon has not been easy. Krugman, for example, wonders about the reason for which the economists have been mistaken regarding the nature and dimension of the current crisis (New York Times 11-22-09). In the same sense, Anatoly Kaletsky, in his article, “Goodbye Homo Economicus”, wonders, “How many academic economists have had something useful to say about the greatest upheaval in 70 years?” and he condemns affirming that, “The reality is still worse than what this rhetorical question suggests: the economists have not only failed, as a profession, in guiding the world out of the crisis, but they were fundamentally responsible for having dragged us into it” (2009, p. 4). Hikensath and Dougherty denounce again in 2011 that “Two years after the official end of the worst recession since the Great Depression, the recuperation of the United States proves to be one of the most disappointing since the end of World War II” (Reforma, July 2011). As far as Europe, the Manifesto of Terrified Economists points out that “The economic and financial crisis that has shaken the world in 2007 and 2008 does not appear to have debilitated the domination of the outlines of thinking that orient economic policies since thirty years ago. The fundamentals of the power of the finances have not been called into question in any form. In Europe, on the contrary, the States, under the pressure of the international institutions and of the grading agencies, apply some reform programs and structural adjustments that have already demonstrated in the past their capacity for increasing instability and inequalities with renewed spirits. These measures —they predict— are going to further aggravate the European crisis”. And they add as a matter of importance: “We are conscious of the fact that the current crisis is much more than an economic crisis. It is also a social crisis that stands out against the background of the ecological and geopolitical crises, and that, without a doubt, comes to confirm a historic break (Askenazy & Coutrot, 2011, pp. 7-10).

In the framework of all this economic transformation a group of four countries (BRICS) appears, that unlike the majority of the occidental and non-occidental nations, present marked growth tendencies, especially China, that appear to be absent from these problems and to orbit in a different economy. Is this so? How does the western economic problem link itself with the success of the BRICS? Is there a new economic model that transcends the economic problems of the 21<sup>st</sup> century? Is the success of the BRICS reproducible? Is China the new economic model to follow in the 21<sup>st</sup> century?

Are the development strategies implemented by the BRICS sustainable? On the border of the end of economic certainties and in the face of the obligatory search for global answers for the 21<sup>st</sup> century, the economic ascent of a group of countries that in theory is encouraging, cannot isolate itself from the conflict a global society experiences in search of a sustainable development.

### III. THE RUPTURE FROM THE BRETON WOODS SYSTEM AND THE RISE OF THE BRICS

As was already mentioned, with Bretton Woods comes the birth of a new economic phase (Neoliberalism), which, through the policies adopted and its new institutions, had as its main objective to give order and sustainability to a new economic model, which, although based on the free market, would not commit again the same mistakes that caused its collapse. Without a doubt, the foundation through which the new occidental economic world was reconstructed was as much the financial agreements as it was the new economic measures. Despite the aforementioned, and without diminishing the importance of the rest of the approved measures, the main difference between the pre-war phase of free commerce and that of post-war Neoliberalism was the adoption of a social conscious on the part of the majority of the economic players that were impacted by the profound consequences of the free commerce economy's mistakes from the beginning of the 20<sup>th</sup> Century. Greenspan explains with respect to this that "...after World War II, confidence in Capitalism was at its lowest point since the beginning of the 18<sup>th</sup> Century. In academic circles, Capitalism was considered passé. The majority of Europe was captivated with one or more of the diverse varieties of Socialism. Socialists and Communists had a significant presence in the European parliaments at their disposal. In 1945, the Communists won a fourth of the French vote. Great Britain overturned towards a planned economy under its post-war Laborist government and it cannot be said that it was the only one..." "...The recently installed Laborist government nationalized a significant segment of the British industry. In Germany, the social security system, begun under Bismarck in the 1880's, was expanded" (Greenspan, 2008, p. 316).

One of the most visible lessons for the majority of the western economies was that staunch Capitalism could no longer operate at the cost of the exploitation of workers; that the work and the capital required a new dialogue in order to maintain the benefits and the purchasing power of the salaries in exchange for social peace. And in this, in a generalized manner,

the majority of the economic players were in agreement: some, expressly in agreement such as the western European countries, and others, tacitly in agreement such as The United States and Japan. However, all together they created the modern Welfare State with the goal of improving labor and social conditions for the majority of the workers from the countries that were participating at that time in the new economy and world commerce. By accepting the improvement of salaries and benefits in each of their countries, these international players, both public and private, recognized the competitive conditions, deactivating the so-called “social dumping”. Even The United States, the most reluctant in this sense, increased the social benefits of its government from 3.4% in 1947 to 8% in 1975. And “Although often it was recognized that these security net initiatives added substantial costs to the productive and labor markets, with the flexibility that they reduced, the politicians did not judge them as significant impediments to economic growth” (Greenspan, 2008, p. 315). Frieden makes an important comment on this respect:

The combination of the Welfare State with the order of Bretton Woods seemed to show that the classic Liberals, Fascists, and Communists were all equally wrong: the modern industrial societies could commit simultaneously to generous social policies and Market Capitalism, and to global economic integration (Frieden, 2007, p. 395).

What happened to these agreements? In what moment did this consciousness of Social Capitalism get lost? What is happening with the generous social policies; with Capitalism and global economic integration? What is happening with the theories of Keynes and the American New Deal? What is happening with the economic policy that was committed to social security and labor rights? With the Social Security that was concerned about unemployment, insurance in the case of illness, maternity assistance, infancy, old age, etc.? The spirit of Bretton Woods generated new institutions and new international policies; the most sensible of these was the recognition of social rights as part of a new international economic order (Oropeza García, *El Comercio Exterior y la Gestión Aduanal en el siglo XXI*, 2009, pp. 131-140). This agreement, perhaps the most relevant of the post-war, is the one that is being broken in the 21<sup>st</sup> Century, and is one of the main causes of the crisis and global instability of our time. Equally, its breaking has been one of the most important reasons for the economic rising of China, and indirectly for the BRICS phenomenon.

### *The Weariness of the Western World and the Rise of China*

The success and development of China, and indirectly of the BRICS, is born and feeds on, fundamentally, the change that the global economy's established, "economic order", suffered in the last part of the 20<sup>th</sup> Century, especially from the break of the Bretton Woods Agreement, as well as the "Western world's" weariness and loss of direction.

Regarding the weariness of the Western world, André Glucksmann, in terms of civilization, points out:

Civilization is a bet. Double. Against he who denies and threatens to annihilate it. Against itself, very often an accomplice or adventurist of its disappearance. The past gets left behind as much in Bangkok as in Rome, the future hesitates as much in Paris as in New York, our errant Planet is converted into an everything, into an unheard of community of hustle and bustle, unified by the anguish of a responsibility shared to the maximum degree. Since Parmenides, Hamlet, and Hiroshima, civilization awakens and emerges in the crossroads of to be or not to be. We are. For each one, his battlefield. When, in the most abject privacy of a conscious, West crashes against West, everything is at stake and nothing is at stake, the mournful ringing for the end of the story remains suspended, the carillon of a new beginning contains its breath (Glucksmann, 2004, pp. 188 and 189).

More objectively, Mandelbaum and Haber, taking China's economic ascent as an example, denounce:

One day, some sociologist is going to have to analyze the reasons for which in the West—including the elites of the western democracies—there is so much difficulty for seeing and hearing the emerging reality. When all is said and done, it is possible that the westerners, 'didn't want,' to see or hear, and that they close their eyes and deliberately turn a deaf ear (Mandelbaum & Haber, 2005, p. 17).

Martin and Schumann explain it this way:

The new globalism tries to lead us to believe that all of this is, so to speak, a natural process, the result of an incessant technical and economic process. This is absurd. The global economic interdependence is not in any way a natural event; but rather, it was produced consciously by a policy oriented toward certain ends (Martin & Schumann, 2005, p. 15).

In either a general or particular manner, what we can appreciate is that in the face of the results that begin to accumulate from the breaking of Bretton Woods up to our time, especially because of the deterioration that the Western world suffers in the face of the success demonstrated by the BRICS countries, and especially by China, the western analysts do not agree on the interpretation of the process that has been causing their way of life, or “welfare state” to deteriorate little by little; in the same manner that they do not manage to clarify the “economic success” of the BRICS.

The industrial-technological revolution came to change the nature of the empires or the hegemonies that preceded them. The empires that arose before the appearance of the industrial era, in general terms, were the products of military strength, the result of war between different hegemons. From Great Britain onward, as the first empire that produces the industrialization of the 18<sup>th</sup> and 19<sup>th</sup> Centuries, economic predominance was no longer derived from the size of the strongest, but from the one that had the capacity and the “knowledge” to transform different consumables into industrial goods. Of course, Great Britain was a military empire, and in 1815 consolidated its wartime pre-eminence before the powers of its time, but it was the industrial innovations (steam engine, cotton spinning machinery, railroads, etc.) and not the tributes of war that consolidated its economic strength until the beginning of the 20<sup>th</sup> Century. For the United States, although the first as well as the second wartime conflagration of the 20<sup>th</sup> Century strengthen and define it was a pre-eminent country, what leads it to unlawfully hold 50% of the world's commerce in 1950 is the innumerable gamut of industrial products (from tires, automobiles, refrigerators, televisions, etc.) that place it as the main supplier of manufactured products during the greater part of the 20<sup>th</sup> Century. It is the industrialization and not the war that grant the hegemonies of the 19<sup>th</sup> and 20<sup>th</sup> Centuries their true economic success and their sustainability for more than 200 years. It is the development and the industrial innovation, also, that provokes the successful transfer of their agricultural economies to industrial models with high employment generation that culminate in a multiplicity of urban services.

In China's case, as absolute leader of the BRICS, with more than 50% of the group's GDP and 66% of the combined total trade, the causes that have generated to date the essential explanation of their success, as the second economic power in the world, only after the United States, with an average annual growth of approximately 10% for more than three decades and with an aggressive participation climbing in world commerce of approximately 10% (ECLAC, 2010) have not been military precedent nor industrial innovation. In China's case, it has not been by luck, nor Waterloos,

nor first nor second world wars; however, it is important to point out that their take off did not begin with a third innovation of industrial goods. How, then, does China achieve from 1978 up to our times, the quality world leader for growth? Why is it affirmed by no end of experts that we stand before China's century? How could a country with extreme poverty of 67% in 1978, a GDP of 44 billion dollars, a per capita GDP of 190 dollars, located in the 28<sup>th</sup> position of world commerce, financially broke, without monetary reserves, and with problems of a hungry and illiterate population of 956 million people (Dusell, 2004), successfully ascend to the place that it occupies today? With all due respect to the talent and the effort that have been carried out by both the people as well as the great Chinese strategists, this could not have been possible without the breaking of the Bretton Woods Model and without the decision of the main western economies to move toward an economy of technological services and an aggressive deindustrialization. As an example of the aforementioned, on the change of path of the United States economy toward an economy of knowledge, T. Friedman, declared with great "faith" before the first crisis of the 21<sup>st</sup> Century that

...although frequently thousands of employees in large, concrete businesses remain without work (because this work is subcontracted or moved out), and although this loss tends to occupy the news headlines, bridges of work are also generated little by little or by dozens or by scores in small businesses that are not as visible to you. Often, what is lacking is *a lot of faith* to believe that this is occurring. But it is occurring; otherwise, today the unemployment rate in the United States would be much higher than 5 percent (Friedman T. , La tierra es plana, 2006, p. 242).

As we know today, in 2011, this hypothesis is confirmed inversely, by registering the unemployment in the United States since 2008 at an average rate of 10%.

The industrial displacement of the West toward the Asian continent, in search of greater profit, can be appreciated throughout the second half of the 20<sup>th</sup> Century; as can its orientation toward a society of intelligence. The latter fact can be registered symbolically in 1956 when, for the first time, the United States employees and civil servants surpassed the number of all the country's workers (Toffler, 2006). As far as industrial migration, this piece of information can be statistically affirmed through the gradual decrease of the industrial countries in world manufacturing exports, where, for example, in the textile sector, 80% of the world participation in 1955 decreased to 47% in 2006, and in the Office Equipment and Telecommu-

nifications sector, where it descended from 95% to 48% in the same period. The Iron and Steel industry declined from 86% to 59% in the same 2006; and general manufacturers, fell from 86% in 1955 to approximately 65% in the same period (WTO, 2007). This phenomenon caused, in the case of the United States, for example, from the year 1970 to 1990, that despite the fact that its economy grew 70%, its generation of employment in the industrial sector during the period was non-existent (Cypher, 1992).

As was already mentioned, the global economy, in the framework of a rampant liberalism and an overwhelming industrial development, led several generations of human beings to severe economic exploitation. The military conflicts, the Great Depression of 1929, and millions of deaths, were the cost that had to be paid in order for the new global society to establish the general lines of a more shared development that would not sustain itself in the economic exploitation of the human being. Unfortunately, the economic ascent of China, above all the ascent that corresponds to the period of 1978-2000, is based precisely on the return to the social and labor policies of exploitation of cheap work that had already been abandoned by the great majority of the countries that shared the Bretton Woods System. In this sense, China's development model begins with an enormous social dumping, and consequently, with the exploitation of millions of Chinese workers, that was proposed by the Asian country and was approved by the West under the argument of "need"; generating a complicity that under different arguments and reasons has marked a strong reversal in the advancement of the collective development of the global worker; again placing Capitalism in front of one of the ghosts that was most denounced by K. Marx, which is that of "pressuring the value of the work to its minimum limit"; which had already been reasonably controlled through the post-war agreements. We witness, then, a movement from production of industrial goods sustained by the exploitation of a cheap workforce of millions and millions of people that China, as well as the rest of the poor countries, called low-cost and we see that they have broken the rules of commercial and economic "cohabitation", that were generally accepted by the western countries since 1950. And in this new framework of development, the global society of our time does not care if the 21<sup>st</sup> Century will be China's Century or the Century of the United States; what everyone is interested in is that in the line of expectation of winners and losers and that in a new economic exploitation disguised as globalization, the universally accepted social benefits of a labor class do not shatter or return to their levels from the beginning of the 20<sup>th</sup> Century in the midst of an irrational depredation of natural resources.

It is important to separate, as a cause of the aforementioned, the technological facilitation (offshoring, outsourcing, etc.), the political facilitation (the fall of the Berlin Wall), and other kinds of conditions that have made Friedman's flat world possible, and that have allowed the advancement of a positive globalization that crosses the regions, the countries, their societies, and the people, just as it is necessary to denounce the theory that they utilize globalization as a backdrop where the new labor exploitation is hidden. This boundless and full of questions phenomenon, called globalization, tends to be the screen of justification to validate a new economic model of exploitation instrumented by businesses and countries that have believed that cheap production based on the absence of social benefits and environmental care would only be a new sophistication of Capitalism and that it would not directly affect their societies, which, in the face of the uncontrollable dynamic of their deindustrialization processes, unemployment, financial crisis, and environmental decay, have proven not to be the case.

The breaking of the Bretton Woods System, in relation to the rising of the low-cost "Asian Model" was generated when China received the first millions of dollars from transnational companies in 1980, with the goal of fabricating western goods in exchange for innumerable governmental supports (fiscal exemptions, subsidies, consumables, land, infrastructure, etc.) and with the payment of salaries of 10 cents or 30 cents on the dollar per hour, without any social benefit, of course. In the face of the "success" in the lowering of the costs of the goods produced, more and more transnational companies were begun in the overwhelming ritual of industrial "exploitation" competing to see which company was the most dense, the one that continued to comply with the payment of rewarding salaries and their respective social benefits, or the most advantaged, paying the fewest social benefits possible. In the end "globalization" and precariousness have made a time bomb that has been converted into the central nucleus of the global economic model, that today affects the exploiters as much as the exploited, and that no one knows how to put back on the right track. In China, permanent lawsuits of social vindication (in May-June of 2010, in companies such as Fox Conn and Honda, for example, a "craze" of daily suicides presented itself with the goal of demanding better benefits, which has not stopped;<sup>3</sup> social security is barely applied for approximately 12% of the Chinese population, etc.) are registered all over the country in search of the improve-

<sup>3</sup> Fox Conn is a Taiwanese company that in the face of its, incapacity "to resolve the suicide problem", plans to replace half a million employees with a million robots in the next three years (Reform, August, 2011).

ment of labor conditions. In the western countries, from Spain to Greece or from France to the United States, high unemployment figures (10% average) and the progressive cancellation of salary and social benefit improvements lapidate a model of “Welfare State” through the generation of millions of “indignant workers” that increase in their protest for a decent job. In Latin America, for its part, an informal market (50% average) increases every day, as well as the precariousness of the jobs contracted on the “black market”, as a regional response to the “disorder” of the global economy and to the growth of the “Asian” development model. Some authors comment, not with little sarcasm, that the aforementioned process, is reduced to a confrontation between “The Demanding Western Society” against “The ambitious Asian societies of self-sacrifice” (Martin & Schumann, 2005, p. 12), the overwhelming welfare of the developed countries against the poverty and marginalization of millions of human beings, with the added aggravation that in the immediate and near future to which a global society’s technological innovation “condemn” us, the enormous differences in income are becoming a worrisome unease in the neighborhood.

We know that in the middle of the seventies, the sustainability of the post-war societies began to weaken, and that the irresponsible developed nations, headed by the United States, instead of again working in search of global solution, dedicated themselves to squandering the expense, which left the majority of the developed countries with enormous foreign debts (80% average of their GDP, IMF, 2010), and public expense deficits (6% average, IMF, 2010). We also know that in their demonstration of profit, they reinitiated an excessive exploitation in the altar of the free market with the pretext of globalization, taking advantage of the hunger and misery of millions of people (currently in the world there are approximately 2.5 billion poor, of which, 1.1 billion people live in extreme poverty, UNDP, 2010). Equally, we know that by 2050 a population increase of approximately 2.2 billion human beings is estimated. Under a simple arithmetic exercise, if the different global players (exploiters as well as the exploited, in conspiracy with institutions such as the World Trade Organization) continue on their position of tolerating and adopting a new modality of the worst Capitalism, the same will happen to the global economy as the Chinese proverb that says, “If we don’t change the direction in which we go, we will very possibly end up in the place to which we are headed”, which already happened to the global society in 1929.

#### IV. THE RELEVANT ROLE OF CHINA WITHIN THE BRICS GROUP

It is not an exaggeration to point out that the BRICS group is born when China, along with the West, opens its first Special Economic Zones (SEZ's) during the period of 1978-1985, in the provinces of Guangdong (Shenzhen, Zhuhai, and Shantou), Fujian (Xiamen), and Hainan; to later proceed with the infinite construction of a project designed for foreign capital, where Economic and Technological Development Zones (ETDZ), Financial Zones (FZ), New and High-Tech Industrial Development Zones (Touch), Border Economic Cooperation Zones (BECZ), Export Processing Zones (EPZ), etc. appeared. Regarding this, Chi Fulin confirms for us: "The birth of the Special Economic Zones is the most important occurrence within the Chinese policy of openness and reform and the most evident sign of its change in the face of the outside world. Through the last brilliant fifteen years, an enormous amount of information derived from the SEZ's, which have been considered a miracle by the majority of observers, has been accumulated" (Oropeza García, México-China: culturas y Sistemas Jurídicos Comparados, 2007, p. 455). The SEZ's are the ingenious instrument that Deng Xiaoping developed to attract the foreign investment that was required in order to give work to an economically active population of more than 400 million people, the majority of whom were in the countryside, hungry and desperate, surviving the economic failure of the Great Leap Forward and the Cultural Revolution (1959-1976). Based on the support provided by this strategy, during the period from 1995-2009, for example, China received more than 8.5 billion dollars from Foreign Direct Investment (UNCTAD, 2010), converting itself into the second destination for FDI in the world, behind the United States. Its industrial sector, which in 1990 already represented 41% of its GDP, registered an increase to 46% for 2009. In 1980 China exported less than 10 billion dollars; currently, it is the greatest exporter in the world with more than 1.1 trillion dollars in 2009, surpassing Germany and the United States. From 1980 onward, through the development model of the SEZ's and the "cat" policy [that is, following the simile of the Chinese proverb that it doesn't matter what color the cat is (Capitalist or Communist) what matters is that it hunts mice (that the measure generates development)], China became the agglutinating center of the industrial transfer from the Western world to the Asian world. In contrast to the aforementioned, the United States, for example, saw its Industrial GDP drop from 35% to 22% from 1995 to 2010; just as the European Union was witness to its decrease from 29% to 25% in the same period (W.F.B., 2011).

The success of the Chinese development model, mounted on a philosophy of facilitation for attracting industrial FDI, can be clearly appreciated through the increase of GDP/per capita that China has presented, just as the rest of the countries that govern themselves within what we are calling, the low-cost “Asian model” where it appears that this category of countries, from 1980 to 2000, saw their per person income increase by 160%, which represented 120 points more than the developed countries who achieved an increase of 40% in the same period, leaving even further behind the developing countries that do not place themselves in both categories, with an average of 20% (Garret, 2005). Under this inertia of industrial recruitment, it is estimated that China could be covering more than 50% of the world industry by 2030 (Mandelbaunn, Haber, 2005), as a validation of the hypothesis that places the Asian country as the, “world’s factory”, an adjective that 100 and 200 years ago was directed toward the United States and Great Britain, respectively. In this new dynamic, China is already the greatest producer in the world in 9 of the 16 most relevant industrial sectors; for example, in textile products, articles of clothing, leather, and leather products, China represented 37%, 29%, and 39% of the respective sector of the world added value in 2007. In what are referred to as basic metals, electric machinery, and transportation, it represented 27%, 31%, and 35% of the world added value in the same year. In this new line of pre-eminence and predominance of Chinese products, we also find: footwear (34%), plastic products (18%), tobacco products (51%), non-metallic mineral products (16%); basic metals (36%), etc., being the second world producer in food and beverages, and chemicals and chemical products, among others (ECLAC, 2011). As one of the relevant consequences of the aforementioned, China’s commercial balance has exhibited an uninterrupted positive behavior from 1995 to date. In just the period from 2000 to 2009, China has accumulated commercial profits with the European Union of 2.2 trillion dollars, and with Japan of 1.6 trillion dollars. Equally, during the same period, the Asian country has added close to 2 trillion dollars as a result of its good commercial performance with the United States. In the previous figures there is a component of re-exportation of products that pertain to the Western matrixes [United States 24%, European Union 18%, Japan 4%, others 4%, of the total Chinese exports (ECLAC, 2011)], a phenomenon that gives rise to permanent debate, not on the exploitation model, but on the country that benefits the most from said model.

The process above is an important line of explanation of the enormous growth (10% annual average of the GDP) of China for more than 30 years (1980-2010), which was increased more than 14 times in the period, an

economic phenomenon that holds no precedent in modern history. It also helps to understand the why of the wealth concentrated in its international reserves, which, at the end of 2010, added up to the figure of 2.6 trillion dollars, which also represented 27% of the World Reserves (ECLAC, 2011).

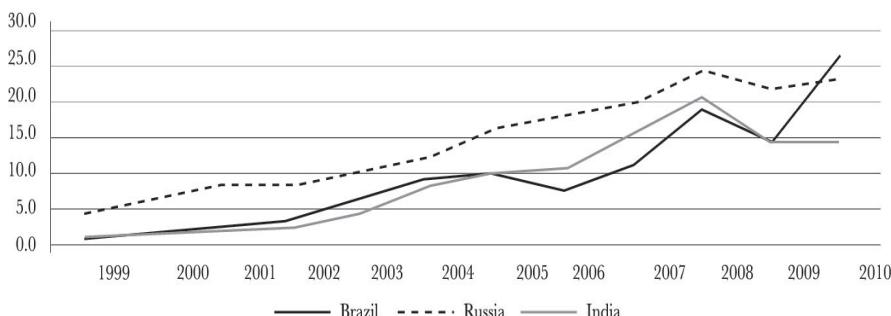
As can be appreciated, the initial idea of facilitating the entrance of FDI into China in 1980 with the goal of generating a factory process supported by the offering of a cheap workforce of nearly one billion people, all needy, surpassed all the forecasts, as much the forecasts from those who inaugurated it as the forecasts of the outside observers.

On this line of approximation it can be indicated that China's economic success has come to transform the world from the economy and global commerce that existed in 1980 and its consequences are part of the debate that is continued today about the implications between a Bretton Woods Model and a low-cost Asian model. However, beyond the positions that can be assumed with respect to this, what's certain is that the same industrial concentrator process from the Chinese model has exceeded, over the course of these three decades, as much its previsions as the raw materials and natural resources on which it counted to produce them, generating with that an inertia that has led it to incite, directly or indirectly, into the economic and commercial life of the majority of the world's countries. It is in this consequence of overflow of previsions where a series of countries appear that have shown themselves to be significant beneficiaries of Chinese success, within which are found the group of nations that make the BRICS project, which count as much on the raw materials that are necessary in order for them to sustain their unstoppable growth, as on the food that a Chinese population that has seen how its purchasing power has increased demands.

China is currently the most relevant buyer on a global level of aluminum (42%), pewter (45%), zinc (43%), lead (42%), nickel (41%), copper (38%), primary steel (35%), etc., and with regard to food, it monopolizes 28% of the world consumption of soybean oil, 23% of soybean grain, among others (ECLAC, 2011). It is in this overwhelming need for raw materials and food on China's part where the BRICS group has found its main origin and synergy. Its origin because China's explosive demand has benefited the BRICS's economies in a relevant manner, contributing with it to the collective economic success that identifies them today; and its synergy because the need and the reciprocal trade benefit operate like an agglutinating force that will be present as long as China's growth dynamic sustains it.

FIGURE 1

CHINESE IMPORTS FROM THE BRICS COUNTRIES, 2000-2010.  
(BILLIONS OF DLRS.)



SOURCE. Comtrade, UN.

From the graph above, the manner in which China's growth has derived into a strong increase of its imports with respect to each of the BRICS countries can be highlighted, where for example, in Brazil's case, from 1999 to 2010, the Chinese purchases were increased by 24 times. As far as India, this explosion of imports increased by 25 times, and with respect to Russia, this figure was escalated by 400%. Equally, in the same period China consumed raw materials from Brazil in the quantity of 133 billion dollars, from Russia for 180 billion dollars, and from India for 103 billion dollars, which led the Asian country to become a strategic partner in the BRICS countries' trade activity. Along with the aforementioned, we can appreciate that China's purchase was concentrated in two or three fractions that correspond to primary products. In Brazil's case, soybean and iron represented 55%; with Russia, petroleum and its derived products meant 52%; and in India, iron, cotton, and copper added up to 55% (Comtrade, 2010).

In this synergy of benefit, Brazil, for example, in its quality of "world food factory" has been one of the BRICS most benefitted by Chinese success. When a Brazilian analyst wonders about Brazil's good performance "He takes a breath, and with a slightly theatrical smile he says: China" (Expansión, January 2010). In 1998, Brazil was selling the Asian country a little more than one billion dollars; in 2010 this figure had surpassed 25 billion dollars, making China into the most important trade partner for the South American country. In 2010, China represented 16% of the exports from Rio de Janeiro, with an annual growth of 47% with respect to 2009, and surpassing the second importer of Brazilian products, which is the United

States. China, along with Asia, already represents 28% of the total shipments from Brazil to the exterior (Secex/MDIC). As far as Russia is concerned, 80% of its general export to the world is currently based on the sale of primary products, where petroleum and gas participate with 55%, which provide it with the 37% average of its budgetary resources (Gutiérrez Teresa, 2011), and make up the greatest vehicle with which it has been recovering its stability since the year 2000. Russia is currently the fifth petroleum power with approximate reserves of 80 billion barrels, having a daily export of 11 million barrels. For its part, China, with scarce energetic resources other than carbon, is becoming little by little the greatest buyer of petroleum in the world, with a current demand of 8 million barrels per day on average that are necessary for it to sustain its 10% annual growth. In this sense, Russia, just like Brazil, is benefitting directly from the “Asian model” of development undertaken by China. The case of India, although it is not truly a commodities export country, upon standing out in the sale of technological services and industrial products, is also benefitting from the Chinese model through the growing exportation of goods from products derived from petroleum, jewels and precious stones, food, medicines, etc., which has given rise to a participation of 1.7% as a destination for Indian exports in the period from 1996-2000. For the stretch from 2001-2010, the Chinese market has been elevated to 14% (UN/Comtrade). At the same time, given the parallelism of the two Asian countries with regards to overflowing population and poverty, India has been following closely the “Asian model” of industrial production that China posed since 1980 through the SEZ’s, as a manner of bringing work and food to its impoverished rural population, through the authorization of more than 400 Special Economic Zones, of which the country already operates an important number, following the integral support model posed by China.

## V. GOODBYE NEO-LIBERALISM? WELCOME MARKET SOCIALISM?

In the void that has left the debilitated multilateral “order” above all in economic matters, what has arisen is a principle of economic chaos where the policy of the maximum profit prevails, where the most audacious or the most astute stands out. At this point, it ceases to be relevant who was the first to break this agreement, if it has been developed countries, especially the leaders like the United States, Japan, and Germany, etc., that stopped promoting the updating of a more just and efficient new global economic institutionalization, or the reaction of countries practicing the low cost “Asian model”,

that in the framework of their social need and their individual application have been moving away from the general regulation of the international organisms little by little, managing a discourse of compliance that operates like a screen to cover irregular economic actions. The aforementioned has turned out to be highly detrimental for the weakened “economic order” of a global society that today lives a disorder to which everyone contributes and that no one takes the first step towards fixing. They cohabit in this indifference for the established; for example, a leader country like the United States, that with loss of rhythm and of direction does not manage to decipher, nor much less solve, the lines of its grave economic problem (90% foreign debt; 10% unemployment; 10% public deficit; more than 100% private debt, etc., WB and IMF), which finds itself mortgaged and has ceased to be efficient since a few decades ago. Equally, it appears that an important group of European economies (the majority of the European Union’s countries), that in the middle of their worrisome levels of debt (90% of the average GDP, IMF, 2010), high public deficits (5% of the average GDP, The Economist, 2011), and destabilizing ranges of unemployment (10% average, The Economist, 2011), have been losing as much the lines of their privilege as of their Welfare State. Along with this group of nations a brotherhood of countries coexists as parishioners; they keep believing in the economic gospel that was instilled in them in the nineties, and they have been converted into the most jealous economic players of the liturgy and of the rite of the free market, but by lacking a high technological development, they have remained in the middle of the disorder without being able to compete, on one hand, with the less developed countries that place themselves in the low cost, nor with the more advanced countries that monopolize the new technological growth. Garret Geoffrey points out about these Nations: “Friends and enemies of globalization, do not realize one of their critical effects: although it has served the rich countries and better the poor, globalization has left the middle income countries fighting to find a niche in the world markets. As these countries cannot compete in knowledge or in the low salary economy, without help, they will remain on the side of the road” (Garret, 2005, p. 99).

It is in the framework of this economic “disorder” that we again find the BRICS countries as a group of nations that in the middle of the confusion and the uncertainty of a global economy, have known how to implement, to a greater or lesser degree, an unorthodox and pragmatic policy that has generated important results up to the present day, and that has placed them as the new leaders of the 21<sup>st</sup> Century by more than a few economic analysts (Goldman Sachs, Price Waterhouse, Coopers; International Monetary

Fund, etc.) validating with that an economic performance that, in view of its results, invites itself to be imitated by other nations.

China's case is a topic as widely commented upon because of its unorthodox policies as its orphan proposal for the application of standardization measures. Chinese pragmatism has never tried to fool anyone; it was publically defined since its beginning and the West "took advantage" of it, believing that its results would not have the repercussions that are now being experienced. Chinese unorthodoxy was born since 1978 with the vision that a new economic project whose central objective was the search for a development that could resolve the enormous social needs of more than 900 human beings. Deng Xiaoping, at the beginning of the eighties, made it very clear that the new model's objectives were to fulfill the fundamental goods and services of the Chinese people. Deng said: "In this century, we will take two steps that represent the solution to the problems of adequately feeding and clothing our people. In the next century we will take another thirty or fifty years to achieve the goal of the other step, that is, to reach the level that the moderately developed countries in the world have". China's urgency in the eighties was that of not returning to a time in which millions of Chinese died of hunger, which is why Deng urged his people telling them, "We have to be more audacious than before in order to carry out the reform and the opening to the exterior and to have the courage to experience", to which he added, "We should not act like women with their feet tied. Once we are sure that something must be done, we should dare to experience, to break and to plot new routes with it. This is the important lesson that we should learn from Shenzhen. If we do not have a pioneer spirit, if we are afraid to assume risks, if we do not have the energy and the direction, we cannot break and plot a new route, a good route, or carry out something new...". To this end, since the beginning of the eighties he was clear on the road to follow: "Currently there are two productive development models. Insomuch as each of them serves our purposes, we will make use of it. If Socialism is useful to us, the measures will be Socialist; if Capitalism is useful to us, the measures will be Capitalist"; and in the middle of the new unorthodoxy, he declared, so as not to leave any room for doubt: "There are no fundamental contradictions between Socialism and the Market Economy" (Oropeza García, México-China: culturas y Sistemas Jurídicos Comparados, 2007, pp. 447-450).

As we can see, the transfer of wealth from the West to Asia, and in particular to China, has been part of a mechanism in which there has not been ignorance. China declared publically its offer to produce low cost goods (based on a policy of job insecurity without social benefits coverage

and without environmental protection) since the beginning of the eighties, through an unorthodox model, in order to resolve the Chinese people's food problems. The West accepted this offer as a topic of "opportunity" generating with it a war of excessive production in search of the lowest cost, in which the economic world lost its judiciousness and good judgment and the path that it had advanced in the last 100 years in which it respects the economic foundation of the new global world. When the "world population's interest" was placed in the pocket of global consumers, the economic world lost its common sense and social responsibility. When the countries placed "national interest" in the cheapest purchasing of its middle classes, without caring about the "how" the nations lost the control and the stability of their development.

From 1979 to 1987, approximately ten thousand investment projects were approved in China with a foreign participation of approximately 2 billion dollars. From 1988 to 1991, the interest intensified and approximately 30 thousand investment projects were authorized with nearly 3 billion dollars. At the end of 1991, both indicators for 42 thousand investment projects, with more than 5 billion dollars, were applied. In 2000, China had 200 to 500 of the most important multinational companies in the world with American, Japanese, German, French, Taiwanese, etc. capital (Oropeza García, China, entre el reto y la oportunidad, 2006, p. 102). This capital was flowing, as was mentioned, through the economic structure mounted on the SEZ's, which, within their strategy of capital attraction handled an unorthodox fiscal policy (fiscal dumping), which, strategically administrated for its exportation or high technology development, made up stimuli that went from total exemption of income tax payments to reductions and preferential tariffs of 10% of the income tax, as well as fiscal reimbursements of 40-100% and a rate of 0% for technological imports (Oropeza García, China, entre el reto y la oportunidad, 2006, p. 300). Equally, on the monetary matter (monetary dumping), from January 1, 1994 until June 22, 2005, China handled a fixed exchange rate of 8.28 yen, as an unorthodox support of public policy for the facilitation and expansion of its exports. This policy, despite the disputes from some developed countries like the United States and Japan, was maintained steadily for more than eleven years, and although in 2005 it began a slight period of adjustment (approximately 20% in 2010), at the insistence of the western "pressures" China continues maintaining a monetary policy at its convenience (40% undervalued, ECLAC, 2011) as a support strategy for its exports to the entire world. As far as its "trade dumping" Oded Shenkar and Ted Fishman, among other authors, take charge of describing in detail the irregularities found in the framework

of the WTO. Shenkar says that beyond the considerable progress that is registered in some areas, the violations are abundant and that these can no longer be attributable to implementation problems (Oded, 2005, pp. 167 and 168). He adds to the aforementioned that based on the American Congressional Report on the China-WTO relationship from 2003, a policy of discrimination against foreign competitors is derived, in addition to continuing with the delivery of subsidies to domestic producers who use them to lower the prices in China as well as in the global markets on products that range from machinery and petrochemistry to bio-medicine. In other areas, such as that of semi-conductors and fertilizers, the rebates to the value added tax are applied preferentially to domestic companies, but not to the foreign companies. In the same way, as far as tariffs, many of the Chinese producers pay less than the declared value, which serves as a basis for tax rebates, or even for their cancellation. This is attributed to a protectionist and competitive atmosphere among China's own regions that fight for capital and the sources of employment. It is also mentioned that domestic producers receive preferential treatment not only on tax tariffs, but also on trade and distribution rights; that the WTO commitments with regards to wholesale services and commission agents, offered by foreign companies, were fulfilled with products made in China, but not with those that arrive through importation. It is added that a variety of non-tariff barriers continue to prevail (such as administrative guides) that limit foreign competitors, while the exportation of raw materials and intermediate products from domestic producers is maintained. On the other hand, the formation of new standards in areas where international norms already exist stands out (although it is recognized that China is not the only country to develop measure of this type). It is also demonstrated that foreign firms that wish to enter the sector of retail sales are faced with a spider web of regulatory approvals from which national producers are exempt (Oropeza García, China, entre el reto y la oportunidad, 2006, p. 168). It is equally denounced that the transfer of technology is continuously used as a condition for the approval of investments or for the granting of incentives; and it is lamented that the clause that denied China any kind of pressure of this type, in the original project of adhesion to the WTO, was cancelled. However, it is the topic of intellectual property where the main criticisms of Chinese trade have been centered, in relation to the agreements signed with the Trade Organization. Here it is worthwhile to underline that the "technological expropriation" as Fishman calls it, is a consubstantial policy of the Asian Development Model and has been part of its growth strategies since 1978. From the copying of the manufacturing model that was known in Mexico at the end of the

seventies, up to the appropriation and development of the new Chinese technology of the eighties, nineties, and beginning of this century, innumerable cases continue to be presented on the topic of violation of intellectual property that pass through the pharmaceutical industry, clothing industry, electronic, and automotive sectors. As far as the first case, it stands out that the violation of patents with regard to medicines (falsification and piracy) generates approximately 80 billion dollars in losses. The case of the pharmaceutical industry, of a sensitive nature due to its relationship with the topic of health, life, and welfare among rich and poor countries, has been one of the most affected by Chinese informality, since on one hand patent violation is occurring, and on the other, the enormous difference in costs is added up, which results in an abysmal difference in prices where the cost from the Asian country is one tenth, or even less, of that of the developed country in question. Under this equation of informality, consumables are substituted, medicines of different quality are prorated, or cheaper products are simply fabricated with the same formulas (Oropeza García, China, entre el reto y la oportunidad, 2006, pp. 217-220). Finally, in this terrain of economic unorthodoxy one cannot push to the side the important topic of ecological deterioration, or Ecological Dumping, where authors such as Pang Zhongying speak of China's enormous "ecological debt" caused by some facets of its economic success. In spite of its large surface area (9.5 million Km<sup>2</sup>) China is below the average for essential natural resources for development. For example, it has only 0.094 hectares per capita of farmland, which places it 40% below the world average; 2.25 cubic meters of fresh water per capita, 30% less than the world average. This situation is repeated in forest, mineral resources, and petroleum, where it holds 20%, 60%, and 11% of levels inferior to the world average per capita. At the same time, its accelerated economic growth has led it to consume 48%, 40%, 32% and 25% of the world production of cement, crude carbon, steel, and aluminum oxide in the world, which has generated an imbalance as much of supply and demand as of contamination. According to statistical data, the volume of the emissions from China's main contaminants has already surpassed the environment's capacity of self-purification. Of its seven hydrological systems, more than half suffer from grave contamination (the Rivers of Huang He, Huasihe and Liaohe, are at 60% of the international line of environmental alarm, and the Haihe River at 90%). Acid rain affects a third of the national surface area. Around 360 million hectares have water losses and soil erosion (38% of the country's land surface), a figure that increases by 15 thousand km<sup>2</sup> each year. Desertification already occupies nearly 20% of the national territory, which is why the problem of

environmental decay in China represents a great challenge for its development and an annual cost of up to 8% of its GDP (2007, pp. 59-68). The aforementioned is no more than a brief summary of some of the lines that have been implemented by China in the construction of its economic model; which does not minimize the talent nor the work carried out by China to achieve it, but does intend to underline clearly that a good part this success is born and developed in the framework of an unorthodoxy that does not respect the rules generally accepted by the international community, which, it is worth mentioning, more than tolerating it has fostered it, and today, through Goldman Sachs, puts it as an example of what will prevail through the 21<sup>st</sup> Century, which is a worrisome message for the rest of the countries that have observed, passive and captivated, on an uneven playing field of “success” of the other.

This “modality” of development has not been far from the rest of the BRICS countries, which, at their own pace and in their own way, have displayed similar economic policies. India, for example, in the face of the success of the “Asian Model” established by China through the SEZ’s, to date has authorized more than 400 Special Economic Zones, of which 178 had been implemented by 2005 with an investment of more than 9 billion euros in Kandla and Surat (Gujarat), Cochin (Kerala), Santa Cruz (Mumbai, Maharashtra), Falta (West Bengal), Chennai (Tamil Nadu), Visakhapatnam (Andhra Pradesh), Noida (Uttar Pradesh), Llamdaikulam Madurai (Tamil Nadu), etc.; grouping, as China has done, the manufacturing production in a sectorial manner as is the case with the footwear industry that is located in the Southern Zone of India in the states of Karnataka and Tamil Nadu and around New Delhi, in the States of Haryana and Uttar Pradesh; the textile industry that, in its majority has been placed in India’s meridian zone, in the cities of Chennai and Tirupur, etc.; the pharmaceutical sector, in the state of Maharashtra, etc. At the same time, India, just like China, maintains a policy of protection of its internal markets which is made clear in diverse sectors such as the retail market, where, although a greater opening has recently begun to be implemented, the foreign investors have to commit themselves to trading minimum quotas of products fabricated in India. In other sectors such as information technologies, the Government has played a determining role in its development, supporting its export boom through the creation of special economic units designed to agree on all the requirements and consumables necessary for their success, such as the Electronic Hardware Technology Parks (EHTP) and the Software Technology Parks of India (STPI); unfolding along with them a multiplicity of incentives where the following stand out: 100% exemption from taxes in the case of

exportation of Information Technology products; the exemption from payment of taxes to software suppliers; exception from payment of taxes in the case of donations, accelerated depreciation of IT products; exemption from tariffs on capital goods, raw materials, components, and accessories for economic units oriented towards exportation; depreciation of 60% in the case of computers, etc. With regards to Agriculture, a sector on which the nourishment of more than one billion people depends, the Indian State unfolds an ample gamut of state supports that range from subsidy for fertilizers; free granting of electric energy; a National System of Minimum Prices, which are announced before each planting season and are determined by the Agricultural Ministry's Agricultural Prices Commission. This system of protection for the producer, in the face of the market's fluctuations, cohabitates with a Public Distribution System that was created to protect the consumers from the excessive increase of prices through the supply of wheat, rice, and sugar, the very products that are the vital crops of the Indian diet. Likewise, these protection policies are reinforced with the Committee's Law for the Commercialization of Agricultural Products, which allows, in the name of protecting the internal supply, export and product transfer restrictions to be imposed among the country's different provinces. The aforementioned, which is no more than a small example of India's unorthodox public policy, is reinforced through the handling of other economic strategies, such as the monetary strategy where the government, in order to maintain the competitiveness of the country's exports, develops a "sterilized" participation (currency purchase in combination with a compensatory sale of public instruments from the Reserve Bank of India) (Nigam, Nayak, Iqbal, 2011).

The comparison of the handling of unorthodox policies between China and India, within the brief framework above, should be given in the context of the particular dynamic that each one of their economies has been presenting. In China's case, for example, since 1978, since its Socialist platform, it publically declared its decision to open itself to the exterior and form part of the international economic community; a posture that it endorsed in 1982, with the enactment of its Political Constitution, in which, for the first time, through its Article 18 "It authorizes foreign companies and other economic organizations or individuals to make investments in China"; in the same way that on July 11, 1986, it presented its formal application to enter the General Agreement on Tariffs and Trade (GATT). However, in spite of the Constitutional change, it was not until 2008, thirty years later, that China enacted the Property Rights Law of the People's Republic of China, and it was not until 2001 that its entrance into the GATT-WTO was approved, which is why from the eighties up to today, in different man-

ners and by different means, it articulated an unorthodox policy that has cohabitated at the same time with an international institutionalization with regards to trade. In India's case, just as with China, since 1947, the year of its independence, it has opted for a Socialist economy, which, based on central planning, five-year plans, and state property, sought the development of its industry and of its countryside. From 1947 to the year 1990 [with Jawaharlal Nehru (1947-1964), Indira Gandhi (1966-1977, 1980-1984), and Rajiv Gandhi (1984-1989)] and through the Indian National Congress, India developed an economic program of state-centered court that had problems satisfying the social needs of the "new" country. In 1990-1991, through a political change and an economic liberalization project that has been implemented in the last years, India, just like China, currently cohabitates as much with a State policy that has prevailed for more than four decades as with a group of free market measures that lead it to the practice of the "cat"<sup>4</sup> economic model, which was explained previously, through which it continues handling an unorthodox and pragmatic public policy that seeks to sustain an annual average growth of 9% of the GDP, which it has achieved in the 2004-2008 period; and if it is possible, to scale it up to 10% or more, in order to surpass China.

Russia, like China and India, and even much earlier than them, begins its economic history with a policy with ample participation from the State. From the Soviet Revolution in 1917 and the formation of the Union of Soviet Socialist Republics (USSR) in 1922, the current Russia was developed in the past in the framework of a Socialist project characterized by five-year plans oriented towards the country's industrialization and the collectivization of the fields; which fails in its intent to contemporize with the Western pre-eminence headed by the United States and falls deafeningly along with the Berlin Wall in 1989. In this sense, the totalitarian economic model of the ex-USSR, after nearly 70 years, succumbs before the insufficiency of its results, as also happens to the Chinese model of Mao Zedong that ends along with his death in 1976 for the same reasons. It is worthwhile to add to these facts the Indian Socialist proposal of 1947-1990 (called the 3.5% Proposal because its projects in the period could not surpass the country's average GDP) because just as with Russia and China, it was also unable to respond, as was already mentioned, sufficiently to the economic needs of its enormous population. The Socialist economic origin of these three countries turns out to be very important, as a principle of understanding their new

<sup>4</sup> A Chinese model of Market Socialism that combines the application of both Capitalist and Socialist measures.

economic nature and the handling of their unorthodox and pragmatically cut lines that are currently implementing the construction of new development models, which, in accordance with the name that China itself gives to its strategy, we can catalogue as projects that correspond to a new “Market Socialism”. The change has not been easy for any of the three nations because they have had to operate from different platforms since the failure of their results. In Russia's case, in the face of the fall of the USSR, it imprudently opted for a strategy of *shock therapy*, which, under the IMF Model, established an outline of open privatization (*laissez-faire*) that was operated in an abrupt manner in a program that was called the 500 days, which generated a massive closure of companies and a loss of an important number of the State's strategic assets. This model implemented a total opening of its market and free exchange of its currency, which resulted in an enormous debt and a financial crisis that meant the loss of 4.2 times its Gross National Product (GNP) from 1992 to 1996, which represented 2.5 times the total economic value lost by Russia during World War II. This strategy also caused 60% of the population to suffer a fall in their income that would generate 40% of extreme poverty, that only 10% of the population would have access to levels of wealth, and that the Russian economy would fall backward in its development by around 20 years (Mengkui, 2003, p. 19). If the Socialist Model had not been sufficient for Russia, dogmatically following the Neoliberal Model without any prudence and gradualism as China did, led Russia to an economic-political chaos from which it is barely, in recent years, beginning to recover. For Russia, the nineties, in economic terms, represent one of the most traumatic stages that have been registered by any country outside of a military conflict. The GDP in Russia in 1991, after having rivaled with the United States for more than four decades, was barely a third of that of the North American country, and by 1999, had been reduced to one-tenth of what it was. In the same way, the Russian GDP, with respect to that of China, in the same time period, represented one-sixth of its counterpart; one-fourth of the Japanese GDP; one-third of the German GDP; and half of the Indian, English, and Italian GDP's; in that moment, the Russian GDP even became inferior to the Spanish, Brazilian, and Mexican GDP's (Sánchez-Ramírez, 2011). One of the two great powers of the post-war was succumbing to the levels of underdeveloped countries, in the face of its inability to understand the changes of a global economy run wild. Perhaps Russia's case is the most emblematic of the BRICS countries, in the sense that for seven decades it was one of the leading economies of the 20<sup>th</sup> century, and in the post-war, it competed closely with the United States for almost 40 years in order to achieve the political-economic supremacy of a

new world in formation. Not China nor India, much less Brazil or South Africa, had the same privileged situation; from there comes the enormous impact of a country (integration of countries) that at the beginning of the 21<sup>st</sup> Century had to take an intermediate place in the ranking of the world's economic housekeeping. The difference between Russia, with respect to China and India, is that before the same situation of failure of the prevailing Socialist Model, China, in its case, very prudently opted to go touching little by little "the rocks of an unknown river", which avoided having it fall in the direct hands of the IMF and the WB and having to apply *shock and fast track* recipes to its economy; on the contrary, China has always decided on the time, manner, and place of the process of inserting its economy into the global concord. Equally, India, having registered the temptation of the "end of history" advances little by little in an insertion process that places it in a territory of mixed economy. Russia did not decide it that way, and burning the ships that it launched under the leadership of Boris Yeltsin and Yegor Gaidar in a project induced by the worst free market orthodoxy, in which it established without any reservation measures of fiscal austerity, price increases, tax increases, credit reductions, land privatizations, food production and distribution privatizations, the State's industry privatizations, etc.; generating a bitter and terrible concoction that had already "produced" 65 million poor by 1999, whose GDP was barely 55% of what it was 10 years before (Sánchez, 2011; Gutiérrez, 2011).

This history of the Russian economy turns out to be important within this focus on the BRICS countries because, on the one hand, it allows us to appreciate the way in which it inserted itself into the world of Neo-liberalism followed by each of the economies of Socialist origin—China, India, and Russia. On the other hand, Russia's case allows us to appreciate that its enormous failure of 10 years of Neo-liberalism surpasses that of more than seven decades of Socialism, which provoked as much the arrival of Vladimir Putin into power (1999-2000), as the return of Russia to a new kind of "Market Socialism" in which it has been settled since the beginning of the century and that has converted it meaningfully into a BRICS country. Ana Teresa Gutiérrez comments on this respect "...if Russia currently projects itself as a probable power for 2050, this is due precisely to the fact that today's political class in power in Russia rejected the orthodox application of Neo-liberal policies supported by the so-called Washington Consensus". On the new vision of Russia she adds, "The Russian State...clearly understands that the Russians who live in poverty could not survive the demands of the free market, which is why for Putin, the recovery of the Russian economy has as his greatest strategy the control of Russian-Western joint companies

over resources and the economy, and at the same time he hopes that the number of Nationalist-cut Russian businessmen grows” [“El Papel de Rusia en el Marco de los Países BRICS” (Russia’s Role in the Framework of the BRICS Countries), 2011]. In the framework of global Neo-liberalism, Russia’s following of a Neo-socialist economic model does not require interpretations; this has been clearly recognized on multiple occasions by Vladimir Putin. Since his “Message to the Nation” in 2000, and through innumerable public holdings, Putin has made clear his interest in the re-ordering of public policy through the return to a greater participation of the State. Putin reminds the West that “Russia always developed itself as a super-centralized State. This makes up part of the genetic code, of the tradition, and the mentality of its people;” to which Telman Sánchez adds, “The States and the Russian society have conserved similar characteristics throughout the centuries. The full control of the State over the interests of society and individuals; the weak role of the political parties in the course of economic reforms; the absence of independent social classes from the Kremlin’s central power; the non-existence of individual liberties, are just some of the characteristics that have varied very little in more than 500 years of Russia’s history”. For that reason, from 2000 onward, “the new nationalist ideology that was consolidated establishes a consensus around the so-called Russian idea, which is based on the traditional pillars of its culture, knowledge, patriotism, confidence in Russia’s greatness, statism and social solidarity” [El Modelo Económico de Rusia durante la última década. Sus Modificaciones y Adaptaciones (Russia’s Economic Model during the Last Decade. Its Modifications and Adaptations), 2011]. Russia peers out of the “economic hell” of a badly instrumented Neo-liberalism that breaks with the inertias of sustainability of a new current of national thinking that courted an economic and political reform for Russia, in the framework of its insertion into the global world, which it has not experienced in 500 years. This same failure returns it to well-known territory, from where it had been expelled in 1989, also by a profound economic and political defeat. From this double mistake, Russia has begun a new stage of construction under Putin’s leadership, but above all, with the influence of a Chinese model of Market Socialism that combines the application of both Capitalist and Socialist measures (the “cat” model) in accordance with the national interest and the convenience of the Russian State, which, just as with China and India, grants them a very significant differential economic advantage to the detriment of those economies that continue with orthodoxy the teachings of the Washington Consensus. In this new dynamic of Russia’s, conditions are improved for foreign investment, just as a state regulation system is constructed; the

country's fiscal and financial systems are modernized at the same time that a State intervention is registered in order to regulate prices; the country moves from the integration of the economy toward its global insertion, just as economic sectors are re-nationalized (petroleum) and state agendas are established for national producers, etc.

Brazil's case, in this section that seeks to highlight the congruence between the economic models orchestrated by the BRICS countries, above all in what is referred to as a significant participation of the State in its economic development, holds a relevant differentiation, as much in origin as in content. Although Brazil is the least statist of the BRICS countries, it is presented, on the other hand, as one of the most statist of the continental Latin American Countries. Brazil does not come from a long history like China, India, or Russia, nor does any political phase that has carried it to a State Socialism appear in its recent past; however, in economics, the Brazilian State has been a constant in its economic duty, since its colonial period, in which all the activities developed were sanctioned by the Portuguese Empire, until the most successful period of its economy, from 1930 to 1980, when the average annual GDP grew 6% (from 1968 to 1973 the so-called "economic miracle" occurs in which Brazil's GDP grew by 11% annually on average). Over the course of these 50 years of industrialization, where an import substitution strategy was practiced, the Brazilian State had a direct participation in the support and development of its different economic sectors that sought, in the framework of the global crisis of 1929 and World War II, a place in the integration of a new global world that was violently reordering itself among different players. In this sense, the state participation is developed with the goal of supporting the creation of a national industry that can satisfy, in the first place its internal market, for which it unfolds a series of protection and defense polices for its national businessmen; in the same way, on a second impulse, this support is directed toward its businessmen who attend to the external market. On this last point, the case of coffee is emblematic, where Brazil was the commercial leader for many years, and the strategy and measures taken by the government (from 1931 to 1944, Brazil destroyed 4.699 million tons of coffee as regulatory policies; Peláez, 1973) were followed by other producing nations in defense of the market and of their price. In this "bonanza" period of the Brazilian economy, we find a Leader State that uses all kinds of exchange, tariff, credit policies, etc., in order to promote the country's industrialization; a Regulating State that for the sake of motivating industrial development regulates and contains the worker-employer relationships so that they will not be an obstacle for the central economic objective; a Producer-State that in

the vision of a successful and orderly country began to produce a good part of the public services such as railways, maritime transport, water, electricity, communication services, as well as other more specific areas such as mines, petroleum, chemicals, and others (in the most successful state of this public policy 1968-1973, around 231 highly important state companies were created, such as Petrobras, Vale Do Río Doce, Embraer, etc.); and a Financing State where, in addition to the Bank of Brazil, the important Brazilian National Development Bank (BNDES) that was practically converted into a long-term productive credit national entity was created, which, it is worth noting, currently handles an investment portfolio greater than the World Bank (WB) and the Inter-American Development Bank (IDB) combined (Gremaud Amaury, 2010, pp. 572 and 573). Brazil, just as the majority of the economies in Latin America, lives with the success of the post-war period and the construction of a new regional industrialization, supported by a State policy that, along with Mexico, Argentina, Columbia, etc., became relevant in the framework of the new global economy, especially for the attention of an internal market, generation of jobs, and social improvement. At the same time, just as the rest of the region's economies, since the seventies it has become incapable of reordering the model on more sustainable lines, of taking care of its productivity and orientation, giving an indication for the "lost decade" of the eighties that led to Brazil recovering a significant growth of 5% until 2004, the date on which it recommences a new sustainability principle, which, among other reasons, is the one that caused Brazil to be considered as a BRICS country. In the same way as the rest of the Latin American nations, and in the face of the unresolved problems of the eighties, the South American country, under the influence of the Washington Consensus, began to instrument a series of economic changes through different political leaders. With the failure of the Cruzado Plan (1986), The Bresser Plan (1987), The Verao Plan (1989), The Collor Plan I (1990), The Collor Plan II (1991), in 1994-1995 the Royal Plan began under the direction of Fernando Henrique Cardoso, which, among other measures, continued with the dismantling of the mixed Brazilian economy through the privatization of the State's assets, thus forcing the Neo-liberal canon, which is why a Destatization Plan was created that gave priority to 105 public companies from the eighties to the year 2000, and through which the States assets were divested (Gremaud, 2010).

Although Brazil today cannot place itself with the same degree of state participation as China, Russia, and India, an active participation and commitment from the State to its economic development can be signaled as an identification stamp, which, although may currently be less than the average

BRICS, is greater than that of the *laissez-faire-laissez passer* that other regional nations, such as Mexico, Chile, etc., “boast” of having. With respect to this, Alicia Puyana says, “Brazil liberalized its economy, with a lesser degree and rhythm than the majority of the Latin American countries” [Brasil: Mito o realidad (Brazil Myth or Reality), 2011]; which is easily verified as much through the public policies implemented, as through the very declarations of the last Brazilian presidents who have had the task of reestablishing the Brazilian economy in the global development (2003-2010). President Lula Da Silva exalted in his time the “Brazilian Social Developmental Model” and the current President, Dilma Rousseff, without any sense of Neoliberal guilt points that her wish, within the Brazilian Socialist Model, will be stopping the State to make it more effective, “but not smaller” (Economist, November 2009). Under this vision, the participation of the Brazilian State is mainly responsible for the social ascent of 14 million people from 2000 to 2010; it is the State that directly faces the financial crisis of 2008, allowing the State Banks to buy stocks and portfolios from institutions with problems; it is the State that authorizes 3 trillion reals for civil construction; it is the State, that, through the formidable development lever that is the BNDES, put 10 trillion reals of working capital at the disposition of exports that through its Bank of Brazil, placed 4 trillion reals for the purchase of automobiles; the Bank that generated extraordinary support for agriculture through 5 trillion reals; the Bank that gave 2 trillion reals in export incentives; the Bank that created fiscal incentives in order to reduce costs for Brazilian companies; the Bank that has developed a world class petrochemistry industry (Petrobras); an aeronautical company that is a world leader in its industry (Embraer); the State that has 14 Public Banks, 82 Private banks of national capital (2004); it is the State that has 25% direct participation in credit operations (2004); the State that has approximately 50% of credit operations from its Private Banks of National Capital; the State that has the Brazilian Agricultural Research Corporation (Embrapa), one of the most important in the world and a main center of agricultural research and development, which is the impetus for Brazil to be the world’s “food factory”; the State that protects its industrialists with tariff borders that range from 12% to 35%, the highest percentage of the BRICS, etc. (Gremaud, Vasconcelos, Baumann, 2010; Barbosa 2011).

It can be highlighted from the aforementioned that 41% of the world population (2.8 billion people): 15% of the world GDP, 15% of the world trade; but above all, the countries with the best economic growth rates (indistinctly) from the last three decades are China, India, Russia, and Brazil. They are placed in a new economic zone of global development that still has not been

sufficiently defined, or even accepted by the majority of specialists, who, with the euphemism of “Market Socialism” (China); “Economic Nationalism” (Russia); “Social Developmentalism” (Brazil), etc., begin to identify the lines of the new, pragmatic, and unorthodox post-Neo-liberal economic chore that insists, on one hand, on an alignment of the economy and commerce for the convenience of the international norms and institutions; but on the other hand, reverberates in the chore of a majority of the countries, mainly developing countries, that upon aligning themselves with the global concert in an orthodox manner, play with a disadvantage in the fight for growth in which they find themselves every day. Rubin says, referring to the termination of the developed nations in the framework of the 2007-2009 crisis [The Recession and the plunge in the financial markets have already put our faith in free trade and the freedom of markets to the test. To speak of “The State’s intervention” has always sounded very bad, but today it is a paragon of new politics from Washington to Brussels] What is happening? Are BRICS in default? Or have they simply advanced to a strategy that will become necessary? Knowing the playing field is a *sine quan non* condition today for any economy that is worried about its growth. Knowing what rules will apply to the competition has become a starting point for any development model. On the topic of anarchical rearrangement of the production factors, Martin and Schuman say that their lack of control and depth are leading us to a situation of “Save yourself if you can” but add with terrible irony, “It’s just that: ‘Who can?’” In this sense, the BRICS (as was seen, each country in its own way) are only the launching point of an economic anarchy that on the one hand, sacrifices lambs every day at the altar of the “lowest cost” and on the other, resorts to a direct State intervention in the development of its economy and international trade.

## VI. THE WORLD ACCORDING TO NEW TRENDS

Niels Bohr used to say that “To predict is very difficult. Especially about the future”. However, Goldman Sachs, in the framework of this anti-paradigmatic beginning of the 21<sup>st</sup> Century, already announces to us that the BRICS, made up of Brazil, Russia, India, and China, are the new economic, “winners”, which places them as the 5<sup>th</sup>, 6<sup>th</sup>, 3<sup>rd</sup>, and 1<sup>st</sup> world powers, respectively, in 2050, changing the current panorama of the so-called G-6, within which only The United States, in second place, and Japan, in fourth place, would remain by the middle of the century (Goldman Sachs 2001, 2003 and 2005).

The temptation to imagine what comes next, above all in the framework of a cycle that ends (20<sup>th</sup> Century) and a cycle that begins (21<sup>st</sup> Century), has always been irresistible for every generation, especially now, in the world of the “end of certainties” where we live, a little speculation that sheds light upon the future is always well received. However, Goldman Sachs, although it represents an experienced economic group, is not the only one to venture the projection of scenarios on the economic world of the future. Different voices encouraged by the economic problems that the global society is experiencing and the ideological neglect that it confronts in the political realm, speculate from different territories on the following topic: what will life be like at the end of the 21<sup>st</sup> Century; and if today’s global society will be able to maintain sustainability so that there can be a 22<sup>nd</sup> Century and many more centuries. From the eminently speculative manner that Goldman Sachs takes, to the sustainable and worried manner that other authors such as Laurence Smith carry out, the forecasts flow and are put forth for consideration by a global society that observes a little concerned, fearful, cynical, and expectant.

Bounan, with greater commitment to the future, wonders, “Where are we today? Hundreds of millions of men, women and children, concentrate themselves in immense, miserable, megalopolises, surrounded by devastated countrysides. Chemical or nuclear industries, more and more numerous and omnipresent; petroleum originated toxic emissions poison the air, the ground, the water, the food. Industrial cultures, deforestation, hydroelectric dams, provoke a deficient endemic diet and growing morbidity. And these living conditions are imposed and maintained *manu militari* by the transnational organizations that watch over the freedom of merchandise trafficking.” (Bounan, 2007, pp. 193 and 194). In the festival of tendencies and figures, these concerns are not taken into account in the economic future that Goldman Sachs draws; although Bounan, on the coming development, denounces that, “The current managers do not have any interest in modifying a social, political, and technological system that turns out to be very profitable for them”; where a global audience appears for their convenience, “that is the clay modeled by the official artists of modern power, which no longer has at its disposal the instrument that would allow it to recognize these tendencies and figures for what they are and judge that representation model that is offered as absolute criteria of truth with validity”. (Bounan, 2007, pág. 181). In the middle of this criticism for the “development” of the future, Bounan also risks a possible solution, which comes from the very embarrassment and pride of today’s society, which, faced with difficult life

conditions, contributes to the reconstruction of the religion of “progress” and its current mercantile-industrial organization (Bounan, 2007, p. 198).

In the same way, from an ecological development concern shared in the 21<sup>st</sup> Century, maybe the only one possible, Rifkin alerts us “Ironically, the climactic change obligates us more than ever to recognize our shared humanity and our essential, not only superficial, common condition. We are together in this life and on this planet: there is simply no place to which we can escape or in which we can hide, since the entropic bill that our species has generated already affects the entire Earth and threatens to extinguish us massively” (Rifkin, 2010, p. 605). Rifkin adds, thinking about the 21<sup>st</sup> Century’s development, “Maybe the most important question that humanity faces is if we can achieve global empathy in time to save the Earth and avoid the collapse of civilization” (Rifkin, 2010, p. 14). Perhaps in the framework of these essential concerns of the 21<sup>st</sup> Century, knowing who will be the first GDP in 2050, or the second or the third, passes to the background; giving priority to knowing the “what” and the “how” of these possible results in the sensitive framework of a global society threatened in its collective sustainability. Laurence Smith, also along the lines of concerns about the viability of the 21<sup>st</sup> Century comments, “Upon imagining 2050, I have already put forward that by then a globally unjust distribution of luck will be glaringly obvious, with some conquering species and many will be losers. Already in these times, the plants and animals of the world are faced with the greatest risk of extinction that they have known in sixty-five million years” (Smith C., 2011, p. 187). As can be appreciated, a vision of the global economy’s future, without a principle of concern for the planet, in addition to its evident lack of sense of ethics, also incurs in a practical error since the future projections are going to be determined by the imponderables of a threatened eco-system, an overflowing demography, and an economic globalization without control.

The aforementioned does not expect to qualify or disqualify a priori the BRICS proposal; it intends, yes, to distance it from a superficiality that, based on simple numbers, leads us to a media “race” of winners and losers that decontextualizes its enormous referential framework and the separation of its commitment before a global society that has the right to know today, what we understand, or what we should understand, to be “economic success”.

The tendencies of a positive economic development that distinguish the BRICS countries are not exclusive, not even alone in that group. Jaques Attali, joining the vision of the history of the future, expresses that, “Another eleven economic and political powers will rise (as Goldman Sachs points out

in 2005): Japan, China, India, Russia, Indonesia, Korea, Australia, Canada, South Africa, Brazil, and Mexico... Within twenty or twenty-five years, all of them will be known as markets or will be on their way to being known. Underneath them, another twenty countries with strong growth will continue suffering institutional shortages, among them Argentina, Iran, Vietnam, Malaysia, The Philippines, Venezuela, Kazajistan, Turkey, Pakistan, Saudi Arabia, Algeria, Morocco, Nigeria, and Egypt. Another handful, of more modest size such as Ireland, Norway, Dubai, Singapore, and Israel, will play a particular role" (Attali, 2006, p. 110). There are also positions that do not even share the future that Goldman Sachs foresees, such as George Friedman who openly declares that China is a Paper Tiger, and therefore he does not believe in the idea that the Asian country is going to be converted into the greatest world power in the 21<sup>st</sup> Century, (Friedman G., 2009) or mixed positions such as that of Shapiro who sustains that, "The singular force of the United States and China economies, combined with their size, will fix in great measure the path of globalization during the next ten or fifteen years and, with it, the directions that the economy of many other countries will follow" (Friedman G., 2009, p. 88).

As was mentioned previously, prediction is a difficult exercise; in more ways than just getting the different opinions to agree; especially when one lives in challenged times with innumerable uncontrolled factors and serious warnings about the future of civilization. For that reason, speaking of the economic tendency of the BRICS based on the study that gave rise to it, proves extremely insufficient by taking off from an analysis that omits the origin and nature of the development of the different countries that it analyzes, the environment in which they are developed, and the future that each of them will face. The future, according to Goldman Sachs, restricts itself to forecasting the success of its results "provided that": 1. The countries are sustained in a Macroeconomic Stability that achieves, for example, the reduction of its fiscal deficit (which has not been a problem for these countries in recent years, with the exception of India (-4.8% of the GDP in 2011; which does not compare with -9% of the GDP in the United States or -8% in Japan for the same year); 2. That they maintain a strict monetary policy (precisely when the, "flexibility" that China has shown in this area has been one of the main factors for the success of its large exportation, and has caused international clashes with the United States and other Western countries); 3. That The Construction of Political Institutions, such as the Legal System, the Health System, etc., be maintained, which are key for bringing about the economy's efficiency, (when a good part of the success of Chinese and Russian economic models, for example, has been the

verticality of their institutions, along with an unfinished Rule of Law); 4. Advancement in the Opening of their Markets and of their Free Trade, in order to achieve a greater development and growth, (when the main characteristic of the Chinese model, and to a lesser degree of that of the rest of the BRICS countries, as was already pointed out, has been precisely their policy of protected, selective opening, with broad State participation; with which they have obtained their important growth indexes); 5. And the improvement in their Education Systems. Apart from this last educational requirement, what the G.S. study does is to recommend, precisely, to the BRICS countries the opposite of what they have been doing to achieve their economic success, pointing out, in addition, that if they do not comply with these development strategy parameters, they will surely not reach the overflowing growth rates that are forecast for them for the coming decades. Of which economy are we speaking? Who are the BRICS? Who do we celebrate? What is the world that Goldman Sachs proposes?

The BRICS are an exogenous invention that is institutionalized under the convenience of a geopolitical market strategy, which, to a greater or a lesser degree, favored each of the five countries that make up the BRICS today. As such, today it is a political group, lacking deep roots, whose future will be conditioned by the dividends that it can yield in the coming years as a result of its political, economic, and social correlations and divergences.

China, for example, is the banner country of the five; the one that gains the least by its association and the one that casts a shadow on the rest of the joining countries through its enormous economic success. As has already been pointed out, without China's boundless triumph, today we would not be talking about the BRICS group. The Chinese success, in contrast with that of its partners, began more than 3 decades ago, unlike the 11 years that Russia has, 9 years in India, and 8 years in Brazil; and the strength of its sustainability (10% yearly average in that period), it is not comparable with the rest of the group's members, that in addition to having barely a third on average of the time that the good Chinese results have, their degree of growth has been significantly less (Brazil 4% average; India 8.4% average, and Russia 6.2% average in their respective periods); that's the reason why the Chinese GDP represents more than 50% of the group (2009); more than 70% of its monetary reserves (2.62 trillion dollars in 2010); more than 50% of the income from FDI during the 2000-2009 period (6.29 billion dollars), and is ranked in the best position of world competitiveness in 2010, in 27<sup>th</sup> place; 24 places ahead of India, which is the country that follows it (51<sup>st</sup> place); 31 from Brazil (58<sup>th</sup> place), and 36 from Russia (63<sup>rd</sup> place).

China's strength is currently beyond any doubt. From the days in which Deng Xiaoping, Zhu Rongji, Jiang Zemin, etc., pondered over the model to follow in the face of the enormous need for China's opening to the exterior, until today, three long decades have transpired through which China has accumulated enormous experience in the handling of its economic strategy, and the experience from "the experiment" of which Deng spoke, currently, have made it into the most successful economic model in the world. The phenomenon of Western deindustrialization motivated by profit, which, as was pointed out previously, has been the main impetus for the "Chinese miracle" does not take away the fact that Chinese talent has not conformed to being the largest "assembly plant" in the world (which was the West's main idea and the reason for its inability to understand and foresee China's economic overflow) and from this platform, has decided to undertake an enormous challenge in all its sectors, through all the means within its reach, in order to convert itself into what it already is today, the second economy in the world, and into what it wants to be: the greatest power of the 21<sup>st</sup> Century. However, beyond the successes achieved with regards to growth and development, China will have to face, along with the rest of the countries on the globe, the change of its economic growth formula, which although it did give the country a rate of 10% yearly average increase for more than 30 years, currently can no longer sustain that. The economic success mounted on the destruction of its ecosystem and of the planet; the payment of starvation wages; or the absence of a universal policy on the payment of social benefits, in addition to an ever-growing world uneasiness, is causing China to face a growing protest from its "trade partners" who by means of the WTO, from 1995 to 2010, have made it into the most investigated country in the world with 784 complaints; just as it is the most sued country with 563 lawsuits in the same period. With regards to this kind of growth, since long ago the West has been denouncing: "Only naïve theorists or short-sighted politicians will believe that it is possible, as is currently occurring in Europe, to deny millions of people work and social security year after year without paying a political price for it at some point. It is something that cannot work" (Martin & Schumann, 2005, p. 17); while in China itself, Pan Zhongwang, a 55 year-old steel polisher who works in Zhenhua, arrives at 7:00am and leaves at 11:00pm, and frequently works seven days a week; who lives in a company dorm and earns approximately 12 dollars a day, protests: "Everything is getting more expensive. They should increase our salary" (Reforma, July 2011).

In the same way, in the coming decades China will have to resolve the central topic of its demographic structure, which, currently made up of

1,336 million people, only places 44% of this structure in urban zones, with the resulting problem of retaining the other 56% in the countryside, which has a direct impact on its employment, income, and poverty needs; a situation that will become more delicate if it is considered that China currently has a median population age of 35 years, which will be increased to 45 years by 2050, with the resulting conflict in young workforce and pensions for older adults. By 2050, China will have 75% of its population in urban zones, with all the challenges that this change implies upon having more than one billion people in the new cities (Smith, 2011). Thomas Friedman says that China is one fifth of all humanity; the greatest emitter of carbon in the world; the second importer of petroleum, after The United States; the greatest importer of nickel, copper, aluminum, steel, iron, etc., and that for this reason it is not risky to say that as it goes for China, it will go for the planet; that if China manages to make a change to renewable energies, there will be greater possibilities for mitigating the climate problem (Friedman T, Hot, Flat and Crowded, 2008, p. 344). This is an essential topic in China's future that the very Chinese bear in mind. Pan Yue, Minister from the Environmental Protection Agency, has been pointing out since 2005 that among China's challenges, the country did not have enough raw materials; that it did not have the necessary land; that its population was increasing and that by 2050 it would reach 1.5 billion people. That the cities continued growing, but the desert zones were expanding equally. That pollution was taking no rest. That acid rain was falling on a third of the Chinese territory; that half of the water in the seven most important rivers was contaminated, while a fourth of the cities did not have access to clean water. That a third of the urban population breathes polluted air and that less than 20% of the trash in the cities is being treated and processed in a sustainable manner. Finally, he added that five of the most polluted cities on the planet were found in China (Friedman T, Hot, Flat and Crowded, 2008, p. 348).

The insertion of China into the global economy is an irreversible fact that deserves our utmost attention. China is no longer just the assembly line country of the eighties; today, along with the low-cost economy, another economy of innovation and high technology coexists; however, while China maintains its endless reserve of cheap workforce (approximately 800 million people) it will continue intending to operate, at different levels and speeds, its integral policy of Special Economic Zones, as it is currently doing in its central and western territory. For that reason, beyond the happy figures of the GDP's handicap, the Asian country, along with the global society, have the obligation to carry out a reflection and a commitment on what was achieved to date with regard to economics; moreover, on the collective de-

velopment strategy of the coming decades, which will have to be oriented in a sustainable manner as much by the BRICS as by the rest of the dominant economies; The Tofflers point out on this respect, “And unless The United States, Europe, and the rest of the world understand what is really occurring in China —China hides under a deluge of unreliable financial and economic statistics— it will be difficult to make sense of what is about to happen. What is occurring will, in one way or another, radically redistribute the wealth and rock the planet” (Toffler & Heidi, 2006, pp. 433 and 434).

Russia, for its part, more than thinking about the future, recomposes day to day the lines of its stability and development that ten years of Neoliberal “experiences” left it. Despite the aforementioned, with a basis on its immense natural resources, Russia appears as one of BRICS countries with the greatest potential for the future. As was already indicated, according to the British Geological Service, petroleum and natural gas have a probable life index of 41 and 60 years, respectively, and in the two consumables, Russia appears as the fifth and the first country in quantity of reserves. Speaking of the future, by 2030 it is estimated that there will be a 30% greater demand for petroleum in the world (106 million barrels per day), where Russia, with its 80,000 million barrels of hydrocarbons, will have an assured growth to sustain its development and financial equilibrium. Thanks to Western Siberia, Smith points out, the Russian federation is now the greatest world producer of natural gas and the second producer of petroleum. Equally, Russia has the longest coastline and the widest continental platform in the Arctic Ocean, which will provide it sovereignty over large portions of the seabed and the majority of the natural gas that is estimated to be in the North Pole. Russia is perhaps the country with the greatest natural resources for the future: land, food, water, fuels, minerals, etc.; however, in this promissory future among the main challenges will be that of facing, unlike China, the problem of a decreasing demography: “The Russian Federation confronts the most dismal perspective. Its demography is in free fall: sixteen people die for every ten that are born. Its total population is now losing almost eight hundred thousand people per year” (Smith C., 2011, p. 257). Along with its population problem, Russia will have to work on the construction of a credible Rule of Law in the framework of a new democratic life, that after the economic collapse of the nineties, it will live the challenge of its sustainable restitution or the risk of its change by a tyranny based on the power of petroleum. In regards to this, Telman Sánchez comments, “Russia needs to overcome its current state of weakness and internal crisis, to strengthen the State and to restore its political and economic role in the international system. All these tasks are indispensable and complex for

the Russian State, but they should be undertaken fundamentally by means of effort and with the help of internal resources". And he adds, no longer about its future for 2050, but for 2020, "The Russian people could not wait another decade and then watch their hopes be dispelled again" (Sánchez Ramírez & Telman, 2005, p. 263).

India,<sup>5</sup> in spite of its average annual growth of 8.4% in the last nine years, based on its economic opening project, appears as one of the weakest BRICS countries because of its enormous population, economic underdevelopment, and poverty. Despite this small and still uncertain economic boom from the first decade of the 21<sup>st</sup> Century, the Indian GDP per capita is the lowest of the BRICS countries (1,192 dollars in 2009); and the percentage of its rural populations still presents very high tendencies on a global level (71%; more than eight hundred million people) which complicates enormously its possibilities of generating greater development and distributing it adequately. Due to the aforementioned, its Human Development Index (UNDP) is the lowest of the BRICS countries (0.519 in 2010), as is its average years of schooling (4.4 in 2010), its spending on health (4.1% of the GDP, 2010), and its spending on education (3.1% of the GDP, 2010). The topic of poverty in India is ancient. According to data from Maddison, India did not experience per capita growth between 1600 and 1870; and from this last year to 1947, it had an annual increase of barely 0.2% (Sachs, 2006, p. 255). In 1960, 33% of the rural population and 49% of the urban population lived below the poverty line with 324 and 489 rupees, respectively (Ramachandra, 2007, p. 467). Based on the reforms at the beginning of the nineties, India achieved an important decrease in its poverty indexes; however in 2001, 35% of the total population lived on less than 1 dollar per day (Chai C.H., 2006, p. 467). In 2009 there are more than 300 million poor people in India, of which 25% live in extreme poverty, which continues to be one of the country's principal future challenges. Equally, India drags behind itself a long history of negative economic results in the last decades, which hang over its future economic project considerably. For example, in its Checking Account, from 1990 to 2010, the country registered losses through 17 years; and in the last period of its BRICS takeoff (2000–2010) it has already suffered 6 negative balances; in the same way the Balance Sheet is negative (-108 billion dollars in 2010). India, just like China, needs to create 8 million jobs annually, and for that, its GDP needs to grow by at least 8% yearly; given that this figure has been reached the last 9 years, India faces the urgency of greater and sustained results in the

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<sup>5</sup> Figures from the WV, IMF, and WTO.

future. Frequently, two India's are spoken of: the India of profound poverty and underdevelopment that has not been able to resolve its primary education and food problems, and the India of technological services that in the line of Biotechnology, for example, in the next years could generate 5 billion dollars and up to one million sources of work (Ernest & Young); however, as the Tofflers indicate: "...India knows that it cannot delay a new assault on poverty, and that it will not win the attack only with smokestacks. Nor will it win if the majority of its population continues to be condemned to a low-productivity, rural existence, no matter how much, "appropriate technology", it introduces on a small scale. Nor will a second wave strategy suffice, rather a first wave strategy" (Toffler & Heidi, 2006, p. 409).

Brazil,<sup>6</sup> which is the only non-Asian country in the BRICS (Russia has 70% of its surface area on Asia), holds an inhomogeneous relationship with the group (Baumann, 2010, p. 46); and just like India, has a very recent prominent economic performance (8 years 2004-2009); and less than India, its average growth in the period is the smallest of the BRICS countries (4%). Also like India, from 1990 to 2010, Brazil has had negative results in its current account in 15 of the 21 years of the exercise (71%); and taking the 2000-2010 period as a base, has registered negative balances in 6 of the 11 years. However, Brazil's case, unlike the rest of the BRICS countries whose history of success is the result of a cash out that was registered after a Socialist project without positive results, its economy comes and is nourished, as was already indicated, from a surplus that for 50 years (1930-1980) generated an average annual growth of 6% (Barbosa, 2011), which places it as the second BRICS country with the greatest level of Human Development (0.699, 2010 UNDP); in the same way that it is the country with more health spending (9% of the GDP, 2009) and education spending (4.5% of the GDP, 2005) of the BRICS countries. Brazil is the least open of the BRICS countries (26% during the 2000-2008 period), with a strategic focus toward its internal market; however, the upturn of its growth from the last years is achieved through the export boom that it sends to Asia, and especially to China, where 58% of the shipments are centered on 45% commodities and 13% agro industrial products (2006). When one speaks of the future, one speaks of natural resources such as petroleum, water, land, food, etc.; and Brazil, within its 8.5 million square kilometers houses a huge potential for this kind of consumables where the land, the water, and the food present its greatest wealth. The magnitude that the South American country has from these resources can convert it into the "food factory of

<sup>6</sup> Figures from the WB, IMF, WTO.

the 21<sup>st</sup> Century” which would be in tune with an increase in world need; which is estimated to grow by 70% for 2050 (FAO). Of Brazil’s 65 million exploited hectares, there is potential for more than 300 million hectares, which place Brazil, along with Russia, as one of the few countries that could easily widen its agricultural border in this magnitude; which contrasts with the situation that China and India present, both of which today exhibit saturated agricultural borders that do not have growth potential with the most numerous populations in the world and an increasing buying power. In the same way, Brazil is the country with more Total Renewable Water Resources with 8,233 square kilometers / year, which also makes it the first country with this measurement per capita (Rodrigues Diniz, 2011). The challenges of the future for Brazil, in spite of its valuable assets, are similar to other developing countries. Its “Imperial” aspiration, its geography, and its resources have been at its disposal for the last 200 years and for different internal reasons, its project has not been able to consolidate itself in the South American region. Enormous problems of poverty and unjust distribution especially in reference to the country; and to social and political organization, will continue to be part of its agenda; its “dependency” to a large extent on the model and on Chinese success will be a challenge and an opportunity that the next decades will be determining. However, in Brazil’s case, as in that of the rest of the BRICS, one of its main challenges will be to make equivalent the lines of its growth to a point in which all its activities and the majority of its inhabitants are favored, in order to avoid the development syndrome of which the Tofflers warn, where “The waves can be found overlapping themselves and displacing themselves in unison: remains of hunters and gatherers that disappear as peasants from the first wave take their lands; peasants that relocate themselves to the cities to work in second wave factories, and cyber-cafés, and rising software initiatives as the third wave arrives” (Toffler & Heidi, 2006, p. 52).

To speak of BRICS is to speak of the future, and in that dimension and that desire, every country should be BRICS, or rather, aspire to be and have a good future.

The ways in which countries and people coexist within the boundaries of the Third Industrial Revolution that Rifkin announced, cannot be equal to the irresponsible economic ascents of the 19<sup>th</sup> or 20<sup>th</sup> Centuries; precisely that global village that we have become obligates us as much to respect the success of others as that the successful neighbor achieve his success at the expense of an effort and a creativity that do not rise from the impoverishment of the neighborhood. Jacques Attali says that, “It is today when the world we will have in 2050 is decided and when the base for 2100 is laid. In our hands

is the ability of our children and grandchildren to live in an inhabitable world or to have to put up with hell, hating us for it. In order to leave them a planet on which one can live —he points out sensibly— we must make an effort to think about the future, to understand where it comes from and how to act in it, and to make it possible” (Attali, 2006, p. 13). Matt Ridley, puts forward from rational optimism that, “...the human species has become a collective problem-solving machine —which we do not doubt— and that it resolves problems through change.” (Ridley, 2010, p. 271). However, the one who annotates the question of the BRICS model in relation to the future is L. Smith when he points out that “The question is not to compare how many people there, or how many barrels of petroleum are left, or hectares of working land, or drops of water in the water cycle. The question is not whether the consumption of resources can or cannot be absorbed by the global ecosystem”; to which he immediately adds: “In my opinion, the most important question is not that which refers to capacity, but that which formally questions the desire: what kind of world do we want?” (Smith C., 2011, p. 336). And in the end, we return to the beginning: The maximum profit, environmental deterioration, and social irresponsibility model that Goldman Sachs exalts? Is it the one we want.

## CHINA: THE PACIFIC ECONOMIC MIRACLE

SUMMARY: I. *Introduction.* II. *Economic development as a state priority.*  
III. *Evaluation and conclusion.*

### I. INTRODUCTION

The reform in China is a great experiment  
that is not found in books

DENG Xiaoping (1985)

Despite its success and widespread diffusion of its results, China's economic reform from 1978 onward is still a topic that is difficult for the Western world to interpret. From its inception, the creator of the model, Deng Xiaoping, warned that reforming modern China was a "great experiment" based on a broad outline and subject to trial and error. While Deng pointed this out in 1985, a trusting, overestimating Western world has not yet completely understood this unilateral declaration from the main author of Chinese success. From the beginning, it told the world that a new China was embarking on the adventure of traveling through unknown paths towards development despite the economic failure of its previous experience (the Maoist Period 1949-1976) and the urgent need to feed around 900 million people (1978), of which nearly thirty million had died of starvation just eighteen years before.

In the Western world, however, different development theories continue to compete between the prevalence of politics over economics and/or vice versa. In a never-ending search for predominance, analysis is frequently complicated, more than clarified, by forgetting that a healthy relationship between politics and economics is inherent to successful economic development. There have been many disputes within economic development theories regarding the different visions that have tried to be imposed throughout the 20th century in search of sustained development. This has occurred in

spite of the fact that, as Douglass North points out "...the similarity in the performance of the economies and the persistence of disparate economies throughout time has not been satisfactorily explained by the development economists, despite immense efforts carried out for 63 years. The simple fact is that the theory used is not up to the task" (González García, 2006).

Despite the various formal economic development theories that have appeared since 1943 (Paul Rosenstein-Rodán), the new political group that began to re-think China's growth did not directly incorporate contemporary theories (Clark, Nurkse, Lewis, Rostov, etc.) when instrumenting their initial changes. China was well aware of its enormous economic limitations at the time: limited resources, overpopulation, widespread poverty, a lack of savings, an economy in arrears, ineffectual industry, a lack of infrastructure, limited external trade, an abundant but unqualified workforce, a lack of modern technology and a political crisis, among others. Its failure to fully adopt an earlier model (the Soviet model) led it to believe that reductionism was not the best way to attain successful development. As Oded Shenkar points out:

The first 27 years (1949-1976) of the communist phase will continue being object of discussion; although little by little the apologists from the period of Mao Zedong are decreasing. However, regarding the economy and politics, there are no absolutes, and although the general results from the period are negative and at times were chaotic, such as the famine that presented itself in the middle of the period, it can be said that within it some lessons were generated for the Chinese model that were greatly useful in its new boom, from 1978 onward. The first theory among them that can be highlighted is the one that detaches from the Great Leap Forward and the Cultural Revolution, which consisted of pointing out the fact that the forcing the ideology of the economy produces catastrophic results, that concrete results for development must be oriented toward this theory. At the very time that it was impossible to continue with the Russian model of investing and creating infrastructure in the whole territory in such a big country with so few resources, the advisable thing to do was to focus the effort on the areas with the greatest potential, in order to later disseminate the results, an experience that has been one of the most important points of the new development model, and finally, that the viability of the political project necessarily requires economic success (Shenkar, 2005).

Thus, talking about China's new development model is not an easy task. Its political environment from preceding years was imbued with intense na-

tionalist sentiment. Its idiosyncrasy and its multilayered past intertwine and confuse observers with their various settings. Its political-economic platform derives from a centralized model and it has recently implemented a market economy. In view of their different natures, all these aspects continue to distort the opinion of a Western world accustomed to dichotomous economic models (Communism-Capitalism) and that as early as 1989 thought could be synthesized into a single model after the fall of the former Soviet Union. In an attempt to analyze certain qualities of the current Chinese development model, it is useful to follow Deng Xiaoping's advice and heed his warning: starting from the premise that it is a "great experiment" that has not been deciphered in important economic treaties. It is an experiment thought out and executed by a group of engineers and it must be seen as something outside familiar paradigms within the framework of the new global order.

The three sections of this paper are as follows: II. Economic Development as a State Priority; III. The Law as Leverage for Development and IV. Evaluation and Conclusion, in order to outline the new development model of the People's Republic of China.

## II. ECONOMIC DEVELOPMENT AS A STATE PRIORITY

Development by any means, without altering social stability.

DENG Xiaoping

In the political crisis of the late seventies, China's immediate challenge was to grow at any cost to meet the urgent demands of its people. The previous economic model had already failed and outside China, future growth wavered between the "success" of developed Western economies and an early prospect of globalization that was starting to outline a new order for international development. Thus, the starting point for the first reforms was clearly the need to implement an outward-oriented political-economic system. Deng used all the State's power to design a new development model that centered on increased foreign trade. For this purpose, pertinent parts of Taiwan's economic model were analyzed. It was noted that between 1960 and 1965 its GDP had grown an average of 9.5% while China was unable to go beyond 4.7%. Between 1965 and 1972, when the Chinese

GDP rose only 1%, Taiwan's grew at a rate of 10.1%. Consequently, the Taiwanese example<sup>7</sup> served as a starting point for the economic plan that Deng called "the four modernizations" to attain "economic development by any means".<sup>8</sup> Various trade missions were sent to northern Mexico at that time to see the assembly plant model first-hand. These visits also played an important part in devising the new Chinese model.

*A Broad Outline of Deng Xiaoping's Economic Theories behind the Chinese Development Model*

In the early stages of reform, Deng Xiaoping would say,

Once we are certain that something has to be done, we should dare to experiment, to break out, and to mark new paths with it. This is the important lesson that we should learn from Shenzhen. If we do not have a pioneering spirit, if we are afraid to take risks, if we do not have energy and direction, we cannot break out and mark a new path, a good path, or do something new.... No one can be 100% sure from the beginning that what he is doing is right. I have never been so sure. Every year, the leaders should review what they have done, continue with the measures that have proven adequate, act immediately to change those that have proven wrong, and face up to new problems as soon as they are identified. (Deng Xiaoping, 1994).

Deng's own life (1904-1997) falls within one of the most chaotic eras of Chinese history. He lived through the end of the Empire (1912), as well as through various revolutionary movements (1912-1949) and the Japanese invasion (1931-1945). During the Maoist Period (1949-1976), he met with different movements, like the Cultural Revolution (CR, 1966-1976), which made him the target of strong political attacks from the more conservative groups.

After the triumph of the Revolution and confronted with different social challenges, Deng's discourse was marked by starting from the current

<sup>7</sup> In addition to looking at Taiwan, Deng studied the experiments carried out in Sichuan, his native province, which succeeded in multiplying agricultural production by 79% between 1976 and 1979.

<sup>8</sup> The new regime's objective was to attain China's economic development by means of modernization in four areas: agriculture, industry, national defense, and science and technology. Under the leadership of Deng Xiaoping, greater emphasis was placed on them to position China at the forefront of all world nations. John King Fairbank, *China: una nueva historia*, 486 (Andrés Bello, 1996).

situation in order to find new that would take China out of poverty, a course which clashed against the central power's triumph list and dogmatic discourse. In 1957, he pointed out that "Seeing everything through rose-colored glasses and too simplistically is manifest in our propaganda, idealizing the current situation of our country as if there were no longer any difficulties and we only need to enjoy the amenities". He added, "our main task from now on is building, which will be somewhat more difficult, or at least not easier, than the Revolution..." (Deng Xiaoping, 1994). In the face of the challenges of his time he spoke of "learning, of course, from all the advanced experiences of the world, learning how much they have advanced in different parts of the world, including the United States". Although in the fifties, he naturally put the Soviet Union in first place. He likewise recognized that "in China, many national capitalists opened their paths in the midst of arduous struggles, and they know more than we do about business management". This opinion, which grew out of building up a new framework for growth, led to his having multiple enemies and posed serious threats to him during President Mao's orthodox and distinctive "school of thought" for using his discourse and work in the Party to incite the country to follow the capitalist path (Deng Xiaoping, 2002).

In spite of the opposition, he rose to power upon Mao's death. Deng then had the opportunity to put his ideas into practice, which basically stemmed from bringing together three factors: development, structural reforms and political stability. As to this, he pointed out "the solution to all of China's problems depends on economic development", because "development is the absolute foundation and in order to achieve it, it is necessary to insist again and again on the reforms that make it possible". In 1985, he added "all our reforms are aligned with a single objective, which is to remove the obstacles that limit or inhibit the development of productive forces, which, in turn, should be directed toward creating a technological basis for development". Deng's theory always regarded the link between reform and development as something perfectible with time and subject to trial and error; the reform to be applied should aim for the best possible development. Reforms are like permanent public policies that correct everything that does not contribute to development. However, he always maintained that these two premises would not be possible without the stability in the country brought about through social and political balance among its participants. On this topic, Deng Xiaoping declared "If there is no stability, brought on by political disparities, it will be impossible for us to move toward social construction" (Wang Mengkui, 2003).

This simple reform-development-stability trilogy forms the theoretical basis of Deng's development model. Its main challenge was to achieve a balance of the concepts in time, so that their combined effect would translate into benefits and improvements for the different social classes. Regarding this, Deng explained, "the basic expression of the superiority of our socialist system is found in the possibility that the productive forces of our society can grow rapidly, at rates never before seen in the old China, and gradually give us the satisfaction of the cultural and material improvement that our people need" (Wang Mengkui, 2003).

While various reforms for economic and commercial growth were being built around this development strategy, the long-term vision of the project emerged: the knowledge of knowing what is desired and what is possible, and the certainty of knowing in which direction to go. In 1978, Deng Xiaoping said "the essence of the reforms is to build the foundations for sustained development for the next decade and the first fifty years of the next century". He devised a strategy with a view towards the future that he called "the three steps". "In this century, we will take two steps, which represent the solution to the problems of an adequate supply of food and clothing for our people. In the next century, we will spend another 30 or 50 years to achieve the goal of another step, which is to reach the level moderately developed countries of the world have" (Wang Mengkui, 2003).

Deng was a visionary with a great capacity not only to adapt to the new political period his country was entering after living practically walled in, but also to understand the great global transformation the world was experiencing in the late 1970s and to lead China to take advantage of this situation. In 1987, he said "currently, there are two models of productive development. Insofar as each one of them serves our purposes, we will make use of it. If socialism is useful to us, the measures will be socialist; if capitalism is useful to us, the measures will be capitalist". In an unusual approach, he pragmatically pointed out:

...there are no fundamental contradictions between socialism and the market economy... The experience that we have gained throughout recent years has demonstrated to us that we could not develop productive forces in a rigid economic structure. It is for this reason that we have been implementing some useful capitalist measures. It is clear now that the correct approach for opening oneself to the world is combining a planned economy with a market economy, to which structural reforms are implemented. (Wang Mengkui, 2003).

This combination of concepts gave way to what we now know as “market socialism”.

“Surely the affirmation that the market economy only exists in capitalist society, that there is only a capitalist market economy, is incorrect. Why can't socialism practice the market economy?” (Deng Xiaoping, 1994). This stance defined and revolutionized the paradigm of his central planning model and the theory of the capitalist model was met in the same way. After all was said and done, what stood out was the pragmatic and utilitarian intention of transforming economic models from ends to means. It did not matter whether the cat was black or white, Deng said paraphrasing an old Chinese proverb, what mattered was that it caught mice. He added “there is no fundamental contradiction between socialism and a market economy, ‘both are means’”. Even today, both (capitalist and socialist) theories continue to seek answers that clearly explain this new model, which has validated itself through the success of its results.

On the topic of structural reforms, Deng indicated in the eighties that “without development, reforms don't mean anything”. To that, he added, “to reform was to remove the production relationships and the superstructures that weren't driving the development of productive forces”. (Wang Mengkui, 2003). Reform-development, development-reform, this new learning curve drew from successful experiences in the world, a learning process that compared the challenge to crossing an unknown river leading to development that would benefit the people. Therefore, “one should proceed with caution, feeling the stones”. To do this, every reform and every development had to comply with three objectives (the three “favorables”) to be considered viable and thus be approved. The criterion focused on a) *whether* it promotes the growth of productive forces, b) *whether* it increased the strength of the Socialist State, and c) *whether* it raised people's living standards. A clear understanding of a globalization in its initial stages more than a quarter of a century ago and the implementation of a winning strategy to participate in it contrasts with the lack of direction a number of economies present today.

### *A General Outline of the Economic Model*

The combination of public policies the new Chinese model adopted, regardless of their origin, has led to a pragmatism that breaks with traditional methods of analysis and enhances China's economic results. After the fall of the Berlin Wall, the West consolidated its idea of a victorious free

market model that was positioned well above the central planning strategy implemented by the former Soviet Union, which had clearly demonstrated its incompetence when compared to its Western counterparts. In the face of failure, both China (1978) and the former Soviet Union (1989) opened their borders and emerged into the world. The most foreseeable conclusion was that they had to put the neoliberal model into practice and wait their turn in a predetermined economic order. With the difference of only a decade, Russia followed a shock therapy strategy using the IMF model and established an open privatization plan (*laissez faire*) that was abruptly carried out under the 500-Day Program. It resulted in the massive closing of businesses and the loss of an important number of strategic State assets. This model instigated the full opening of its market and the free exchange of its currency, which brought about enormous debt and a financial crisis that entailed the loss of 4.2 times its gross national product (GNP) between 1992 and 1996. This strategy also led to a drop in income for 60% of the population while levels of extreme poverty rose to 40%. Moreover, only 10% of the population had access to higher levels of wealth and the development of Russian economy was thrown back twenty years (Wang Mengkui, 2003). In contrast, the gradual progression, selective openness and comprehensive strategy the Chinese State implemented in its economic development model produced completely different results.

One aspect stands out from among the different paths of learning gathered from the new Chinese development model: its caution in not impulsively giving over to the offer of free market models, as Russia and most Latin American countries have done. In addition to “feeling the stones of the new river”, there is the wisdom of putting national interest and reality ahead of the different strategies being implemented without deterring them from inventing new, unproven formulas in the midst of a new free market dogmatism that worshipped the invisible hand of development. Some authors point out that “it is precisely the success of the Asian nations that allows current free market theorists, especially civil servants in the World Bank and the International Monetary Fund, to highlight the goodness of the free market, and, given its importance in the adjustment and stabilization programs, brings about the resurgence of the neoclassic paradigm” (González García, 2006). As far as China is concerned, this idea is not wedded to a socialist market model that benefits from all kinds of strategies, regardless of their origin. The only requirement is that they contribute to its development.

At the 15th Congress of the Chinese Communist Party (CCP), China defined its model as follows:

To build a socialist economy with Chinese characteristics means developing the market economy under conditions of socialism and constantly emancipating and developing productive forces. We should maintain and improve distribution models based on the dominant work, allowing certain people and certain areas to be prosperous in the beginning so that they can later help others and thus achieve prosperity step by step (Wang Mengkui, 2003).

The new Chinese model is defined, first of all, by its awareness of historic change: that of facing a decision that if it succeeds, it would require its people's effort for around 100 years. It was also conceived as a gradual transition from an illiterate rural country to an industrialized one with high levels in science, technology, education and culture. It would merge its economic future with the favorable aspects of a market economy. It was seen as a historical period in which the free market would not affect its strong socialist system upon which they would build a socialist regime with Chinese characteristics, a socialist economic system and a socialist democratic political system. This last point is the most difficult for Western observers to understand since they forget that throughout the different stages of China's economic development, the State has never stopped taking direct responsibility for the different policies made and this is seen at every step of its burgeoning private sector's contact with Western economy. China never accepted the simplistic concept of the "invisible hand of the market", but has opposed the "visible hand of the State" since its opening. This reflects its commitment and direct responsibility over the success of its sectors, businesses and businesspeople, and is one of the distinctive fundamental elements of the Chinese model.

### *Instrumenting a Selective Opening Policy*

Development requires getting rid of all the notions that hinder it; changing all the practices and regulations that prevent it, and liberating itself from economic burdens.

JIANG Zemin

The biggest challenge in 1978 was development by any means and at any cost. The direct struggle among internal forces over the opening and the corresponding adjustments were not yet settled and the open door pol-

icy had to be handled progressively. Above all, as Deng Xiaoping used to say, it was still necessary to decide on which front the fight would take place against the “flies” entering the open windows of the foreign market, without losing sight of the fact that the name of the game was development, development and more development. China bore in mind the teachings of Sun Tzu to face this challenge: an army that wants to fight a battle throughout an entire territory is doomed to failure; it cannot be strong in everything. Therefore, they launched a policy for each geographic region (Pacific, Central and Western) and decided to allocate greater emphasis and resources to the first region due to its attributes with respect to the Western market. The strategy also enlarged its focus and defined the priority sectors that would receive State support. Thus, the Chinese again adopted the words of Sun Tzu in that, “the place of battle must not be made known to the enemy. If it is not known, then the enemy must prepare to defend many places. If he prepares to defend many places, then the forces will be few in number” (Sun Tzu, 1999). In an initial attempt to give a hierarchical structure to the sectors, Deng started from a broad idea called the “Four Modernizations”, which included: liberalizing agriculture, attracting foreign investment, implementing an aggressive export policy and creating special zones. Subsequently, in 1981, priority sectors were established under the National Program of Science and Technology: agriculture, energy, new materials, computer science, space technology, genetic engineering, physical engineering and laser technology.

This focus on developing fields of priority economic action is very different from Latin America’s strategy in general and the Mexican one in particular. These countries opened their economies and trade in all aspects of their economic chains, losing strength and the concentration of resources in the process. When deciding the battles to be fought, competitive advantage can be gained by concentrating financial, material and human resources in the fields of development selected as the frontrunners of the global competition, keeping in mind that opening all sectors in haste weakens public and private lines of support and disperses State resources and attention. One example of this is the Chinese automotive industry. Designated a priority sector, this industry drew on the State’s strengths (subsidies, research, development, education, raw materials, costs, etc.) to become a winning sector, taking it from 200 thousand units in 1995 to over 5 million in 2004 and nearly 10 million by 2010 (CSM WorldWide). This growth logically led to increased vehicle sales (sales increased 75% from 2002 to 2003) and greater growth in its supply chains (in recent years, the demand for steel has grown an average of 20% a year). This policy of preferences has also led to an in-

dustrial integration of 70% in the automotive sector; that is, only 30% of foreign supplies is required to produce vehicles. This level of integration is higher in other sectors, such as the electronics, textile and shoe industries, which have gone from 90% to 100%.

By establishing development as the State's comprehensive policy, geographic areas as the wise choice for managing its opening and globalization, and a hierarchical structure of sectors as clear objectives for national growth, Chinese development has gained strategic advantage.

### *The Creation of Special Economic Zones*

The birth of Special Economic Areas (SEAs) is the most important event within the opening policy and China's reform and the most evident sign of its change toward the outside world. Through the last shining fifteen years, an enormous amount of information derived from the SEAs, which have been considered a miracle by their great number of observers, has been accumulated.

CHI Fulin

In the late seventies, the Chinese model created different kinds of territories or privileged economic areas to concentrate public support in strategic points of its territory while providing them with a differential competitive value that could be identified by foreign investment without being tainted by the huge social, economic and productive inequality in the rest of the country. Therefore, it launched a regional development policy that established Special Economic Zones (SEZs) with the highest concentrations of foreign investment. SEZs included: Economic and Technological Development Zones (ETDZ), Free Trade Zones (FTZ), High-Tech Industry Development Zones, Border Economic Cooperation Zones and Export Processing Zones (EPZ). These international competition zones-regions continue to grant all kinds of facilities and support for the entry and exit of products, especially for technology-oriented ones.

From 1978 to 1985, the first five SEZs were set up in the provinces of Guangdong (Shenzhen, Zhuhai, and Shantou), Fujian (Xiamen), and Hainan. By offering a wide range of public stimuli, new undertakings were

encouraged in these areas. An extensive promotional campaign targeting foreign entrepreneurs was carried out so they could form joint ventures with Chinese businesses. In this same period, another six Priority Investment Areas were opened and Economic and Technological Development Zones were established in fourteen cities on the eastern coast. With this policy of focusing and concentrating resources, three “Development Triangles” were instituted to accelerate economic growth in the Pearl River Delta. In the 7th Five-Year Plan (1985-1990), the decision was made to enlarge the SEZs and the ETDZs in the coastal region. The 8th Five-Year Plan (1990-1995), devised the modernization of the famous Pudong (Shanghai) District, which received SEZ treatment, boosting its development with the creation of 15 duty-free areas, 54 Economic and Technological Development Zones, and 53 High and New Technology Industry Development Zones. The support policy for capitals and provinces in the interior was expanded at this time to implement a strategy to gradually incorporate the central area into the thriving development of the Pacific coast, which would continue to remain under the special support public policy. Most notably, this special support policy to attract foreign capital was expanded to include the area of the three gorges (Chengdu and Chongqing). Given the success of this strategy, the 10th Five-Year Plan determined the opening of the central and eastern zones (Tibet, Hubei and Mongolia) to FDI. Fishing villages on the east coast and marginalized agricultural towns in the central part of the country have been transformed into global production and technological research cities, in ten to twenty years.

This policy of focusing resources and forming value chains, along with segmenting geographic areas, defining priority sectors and creating special economic areas, has yielded a high level of competitiveness from Chinese producers, who have easily surpassed those from other countries. This concentration of strategic assets can be clearly appreciated in cities like Shang Yang and Nanchong which manufacture around 8 billion pairs of socks a year; Xiamen, 225 million pairs of jeans; and Suzhou, 300 million of ties. On the other hand, businesses like Hon Hai Precision Industry Co., the main contract exporting company of electronic appliances in the world, are true manufacturing units with nearly 500,000 employees.

The idea of a countrywide boom in such a large territory with an overwhelming marginal population would have led to the failure of any development plan opted for “all together, at the same time” growth. Criticism of the Chinese model’s privileging certain areas at the expense of others overlook this. This development model, which began on the East Coast for its geographic location and facilities for exporting, has extended over time to the

central and western areas. In view of its success, migration from rural areas to urban areas has become a permanent labor phenomenon with the more than 300 million jobs the model had created by 2006. For Deng Xiaoping, economic advancement would be progressive and the wealth and development in the Eastern-Pacific area would spill over to the central and western areas, representing one of today's greatest challenges to China's political-economic stability. To guarantee the institutionalization of this policy, the "Law on the Promotion of Development in the Western Area" was passed for the 11th Five-Year Plan of the National People's Congress. These 50- and 100-year regional government investment strategies have already started by prioritizing 50% of the industrial value of state-owned businesses in 2002 (20% more than in the Eastern Zone), and 53% of their fixed-asset investment for that same year (14% more than in the East). A specialized financial policy for the area (banking, loans, development funds, etc.) has been added, as well as more aggressive social policies (Chi Fulin, 2006).

With China's entry into the World Trade Organization (WTO) in 2001, preferential treatment to the different kinds of strategic zones has been losing the impact given to the first SEZs. Even then, China continues granting SEZs preferential treatment in its public policy, especially seen in the different facilities given to central and western provinces. In an atmosphere of free competition, these facilities rival in their offering of qualified personnel, technical innovation, and a business environment, among others.

On the other hand, international pressure and the institutional commitments signed in this century have made China's latitude with SEZs more difficult. However, China will clearly not stop using this strategy although with some adjustments along the way. As Jiang Zemin pointed out "SEZs should be developed during the entire course of the construction of modern socialism" (Gao Shangyuan & Chi Fulin, 1997), that is, for at least 100 years. Chi Fulin, one of the main economists and ideologists behind the Chinese model, has also stated that the experience gained from SEZs will be of great help and exemplary importance in future reforms to the model, which are quickly turning toward a market economy. However, he adds, it will be necessary and even obligatory for the SEZ economic policy to continue as intact as possible (Chi Fulin, 1996). The dynamic changes in the Chinese economy unravel within this frame of reference: compliance with international commitments (WTO) and internal advancement toward Rule of Law on one hand, and the challenge of upholding an economic model that has maintained and privileged direct State participation in different economic stages and processes for 30 years on the other. This has given it an edge over competition from other countries, such as those in Latin

America that began their extreme withdrawal from State models in 1980. In this Stemarket challenge, despite China's important legal advancement in economic development, direct State participation in economic processes does not entirely disappear. On the contrary, it continues to steer the model toward the center and west of the country by sustaining SEZs and special policies that motivate and support sustainability in the eastern area and new development in the center and west. Company classifications ("encouraged" "restricted" and "to be eliminated") are still in effect to determine the financial and tax support that allow them to develop and compete internationally. The State continues to hold direct shareholdings in "strategic industrial" sectors (military industry, power generation, petroleum, telecommunications, etc.) and in so-called "basic industry" areas (machinery, automotive, technology, etc.). It also has reduced and slowly "corporatized" their participation in state-owned enterprises (SOEs), or maintained certain prices under State control (approximately 4%), or continued to keep the price of utilities (water, electricity, gas, etc.) below normal to support local or strategic businesses. Furthermore, it has sustained tax rates and development policies for companies in certain geographic regions or sectors that are still considered of national importance, such as those in research and development.<sup>9</sup> These are only some examples of a China that advances in compliance with its international relations and another China that continues to privilege growth strategies that give added value to economic development, though not entirely in line with global business regulations.

One of the main virtues of the Chinese model is that it changes at all times. Its flexibility and ability to adapt to new challenges place it at the forefront of the world economic scene. The 1980 Chinese model, weighed down with cheap manufacturing, is very different from the model of the 1990s with its intense electronics and technology exports. The 21st century model already shows a very solid outline, both in the strength of its exports and in the emergence of an internal market that did not exist in 1980.

Priorities have also undergone changes. The model has now shifted its strategy toward the center and west of the country, combining new and old formulas aimed at giving China more stable and homogenous growth. Both the new Corporate Income Tax Law (2008) and the Contract Labor Law (2008) have further strengthened workers' regulations. Both regulations form part of an economic development reorientation strategy, since the eastern area has started to reach the same levels of tax and work envi-

<sup>9</sup> United States International Trade Commission: China Description of Selected Government Practices and Policies Affecting Decision-Making in the Economy, 2007.

ronments as the Western market. By discontinuing some of the attractive tax and labor benefits from the eastern area, companies and investments are encouraged to move to the central and western areas of the country, which are a waiting to take part in China's economic success. This is a significant change since, for example, nearly 80% of the manufacturing companies located in the Pearl River Delta are based on a low-cost business model. With these measures, companies will either survive with low profits, shut down or move to more advantageous areas with cheap labor, as they did 30 years ago in the same Delta region. As to this, the vice-president of the Taiwan Business Association in Dongguan pointed out, "no one wants to leave, but we are forced to move due to the vertiginous growth of costs" (Interchina Insight, 2008). In spreading out businesses as a result of the adjustments made to the model's inherent strategy (along with a devaluating exchange rate, international pressure from the WTO and the very success of Chinese trade), the Federation of Hong Kong Industries, one of the main participants in the area, estimates that 37% of its 80,000 companies have planned to move some or part of their operations outside the Delta. The Asian Footwear Association says that about 50% of its manufacturing centers will move to interior provinces while 25% have chosen another Asian country and the remaining 25% will wait and see. Authorities anticipate that technology manufacturing plants in the eastern area will prompt the sustainability of cleaner and more advanced industries in the fields of technology or research and development. Bearing in mind the experience and success attained in the Pacific, they expect to reproduce the 1980 and 1990 models in the central and western parts of the country with provisions for investments and more relaxed regulations.

Given its enormous success in China, this policy of preferential customs duties, meticulously applied in the 20th century and selectively applied in the 21st century, has brought about changes in global public tax policies and has even put pressure on tax application strategies in some European countries, which in recent years have seen the advantage of lowering income tax rates to maintain a level of competitiveness to in turn attract international capital. For example, in May 2004, France and Germany decided to reduce their corporate taxes to stimulate employment. In Mexico, global competition has compelled it to implement an income tax reduction policy, which went from 35% in 2000 to 28% in 2008. However, both in Europe and in Mexico, the measures applied correspond to a general economic inertia that makes no distinction between sectors, products or regions, as the Chinese model does. In consequence, the effectiveness of the measure decreases its application levels, its focus and its precision.

Since 2001, China has suffered international pressure to stop applying this kind of special support, commonly known as “tax dumping”. Although China passed a new Corporate Income Tax Law in 2008 that already considers to progressively homologate company rates by 25%, this same law still includes a series of special discounts, such as 20% of applicable tax for small businesses with low profits, 15% for high-tech businesses, tax exemption for environmental protection businesses and “lower duties in general”, which is completely discretionary for venture capital businesses in State-motivated investments. Businesses with agricultural projects or in the central and western areas will continue to receive preferential customs duties for both income tax and sales tax, which may be fully extended in these cases (17%) (Annual sales tax evasion in China is estimated at 45% of the total collectible amount).<sup>10</sup>

The current strategy of raising China's Foreign Direct Investment (FDI) is not the same as the one instrumented in the two previous decades. The National Commission for Development and Reform and the 11th Five-Year Plan 2006-2010 have pointed out that the priorities have changed from quantity to quality, giving precedence to high technology, research and development and high added-value sectors, which are advised not to resort to intellectual property rights arguments to frustrate China's pursuit of innovation; that is, that they be willing to share technology. Services within strategic and national security sectors have been opened up to FDI, closely watching the impact wholly foreign-owned enterprises (WFOE) might have on China's economic security and particularly on its industry (Interchina Insight, 2006).

Investments in China's central, western and northeastern regions are encouraged and an expected 80% of the new FDI is destined to these areas. Foreign investments with low technological content, high natural resource consumption or highly contaminating activities are prohibited (Interchina Insight, 2006). In summary, China has gone from giving many facilities in the 1980s and 1990s in the early days of FDI in China (1978, scant FDI records) to a selection program that limits or prohibits unwanted investment and is moving toward a new elitist FDI centered on technological value and the region where it will be used. Despite these limitations, the amounts obtained have not decreased with 75 billion dollars recorded for 2007 (World Bank). The recent legal changes in the eastern area, along with new FDI criteria for entry into China, come together in a clear strategic line, demonstrating that after 30 years the “Deng” model with Chinese characteristics is still applied.

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<sup>10</sup> United States International Trade Commission *supra* note 21, at 67-69.

### *Long-Term Vision*

China already knows what it wants for the year 2020 and has a plan to achieve it. According to its Economic Development Plan for 2020, its goals are to quadruple its GDP, grow at an annual rate of 7% and reach a GDP per capita of US\$4,000 to US\$5,000 for roughly 1.5 billion people. It foresees 50% of its exports being made up of high tech goods. Finally, it contemplates implementing an internationalization program to position 50 transnational companies, 500 medium-sized companies and 5,000 SMEs in the world market by the year 2015. In 1953, China began its long-term programs with its 1st Five-Year Plan, drawn up under the guidance of the then Soviet Union and privileging heavy industry and the agricultural sector. To date, China has continued to plan ahead, as evidenced by its 11th Five-Year Program (2006-2010), which stresses the importance and responsibility of civil servants. This program will be evaluated not only on the country's success in economic growth, but also on the progress made in social development, education, environmental protection and job creation. This general and systematic policy of working towards long term goals is enhanced by special plans for specific topics, such as technology, income distribution, poverty reduction, etc., based on the State's development strategy. China has reached the point of planning 50 or 100 years into the future, as in the case of development in the western area (Oropeza García, 2006).

The use of time and space is an intrinsic part of Asian culture in general, and to China in particular. Incorporating these variants into the development model and its business strategy has given China a competitive advantage over most developing economies. Most Latin American countries —Mexico included— do not have an economic objective for 2020, just as they lack clear strategies or specific plans to achieve it. There is still a notable absence of planning that lays down a public and private policy derived from each country's strengths and aptitudes that could be successful within the framework of global competition. The only discernible route taken into consideration is generally found in the commitments established at the Millennium Summit for 2015. During this summit, goals to reach for certain rates of human development and social improvement were set. To date, China is the only country that has attained them. In Mexico, however, the political power struggle (executive *vs.* legislative) along with short-term out-dated government criteria have brought development expectations to an immediacy that is not compatible with a policy for a project that evolves, like that needed in the technology sector, for example. China already knows

which technological products it will incorporate next into its export platform, just as it has already defined what will be produced in given regions or areas of the country and when it should be achieved. Comprehensive long-term vision is a lesson that could be of great use in Latin American public policy.

### *State-Owned Enterprises*

In 1980, state-owned enterprises (SOEs) made up approximately 99% of China's productive sector, a logical result of a central government. Under its various connotations, this sector had lessened its participation in enterprises to 8% by 2007. Given that it provided 18 million jobs in 2006 its strategic importance in the industrial sector is far from diminishing (China Statistical Year Book 520, 2007). This important diminution of State ownership, especially in the last two decades, was the result of adopting the new economic model, which coincided with the arrival of foreign capital that gradually replaced state-owned companies. At the same time, the State privatized its public companies locally, mostly from 1990 to 2000, by offering executives and workers from medium and small enterprises the facility to acquire these companies.

The strategy the Chinese State implemented has followed a gradualist policy since its inception. Hence, it has privileged privatization, activities that produce increased exports or yield an apprenticeship in technology or some other area that gives added value over non-strategic sectors. Within this process, the State always assumed the role of referee for the different interests involved and balanced out privatization, foreign investment, strategic sectors and the strength of the development model. In contrast, there was no gradualism in Latin America and Mexico. On the contrary, most Latin American countries established a competition to see who could liquidate their public assets first. The different results of the two strategies are obvious. China emerges as a modern State with considerable economic power and large public enterprises, in addition to a private sector that has been converted into the basic force behind exports, technological change and the implementation of best management practices. In other words, by privatizing and opening up to trade, China consolidated a growth strategy that has positioned it today as one of the most successful countries, setting the pace and new paradigms for the entire world.

Latin America in general displays weak states in terms of its industrial chain, having lost important public assets whose proceeds were used for

dead-end developmentalism or an increase in current spending. Between 1990 and 2000, most Latin American countries handled their privatization processes anarchically, without any strategic orientation that would allow them to select the goods to be privatized beforehand based on a long-term development plan that would strengthen their economic model. Although there are a few exceptions like the oil and electric industry in Mexico, the sale of public assets, which included industrial, banking, services, or electric industry companies, transpired under a formula of international demand and not a systematic offer from the State (a process that was not exempt from acts of corruption). Unlike China, State privatization in Latin America did not promote the political or economic growth of the participants. On the contrary, because of its deficient implementation, Latin American nations are now less able to fulfill the task of promoting economic growth, social development and the preservation of public order.

Privatizing millions of enterprises or going from a central planning economy to a mixed market economy has not been easy for China. The State has confronted many problems and contradictions during the process of implementing “Market Socialism” without any historical reference at all. Which enterprises are non-strategic? How can national interest be safeguarded? How are the resulting monopolies to be administrated? How can corruption be prevented? How can a SOE legally be on the same level as a private enterprise? How can local SOEs be transformed without resistance from the provinces?

Today, the process is far along, but it is a long way off from the finish line. To begin with, a countless number of company categories still exist in China. However, according to Ministry of Industry and Commerce statistics, in 2006, there were already close to 5 million private enterprises in the various categories employing 52 million people, which represents 57% of the companies in the country. Despite the importance of privatizing, the Chinese strategy clearly indicates that progress made in the market economy or in the privatization of its assets is secondary to national economic interest. For example, the 2007 assessment report on the reforms carried out by China indicates that, “...experience has shown that in the context of economic globalization, a passive resistance to foreign investments turns out to be counter-productive...” adding that “in the current situation, the excessive relaxation as far as an irrational placement of the State’s assets in the productive sectors should be halted”,<sup>11</sup> to such a degree that, even

<sup>11</sup> 2007 Evaluation Report on China’s Reform 83 (Chi Fulin ed., Foreign Languages Press, 2007).

with privatization, State-owned enterprises continue to have very strong participation in strategic sectors, such as gas and oil, where the State controls almost 100% of the area, 100% of the basic telecommunications services, 55% of electric energy generation, 82% of civil aviation, 89% of water, 50% of automotive production, 60% of the steel industry, 70% of the hydroelectric industry, etc. At the same time, SOEs have increased productivity over time, quickly adapting to more intense free market competition, drastically increasing its annual profits from 1.46 trillion Yuan in 1998, to 19.50 trillion Yuan in 2006 (Jin Bei & Li Gang, 2008).

### *Industrial Policy*

The strategy of low prices on finished industrial products within the Chinese domestic market inevitably has been spread to the international market. This can provoke phenomena associated with the current industrialization stage in China, such as antidumping lawsuits, a large-scale trade surplus, reevaluation pressures for the RMB (Ren Min Bi, currency of the People's Republic of China), as well as a hollowing out of the industry in some developed countries and neighboring countries as a result of the industrial transference. Fundamentally, these phenomena turn out to be imbalances in the economic trade relations, caused by the irrationality of the world economic order. They are also manifestations of the competitiveness of the Chinese finished industrial products, which have been moderated by the market competition between the 'good and the cheap.' (Jin Bei, 2006).

In 1978, internal credit in China's State banking sector represented 51% of the GDP. In 1985, it rose to 67%; in 1990, to 87%; and to more than 100% in 2000. Although the significant increase in these flows put an end to most of the corruption that had arisen from granting loans arbitrarily and fraudulently, its main aim was to transform an obese, inefficient industrial sector. The goal was fully reached when its participation in the economy rose from 40% to 50% over a period of twenty years. However, what was more important was the financial facilitation of the cost of its learning period, and later that of its industrial reconversion period and the development of a modern, efficient platform of goods and capital that today sustains the priority sectors. Such is the case of the automotive sector, in which 50% of the machines and numerical control instruments used in these factories are already produced by Chinese companies. In addition to preferential, there was also a tariff subsidy and duty-free benefit strategy

that opened up machinery and capital goods imports exempt from any payment whatsoever to cover part of the learning stage. To date, the machinery for high technology sectors or priority sectors are still exempt from import tariffs or restraints. Moreover, strategic industrial lines were backed by monopoly policies in the internal market and access to international financial markets were established. SOEs were given priority treatment in the metallurgic, transportation equipment and chemical industry sectors, as was foreign investment in textile and manufacturing, electronics and telecommunications exports with the opening of the market.

When one speaks of the “world factory”, one thinks of the 30 or 50 cents on the dollar per hour paid to the Chinese workforce. Although this cost is a strength (both for China and all developing economies), a comprehensive public strategy that transforms a weak manufacturing position into an internationally competitive productive activity is required to make it possible for this workforce to give added value. This change can be clearly seen in the composition of the Chinese industrial sector, in which manufacturing-assembly lines went from representing 90% of it in 1978 to 70% in 2002, despite a significant increase in the industrial sector's GDP for the same period. Just as in-bond assembly and the agricultural sector lived through the Asian development boom, the trade surplus generated by mature 100% Chinese manufacturing branches, such as the textile and clothing, toy, sports, footwear and furniture industries currently provides for the new technological sectors that have yet to generate surplus balances, such as electronic, medical-surgical, electrical material and photographic equipment sectors, etc., or lack supplies like fuels, minerals or steel (Oropeza García, 2006).

Industrial policies in China and Latin America (including Mexico) have followed different patterns. With mercantilist pragmatism, the Chinese model first focused on opening by exporting manufactured goods made by its ample workforce and then went on to flexible specialization with strong state investment. This led to setting up labor intensive industries such as textiles, clothing and electronics, and later moving on to heavy industries (steel, petrochemistry, vehicles, aeronautics) and now to high technology. This process was accompanied by a strong boost to infrastructure for development and important resources in innovation and technological development with high rates of internal savings and investment. This model followed a gradual and progressive path that made it possible for them to learn from their own experiences.

The Latin American industrial model, however, came about with an almost complete trade opening without possessing the experience to ad-

ministrate it properly, and with an extreme lack of State involvement. This left the national production chain at the mercy of free market forces. Jin Bei points out that “[t]he most powerful driver of the market economy is competition, which generates efficiency, promotes growth, and creates well-being”. However, he adds,

...this market mechanism does not intrinsically have the ability to reach balance, security, and automatic innovation, and it is not in itself a mechanism that distributes the fruits of industrialization to all its participants. On the contrary, the competition of an imperfect market will always generate great disparities, even chaos, crisis, and polarization, creating an undesirable situation that is contrary to the accepted human values and that goes against long-term national interest and its basic values...

Which is why “in summary, the industrial development strategy of a country will always be based on rational and national factors that include factors such as nationalism, ethics, and many other cultural values” (Jin Bei, 2006). National interest is precisely what some Latin American countries have lost on their way to the free market. It is also marks the big difference with the Chinese model, which is based on the basic principle of regarding national interest as a priority. Therefore, China has always been on the side of its companies and industrial projects in both its internal market where it has successfully increased the production of products selected every five years and in its external market where its participation in world exports was only 0.8%, in 1980 but reached 5.3% by 2001 to be surpassed in 2007 with 6%.

### INDUSTRIAL GROWTH (1978-2006)

<i>Industrial Product</i>	<i>1978 Production</i>	<i>2006 Production</i>	<i>Industrial Product</i>	<i>1978 Production</i>	<i>2006 Production</i>
Automobiles	0	3.8 million	Chemical Fibers	280 thousand tons.	20.7 million tons.
Washers	0.04	35.6 million	Beer	400 thousand liters	35 million liters
Refrigerators	2.8	35.3 million	Water Energy (100 million KHW)	4.4 million	43.5 million
Air Conditioners	0.02	68.4 million	Paper	4.3 million tons.	68.6 million tons.

<i>Industrial Product</i>	<i>1978 Production</i>	<i>2006 Production</i>	<i>Industrial Product</i>	<i>1978 Production</i>	<i>2006 Production</i>
Cellular Phones	0.0	480 million	Sulfuric Acid	6.6 million tons.	50.3 million tons.
Micro computers	0.0	933 million	Chemical Fertilizers	8.6 million tons.	53.4 million tons.
Clothing	1.1	5.9 million	Ethylene	380 thousand tons.	9.4 million tons.
Color TV	0.38	83 million	Cement	65.2 million tons.	1236.7 million tons.
Tractors	110 thousand units	190 thousand units	Crude Iron	31.7 million tons.	419.1 million tons.
Motor Vehicles	140 thousand units	7.2 million	Pig Iron	34.7 million tons.	412.4 million tons.

SOURCE: China Statistics Yearbook 2007.

In the last 30 years, China has never stopped its industrial process nor has it allowed it to eliminate its weak and inefficient industry of 1978 in the interests of a “free market”. On the contrary, by using the free market, it has established continuous improvement and strengthened the greater part of its manufacturing sector. As Meza Lora points out,

...the convergence of the market and the State in the industrial sector in China is an expression of an unquestionable fact: recognition that the rules of the game should be governed by the market and the necessary State intervention given the weakness of this Institution. A socialist market economy with Chinese characteristics does not assume the antagonism between the State and the market. On the contrary, it understands that the market and the State can play a complementary role in industrial coordination activities. If the market is deficient in solving coordination problems, an explicit industrial policy is justified as a coordination mechanism *ex ante* that does not come from the market. (Meza Lora, 2006).

Within this general framework of joint State-market work, the following actions that the Chinese government has implemented in its industrial policy stand out:

- Direct investment in infrastructure projects; financial and budgetary assistance in projects from regions lagging behind.

- Administrative intervention from the central authority in its enterprises to conclude and establish joint ventures, mergers, etc.
- Price control over basic supplies (for example, energy and water supply).
- Direct and long-term financing for key companies; preferential capital allocation to companies by way of the capital market, especially for new companies or those seeking to increase their technological development.
- Tariffs and duty-free measures, import quotas, licenses and local restraints on imports.
- The prohibition for foreign companies to distribute products not produced in China or for controlling their own distribution networks.
- Low interest rates in State banks and selective loans to different industries.
- Tax incentives to companies oriented toward industry.
- Reduced tax rates for high-tech companies in the field of industrial technological development.
- Zero taxes for companies of “urgent need for the State” (fixed capital investments for agriculture, water conservation, transportation, postal service, telecommunications, certain medical projects and machinery and electronics, etc.).
- State enactment of a Direct Foreign Investment Guide that specifies the projects that are encouraged, allowed, restricted and prohibited, etc. (Meza Lora, 2006).

### *Research and Development as Part of State Policy*

With a research and development budget of more than 60 billion dollars for 2006 and a staff of 3.2 million people (2 million of which are scientists or engineers), China is growing in this sector (Jian Bei, 2007). Since the 1<sup>st</sup> Five-Year Plan (1953), technological development had been included, but its market focus was not emphasized until the 6th Five-Year Plan (1979), in which interest was unmistakably centered on technological growth by means of research and development. In the late 1970s, a planning system for science and technology activities was drawn up and technological innovations were implemented in public enterprises to increase productivity while federal research centers were established in different parts of the country. With the 7th Five-Year Plan, a policy to reform the research and

development centers (RDC) was adopted, focusing on responding to market requirements and not adhering to obsolete or bureaucratic outlines. At the same time, manufacturing enterprise and RDC mergers intensified to achieve improvements in technology or in-line production. By adding business incubator programs to this cluster, it has been possible to improve productivity based on new technological developments. Furthermore, it has supported the creation of new technology enterprises (NTEs), as well as patents in science and technology.

During the 1990s, covered by the 8th and 9th Five-Year Plans, RDC operations were reviewed again for ways of improving performance. To better compete and better motivate research personnel, the possibility of registering science and technology patents was instituted so the centers could financially benefit from the commercial rights to these patents, which would be bought by the market. One notable aspect of the Chinese government's efforts in this field is that its strategy was not handled as an independent public activity, but directly aligned with the market, education, special areas and strategic sectors, in addition to the other policies aimed at development and public spending to obtain seeking maximum productivity. In the 10th Five-Year Plan (2000-2005), new technologies and so-called third generation products were given a boost by making research and development one of the most important issues in plan. This field was deemed so important that the outline was reproduced in the 11th Program (2006-2010) and the 2020 Development Plan. In the year 2000, the research and development budget was significantly increased to 1% of the GDP —about 100% the previous amount— over a 10-year period (World Bank). This percentage currently exceeds 1.4% of the GDP (Oropeza García, 2006).

There are approximately 700 federal and provincial institutions that comply with the requirements to be considered as RDC. In most cases, a RDC consists of state of the art installations with the best quality equipment in the world that offers all kinds of services to public and mixed companies. One example of technological development with comprehensive management is Zhangjiang Hi-tech Park in the Shanghai area. This park has a surface area of 25 km<sup>2</sup> and houses around 50 RDCs that serve both the public and mixed companies. These parks operate under a cluster-type head office through which the entire technological development value chain interacts: RDCs, companies, educational centers and incubation programs from new production projects. Around 3,168 companies coexist with the 50 centers, as well as countless specialized educational centers that provide the experts needed for development (to date, this cluster is working on approximately 400 research projects). This productive research and development

park in Shanghai has attracted investments of approximately ten billion dollars to date, 70% of which corresponds to foreign investment (Beijing Investment, 2005). This model of “intelligence” centers has also registered approximately 3,000 patents.

The work China does in research and development is a central part of a strategic policy that sees development based on market reality as its main objective. However, in innovating itself, China is very much aware that its greatest strength and its greatest weakness is its enormous supply of work. Thus, while competitiveness and innovation has improved in certain high-tech sectors, its challenge is still that of maintaining large factories with an intense workforce in other areas of manufactured goods (heavy industry, for example, employs almost 80 million people) with reasonable technological improvements in terms of efficiency. China cannot afford the luxury of generalizing the use of robotics, for instance, because it would cause social imbalance in its workforce. Despite this, growth in research and development is a priority for the Chinese model. Since 1985, it has registered 14,000 patents, a number that was surpassed in 2003 with 300,000 registrations, placing it in third place worldwide after Japan and Germany. From 1995 to 2003, it has sustained an average annual growth in the high-tech industry of approximately 20%, which represents 18% of the national industry (Jin Bei, 2007).

### III. EVALUATION AND CONCLUSION

China's economic success from 1978 to 2008 is truly surprising. Little by little, the growth rate of its GDP and its foreign trade (third place in the world in imports and exports in 2008), increased international reserves (1.8 trillion dollars in 2008) and the decline of extreme poverty<sup>12</sup> (an U.N. report

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<sup>12</sup> The results obtained by China in this segment are truly surprising. The drop in extreme poverty from 67% to 17% in a quarter of a century has caused general astonishment from global economic participants. In 1978, China had an extreme poverty index of 67% or 630 million people. In 2004, this problem had been reverted to 17%, that is to say, 210 million people. This has been the result of the success achieved in implementing and sustaining economic growth from 1978 to date, which has originated the creation of nearly 300 million jobs that have incorporated urban and rural populations into the economic activity. The reduction of poverty has also derived from the good results from the application of public policies, such as the strategy and implementation of the National Poverty Reduction Program (1994) and the 2001-2010 Program for the Reduction of Rural Poverty, in addition to other development policies, such as the emigration method, by means of which people from the poorest areas of the country (remote mountainous regions, deserts, high regions, the plateaus

points out that 80% of the world poverty reduction statistics from 1978 to date corresponds to China), correspond to the implementation of a model that has been continuously built since Mao Zedong's death by a new group of statesmen headed by Deng Xiaoping up to Hu Jintao.

Of course, this does not mean that Chinese development has been a smooth process without problems. To the contrary, from the moment of its start-up to our days, one distinguishing feature has been the profound hardships that have enveloped it, such as generalized poverty, the demands of an enormous population and a minimal GDP per capita (2,500 dollars a year in 2007), etc., which have always played against its stability and good results. On the economic terrain, the strategic decisions taken have not always been successful either. For instance, during the 6th Five-Year Plan, the 14 coastal Economical and Technological Development Zone units that were set up were later reduced to four, in view of management failings. The problem of corruption could also be addressed since it has often held the model in check and has been a major challenge for the Chinese economy. However, in hindsight, the main criticisms made to the model today lie in its differing results and the high concentration of wealth it has generated among the different social layers and the different geographic areas.

2005 (YUAN)

	<i>Eastern Area</i>	<i>Central Area</i>	<i>Western Area</i>	<i>Northeastern Area</i>
Rural Income per capita	4720	2956	2378	3378
Urban Income per capita	13374	8808	8783	8729
In relation to national income per capita (100%)	127%	83%	83%	83%

SOURCE: China Statistical Yearbook 2007

The gap between rich and poor, in the different areas, has significantly risen. To illustrate, in health services, the percentage between the wealthiest and poorest families, instead of decreasing, has increased over the last ten years (1996-2005), going from a difference of 2.74 to 6.34 times. The dif-

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of the southwest and areas inhabited by national minorities) are urged to move to places with more infrastructure and support for their social and economic development, thus pulverizing poverty and multiplying the social investment results. This shows us a China with a successful economic policy that is combined with a healthy social development strategy (Oropeza, *supra* note 27, 2006).

ference in income levels among urban groups between 2000 and 2005 has increased from 3.61 to 5.7 times as much between the lowest and highest income brackets, with Shanghai, Tianjin and Jiangsu as the cities that have benefitted the most and Tibet, Yunnan and Guizhou as the most marginalized. In the country, this gap in income has expanded from 6.4 times to 7.2 times as great (China Statistical Yearbook, 2007). Regarding education, culture and entertainment, the breach has also widened in the same period, going from 3.84 to 8 times. All these differences are what today cast doubt on the nature of the success obtained, the increased social instability of a people that 20 years ago was still getting used to a certain degree of economic equality (though it was presented as generalized poverty), and not knowing the meaning of a middle class. For a large number of Chinese people, economic success still seems distant. Their uneasiness grows when they directly or indirectly notice the vast difference between cities like Zhejiang, Shanghai and Beijing that receive 27,703 Yuan, 22,808 Yuan and 22,417 Yuan, respectively, as annual income per capita; and Guizhou, Gansu and Xinjiang that only receive 5,052 Yuan, 9,586 Yuan, 9,689 Yuan, respectively (China Statistical Yearbook 2007). In summary, economic success has not been uniform and disparities give rise to social uneasiness when in 2005 only 174 million people had senior citizens' insurance, 137 million had medical assistance insurance, 106 million had unemployment insurance, 83 million had accident and job insurance and 53 million had maternity insurance.

However, the current challenges for the Chinese development model are not only centered on social issues; they are also seen in diverse subjects, such as ecology and economy, where there is a broad range of new challenges to be met. On the subject of the environment, authors like Pang Zhongying speak of China's enormous "ecological debt" caused by certain facets of its economic success. Despite its great surface area (9.5 million km<sup>2</sup>), China is below average in natural resources essential for development. For example, it has only 0.094 hectares of arable land per capita, which places it 40% below the global average; 2.25 cubic meters of fresh water per capita, 30% below the global average. This situation repeats itself in forests, mineral resources and oil with 20%, 60% and 11% below the world average per capita (Desarrollo de China dentro de la globalización). At the same time, its accelerated economic growth has led it to consume 48%, 40%, 32% and 25% of the world's cement, crude carbon, steel and aluminum oxide production, which has in turn generated disparity in both supply-demand and pollution. According to statistics, the main polluting emissions from China have already surpassed the environment's

capacity for self-purification. Of its seven river systems, more than half are severely contaminated (the Huang He, Huaihe and Liaohe Rivers are at 60% of the international level of environmental emergency, and the Haihe River is at 90%). Acid rain affects a third of the country's surface. Around 360 million hectares have water losses and soil erosion (38% of the country's land surface area), a figure that increases by 15 thousand km<sup>2</sup> every year, and desertification already covers nearly 20% of the national territory. The problem of environmental deterioration in China clearly represents a great challenge for its development and an annual cost of up to 8% of its GDP.

Other topics could be added to the above, such as corruption, banking debt, problems of annual employment creation, etc. However in the economic terrain, the most important challenge of China's development model is that of developing new structural lines that will determine its fate in the coming years.

Beyond the deficits presented by China's current economy, its success in matters of economic development is of such magnitude that it has come to represent one the most important economic achievements of humanity.

However, after 30 years, China paradoxically returns to the starting point, from which it will have to validate its development model again and decide on the best lines of growth. This time, it will not only have to provide sustainability to what has been achieved, but will also have to allow for better wealth distribution to two-thirds of a population that has not benefited in the same proportion from the "Chinese Miracle". China will have to decide what its future will be, just as it did three decades ago, at a time when the only similarity it holds with 1978 is permanent change.

The debate has already begun in China, and different groups intend to impose their own version of the next development plan, just like 30 years ago. The common root in their arguments is that what has been done is not enough and that today's reality demands greater and different results. It is not enough to grow at an average of 10% annually; now more social and human growth are necessary. Nor is it enough to produce more goods if doing so puts its own national sustainability at risk. Likewise, the best practices for controlling inflation, which since 1996 has been in the region of 9% a year, are under discussion along with the new monetary phenomena of excessive liquidity and speculative capital. There is also talk of reviewing their export model in depth to incorporate and expand primary and tertiary sectors, as well as its internal model. Aligning and fine-tuning a vertical line of control also needs to be discussed since up to now it has constantly clashed with a horizontal market dynamic while local governments have yet to fully

define their roles. In many cases, this continues to distort and break with the general strategy. Other issues under deliberation include modifying the role of State monopolies, special economic zones, and enterprises with State participation. These and other important issues are more present today than ever. They have been included in China's agenda, in forums like the 2003 "Third Great Debate on the Reform", and of course, in the 11th Five-Year Plan that, according to Chi Fulin, marks "a new historical beginning in the Development and Reform of China". There are various documents and general opinions among those that will have to decide whether a Socialist Market Model really exists, and if so, what its development strategy will be in the coming years. In the same way, the question arises as to whether the moment has arrived —once China's economy has been strengthened and under strong international pressure— to move toward greater degrees of free market or if, as some opinions maintain, it is time to recapture part of the socialist economy.

Regardless, after 30 years of success, we must point out that under its current strategy, China has presented the world with a new alternative that has demonstrated its viability by sustainably reducing the massive poverty indexes that had characterized it since the beginning of the 20th century. It has shown that economic underdevelopment is a problem that affected countries can successfully solve and that the way to solve it has much to do with the institutional framework that accompanies the model, as well as the economic strategy each country chooses.

At a time in which growth has become every nation's challenge, the new Chinese model is an alternative for handling efficient public policies. It is true that the strategy's initial launching platform, that is, planning and political centralization in daily coexistence with free market capitalist policies is a combination that few countries could imitate. But here, where many of the benchmark analyses of the Chinese model end, is precisely where the differential engineering that has made it a winner in globalization begins. For that reason, the learning opportunity for the developing economies should not be limited by the comparison of different political realities. In the first place, the political part would arbitrarily represent barely half of the model and without analyzing the rest of its public strategy for a free market global outline. Secondly, by disregarding the comparison and the lessons learned from the Chinese model because of its Communist foundation (and even, various authors have implied that its success is precisely due to that political component in its model) would be to tacitly or expressly recognize the superiority of this outline over an entire bibliography that has

always privileged the superiority of the Western democratic model, especially from 1989 onward.

The political basis of each model clearly bears a different nature, but in the last example and within this same theoretical framework, the political component, more than being an impediment to analyze the Chinese model's economic measures, would give Western outlines competitive advantage. One should start from this same advantage to compare the free market strategies China has implemented and which since the beginning of the 21st century have tended to align themselves with WTO regulations. The results of the Chinese experience have shown to developing economies, especially Latin American economies and the Mexican economy in particular, that sustained growth is possible and that to a great extent it starts with each nation's good decisions, efforts and individual talents. Moreover, the main obstacles are found in each country's inability to attain political stability and find the development strategy best suited for it. Sustained growth of 10% for more than three decades is a great motivation for the different Latin American economies that have not been able to grow more than an average of 2% over the same period, within an asymmetrical framework and suffering from a lack of direction and the continuous appearance of crises that have limited their development in different ways. It is also a reflection on the real possibilities a country has at hand to face globalization and achieve sufficient and sustained growth without having to surpass all the obstacles globalization presents. These are indispensable requirements for nations that aspire to obtain the per capita level of income of intermediate countries. Of course, the networks and advantages with which the developed countries operate should not be looked down upon.

Finally, as the Tofflers correctly point out, "China now makes up part of all of us" (Alvin & Heidi Toffler, 2006). However, we could also add that China's economic history is far from over. In the future, it will continue to surprise us both with its changes and with its innovations, which must be kept in mind if we want to have a definite idea and an advantageous relationship with the best development strategy of the last decades (John Hoffman & Michael Euright, 2008).

## THE LAW AS LEVERAGE FOR DEVELOPMENT

SUMMARY: I. *Chinese Law during the Mao Zedong Era.* II. *Chinese Law during the Deng Xiaoping Era.*

Although the history of China is one of the oldest in the world (approximately 5,000 years old), it should be pointed out that in legal matters, the Asian country finds itself in the process of establishing Rule of Law, after going through a difficult and abrupt transformation of its feudal legal system that has taken 170 years. Therefore, one of the new facets of the Chinese phenomenon—and one of the least known in the world and especially in Latin America and Mexico—is that of understanding its current legal system.

Latin America already trades more than 100 billion dollars with China (2007), more than 30% of which corresponds to Mexico. However, in either case, there is not even a minimal amount of legal bibliography today that can legally lead and guide the exponential growth of the political-trade relationship with our new Asian partner, or that responds to questions on the history or precedents of the Chinese legal order. Even then, law in China is as old as its history, which, due to its volume, is difficult to summarize.

### *Brief Overview of the Legal Order in Chinese History*

The exact dates and origins of Chinese culture varies, but some authors (Cornejo, 2007) place the emergence of their writing in the Shang period, between 1751 and 1122 B.C. However, most researchers agree that in 221 B.C., the first unified State in the history of China is established under the command of Qin Shi Huang Di, the first emperor of the Qin Dynasty (Oropeza García, 2008).

As to the historical background of its legal system, some authors (Xin Chunying, Li Lin, etc.) speak of its birth during the Xia Dynasty (21st century B.C.) and of later growth of written law between 770 and 221 B.C. Unlike other legal systems of the time, Chinese law was characterized from the start by having a secular influence because it was directly related to the

power of the ruling governors more than with divine figures and it was understood that law was “[t]he rules of the natural order of things”. The origins of Chinese law were also linked to the philosophical schools of thought of the time, such as Confucianism (551-479 B.C.). The three cardinal rules of this philosophy, which strongly influenced Chinese law—and to a certain extent, continue to influence social order in China—are: *a*) harmony between the subject and the monarch, *b*) harmony of the father over his son and *c*) harmony of the husband over his wife. For them to be carried out properly, these tenets were to be based on five basic virtues: kindness, rectitude, decorum, wisdom and sincerity. These principles would become the basis for the legal system of China's feudal society (Xin Chunying, 1999).

“Let the ruler rule as he should and the minister be a minister as he should. Let the father act as a father should and the son act as a son should” is the Confucian premise of a social order that should start from the responsibility of its members and from a pre-established order that assigned each person his place and obligations. Breaching this order would lead to a disastrous loss of his face and self-esteem for which one remedy was suicide (John King Fairbank, 1992).

This philosophical line tended to keep the *status quo* by means of the proper or virtuous behavior of the different participants or social status that made up the Chinese feudal organization.

The concept of law in China was different from the Western one. Its perception of obligations and rights was not derived from a “Superior Law”, but from the natural order of things; from a “harmonious society” that was ruled by the emperor's or the ruler's “wisdom”. Hence, the first legal regulations were based on a social “should be” backed by a generalized concept of “decorum”. These principles emerged from philosophers like Confucius, Lao Tse and Mencio whose rules served to legislate a common code of conduct in which legal provisions were an expression of this natural order.

Given the ruler's hegemony, the most visible legal expression was that which corresponded to punitive law, which regulated and punished any breach in the established order, in addition to any resulting social disgrace. Just as corporal punishments were doled out, so were exile and death. Torture, in this scenario, was expected and accepted. Enforcing the law was entirely in the hands of the monarch, as was mediation since the legal profession did not exist in China. As to the codification of this legal standard, Fairbank points out “[b]y pre-modern standards, Chinese legal codes were monuments of their kind. The great Tang code of the 8th century and its successors in the Song, Yuan, Ming, and Qing periods, still invite analysis. Early European observers were well impressed with Chinese justice” (John King Fairbank, 1992).

This general outlook of imperial law, or feudal law, remained practically unchanged until mid-19th century when China's direct contact with certain Western powers forced it to revise and begin some transformations in certain areas. China was once the greatest civilization in the world. Even from the 10th to the 15th century, Europe could not be put on the same level as the Chinese Empire in terms of agricultural productivity, industrial ability, commercial complexity, urban wealth or standard of living (not to mention bureaucratic sophistication or cultural achievements).

For over 1,000 years, its economy was the largest in the world, representing 30% global participation. However, from the 16th century on, and compared to other legal systems, Chinese law was characterized by not having a modern legal system in tune with the development of the economies and democracies of the time, which were beginning to display solid legal evolution (Chunying). In contrast, from the 17th century onward, China entered a stage known as the Late Empire (1600-1911), which accelerated in the 18th and 19th centuries.

The various internal rebellions that took place in China in the 18th and 19th centuries, directly incited the transformation of the established order, which despite its different stages and challenges, had been able to preserve its main characteristics for around two millennia. Because of these rebellions and foreign invasions that clearly revealed the weakness of an empire in decline and its inability to control its territory, a change in the legal framework also occurs, prompted by the presence of new participants in China's public life. For example, the period between 1842 and 1943 has been called "the century of treaties" (Great Britain in 1842, the United States and France in 1844, Russia in 1858, etc.). During this period, the maritime powers of the time obligated China to recognize certain rights within the economic and commercial order that overturned the established legal order and the Empire's central concept: that of exercising power and full sovereignty within its walls. Under hegemonic pressure and with the signing of these treaties, China first had to accept the equal standing of other countries (Great Britain, France), which was a severe blow to the Emperor's principle of superiority over other governors and thwarted his right to demand tribute and obedience. China also had to recognize the jurisdiction of other countries within its territory, which had to include the "most favored nation" clause and free trade for these powers within Chinese borders (Fairbank).

The meeting of a declining empire with maritime powers in full expansion provoked the forced opening of the Chinese Empire. This in turn gave rise to the transformation of its established political, economic and social order, as well as its legal order. This first discussion on legal order in

China was mainly focused on drafting a Constitution as the starting point for a new legal system, which for the first time would include: a division of power system, an open (oral) justice mechanism, new regulations on foreign trade and the separation of civil and criminal law, among others. However, the interests of the time were such that in the first attempt (1898), Dowager Empress Tza-hsi opposed, incarcerated and sentenced six of the reformers to death. In the second attempt (1905), a bomb exploded on the train taking a group of experts chosen to study constitutional projects in other countries (Germany, Japan, etc.) (Chunying).

Qing Dynasty rule came to an end in 1911, thereby concluding a lengthy and historic stage for the Chinese Empire. At times, it had tried to open up to the possibility of a new constitutional system, to remain in power and reduce pressure from foreign powers. After more than two millennia of maintaining an established order by and large (aside from the challenges from the Mongol conquest of 1279 and other foreign interferences), the constitutional reform project was not without its challenges. On the one hand, the group of new legal order sympathizers wanted their prerogatives to be recognized within a Rule of Law framework, which would also give the country a modern platform from which it could achieve financial success, as in the case of Japan (Meiji Dynasty). On the other hand, conservatives stated that the Chinese people had not asked for a Constitution; it was not a part of their culture and they were not ready to abide by it. Thus, it could give way to uprisings if not implemented properly. Amid these struggles, the interim of the Nanjing Chinese Republic government brought the prior feudal system to an end in January 1912. In March 1912, the temporary leadership of the new Republic of China adopted a political Constitution for the first time. Although temporary in nature (1912-1914), it proposed a division of powers system, sovereignty of the power of the people and an initial list of citizen's rights. It spoke of a temporary presidency, a Supreme Court of Justice and another set of powers, setting a precedent and becoming a milestone in the country's legal context (Chunying). The first year of leadership under Yuan Shi Kai (1914), ushered in a Chinese legal system defined by a revolutionary vortex that did not stabilize until 1949 with the victory of the Chinese Communist Party.

## I. CHINESE LAW DURING THE MAO ZEDONG ERA

After a long period of political change that stalled the nation's financial progress, China set out on the road to reconstruction, moving from an imperial model, which was feudal in nature, to a communist government, which was

totalitarian in nature (Oropeza García, 2006). In the imperial model, the ruler and a social order based on philosophic principles usually regulated the judicial relationship between the Emperor and his subjects. Due to this preconceived order, the vertical balance of its social ties gave direction and meaning to the relationships of rights and obligations. Therefore, the transition from a ruler's vertical order to that of the Party did not represent a fundamental change in China's legal system.

China's legal system after the CCP's victory in 1949 can be analyzed from various angles: political, financial, or strictly legal, among others. As with all cultural output, law in China has a good amount of all three elements, which have asymmetrically come together over the last seventy years.

From a political point of view, China's legal system can be divided into two distinct periods. The first spans from the Mao Zedong era (1949 to 1976) and the second goes from 1978, the year opening and political reform began under Deng Xiaoping, to the present day. During the first period, the new legal system repeated the post-imperial transition phase's practice of abolishing all forms of legal legacy (Chunying). All kinds of legal provisions that might have been created by the opposing Kuomindang (KMT) faction were repealed to give way to a new legal system guided by the aims and objectives of a Communist and totalitarian State which, based on its own idiosyncrasy, did not require a horizontal system to regulate relationships other than those between the State and proletariat. Guiguo Wang points out that during this period, and especially during the Cultural Revolution (1966 to 1976), law was not deemed a necessary instrument and had no significant relevance within China's new social order (Guiguo Wang, 2007).

Regarding this time period, Li Lin points out,

The establishment of the People's Republic of China in 1949 gave birth to a new era in China's legal makeup. The time period from 1949 to mid-1950 was the initial stage, during which China enacted the National Committee of the Chinese People's Political Consultative Conference, as well as other laws and decrees that played an important role in the consolidation of the new State, establishing the new social order and a revival of the national economy. The Constitution of the People's Republic of China, adopted at the first session of the National People's Congress, and other related laws, defined China's political and economic system, as well as the rights and freedoms of citizens. They imposed the standardization of organizational structures, the functions and powers of the State's governing body; and established the basic principles for the Chinese legal system, which provided the preliminary foundations for the Chinese legal structure. However, after the mid-fifties, and

especially during the 10 years of the Cultural Revolution (1966-1976), the Chinese legal system was severely destroyed. (Li Lin, 2008)

Though marked by scant legal production (marriage laws and agricultural reform in 1950), this important political stage was noted for adopting the first formal, permanent constitution in China's history in 1954. Clearly done under Soviet influence, this established the basis for a State property system and centralized management, which guided the legal system of the Maoist era by means of administrative provisions. Within this timeframe, a second Constitution was enacted in 1975.

During the almost thirty years of Maoist rule and throughout the various stages of the Great Leap Forward (GLF) or the Cultural Revolution (CR), China was unable to consolidate a political model that would contribute to the social and financial advancement of its inhabitants. Its various development strategies never attained results that would at least satisfy the basic needs of food and clothing for an average 700 million people at that time. This situation led to the solidification of the political and legal model, which awarded greater power to the State and its vertical decisions, to the detriment of the progress made towards establishing a law aimed at regulating the State or its relationship with its people. In choosing a political and economic model closed to the outside world, norms that were compatible with external participants were not an integral part of the agenda of the nation that withdrew from the then General Agreement on Tariffs and Trade (GATT) immediately after the victory of the 1949 Revolution. Nor did it resume its institutional project for opening up to the outside world until October 25, 1971, when China was once again admitted into the United Nations (UN) after having been expelled in the early 1950s.

## II. CHINESE LAW DURING THE DENG XIAOPING ERA

Unlike the first stage, the second political period led by Deng Xiaoping is characterized by its economic and political openness toward the Western world, heralding a new era in China's relationship with the world and in consequence, the construction of a new legal system. This period was born of the political decision to open China up to the world. During this time, legal matters can be summarized into the enactment of two Constitutions, four constitutional reforms, 229 general laws, 600 administrative regulations, 7,000 local regulations, and more than 600 autonomous regulations. This body of law spans over three decades and is greater than what China had

produced in 5,000 years of history. This period is also noted for organizing its political stability, financial project and legal system around the centralized and prioritized objective of development. With this in mind, legal production in China over those thirty years was mainly aimed at channeling the economic opening of the State and reinforcing the agreements made with the outside world.

In 1978, China was practically bankrupt, with close to 70% of its population living in extreme poverty and with signs of recent famine that had caused millions of deaths. Since looking to the recent past would not clarify the situation, hunger and poverty were reasons enough to look outside China for new answers that would provide the necessary economic development for a nation of close to 700 million poor people. With this in mind, the 1978 Constitution came into being amid much political debate between the new reformers and the still very strong conservatives. This Constitution provided the background for the first economic changes in the nation, as set forth in Article 11, which highlights the importance of economic development.

The 1978 Constitution had the merit of ratifying the principles of the Chinese Revolution and sent a reassuring message to a country alert to future changes. However, a new Political Constitution was enacted on December 4, 1982. In contrast to the 1978 Constitution, the one from 1982 significantly changed the direction of the Chinese model. However, the legal and economic change that most stands out in this statute and outlines the opening of the new Chinese Development Model is found in Article 18, which states:

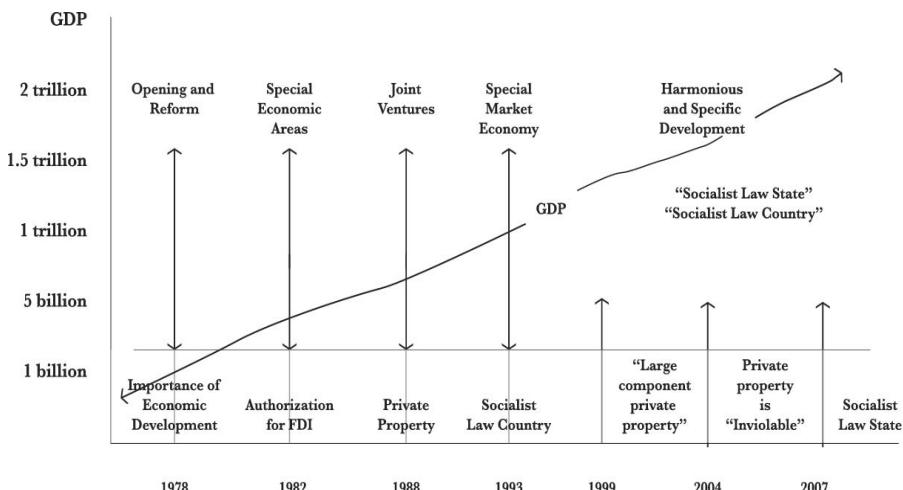
Article 18. The People's Republic of China permits foreign enterprises and other foreign economic organizations and individual foreigners to invest in China and to enter into various forms of economic cooperation with Chinese enterprises and other economic organizations in accordance with the law of the People's Republic of China...

For the first time in its history, Article 11, as amended in 1988 recognizes the existence of a private sector of the economy, a significant step toward a new “market socialism”.

Article 11 (4th Par.). The State permits the private sector of the economy to exist and develop within the limits prescribed by law. The private sector of the economy is a complement to the socialist public economy. The State protects the lawful rights and interests of the private sector of the economy and exercises guidance, supervision and control over the private sector of the economy.

The Constitutions of 1982 and its amendment in 1988 represent a genuine watershed in China's economic, political, social and legal life. They also began to reflect the initial layout of a new project that continues developing to this day. Deng Xiaoping had already anticipated the construction of an economic model with "Chinese characteristics" that would include a free market since 1979. It was established in the 11th Central Committee of the Communist Party of China in December 1978, which initiated the project for reforms and China's opening. The first proposal for the creation of special economic zones was made in 1980 and was designed for them to incorporate foreign direct investment; hence, the important constitutional reforms of 1982. Following up on this, the concept of market price was introduced in 1981 and by 1984 economic reform began to spread throughout the country. That same year, the 12th Central Committee of the Communist Party of China issued the "Decision Concerning Reform of the Economic Structure" to facilitate the application of the law and the new development of the socialist economy.

The year 1992 holds special significance for the dynamics of the legal changes defined by the vision and advancement of the economic project since it represents the first amalgamation of political opening-up and economic reform. This was reflected in the 14th CCP National Congress, which officially declared a "Socialist Market Economy" a priority and consequently, the importance of constructing a legal system for this model.



SOURCE: The Author.

Four years after the events in Tiananmen Square and fifteen years after its opening-up, the second amendment of March 1993 marked the end of the transition period from the centralized planning system of 1949 to the new socialist market model. Thus, this amendment was a political message to the nation by reaffirming China's new path, as well as one to the rest of the world by legally making public measures that would convey certainty and reliability to foreign investors official. Nevertheless, Article 7, according to the second amendment, reiterates the State's role as the leading force for the growth of State economy and defines its development strategy by pointing out that "the State has put into practice a socialist market economy" (Article 15). The 1999 amendment further reiterates the constitutional message of 1993 and part of the new China's progress toward the "Rule of Law". Therefore, Article 5 institutionalizes the Rule of Law as a commitment, and as a result, the need to build a socialist rule of law while respecting foreign relations and private property, already described as a "great component" of the country's economy. Within this context of economic determinism in the new legal order, the 2004 amendment reached a stage of marked prosperity and the undeniable economic success of its development model. Therefore, changes were focused more on social and political issues than on economic ones. Notable economic milestones include defining its citizens' private property as "inviolable" and the prevision of "non-public economies" (Article 11), clear signs of the consolidation of private property in China.

Over the last thirty years, China has developed its own legal production with Chinese characteristics, centered on lending assistance for national development without being dependent on foreign pressures or interests. A Chinese-Foreign Equity Joint Venture Law was passed in 1979 and the Foreign Capital Enterprises Law was published in 1986. The first Corporate Law in China for the Regulation of New Foreign Companies was enacted after the second constitutional amendment in 1993, although the Private Sector Corporate Law did not appear until the year 2000.

Another clear example of modulating the legislative speed to the economic priorities of the development model has been China's trade and labor legislation. In terms of trade legislation, although China embarked on an ambitious export project that took its international trade ranking from the 27th place in 1978 to third in 2004 (China Today), it legislated its first international commerce law three years after its entrance into the WTO. As to labor, China regulated a far-reaching tolerance policy toward new foreign capital companies in the 1980s, but it was not until 1995 that it passed its first labor law. While this law does summarize some workers'

rights, it is still a body of laws of a discretionary nature that favors employers. With the successful economic development of the Pacific region, a new labor law went into effect in 2008. In addition to granting workers more effective rights, it paved the way for a massive transfer from work centers to less developed areas in the country, as stipulated in the dialectic vision of the development model. In view of all this, it can be said that to date, new legal production in China has always been done in direct correlation with its economic model, complementing it as a tool that encourages growth without hindering it.

China's legal model was practically non-existent in 1949. Since then, it has gone far in establishing its own provisions. As Huang Lie points out, "China entered a new era after the foundation of the People's Republic of China, but the construction of the legal system went on a very tortuous path. The disaster of the cultural revolution completely destroyed its legal institutions". Huang goes on to stress that

For a long time, some of China's leaders and cadres have placed their hope of durable peace and prosperity of the nation upon a few good leaders, and have failed to understand that the law and its institutions are the crux of the matter. This has been a major obstacle to the development of democracy and the legal system in China. Furthermore, the existence of power operating above the law is another indication that China's legal system is far from perfect. The law is sometimes displaced by power; the leaders' words sometimes substitute the law in the management of governmental affairs. When we promote rule of law and oppose rule of man, we are trying to confront these problems directly. (Huang Lie, 2006).

Consequently, China cannot now speak of finished judicial systematics, nor can it be described as a socialist legal system. China's new legal system, which is currently under construction, finds itself between a totalitarian-style political system and an economic model deeply rooted in the free market system. Therefore, the current legal panorama has the appearance of a hybrid setup with "Chinese characteristics", and only time will tell how it will decipher the various lines of its development with greater clarity. In spite of this, throughout this lengthy period of guiding and backing its economic priorities while preserving the Party's central omnipresent power, China has had to include legal influences from both socialist and Common Law traditions, as well as from Civil Law, in its juridical model, due to its need to have dealings with the Western world:

(After the reforms) Chinese laws underwent tremendous changes. The main trend has been to massively absorb foreign legislation, including legislative intent, legal concepts, and legal values. Obviously, these laws bore the influence of the common law system, possibly as a result of the large influx of Chinese scholars into countries and regions like the United States, Canada, Australia and Hong Kong. This does not mean, however, that China abandoned its own legal tradition entirely, as Chinese law has frequently studied and copied laws from the continental or civil law countries or regions, including Taiwan. This dual approach is illustrated by the enactment of the Company Law in 1993, the Securities Law in the end of 1998, and the Contract Law in March 1999. For instance, most of the terms of Company law bear resemblances to those of the common law countries and regions like the United States and Hong Kong. However, arrangements for supervisors and supervisory boards were drawn from civil law countries like Germany. The Securities Law was directly influenced by the Hong Kong Securities Law, with the addition of measures to fix the latter's loopholes and areas of ineffectiveness that had been revealed by the Asian financial crisis (Wang Mengkui, 2003).

In accordance with its financial, social and political transformation process, China's new legal system has also experienced the vicissitudes of its environment, from purging influences to defining its own legal nature. For its 2010 project, it should also complete its constitutional base and regulatory laws while mitigating secondary regulations in order to advance toward a logical, coherent systematization of the various disciplines and branches of law that are currently still grouped together, oftentimes ambiguously.

The current Chinese global body of law stems from the Constitution of December 4, 1982, and its four amendments or reforms, through which the political and economic development of the new Chinese model is carried out (Constitution of Constitution of the People's Republic of China). Most current legal production has been generated from this constitutional foundation, with a few exceptions, such as the Penal Code and the Chinese-Foreign Equity Joint Ventures Law that date from 1979. It covers seven disciplines: Administrative Law with 79 laws; Economic Law, with 54 laws; Regulatory Constitutional Laws, 38; Civil and Trade Regulations, 32 laws; Social Law, 17 laws; Procedural Law, 7 laws; and Criminal Law, 1 law. This same constitutional body of laws is divided into three levels or jurisdictions with a total of 229 National Laws, Administrative Regulations, which are placed second, and Local Regulations that deal with the particular sphere of each province. China is made up of 56 ethnic groups and 5 autonomous regions, and thus a fourth level of regulations appears for the particular

regulations of these districts. According to Wang Zhenmin, the development of the rule of law in China since 1978 can be divided into three stages: the first acknowledged the importance of what “ruling the country by law” would entail and culminated with the promulgation of the 1982 Constitution; the second, which lasted from 1982 to 1991, saw the further development of “legal construction”; the third began when Deng Xiaoping remarked that the objective of China’s economic reforms was to develop a socialist market economy (Wang Zhenmin, 2000). However, it should be noted that from a Western point of view, the Rule of Law in China is still something that needs to be perfected. Furthermore, legal production has been marked by a change of direction at various stages of the development model. In the 1980s, for example, it encouraged widespread legal production in matters of foreign investment. However, with increased capital gains in the 1990s, tax regulations and an important part of the corporate regime emerge. The section on International Trade Law is found after 2001 as a result of China’s admission into the WTO. Similarly, Social Law is one of the more recent legal branches in China, where its 17 laws, specifically human rights, appear after 2001.

The newness of Chinese law and especially the circumstance of its having to sanction legal criteria for a variety of economic and political systems, along with a culture that has privileged customs and values above written law for more than 5,000 years, define a reality of advances and setbacks not unknown to Chinese experts. In that regard, Li Lin states that legal construction in China continues to pose various problems and the progress of democracy and the Rule of Law continue to lag far behind its economic development (Lin, 2008). For example, although its Penal Code is the oldest in its modern era (1979), new economic crimes are on the increase, such as those regarding copyright infringement, intellectual property infringement, etc., some of them with increments of 29% a year. This challenges not only the purging, but also the updating of the entire system. As to labor, the new 2008 laws face increasingly greater disputes regarding worker-employer relationships, as seen in the 75,000 claims made in 2007 involving 142,000 workers. Overall, it can be said that notwithstanding its achieved advancement, China’s legal system is still under construction. The arduous task of perfecting its constitutive norms and political order while closing legal gaps in its various disciplines lies ahead. By the same token, the systematization of the various legal bodies need to be carried out coherently and according to its inherent nature, improving on its contradictions and obsolescence, and eradicating its discretionary nature, for the purpose of favoring a more objective and efficient application of the law.

To this, Professor Li Lin concludes the following: “We cannot await the changes passively as we face the challenge of improving the legal system; however, we must also be careful not to move forward in an impertinent manner”. As to these changes he adds “we should keep our minds clear”.

## CHAPTER III

### NEW CENTURY NEW ACTORS

## INDIA AND ITS TRYST WITH DESTINY

SUMMARY: I. *India and the 21st century*. II. *India, the Indecipherable*. III. *India and its arguments*. IV. *Caste and poverty: a gordian knot*. V. *India-China or the dance of the giants*. VI. *India and its tryst with destiny*. VII. *Final considerations*.

India is an ethnographic and historical museum. But it is a living museum, one in which modernity coexists with archaisms that have survived for millennia.

For this reason, it is a reality that is easier to enumerate and describe than to define. Given this diversity, it is legitimate to ask: is India really a nation?

Octavio PAZ

### I. INDIA AND THE 21<sup>ST</sup> CENTURY

The 21<sup>st</sup> Century awoke to the news of the rearrangement of the global world. Among other notes, it appeared that the four emerging economies of the so-called BRICS group (Brazil, Russia, India, and China)<sup>1</sup> would collapse the paradigms of the 20<sup>th</sup> Century, and would be placed within the most important nations of the world economy in 2050, where India would occupy third place, after China and the United States, while Russia and Brazil would take up fifth and sixth place, after Japan.

Along with the commotion to which these kinds of predictions give rise (2001, Jim O'Neill, Head of Global Economic Research of Goldman Sachs), a heated debate began over the 21<sup>st</sup> Century hegemony, which it seems will keep us occupied throughout the first half of these hundred years. It created a need for the world to know not only about the gross do-

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<sup>1</sup> South Africa was excluded since it was not part of the initial proposal.

mestic product (GDP) and the trade balance of these countries, but also to understand, within the framework of their strengths and weaknesses, what it was that made everyone publicize, on one hand, the announcement of their amazement, or on the other hand, the skepticism about their success. These are questions that have not been easy to answer because the Western world, in line with its 20<sup>th</sup> Century achievements, consolidated a period of economic and civilizing success throughout the last five hundred years, forgot Asia in general, and countries such as India and China, in particular. As the Western world let these countries fall off its radar, it continued to maintain an image of social, economic, and political problems that they patented in the last century, and even during previous periods.

Russia, the former Soviet Union, before its fall in 1991 and the loss of 4.5 times its GDP in the nineties, generated the misconception in the Western world, now proven in 2015, that its recovery would take more time. China, with its historical famines that caused the deaths of millions of people during the seventies of the last century, also lent credence to the idea of an underdeveloped China, which would take a long time, not to be, as it is today, the first economy in the world by means of its purchasing power, but to reach the level of a developed nation. India, under its own circumstances, during the 20<sup>th</sup> Century and even nowadays, evokes first and foremost the idea of a poor nation of enormous social and economic problems, consisting of 1.25 billion inhabitants, over which it is difficult to conclude that within approximately three decades, it will be the third largest economy in the world. With regard to India, as well as with the other BRIC countries (excluding Brazil because of geopolitical and historical reasons), its image before and after its independence in 1947, two years before the victory of the Chinese Revolution, becomes distant and fuzzy, except to the erudite observer who never lost sight of the historical significance and the civilizing value of these nations. Thus, it is difficult to understand what the strengths will be that will make O'Neill's predictions possible.

Of the four original BRIC countries, perhaps India, due to its exuberant nature, is the most difficult country for the Western observer to understand: its historic past full of bends and curves, the powerful force of its religions, the prevailing yet still incomprehensible caste system, and the operation of a democracy of more than 700 million voters. Its successful economic growth with an average GDP of 6.4% from 1991 to 2013, etc., are new topics both for the West and for the everyday life of Mexico and Latin America. India, despite its four millennia history, is presented to the world today as a nebulous country that causes all sorts of images ranging from the idealization of its spirituality to the discovery of its contradictions.

Knowing that India already entered into the Pacific Era in this century, which was the result of the shift from the West toward a new geopolitical world that moved away from the Eurocentrism where it lived comfortably for half a millennium, and that India also enters into a new association scheme (BRIC) that has been showing its vocation for global leadership for this century since 2009, is an exercise that is no longer optional and has become a compulsory task for anyone who is interested in the narrative of the beginning of this millennium.

## II. INDIA, THE *INDECIPHERABLE*

In his book “In Light of India”, written by Octavio Paz in the second half of the last century, he gives us a vision of the Asian country that would not be very far from what an ordinary observer would discover on arrival to India in this second decade of the 21<sup>st</sup> Century. In this regard, Paz tells us:

I ran down the stairs and plunged into the streets. There, awaiting me, was an unimagined reality: waves of heat; huge grey and red buildings, a Victorian London growing among palm trees and banyans like a recurrent nightmare, leprous walls, wide and beautiful avenues, huge unfamiliar trees, stinking alleys, torrents of cars, people coming and going, rivers of bicycles, skeletal cows with no owners, beggars, creaking carts drawn by enervated oxen, rivers of bicycles, a survivor of the British Raj, in a meticulous and threadbare white suit, with a black umbrella, another beggar, four half-naked would-be saints daubed with paint, red betel stains on the sidewalk, horn battles between a taxi and a dusty bus, more bicycles, more cows, another half-naked saint, turning the corner, the apparition of a girl like a half-opened flower, gusts of stench, decomposing matter, whiffs of pure and fresh perfumes, stalls selling coconuts and slices of pineapple, ragged vagrants with no job and no luck, a gang of adolescents like an escaping herd of deer, women in red, blue, yellow, deliriously colored saris, some solar, some nocturnal, dark-haired women with bracelets on their ankles and sandals made not for the burning asphalt but for fields, public gardens overwhelmed by the heat, monkeys in the cornices of the buildings, shit and jasmine, homeless boys...

At the end of this detailed description of the Indian landscape, Paz already exhausted from so much reality adds, “I sat at the foot of a huge tree, a statue of the night, and tried to make an inventory of all I had seen, heard, smelled, and felt: dizziness, horror, stupor, astonishment, joy, enthusiasm,

nausea, inescapable attraction. What had attracted me? It was difficult to say: Human kind cannot bear much reality. Yes, the excess of reality had become an unreality, but that unreality had turned suddenly into a balcony from which I peered into-what? Into that which is beyond and still has no name..." (Paz, 1995, pp. 13-16).

Presently, India, a melting pot of contradictions, has not changed. At its core, its description would not be very distant from the hyper-realist picture that Octavio Paz draws in the long-gone decade of the sixties. Still, today any first-time traveler who wanders through the streets of old Delhi, through Agra, through its diverse provinces such as Jaipur, Punjab, and even through its "new" technological-cities such as Bangalore, would breathe the same smells and would share the same emotions of a country that is anchored in the time of its traditions. In a perverse combination with its economic limitations, it makes an impact on the Western observer through the long chapters of its history, through the lush arms of its culture, through the wealth and exacerbation of its religions, through the strong evidence of its eroticism, through the crash of its misery and lack of health services, etc., in a syncretism that captivates some, surprises others, and frightens the rest. Paradoxically, the reality described above coexists at the same time with the India-BRIC, with the technological India, with the nation at the vanguard in the fields of intelligence services and computational programming. If instead of asking Paz, we ask Thomas Friedman his current impression of India, he would comment:

"I was standing on the first tee at the KGA Golf Club in downtown Bangalore, in southern India, when my playing partner pointed at two shiny glass-and-steel buildings off in the distance, just behind the first green. The Goldman Sachs building wasn't done yet; otherwise he could have pointed that out as well and made it a threesome. HP and Texas Instruments had their offices on the back nine, along the tenth hole. That was not all. The tee markers were from Epson, the printer company, and one of our caddies was wearing a hat from 3M". "No, this definitely wasn't Kansas. It didn't even seem like India. Was this the New World, the Old World, or the Next World?" (Friedman, 2006, p. 13). For this reason, the Western world and the Indians themselves do not clearly understand of which India they speak or to which India they belong: to the country where approximately 50% of its population lacks drainage and healthcare services, or, to the nation that exports \$12 billion a year of high-technology services? (World Bank, 2012).

### III. INDIA AND ITS ARGUMENTS

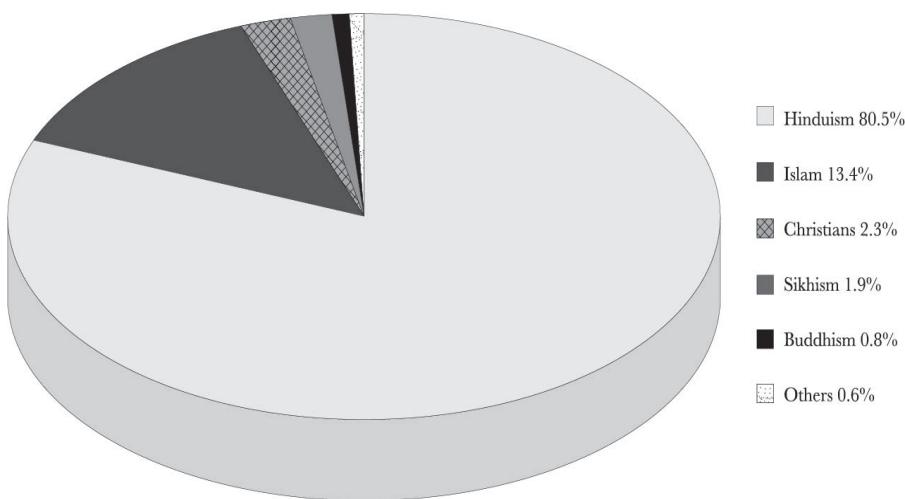
India begins to establish a credible starting economic platform (average GDP annual growth of 6.4%) in 1984 with Rajiv Gandhi as Prime Minister of India and more clearly since 1991 with Narasimha Rao, but especially beginning with Manmohan Singh during the 2004-2014 period. This has inserted it into the winning forecasts of the beginning half of the century. After 68 years of independence (1947-2015), India began to pull away from the ghost of economic uncertainty that inhabited it during the most representative periods of its modern life. The first period, led by Jawaharlal Nehru (1947-1964) had an average growth of 3.8%, the second, identified by the administration of his daughter, Indira Gandhi (1966-1977/1980-1984) had an average of 4.2%, the third governed by the mandate of Indira's son, Rajiv Gandhi (1984-1989) had an average GDP increase of 5.9%, and the fourth, designated in this essay as an opening, as was already indicated, had an average annual economic growth of 6.4% from 1991 to 2014.

Although the figures of this last period of opening are still far from the average annual growth of 10% that China registers from 1979 to 2013, they begin to shape a project of confidence, both internal and external, that must be confirmed in the framework of what India is and can be. An India that answers to a global world still skeptical, as Paz points out, of whether it is really a modern nation, or if it continues to be a country with many archaisms.

The question is not minor, facing the arrival to power of Narendra Modi on May 26, 2014, who has stood out for being one of the radical members of the Hindu party Bharatiya Janata Party (BJP), currently in power. Since its inception, the main objective of this party has been to convert India into a "Hindu nation" against the multi-ethnic and multi-religious reality of the country; a posture that continues to be presented as an unresolved central issue and throughout its history has caused India countless problems and conflicts. An example of the aforementioned is the revolts that precede its independence in 1947, where it is estimated that between Hindus and Muslims approximately one million people died. Regarding this issue, it is also worth remembering that Gandhi's assassin (N. Godse, 1948) was a militant Hindu, who was a collaborator with V. D. Savarkar, a distinguished Brahman sponsor of an ardent and violent Hindu nationalism, whose ideas had been a cornerstone of the BJP's doctrine since the date of its last political version in 1980. The movement was involved with various attacks, such as the demolition of a mosque in 1992 in the city of Ayodhya, in the state of

Uttar Pradesh, for reasons of religious and political nature, which caused various riots where more than 1,500 people died, mostly Muslims. As another example, the now Prime Minister Modi was directly reproached in 2001-2002 for failing to prevent, as head of the executive power of the state of Gujarat, that the riots against the Muslim population left a toll of more than 1,000 dead, the majority of whom were Muslim. Everything that has been mentioned above is no more than a small sample of the cogency of an often violent millennial confrontation, which has been staged by the different religious-political actors of India, in particular, among the majority population (80%) that brandishes Hindu filiation on one hand, and on the other hand, the group belonging to Islam, which although a minority (13%), represents about 170 million people. With regard to the foregoing, it is not superfluous to recall also from this perspective that the Prime Minister Indira Gandhi was the victim of an assassination of religious-political nature in 1984, at the hands of her own escort detail, formed by members of the Sikh movement. While in 1991, her son Rajiv Gandhi, during his political campaign, was assassinated by a political-religious group belonging to the Liberation Tigers of Tamil Eelam (LTTE).

#### INDIAN POPULATION BY RELIGION



India Census, 2011

The religious problem is one of the main challenges that the 21<sup>st</sup> Century India needs to resolve. It is an issue that the country has been dragging along for nearly four millennia, while, at the same time, has enriched its cultural grounding. It has also prevented India's integration as a single nation with its own identity. Religion in India is still a pending issue and one of its most important social and political problems.

Since its origins, India has registered countless religious thoughts that are still part of its current reality. The Indo-European waves (Aryan) that inhabited it in 1500 B.C. already brought with them the written influences that would give life to the sacred books of the Vedas, which constitute the most important philosophical substrate of what is known today as Hinduism. But also, along with these beliefs, India was the cradle of one of the strongest currents of spiritual thought, Buddhism, which was born in Ancient India (now Nepal) in the 6<sup>th</sup> Century B.C., and continued for approximately 1,000 years until its near extinction in Indian Territory. Although, today this current enjoys perfect health in Japan, Korea, Thailand, China, and in East Asia in general. Likewise, today, Jainism is still practiced in India, which is derived from a branch of Buddhism that is more than 2,000 years old, although it also had important settlements of Judaism (175 B.C.), Christianity (3<sup>rd</sup> Century A.D.), of the Parsis (6<sup>th</sup> Century A.D.), Skepticism (3<sup>rd</sup> Century B.C.), Agnosticism (1<sup>st</sup> Century B.C.), Atheism, etc. In particular, since the 8<sup>th</sup> Century A.D, India also received the first influences of the Muslim religion, which were intensified with the first invasions in the 11<sup>th</sup> Century. Then, during the hegemony of the Mughal domination, it continued to grow and to spread, particularly during the reign of Babur in 1526 and until the fall of Aurangzeb in 1707. However, its direct influence extends for almost a thousand years (from 18<sup>th</sup> Century B.C. to 8<sup>th</sup> Century B.C.) with all the consequences that prevail to this day, where around 170 million Indians profess this religion. This figure is higher than any other Arab country except for Indonesia, which has 210 million followers.

India is today a multifaceted country that is integrated by multiple faces drawn by the stroke of different religious thoughts, which do not end tolerating each other spiritually or politically, in spite of its multiple efforts to achieve a public secularism. In the 21<sup>st</sup> Century, India clearly has failed to accomplish this in light of the BJP's goal of establishing a "Hindu nation" and not an Indian nation, excluding from that nationalism the vision, feelings, and beliefs of the Muslim population, in particular, and of the other religions in general.

Hinduism, Paz comments

Is a conglomeration of beliefs and rituals; although it lacks missionaries, its power of assimilation is immense. It does not know conversion in the Christian or Muslim sense, but it practices, with great success, appropriation. Like an enormous metaphysical boa, Hinduism slowly and relentlessly digests foreign cultures, Gods, languages, and beliefs (Paz, 1995, p. 65).

For his part, Amartya Sen adds: “In reality, the vision of a unified Hinduism as a religion is a relatively recent event. By tradition, the term ‘Hindu’ was used primarily as a signifier of place and country, and not as a homogeneous religious belief. The word derives from the Indus River or *Shindu* (the cradle of the Indus Valley civilization that flourished starting in approximately 3000 B.C.), and the name of this river is also the source of the word ‘India’ itself” (Sen, 2007, p. 368). However, in the expropriation that the BJP made of the term since its first political precedent, in 1925 when it was born as an ultra-nationalist force, it hijacked the word and redrew the history of the country at its convenience. Its aim was to monopolize the inheritance of all, and to build semantics with religious and political purposes beyond a secular and argumentative India; where the original people were the “Hindu” people; the only religion was the one that emanated from the Vedas and their “scholasticism” and their language was Hindi.

In the debate that prevails today about the Vedic ultra-nationalism as the original cradle of India, Lorenzen, and Preciado pointed out when asked who were the first inhabitants of the country, “In the middle of the second millennium before our era, several tribes of nomadic herdsmen who called themselves Aryans (Arya) arrived from the northwest of India, in the territory of present-day Pakistan. They came to India from Afghanistan and the north of Iran, but it is believed that their ancestors would have started their long journey many centuries before from somewhere between Central Asia and Eastern Europe”—adding to the above that— When the Indo-Europeans arrived in India, they brought an already formed religion whose characteristics are impossible to fully know. It is likely that it was a religion where the forces and phenomena of nature were deified. They also brought with them some religious hymns that, over time, would become the basis of the corpus of the Indo-Aryan sacred literature: the Veda (Lorenzen & Preciado pp. 23 and 24). It is clear from the aforementioned (Embree, Wilhem, Preciado, Lorenzen, etc.) that the Indo-European migrations have always played a leading role in the Vedic-Hindu matrix of the country, which was composed by exogenous flows that naturalized themselves through the centuries.

Within this narrative that exalts a pure and indigenous origin as the philosopher’s stone of the new “Hindu” nation, with a religious and cul-

tural component that excludes the rest of the country's religious groups, the position of the Hindu movement ignores the important history of secularism and tolerance, which is an argument that India itself constructed as an advancement in the development of humanity. Let us take as an example the Buddhist King Asoka during the Maurya Period (320-185 B.C.), and the Muslim King Akbar of the Mughal Dynasty (1556-1605 A.D.). Far ahead of their time, and in the framework of two of the three most advanced integrations that India achieved as a nation through its history (the third was the reign of Gupta from 300-500 A.D.), the former spoke of the need for tolerance and the advantages of the heterodoxy of religious thinking; while the latter, Akbar, going even further during his reign, established the benefit not only of religious tolerance, but of the need for the separation of the State from the different religious beliefs as is regulated by the Indian Constitution itself today.

The *sine qua non* conditions to achieve the possible positioning of the country as an important player in the first half of the 21<sup>st</sup> Century are its political unity as a modern nation where all its citizens dwell with a secular state and the Rule of Law where the diverse forms of religious thought are respected. To force an idea from the power of politics or demography, which goes against its historical composition, will be a powerful motive that might topple or stop O'Neill's simplistic forecast. There is no doubt that the important antecedents of the religious secularism of Asoka and Akbar have been relevant arguments during the construction of the current Rule of Law in India. However, it is also true that despite the two millennia that have passed from the former and the five centuries from the latter; their tenets have not been translated into an everyday social life that has removed the issue from India's political agenda. Certainly, there is a significant advance in this regard. However, the fact that the party and the Prime Minister in power still negotiate a "Hindu Nation", speaks to us about an issue that has not been resolved in the political leadership nor in the majority of the population, either Hindu or Muslim; nor even Sijh or Jains, etc.

Regarding its Asian component, in the framework of the BRIC countries, neither Russia nor China are currently facing this integrational challenge, cultural and religious. In the case of Russia, in spite of maintaining a multi-ethnic configuration because it is a hinge country between regions and cultures, since its encounter with the Byzantine culture and the Orthodox Church in 988 A.D., the former Soviet country defined both its identity and religious beliefs that, for the most part, explain its nationalism up to now. The 70 years of Communism were not an effulgence that troubled, up to now, the collective feeling of unity of the "Mother Russia". As for

China, the secularism of the native philosophy of Confucius, Lao-Tze, and Mencius (600 to 300 B.C.), together with the watered agnostic Buddhism of India, defined from the beginning, more than two thousand years ago, a nation of secular majority and Han ethnicity, centered in a political and economic power, that the Maoist thought only ratified. Despite the fact that Russia, China, and India are all Asian civilizations, only India presents a strong debate on State Nationalism and Religion, as a structural weakness that is awaiting better arguments from the country of the apple tree and roses (El nombre original de India, Embree Wilhelm, 2004).

#### IV. CASTE AND POVERTY: A GORDIAN KNOT

Nayak comments on the current poverty in India, “In spite of its more than six decades of planned economic growth, more than a third of India’s population remains absolutely poor, with a per capita income of less than USD \$1.25 per day. The learning level of education in India is still below average. Public health spending is only 1.2 percent of the GDP where the world average is 6.5 percent”. “Approximately half of the children between 0 and 5 years old are malnourished. The sanitary conditions are terrible. Approximately 50 percent of the population of India defecate in the open”. “In 2012, India’s place on the Human Development Index was 136 out of 186 countries”. With respect to the foregoing, Professor Nayak goes in depth based on a 2008 report issued by the National Commission for Enterprises in the Unorganized Sector (NCEUS). He states that 92 percent of the economically active population of India is employed in the informal sector. And, when a parameter of 40 cents a day is established as the limit below which a person would be considered poor, 76% of the population of India would be at this level, which would be, “...substantially higher than the poverty figure calculated by the Planning Commission that placed the percentage at approximately 36 percent of the population” (Nayak, 2015). In every scenario provided by this author, the poverty figures for India are enormous, because of the hundreds of millions of inhabitants that are involved.

Poverty in this Asian country, especially from the last three centuries onward, is an issue that has become an endemic problem, whose deepening has been attacking the very viability of the system. In addition, it certainly questions the trends of the BRIC macroeconomic analysis, which draws it as a winning nation of the 21<sup>st</sup> Century. The enormous poverty in India is not new data. Along with the indigence of China during the 19<sup>th</sup> and 20<sup>th</sup> Centuries, it is part of the closest memory of these two nations that the

West has maintained. This has been its greatest obstacle to making a timely analysis of its new attributes in the 21<sup>st</sup> Century. However, just as there is still a memory of the Chinese famine of the seventies that caused about 30 million deaths, the West has also not forgotten the famines and epidemics of India during the second half of the 19th Century and the first half of the 20<sup>th</sup> Century; or the famine in Bengal in 1943, which left in its path the death of millions of Indians. As a clear example of the above, using data from Maddison, Sachs points out, "...India did not experience any per-capita growth between 1600 and 1870" (Sachs, 2006, p. 255); or rather, for nearly three centuries the economic situation of the Indian people suffered an atrocious degradation.

As was already indicated, poverty is not a characteristic attributable only to India. China in the 20<sup>th</sup> Century also faced periods of severe food shortages that collapsed its demography. Russia, even during the nineties of the last century, saw its levels of poverty rise to nearly 60% despite having been a hegemony until 1991. However, the difference between India and the other BRIC countries is that its misery is very closely linked to a perverse formula of the country, marked by class and caste. Where, if one belongs to a lower class and a lower caste, one is condemned from birth to a miserable life, with almost no chance of overcoming this destiny. It is even worse for women.

The caste system is a particular institution of India that goes back to its Vedic origins and whose storyline and functioning are difficult to understand, not only for the Western observer, but for the Indians themselves. On this matter, Paniker comments, "There is no issue about India that is more complex and controversial than the so-called 'caste system.'" The "system" has been criticized ad nauseum and exalted—although less—to the point of paroxysm. However, in spite of the importance that the whole world grants to it, the topic is hardly known, and one could even say that it is poorly understood by the general public; even by many Indologists (Paniker, 2014, p. 7). The point is that in the India of today, in the India-BRIC, an institution that was born more than three and a half millennia ago, and that could be studied for historical, religious, or anthropological reasons because of its impact on the reality that prevails today in the country, has become a determinant category for resolving India's economic development and its excruciating levels of poverty and inequality.

Nayak based his opinion about the caste system on the opinion of Indian experts, "In the Hindu society; the caste of one is determined at birth and is immutable. This is the biggest impediment to any notion of genuine equality that any modern Democratic Republic aims to achieve. With care-

ful public intervention, one can create a favorable atmosphere for the substantial equality of income, but it is not possible that the son of a Shudra father is anything other than a Shudra" (Nayak, 2015). For Banerjee, "... the caste and the social discrimination based on caste are still the main criterion" (Banerjee, 2011, p. 257) of poverty and social backwardness in India.

To date, in the 21st Century, India presents a social structure that has defined it during the last four millennia, whose operation explains many of its differential values, and at the same time most of its social backwardness. Paniker explains that, "During the Vedic period, between -1500 and -500, India was configuring a system of ritual classes (Varnas) with the ideological support of the Purusa-Sukta, which may be dated to approximately -1000. It is likely that this religious scheme had been superposed to a segmented social structure into endogamous groups (Jatis), possibly emerging from tribal lineages. To Irawati Karve, the caste system would be the result of the, 'merger of two systems, two cultures,' of the pre-Aryan Jatis and of the Indo-European Varnas" (Paniker, 2014, p. 389).

The caste system, unlike other social schemes around the world, inexorably leads us to a religious origin, a cosmic order that gives support to an entire social building that has remained almost unchanged over time. Hence, as Ghurye says, any attempt to define the caste system is, "...destined to fail due to the complexity of the phenomenon" (Paniker, 2014). Certainly, this is not the place to study in depth such a complex topic. However, the Western observer who is trying to understand the strengths and weaknesses of the India-BRIC needs to peer into this social fabric composed of 4,000 to 5,000 castes (2011), which, like a great honeycomb, is full of inputs and outputs that are difficult to understand.

One has yet to discover its ancestral divine-cosmic origin, which has endowed it with sufficient arguments to millions of millions of Indians for withstanding a determinism of life that depends on the fate they got when they were born. Privileged, when born from a Brahma or Brahman; comfortably self-sufficient when one has the good fortune to be born a Chatria (warrior); self-sufficient when a Vaisa (merchant); of economic, social, and political distress, when one happens to be a Sudra (farmer, laborer driver, etc.); or even worse, if one gets the bad fortune to be born a Dalit, or untouchable. This classification is based on a religiously sanctioned idea, which has enjoyed surprising strength with small changes and adaptations. This is the result of the fact that the "divine-cosmic" substrate on which it rests, which is reincarnation, which also justifies, under a logic of faith, the privileges of the Brahman, the *Kshatriya*, and the *Vaishya*, for having been born already several times; as well as the determinism of the

lower classes such as the *Shudra* or *Dalit* throughout their earthly life for having been born only once. A situation that can only change while one is alive through good behavior, and with death, through the next reincarnation. “Birth (*jāti*) —Paniker said— is the first feature, and the most evident of the caste. One is born into a particular caste because one is the son or daughter of a father and mother of the same or very similar caste”. “One is born in one and only one *jāti*. The *jāti* is inherited, and it is for life. It is not chosen. Nor is it measured —such as the social class— by economic scales” (Paniker, 2014, p. 33).

This determinism or social destiny, which is unacceptable at least in the collective imagination of the Western world, still enjoys today a great validity in modern India, derived, in essence, from its religious seed that operates as sufficient justification for accepting misery for life without alarm. The argumentative India wants to put this religious premise on a secondary plane, where the political or economic power would replace it as the central point of poverty and inequality. However, despite the fact that the oppression is and has been a significant element in the logic of human exploitation, it is clear in light of the social reality of India, that its religious beliefs have been multiplied by infinity in terms of gods, languages, rites, diets, hierarchy, geography, customs, ethics, occupation, family, etc., the ones that have created a socially accepted personal habitat (caste system), from which one can only leave to improve oneself through death. That is why, during the last century, the main disturbances and riots in India, where thousands of people died, have been mainly for religious reasons and not for social demands.

For Manor, the caste system is, “The most durable and resistant social institution of Asia and perhaps of the world”. For Max Weber, “It is the fundamental institution of Hinduism; without castes, there is no Hindu”. For Myrdal, the caste system is the cause for which India, “Remains static, prolonging up to the present a natural and vegetative existence”. Karl Marx also dealt with the issue, pointing out that the castes were “Decisive impediments to the progress of India” (Paniker, 2015, pp. 8-12). The concept of caste was among the topics that most caught Octavio Paz’s attention during the approximately seven years that he had the opportunity to live in India carrying out his diplomatic missions. He indicates that, “The distinctive sign of the caste system is a religious notion, not economical, nor political”, unlike the modern Hindu argument that tries to prioritize its political, economic, or social nature. This, of course, becomes relevant within the explanation of the sustainability and the future of the caste system itself in the global dialogue of the 21<sup>st</sup> Century between the East and the West. In this regard, Paz insists, pointing out that, “The castes are also elements of the

Hindu hierarchical system, but this order functions based not on the power, nor on the money, but on a religious notion: purity and impurity". Hence, its determinism and the difficulty in incorporating it into a modern national framework of common effort. For this reason, Paz adds, "The caste is the opposite of our classes and associations, formed by individuals. In it, the primordial reality is the collective. It is not a conglomerate of individuals but a circle of families. But a circle that encloses the individual: one is born, lives and dies in a caste". Derived from the above, Paz closes his observation by stating that, "The castes were not invented to change but to last. And it has lasted. It is a social organization model thought for a static society. The social changes denaturalize it" (Paz, 1995, pp. 69-72).

The exuberant Hindu culture, with its leafy branches of religions, in a manner that is concomitant to its caste system, are two of the most important axes that explain the reality of the India of today and yesterday, but at the same time, to the Western observer, they are two of the main obstacles to understanding the India of the present millennium. However, what is important to note for the purposes of this work, is that when we talk about the 30% of poverty in India (375 million), its official figure, or 70% (875 million) as Nayak suggests based on empirical field studies, we are not only talking about the people that are living with less than 1.50 USD or 0.40 cents a day, but we are also mainly talking about the "Dalits" and "Shudra". That is, of India's lower castes, who consider their indigence a karmic destiny that will only be resolved with their second birth and not in the face of a personal action, family action, or a public policy that improves their economic oppression. Their destiny is cosmic, and their economic and social statuses are based upon the purity and impurity of their karma. Therefore, they bear their economic reality through the position of their family, of the trade which they ended up exercising, and of the place that they ended up living. Their nation is their family. Their country is their caste. Their universe is their "caste system;" hence their lack of empathy with the individualism and the modern concept of Western society and nation.

Of course, today, the castes have undergone mutations and the urban and Western elements, among others, systematically bombard their original nature. In spite of this, over the course of four millennia, the caste system has tested its strength since it has not been assimilated or mixed through almost a thousand years of cohabitation and Muslim rule, as well as with more than three centuries of Christian-Britannic influence and hegemony. The challenge of the India-BRIC, within the framework of its deep poverty lines, will be to transform the proven sturdiness of its caste system into an element of strength, not of weakness. Since the beginning of its indepen-

dence, India has been trying to do this through legal and social measures, and the so-called “positive discrimination” through which positions of privilege are kept for the lower castes in both the educational and the political domain. The India-BRIC must put forth an extra effort in this endeavor because, “The castes are still present; the untouchability—though illegal—is still in force; there are political parties that defend the interests of certain castes; and so on. The society of castes is a reality of contemporary India, and, it is much more elusive and adaptive than what was presupposed” (Paniker, 2014, p. 8).

## V. INDIA-CHINA OR THE DANCE OF THE GIANTS

The relationship between China and India is a longstanding matter that goes back to the origin of the two nations. They have always known each other because their geographical location and their vicinity have made them coexist, learn from each other, compete, and even have belligerent encounters. Along with the Muslim, Japanese, and Russian civilizations, China and India include, in the Asian continent, five out of the seven civilizations that today are recognized throughout the world (Huntington, 2001), underlining with the strength of their numbers, and the exuberance of their cultures, the significance that the Asian continent has had on the history of mankind. Within this range of civilizing offerings, China and India have stood out since antiquity because of both their vast territories and the weight of their demographics, as well as by their vast cultural offerings.

India, for its part, is a long history of encounters and clashes where a continent full of wealth has struggled at all times to find a common identity and a geographic integration that would give it strength before the other nations, which always have tried to conquer it. The former, the common identity, is a pending issue that fails to consolidate itself to date. And the latter, geographic integration, took nearly four millennia to crystallize itself in a definitive manner in 1947. On this date, the country became independent from the British Empire at a great cost since it lost the territory and the population of Pakistan, which later divided itself to form Bangladesh in 1971.

India, along with the West, still struggles to rescue its origins because according to its nature and its perception of time, historiography has not been one of its priorities. Already in the year 1000 A. D., an Arab historian who complained of this lack of information stated that, “Unfortunately, the Indians do not give much importance to the historic course of events; they are very careless about the chronological enumeration of their kings and when

they are called for some clarification, and they do not know what to answer, they are immediately ready to tell stories" (Embree & Wilhem, India, 2004).

Indian history was born with its name, on the banks of the Indus River, where its pre-Aryan background was developed in its streams (Harappa, Mohenjo Daro, etc.), with more than 4,000 years of antiquity, and where the Indo-Europeans or Aryans (-3500 years), who were the main source of the different cultures that flourished in India, settled. This fact about the origin of the Indian people remains a topic of political discussion. The aim is to determine the purity and authenticity of a majority of the "Hindu" population, which is still demanding an individuality without adjectives, with their backs turned against a time that distinguished itself by the ethnographic richness of all the actors who participated in the composition of the Indian ethos, such as the Muslim civilization. As noted above, the history of India is not an easy subject for the West. In this infinite line of kingdoms that triumph and kingdoms that fall, appeared the Maurya, Gupta, and Mughal Dynasties on the horizon of more than two and a half millennia. They are the most successful attempts to integrate the Indian subcontinent under a single leadership, as a political unit. Although, in fact, it never was completely materialized, and the efforts that were made, in historical times, to achieve this goal were ephemeral. For example, the Maurya reign that stands out for having had one of the most widely recognized leaders of the Indian history, King Asoka (268 B. C.), lasted 137 years. The Gupta Empire had a hegemony that lasted approximately 180 years when all the kings who represented it are counted. The third of them, the Mughal Empire of Muslim origin, lasted 181 years when it is measured from the reign of Babu (1526 A. D.) to the fall of Aurangzeb (1707 A. D.), which really is the time of its domain and splendor (its disintegration occurred throughout the 18<sup>th</sup> Century). The other factor of integration occurs through the English presence, which since the year 1600, through the decree authorizing the installation of the East India Company (EIC) by the British, slowly scaled its presence in India until its complete domination. In 1689 the company was already almost a State within India, with an army of its own and control over geographic areas. Given its disproportionate growth and the anarchic conditions that prevailed, in 1858 the EIC was replaced by a viceroy who declared India a British Colony. In other words, the geographic integration of India, similarly to the ethnographic, religious, political, or cultural integration, has always been an outstanding issue that has endured through our days in the form of a harsh dialogue, which sometimes has become violent, between the Hindus and the Muslims, or with the other ethnic groups or religions. In an important way, this pulverization is also multiplied internally

among the Hindu population, through all the colors of the broad kaleidoscope of religions, traditions, sects, classes, gods, languages, etc., into which are divided the intricate branches of the tree of Hindu culture.

In the framework of the analysis of the BRIC countries, the trajectory of India and China is often put on the same level with certain easiness because the two countries have a robust demography and an Asian origin. However, on this starting line, despite their vicinity and their historical millennialism, the path of the two diverges since their birth in a bifurcation that separates them in issues as sensitive as political unity, religion, language, integration, etc., that defines them on one hand, and on the other hand, generates both different strengths as well as weaknesses in the 21<sup>st</sup> Century.

“In the 4<sup>th</sup> Century B. C., —Pirenne points out— the monarchical imperialism and political realism schools of thought appeared, also from East Asia, which crossing the Asian continent, presided over the foundation of the Maurya Empire in India, and the Ch’in Monarchy in China” (Pirenne, 1979). However, as noted earlier, in the case of India, the Maurya Reign lasted only 137 years. Then, the integration achieved broke into multiple kingdoms until almost 500 years later when the Gupta Dynasty achieved another important integration of the country. After the Gupta Dynasty, it took almost a thousand years for the arrival of the Mughal Reign with its monarch Akbar, the most important reign of the three. This tells us that throughout its history and until its independence, India did not have a sustainable political unity, much less unity as a nation. The majority of its reigns lived inward in a family, caste, class, and kingdom unity that prevented them from assimilating themselves with other trends. The Chinese case is different. Since 221 B.C., when King Chin-Che-Huang came to power, he unified the different kingdoms and laid the foundations of a central administration that ended the feudal domains. This was consolidated in 210. B.C. with the supremacy of the Han ethnic group, which, although with many vicissitudes and some interruptions, has held the power in China up through our times, where 90% of the population registers this ethnographic origin. In other words, India did not achieve geographical unity and the beginning of a nation until 1947, with a cost of approximately one million deaths that occurred in the face of its division from Pakistan. Whereas, China has been working during two millennia on a common unity and on a concept of a nation that has functioned in spite of the invasions of the Huns, Mongols, Manchu, etc., and it has had no problems in finally assimilating them to its culture and political power without losing its national hallmark.

Another important element that distinguishes India and China is the religious component. As already discussed, India has been and is a spiritual

melting pot where countless religions and rites have been practiced. Among them, as philosopher's stones of Hinduism, stand out the four books of the Vedas and the two epic poems the Ramayana and Mahabharata. It has also been the cradle of important religions such as Buddhism, Jainism, the Sikh current, etc. In addition, when Hinduism turned into a cult of castes, each one of them, plus the families that form them, multiplied by infinity the gods, the myths, and the beliefs of these religions. In addition to the above, to the diverse richness of images and creeds, during 1,000 years the country has also been an ardent follower of the monotheistic religion of the god without a face (Muslim), with a liturgy, gospel and symbology totally different from the Hindu. China for its part, has been a country that since the middle of the millennium before Christ found through the ethics of Confucius (551 B. C.), the Daoism of Lao-Tze (4<sup>th</sup> Century B. C.) and the teachings of Mencius (372 B. C.), among others, each one in its time and circumstances, a path of spiritual development through an ethic of the duty of being that responds more to a natural state of things than to a design or divine favor. Of course, China also had its incursion with the favors of "Heaven" but as Botton points out, "In China, the separation of the human and divine spheres was earlier than in other cultures" (Botton, 2000, p. 81). Buddhism, despite having a strong presence in China until the 9<sup>th</sup> Century A. D., in its moral part of acting justly, of thinking justly, of giving what is fair, of acting fairly, of fair words, of fair efforts, etc., initially joined the force of Confucianism. However, over time its presence was diminished, among other reasons, because of the persecution of Emperor Wuzong (841-846). The limitations that the Chinese Communist Party (CPC) applied to the religion beginning in 1949 were no more than the ratification of an agnostic spiritual idiosyncrasy, "with Chinese characteristics", that the majority of the Chinese people have practiced, with various adaptations, for 2000 years. In this way, in India, 80.5% of the population practices Hinduism, including everything that was already explained; 13.4% are practicing Muslims, and the rest are Christians (2.3 %), Sikhs (1.9 %), and only 0.8% are Buddhists. Regarding China, more than forty percent of its population is considered agnostic or atheist (42%); the traditional religions occupy 30%, Buddhism 18%, Christianity 4%, the minority ethnic religions 4%, Islam 2%, etc. In addition to the above, as a further element of the Chinese national cohesion, 1.2 billion people out of 1.35 billion inhabitants speak Mandarin; while in the case of India, only 41% speak Hindi, which is one of the 24 official languages established by the Constitution of India, in addition to another 179 languages and 544 dialects that are spoken in the country.

As was already explained, the relationship between China and India is ancestral. There is evidence of their contact and trade since the 8<sup>th</sup> Century B. C. The pilgrimages of Chinese Buddhist monks such as Faxian, Yijing or Xuanzang, are famous, whose translations from Sanskrit to Chinese enriched Buddhist knowledge. The political and cultural exchange was also a benchmark for the two countries. But there is no doubt that after two millennia, the national identity and common destiny as the engines of the development to come are projects that are more finished in China than in India, which is an important differential asset to take into account during the analysis of the BRIC countries.

### *Their Economic History or the Abstract of the Two Giants*

Within the framework of the change from an Atlantic Era toward a Pacific Era, humanity's economic history would have to take into account the importance that China and India have registered on this issue. This has been most especially true since the beginning of these last two thousand years until the middle of the 19<sup>th</sup> Century, where it appears that the two Asian giants have shared the economic hegemony of the world throughout 92% of modern times. This figure is overwhelming, but there was a general trend toward oblivion in the midst of both British and American haste from the latter two centuries of Western economic dominance.

#### SHARE OF THE WORLD GDP (BILLIONS OF DOLLARS)

Country	1	1000	1500	1820	1850	1870	1913	1950	2008
India	33.8	33.8	60.5	111.4	125.7	134.9	204.2	222.2	3415
China	26.8	27.5	61.8	228.6	247.2	189.7	241.4	245.0	8908
The West	14.4	10.9	44.2	158.9	260.3	366.2	902.1	1396	8698
USA	—	—	—	12.5	42.6	98.4	517.4	1455	9485

Emilio Ontiveros/ Mauro F Guillén 2012

In this historical relevance of everything economic, the role played by India, which held the world's economic hegemony for nearly a thousand years (1-1000 years A. D.), stands out. The following five hundred years

shared this predominance with China, which begins to fade in the 17th Century, then to fall in the 19<sup>th</sup> Century. Nowadays, the economic importance of India represents only 10% of the American GDP and about 20% of the Chinese GDP (2013, BM). In this regard, Ontiveros and Guillén comment that, “It is important to remember that India was the world’s largest economy during at least 15 centuries (since the year I A.D. until around the year 1500)”, and that, “China occupied the number-one place for three and a half centuries (from 1500 until 1840)” (Ontiveros & Guillén, 2012, p. 148); which breaks with the common idea of an omnipresent euro-centricity. On this topic, Crespo also comments that, “India was the world’s largest economy in the early 18<sup>th</sup> Century. According to some historians, a quarter of the global gross domestic product came from India’s Mughal Empire. The world’s second-largest economy was China’s Manchu Empire. India and China were also demographic giants, each with more than 100 million inhabitants at that time”. In this regard, the same author abounds, “The wealth of India and China was the result of many centuries of development of the civilizations that had emerged on the banks of the Ganges and the Yellow River, and of the more sophisticated cultures and ways of life that their inhabitants had reached. Their cities and their customs fascinated the Europeans, their palaces and their treasures dazzled them, and their systems of government and their armies imposed a lot of respect. Since medieval times, the Europeans who reached these civilizations were well aware that they were before large civilizations, in some respects superior to their own”. “This is the reason for which the Europeans, initially approached the Indian and Chinese civilizations with great caution, and the methods that they used to colonize the land on which they inhabited would be very different from the others” (MacLennan, 2012, p. 186).

Geography favors both India and China. First of all, there are abundant natural resources in their vast territories. Second, their geographical location, which is distant, but is within the conformation of the ancient world; which although it finds its first expressions in the Sumerian and Mesopotamian Basins that are very close to India, moves quickly towards the Occident pushing the military hegemonies towards Macedonia, Greece, Rome, Carthage; or towards Egypt, Persia, etc. In this regard, India forms part of the ancient world since its beginning, with the advantages that result from it. At the same time, the conditions of its location, as well as those of China, kept it sufficiently far away from the great struggles for the military hegemony of the era. It is true that India was not exempt from this threat through the arrival of the first waves of Indo-European/Aryans, which together with its original populations constructed a Vedic society that remains

to date. However, when Alexander the Great attempted his conquest in 327 B. C., the distance, more than the battle; and the exhaustion of Alexander's generals who were feeling so far away from Macedonia, caused him to fail. Similarly, Rome did not attempt to extend its armed arm to these nations that were so "distant", Certainly, in the case of India, the regional microcosm that surrounded it since its origin, through the central European area, the Russian steppes, or its many northwest neighbors (Mitannis, Huns, Bactrias, Persians, Mongols, etc.), defined its unsustainable political and military development. However, in the framework of this uneasiness, it did not lose its economic hegemony for centuries. Since the conquests of Asoka (268 B. C.), Pirenne comments, "... India became the most populous Empire and the wealthiest of the Earth...".

The huge natural resources, agricultural production, textiles, mineral products, spices, etc., together with its strategic geographic location, for it was the forced route of trade between the Chinese products from East Asia to Asia Minor and to Europe (the Silk Road), were several of the factors that determined India's solvency. Its vast territory and its varied climates, its large rivers, its access to the sea, among others, were the reasons that kept the country's wealth from Azoka until Akbar in spite of the difficult political vicissitudes that it experienced from its origin, which, as was already mentioned, never allowed it, as was the case of China, to build a permanent national political unit. China's governments, through the sustainability of its dynasties and kingdoms, and even in spite of invasions, such as the Mongolian, which founded the Yuan Dynasty (13<sup>th</sup> Century), and the Manchu that integrates to the Qing Dynasty (17<sup>th</sup> Century), maintained a central vocation, a provincial organization, an administrative excellence, etc. Nevertheless, despite its greater political, religious, and ethnological cohesion, China was lagging behind, in economic terms, with respect to its "disjointed" neighbor to the south. In the end, over time, the two hegemonies were distinguished by their economic strength because they had a demographic asset, which since the 1<sup>st</sup> Century of our era allowed them to have sufficient human resources to generate an agricultural wealth that dominated until the pre-industrial age of the 15<sup>th</sup> Century. Since the first century, when Western Europe had 25 million inhabitants, India stood out with 75 million and China followed it with 60 million people. The same thing happened in the years 1000 and 1500 A.D., in which India continued to maintain a population of almost twice that of Europe and superior to China with an average of 15 million inhabitants.

SHARE OF THE WORLD POPULATION  
(MILLIONS)

Country	1	1000	1500	1820	1850	1870	1913	1950	2008
India	75	75	110	209	235	253	303	259	1148
China	59.6	59	103	381	412	358	437	546	1324
The West	25.1	25.6	57.3	133	166	187.5	261	305	401
USA	0.7	1.3	2	10	23.6	40.2	97.6	152	304

Emilio Ontiveros/ Mauro F Guillén 2012

Empires do not last forever, and the history of mankind gives an account of this (Spengler, Toynbee, Huntintong, Kennedy, etc.). For approximately 15 centuries, Western European wealth only accounted for 30% of the economic power of India and China. However, the glimpse of this change, from this civilizing predominance of Asia to a European one is given at the end of the 15<sup>th</sup> Century. There are many studies and many reasons that attempt to explain the economic decline of India: the change in the importance of the natural resources; the degree of political, economic, and social integration; the level of development; the creation of better institutions, etc. However, the date that marks the beginning of its imperial decline in the second millennium, as well as that of China, was May 20, 1498, when the fleet of Vasco De Gama reached Calicut (Kozhicode) in the current state of Kerala, India, for the first time, opening a direct route from a European port (Portugal) to the Asian country. Together with Vasco Da Gama, a pre-industrial European superiority arrives in Asia, which gradually positioned itself in each and every one of the ancient kingdoms of the area. In different ways, modes, and speeds, Portuguese, Dutch, Spanish, English, French, Russians, etc., arrived to this new geography. While India already had records of contacts and trade with the West, only Alexander the Great, nearly two millennia before, had attempted a rapprochement with vocation and possibilities of control. After Portugal, England installed its first factory in 1612 in Surat, India, as did the French in 1668. Portugal, England, Holland, and France are the four countries that primarily handled the European conquest of the Indian subcontinent. However, this dispute for the hegemony and the resources of India is defined in 1757 in the Battle of Plassey, in West Bengal. There, the English defeated the French in the framework of the Seven Years' War, which at the same time was being

staged on European soil (1756-1763). It also confined the French interests primarily to the area of Indochina (Vietnam, Cambodia, Laos, etc.).

China, at the same time, suffered the European siege, though its encounter with the West, as it is known, significantly differed in time, form, and results with respect to the Indian encounter. The first to knock on China's door through the new maritime route were the Portuguese in 1513: Rafael Perestrello on the south of the Chinese coast, and Jorge Álvares in the north. In 1517, Fernao Pires de Andrade, after waiting for four years to be received by the Emperor, was imprisoned and executed along with his delegation. Finally, in 1544, because of their persistence, the Portuguese succeeded in settling in for commercial purposes in Macao with the Emperor's tolerance. In 1628, China was invaded in the north by the Russian Cossacks, who were expelled in 1685. Unlike India, which the Europeans find divided and disorganized, the Chinese central power represented an impregnable wall to the Western interests in the first centuries of the "conquest". Although in 1544, as was already mentioned, the Portuguese commercial presence was extremely limited and monitored, it was not until 1840, or nearly three centuries after that, that China allows the English to have commercial facilities in its territory, and to keep Hong Kong because of its military defeat in the Opium War and the signing of the Treaty of Nanking. In contrast to India, which was defeated by the West, China never was, and on the contrary, "China remained convinced of being the center of the civilized world and that all the other countries were obligated to pay homage to it. Neither the Emperor nor any member of his court believed that trade with the West could bring them benefits" (MacLennan, 2012, p 191).

The political, religious, and cultural division, that does not allow a national unity, makes India an easy prey for European interest. Through the authorization of various local kings, or the Mughal Emperor in turn, the English were displacing their Western competitors and taking over India, militarily and politically. "The fact that peace and prosperity reigned wherever the British were, while chaos had taken over of the rest of India, led the Mughal Emperor to offer Clive an agreement by which the British took control of the exploitation and management of what remained of its empire, which covered almost the entire north of India" (MacLennan, 2012, p. 188). India was not successfully defended, neither by the Hindus nor by the Mughals, while its huge wealth led to the British East India Company being economically more powerful than the English government itself at some point. This led to its private management passing into the hands of the government under the representation of Robert Clive in 1774. The

English presence in India began in 1600, it deepened throughout the 17<sup>th</sup> Century, expanded in the 18<sup>th</sup> Century, and was institutionalized in 1858 through the establishment of the British Raj. China, as noted before, based on its power and organization, rejected the sieges and forced England to take it to the Opium War, where a declining Empire no longer had the strength to withstand Western superiority. After England, and along with it, and following similar strategies, which Fairbank called, “The century of treaties” (Fairbank, 1996, pp. 245-248), France, Russia, the United States, Japan, etc., taking advantage of the weakness of the Chinese giant, conducted multiple raids that resulted in the signing of advantageous international treaties that were against the Chinese interests. Nevertheless, in spite of the fact that in the Boxers Rebellion (1899) a coalition of around ten countries was formed against China, and at that time two of them (Russia and Japan) took part of its territory, China was never completely defeated. It defended its heritage, geography and sovereignty until 1911 when the Era of the Empires ended through an internal social movement. This movement was not resolved until 1949 with the triumph of the Communist Party of China (CPC) commanded by Mao Zedong. This political, economic, and cultural unity of China that thins but never breaks, is the difference between it and an India that was broken, and that contrary to China, was finally put together by the West.

The pre-industrial and industrial knowledge, the technological advances in the military and navigation, and the European Renaissance and Enlightenment in general, tipped the balance of the hegemonies from the 18<sup>th</sup> to the 21<sup>st</sup> Centuries toward the Western sphere. Stagnation, division, and isolation, enemies of modernity, among other reasons, caused the fall of the two Asian giants. Their way of dealing with this first clash of civilizations, on the part of each one of them, also helps to explain their strengths and weaknesses in the 21<sup>st</sup> Century. When Prince Rasselas of Abyssinia (1759) asked why the Europeans were so powerful, his philosopher, Imlac, replied, “They are more powerful, Lord, than we are, because they are wiser; knowledge always predominates over ignorance, as man governs over other animals. However, regarding why their knowledge is superior to ours; I do not know what reason can be given, except the inscrutable will of the Supreme Being” (Ferguson, 2012, p. 50). In the change from the Atlantic Era to the Pacific Era, that the global economy is currently experiencing, we will have to be attentive to the new designs of “wisdom” and the new “knowledge”.

## VI. INDIA AND ITS TRYST WITH DESTINY

1947-1964

Beyond the various positions that speak of India as a political unit before 1947, what is certain is that they were never able to achieve this union during the Maurya, Gupta, and Mughal or other Reigns, and even during the English Viceroyalty itself. For this reason, despite the economic supremacy of India throughout its history, it never could exercise that supremacy as an extra-regional power, nor did it comply with the attributes of a dominant hegemony. This is because of its lack of political cohesion and the randomness of its historical cycles; which never ceases to be a paradox in the face of its robust wealth of more than 15 centuries. Hence, the importance of its national awakening in the 20<sup>th</sup> Century, which Nehru defined in the following manner:

Long years ago we made a tryst with destiny, and now the time comes when we shall redeem our pledge, not wholly or in full measure, but very substantially. At the stroke of the midnight hour, when the world sleeps, India will awake to life and freedom. A moment comes, which comes but rarely in history, when we step out from the old to the new, when an age ends, and when the soul of a nation, long suppressed, finds utterance. It is fitting that at this solemn moment we take the pledge of dedication to the service of India and her people and to the still larger cause of humanity (Percival, 2001, p. 340).

In the previous sentence, pronounced the day before India's Declaration of Independence on August 15, 1947, Nehru recognizes an old tryst with destiny that has not been fulfilled; an awakening to life and freedom; the soul of a nation silenced that finds an opportunity for expression; all are challenges to which he dedicated his life until his death in 1964. Jawaharlal Nehru, the son of an aristocratic family from Kashmir, was a key player in both the process preceding India's independence, as well as during the first phase of its economic and political positioning during the period that spans from 1947 to 1964. Together with Mahatma Gandhi in his historical role as the great peacemaker of India, and with Muhammad Ali Jinnah, leader of the All-India Muslim League, they were three personages who coincided in a cathartic moment for the country, when the divided currents of its history tumultuously flowed into a wide sea of a nation in which the waters did not know where to settle themselves. This compelled India to the payment of approximately one million deaths as a result of the internal struggles of its liberalization (Tharoor, 2009), the sacrifice of Gandhi, the loss of 70

million inhabitants who remained in the Pakistani area, the displacement of 17 million people, and the division of the nation into two countries—India and Pakistan—which staged three wars in the following 24 years. This division turned into three countries upon the independence of Bangladesh from Pakistan in 1971. Nor should one forget the still valid issue of Kashmir, which was divided after its independence into an Indian and a Pakistani area; with the Chinese addition after the War of 1962.

The union pact of the Indian nation was not a simple event; it was from the beginning a forced birth that even today battles, in a different way, in the pursuit of its common identity.

The end of the Second World War marked the beginning of the exhaustion of the Western nations' hegemony in the world in general, and in East Asia in particular. The trauma of almost 100 million dead in the first half of the 20<sup>th</sup> Century was not the best environment in which to re-launch Western hegemony under a territorial blueprint that had already stretched itself a long way. In the case of India, an exhausted England, more than a politically united India, precipitated the events that led to the recognition of its independence just two years after the end of the War, and governing would be left in Indian hands. However, it is not difficult to imagine the chaotic moments that had to pass in order for that to happen. A country that had never been able to reconcile its different interests, whether political, religious, cultural, social, etc., was facing departure from English tutelage and was walking alone for the first time during the birth of a new global world that was in the process of being inaugurated. The violence with hundreds of thousands of deaths would have been larger without the presence of Gandhi, and certainly the national control of the country would have been more difficult without the figure of one of the most prominent men of the second half of the 20<sup>th</sup> Century, meaning Nehru.

An India with about 95% illiteracy; with 85% of its population living in the countryside; with 90% of poverty; divided into nearly 362 states or provinces, with 390 million inhabitants (1941); divided by religion and culture, mainly between Hindus and Muslims; without experience in the overall management of the country; among many other weaknesses, was a challenge that without the political figure of Nehru, since Gandhi was assassinated in 1948, surely would have implied a greater cost. While attacking religious violence, he had to convince hundreds of small kingdoms to join any of the 29 states and 7 territories into which India was finally being organized politically; to organize its new constitutional status (1950); to launch an economic project, to define its political path; and to lay out its international relations. These were some of the many issues that Nehru's

leadership had to face during the 17 years that he served as Prime Minister. Nehru, politically speaking, is the result of his “enlightened” preparation at Cambridge, England; of his agnosticism that warned him of the danger that, “Religion in India would kill this country and its people if it was not controlled” (Tharoor, 2009, p. 234); of his political conviction on Western values such as democracy and human rights, etc.; of his consciousness of the political world of his time; of his sympathy for Socialism and the non-alignment to the great powers. All these beliefs were chiseling out the new profile of the Indian nation. Although, in principle, Nehru declared to be “...convinced that the key to solving the problems of the world and of India is found in Socialism...” “Nehru’s Socialism was a curious amalgam of idealism (of a Fabian style, particularly English), deep concern –while somewhat idealized—for the needy (that arose as a result of his increasingly Imperial travels among them), Gandhi’s faith in self-sufficiency (learned before the spinning wheel and characterized by his predilection for the Khadi), increasing distrust in Western capital (arisen from his primary anti-colonialism) and ‘modern’ faith in ‘scientific’ methods such as Planning (the initial capital letter is deliberate: Nehru raised the technique to the status of dogma)” (Tharoor, 2009, pp. 178-179).

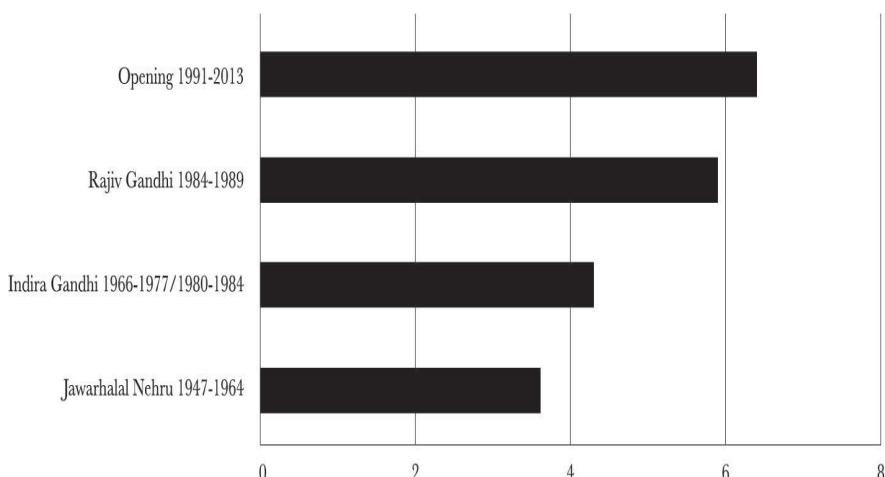
Politically, Nehru deployed a strategy of reconciliation toward all the political and religious forces that were representative of the country, giving them a place in the government. At the same time, he exerted an inflexible heavy-handed policy against violence, regardless of its origin. Internationally, he sympathized with Socialist countries, in particular, with the then Soviet Union and China, as well as headed a movement of non-aligned countries along with Nasser (Egypt) and Tito (former Yugoslavia). He kept at a distance from the Western leaders of the post-war period. Economically, and before the influences of his time, Nehru adopted an eclectic path, which while it was inspired by the examples of the Socialist model, tried to regain a line of mixed development. Under a Socialist idea, he created the Planning Commission in 1950. This was responsible for preparing the first five-year plan in 1951 through which it was structuring a public and private industrial system with a priority state participation in the new companies. In the face of the absence of capital, the scarce technological knowledge and the absence of an industrial structure, the capacity for saving was encouraged, and priority was given to the national industry through import substitution. In order to strengthen the economic area, the State established a dominant role, especially in the heavy industry sector. It regulated the private sector through the granting of licenses, distribution, and price control. Based on the policy established in 1948, the industry was divided into:

a) state monopoly, where nuclear weapons and railway industry appeared, among others; b) basic industries of special importance to the State (steel industry, ships, minerals, airline industry, telecommunications, etc.); c) industries of national interest, where the participation of the State was minor; and d) all the other areas that were open to foreign investment. Although private industrial business was accepted, it was subject to a greater control with the passage of time, and a system of price control was established for products such as metals, cement, medicine, cotton, soap, sugar, public vehicles, etc., where the State, under the idea of maintaining “reasonable” prices for the population, came to have a direct interference (Panagariya, 2008, pp. 32-36). By giving priority to the industrial sector, the Nehru government neglected the agricultural sector where the majority of the population was, perhaps with the idea that India had lived under this blueprint during the last 2,000 years. As in the industry, a mixed model was sought where new co-operatives coexisted with traditional property; intervening in the hydraulic and hydroelectric infrastructure to increase land irrigation. The Essential Commodities Act of 1955 gave the State the power to set maximum prices for field products, which discouraged their production. In the educational domain, Nehru’s most important action regarding public policy corresponds to the creation of his famous Institutes of Technology (1947). This, together with the Institute of Science created by the Tata family (1909), has made the difference in matters of the production of high-technology services between India and other developing countries, including China.

On economic matters, Nehru’s term continues to be controversial and can be seen from various perspectives. However, if we start considering that the average economic growth of India from 1900 to 1947 was 0.9%, and from 1950 to 1961 was 3.7%; with a per-capita GDP of 0.1% and 1.8%, respectively (Sen, 2013), one would have to accept that its departure from England, along with the arrival of Nehru, widely favored India. Despite this, the criticism of the mixed economy model implemented by Nehru is based on the higher increases registered by Korea, Taiwan, Japan, and other East Asian countries during the same period, which when he died had high levels of State corruption and inefficiency.

Notwithstanding the foregoing, the takeoff period of India’s independence cannot be outlined only by growth and percentages. Nehru’s legacy in the area of creation of democratic institutions, the defense of State secularism, his ability to integrate the multiple kingdoms and religions around a State goal, avoiding the disintegration of the country during its kick-off phase, and endowing it with an international personality of respect in the midst of the crisis, are some of the legacies of a statesman with his tryst with destiny.

### INDIAN POPULATION BY RELIGION



Author's own creation based on data from the World Bank & India's Government.

### 1966-1977/1980-1984

The second period representative of the independent India, for the purposes of this work, corresponds to the two administrations of Nehru's daughter, Indira Gandhi. It includes her first rise to power after her father's death (1966-1977), and her second arrival to power until her assassination in 1984 (1980-1984). Indira did not assume power automatically after the death of her father; L. B. Shastri was elected before her. This is despite the fact that when Nehru was alive, there was a chorus of voices that suggested that he should leave his political testament in his daughter's hands, who prepared herself for the job working closely with him, especially in the last fifteen years of his life. The arrival of Indira to power did not happen within a framework of political normality. It was preceded by turbulent events such as the traumatic war with China. Although the War took place during her father's term (1962), its consequences had not been dissipated in the face of the Indian troops' thunderous defeat since they never expected, within the framework of the "deep" India-China "friendship", "Hindi-Chini bhai-bhai" (Indians and Chinese are brothers), that Mao's Republic would invade Indian soil in such an unexpected manner. India lost 6,500

km<sup>2</sup> of its territory. Similarly, two droughts occurred in 1965 and 1967, the first war with Pakistan in 1965, and the second in 1971, two more droughts in 1971 and 1973, etc. The droughts forced the country to rely on American aid for the delivery of food, which broke, to some extent, Nehru's legacy of non-alignment and gave rise to resentment on the part of the Indian people against the Americans, who took advantage of its instability to increase their importance in the area. These incidents struck the economy and forced the devaluation of the rupee (36%). Politically, the image of the Congress Party, the historical party of Nehru and Indira, suffered a major loss. This led to the enactment of a 10-point program in 1967, which imposed among other measures: the nationalization of the banks and insurance; set limits on urban property and income; restrictions on the monopolies and concentration of capital; public food distribution; agricultural reform, etc. It was tantamount to orienting Nehru's mixed economy towards a Socialism that was even further from American Capitalism, and closer to the Soviet Bloc, with whom it built an agreement in 1971 for a period of 20 years, increasing its economic and commercial relationship with the Bloc partners.

Indira Gandhi's government did not stand out for its efficiency and clarity. More interventionist politics put pressure on private enterprise through a licensing policy, which politically controlled areas, amounts, sectors, and national and international investors; bureaucratizing industrial activity, reducing dynamism and clarity. In contrast to Nehru's period, agriculture would benefit more through the so-called "green revolution", with new fields, a greater variety of seeds, and the increase in crops, especially in the north of the country. In an important manner, this allowed India to achieve food self-sufficiency in 1970.

The Congress Party, with Indira at the head, lost the parliamentary elections for the first time in 1977 because of natural disasters, wars, and bad governance, among other problems. In spite of this, in face of the lack of capacity of the government in turn, it was necessary to call for elections again in 1980, where Indira came out victorious. However, she was assassinated in the gardens of her official residence in 1984 by two of her private guards, followers of the Sikh religion, who acted after Indira ordered a repression outside the Golden Temple, which is a sacred place among the followers of this "church".

Indira, Octavio Paz points out, "...was not religious but was possessed by the passion and the belief that she belonged to a predestined lineage (the Brahmans of Kashmir!)". "This passion clouded, at the end, her sharp political understanding and her realism". In line with this passion, Indira adopted extreme policies, which at the time shook political groups and the

Indian people. In 1974, she made an attempt to dilute democratic guarantees based on the serious situation that the country was undergoing. In a speech addressed to the people, that may have made her into the only female dictator of the 20<sup>th</sup> Century, she pointed out that, “Our opponents want to paralyze the work of the government, which places us in a serious position. And we have taken some measures. But many of the friends in the country are wondering, what is Indira doing? What will happen now with the country? But, we see that the country is headed toward disaster and requires urgent healing, and medicine has to be given even though it may be bitter. As if it were a dear child, when the doctor prescribes bitter pills, they have to be given to him for his healing...Therefore, it is necessary to give this bitter medicine to the nation. When the child suffers, the mother suffers with him. For this reason, we are not happy taking these measures... But we will see that they work as a doctor does”. (Guha, 2007, p. 493). These anti-democratic actions, her poor economic results, the encouragement of the extremists in the Punjab, would make Indira, “The first victim of a conflict caused by herself”, and Paz concluded that, “...it seems clear to me that Indira, moved by the demon of politics, lit the fire that burned her” (Paz, 1995, p. 41).

#### 1984-1989

With Rajiv Gandhi concludes the parliamentary dynasty of the Nehru-Gandhi family (37 years). They ruled approximately 50% of the independent India period (1947-2014), and although it is a family line, father-daughter-grandson, in economic and political terms, there were marked differences in each exercise. Nehru inaugurated a mixed economy with Socialist vocation, while his daughter radicalized his approach toward a state's economy. Regarding Rajiv, a first helm of change can be seen during his administration, which is presented as the antecedent of the opening that India would follow from 1991 onward with Narasimha Rao. Rajiv, whose work history was as an airplane pilot, joined the political realm in 1983 as the General Secretary of the Congress Party because of the death of his brother. He comfortably won the 1984 elections (75%) in the face of the assassination of his mother. By putting a personal stamp to his administration, during the first years of his mandate, he began a process of economic liberalization that changed the trend implemented by Indira in her 10-point program. In the industrial sector, starting in 1985, he established terms for the production of manufacturing supply chains such as trucks, carts, supplies, etc., generating more

flexible strategies in various sectors. Similarly, he allowed the expansion of businesses that had reached 80% of their installed capacity; increased the total for industries subject to obtaining a license to the sum of one trillion rupees, benefiting 27 industrial sectors; facilitated and exempted from licensing businesses located 100 km from big cities; freed 82 pharmaceutical products and 30 industries in the sector; granted fiscal exemptions according to sales and assets; canceled price control on cement and aluminum, etc. The launch of these measures caused the industrial GDP to grow an annual average of 6.3% during the period of '81-'88 (Panagariya, 2008, pp 83 and 84). Similarly, liberalization measures were applied in the field of foreign trade and foreign investment, state-owned companies (telegraph and telecommunications), as well as in the area of education. The 5.6% growth during his term, which exceeded that of his grandfather and mother, ratified the antecedent of the policy of economic liberalization, which would be applied in a broader manner starting in 1991.

There is another line of analysis that measures the economic development of India focusing on its period with socialist tendencies (1950-1984) and on the period of opening, which in an initial impetus begins with Rajiv in 1984 and continues to the present with Narendra Modi. The first cycle is characterized by an average annual growth of 3.5% of the GDP and a per-capita growth of 1.4%, and the second, with a substantive improvement of the average annual growth of 5.6% of the GDP and a per-capita growth of 3.6%. This reflects on one hand the economic failure of the first period, as well as the consistent growth of the Indian economy during the period of the measurement. (Uma, 2008, p. 61).

The death of Rajiv Gandhi, also assassinated for religious reasons in 1991, generated a watershed in the political development of India. First of all, because with his defeat, concluded a political dynasty that governed the country during half of its independent life under the protection of the figure of Nehru. Indeed, the absence of the Nehru Dynasty, along with other events, opened the door by which the most important political rival of the Congress Party, the Bharatiya Janata Party, came to power in 1998. This, as was already mentioned, is the radical expression of the Hindu movement, whose tenure in the government was thought to be temporary in the face of its defeat in 2004. However, its return in 2014, with the figure of the Prime Minister Narendra Modi, again opens unconcluded historical themes about the identity and nature of the nation.

The death of Rajiv Gandhi triggered a new political chapter that was preceded by adjustments, in which the different forces did not manage to obtain sufficient majority to be able to govern in a sustained manner. From

Rajiv in 1989 to the arrival of Manmohan Singh in 2004, there have been eight Prime Ministers. Among them, only Rao (1991-1996) of the Congress Party, and A. Behari Vajpayee (1998-2004) of the BJP and the National Front Coalition, were able to finish their term. In addition to the political instability, India had already entered, like China in 1978, and Russia in 1991, a stage where the Socialist lines of its development were exhausted. It faced an urgent need to carry out structural reforms that not only gave more speed to its growth, but resolved its unemployment, poverty, and lack of inclusion problems. A severe financial crisis forced a restructure in 1990-1991 before the International Monetary Fund (IMF) and the World Bank (WB), Institutions that precisely in those years also negotiated with Russia the new lines of its development. There is no doubt that the form and the strategy for economic opening followed as much by China as by Russia and India, have had a lot to do with the major or minor success of their current situation. With a common origin, which means a Socialist economic base, these three countries, each in their own circumstances, initiated their assimilation into the global economy in the seventies (China) or in the nineties (India and Russia). The Chinese experience, the most successful of all three of them, must have been a useful source for a benchmark for India because the timing and the way that the transformation from a Central Planning economy, set up by Mao, to a Market Socialism, imposed by Deng Xiaoping, was carried out, are a permanent lesson for any developing country. The Russians, on the contrary, in the nineties, instrumented a reform strategy that would cost the country the loss of 4.5 times its GDP in the face of the plan's clumsiness. In 500 days, they tried to transform a Communist economic model into a Capitalist one. Fortunately, it did not influence, in a determinant way, the measures taken by Prime Minister P. V. Narasimha Rao, who from the beginning rested on the talent of Manmohan Singh, his Minister of Finance. In this regard, the Indian reform was the construction of an incipient opening that Nehru glimpsed; Indira tolerated; Rajiv launched, and Rao and Singh had to push under a "nationalist" view toward the outside, which paradoxically, despite its contradictions, India has never lost from its sight. It has resulted in the implementation of changes that have not fallen into the precipitation, or the handover, of the country to foreign interests, which framed the Russian opening of the nineties. In this new line, the reforms of 1991 almost completely abolished the economic system of licenses and permits, reduced barriers to foreign investment and foreign trade operations, opened the financial sector to a greater extent, tended to decrease the State's participation and control, gave more freedom to the different market forces, motivated a greater competition, oriented the

economy more toward the foreign market, expanded the special economic zones, reinforced the service sector, increased productivity, etc. Notwithstanding this, none of these changes were precipitously carried out or were fast-tracked as occurred in Mexico; as a result, the Indian State continues to maintain strategic companies (atomic energy, railways, etc.); its regulations on monopolies and restrictive practices have new guidelines that are more liberal (2002), but continue protecting the State's interest. Although the State property is under permanent debate, it has not been eliminated, especially in the countryside and in sensitive matters. The financial liberalization, despite its opening, continues to give the State room to maneuver in the control of banking and its currency. At least formally, the labor regulation has not been defeated by the opening; the countryside keeps limitations on prices, transfers, and collections with direct subsidies from the State, etc. (Uma, 2012, pp. 25-31).

## VII. FINAL CONSIDERATIONS

India, like the other BRIC countries, shines and is committed to proving to itself and to the world, in general, that its development is consistent, and that it must certainly be considered within the new hegemonies of the 21<sup>st</sup> Century; that it has found the keys to its "destiny" and that a "Brilliant India" will illuminate the country in the next decades.

For this reason, it deploys its best arguments and uses the voice of Asoka to prove its ancestral democratic origin, and its secular vocation, where the role of the State is to be the guarantor of respect to all faiths that have always been practiced in India. Furthermore, it turns to the figure of Akbar to show the world its tolerance of thought and its argumentative legacy. This places India beyond the Western-English hegemony, in the modern world of critique and reason, of which the West claims a monopolistic origin. Under these arguments, the instruments of its vast cultural wealth, India sits today at the table of globalization, defends its political present, and claims a preponderant place for the immediate future. This translates under the BRIC language into the third largest economy of the world by 2050.

In the words of Manmohan Singh, India tells the world, quoting Victor Hugo, that, "No power on Earth can stop an idea when its time has come;" and while talking to his parliament, Singh, tells the world, "...that the emergence of India as a global economic power should be taken as this kind of ideas. Let the whole world know and hear loudly and clearly that India has awakened. That we will prevail. That we will triumph" (Uma, 2012, p. 15).

Its permanent economic growth, which has been maintained for more than half a century; its successes in the field of intelligence services and high technology; its scientific infrastructure; its food self-sufficiency; its political strength anchored in the world's largest democracy since its independence; its enormous demography; the exuberance of its history and its culture; are some of the reasons that support the idea of a successful India already trying to be placed beside China, or to overcome it, in terms of the percentage of growth in the coming years.

There is another vision, one that claims, "That the crude campaign of a 'brilliant India' seemed little by little a cruel campaign for the majority of the citizens that were still struggling to survive". This indicates that, "In order to be 'brilliant,' India needs touching stones to cross, ensuring the health and elementary education, as well as food and clean drinking water for its citizens, thereby eliminating social discrimination and alleviating misery, working together instead of competing with its neighbors to create a healthy and economically viable environment in the south of Asia" (Ishita, 2011, pp. 251, 264). It also reports that, "In spite of more than six decades of planned economic growth, more than a third of India's population remains absolutely poor, with a per capita income of less than USD \$1.25 per day. That the learning level of education in India is still below average. That public health spending is only 1.2 percent of the GDP where the world average is 6.5 percent". That, "Approximately half of the children between 0 and 5 years old are malnourished". That, "The sanitary conditions are terrible". And that, "In 2012, India's place on the Human Development Index was 136 out of 186 countries" (Nayak, 2015).

On the delicate gap between the successful growth of India's GDP with regard to sensitive issues such as poverty, health, social security, and education, Amartya Sen comments, "The history of world development offers very few examples, if any, of an economy that is growing so much and for so long with results so limited in the fight against poverty" (Amartya & Jean, 2013, p. 11).

India is an enormous tree whose branches are so thick that they do not let us see with clarity the size of its trunk. Similarly, there is no one, single India; countless cultural, religious, and social Indias coexist in the same territory, which limit all kinds of easy and unifying conclusions. The West battles with this, especially after O'Neill proposed an India-BRIC hegemony for the 21<sup>st</sup> Century. However, not only for the West is it complicated to understand the political, economic, and social contradictions of the world's most populous democratic country. The Asian specialists themselves struggle to accommodate in a single container the ideal of Rabindranath Tagore

when he said that his being, his person, was, “A confluence of three cultures, Hindu, Muslim, and British” (Sen, 2007, p. 122); at the same time, they struggle to find the key to a more just and inclusive economic development. An India which hopes to be a hegemony will have to start dealing with and solving this unfinished business.

## RUSSIA IN THE XXI CENTURY: DECLINE OR RESURGENCE?

SUMMARY: I. *Introduction*. II. *Russia, identity problem*. III. *Twentieth century: a shared leadership*. IV. *Decline or resurgence?* V. *The assets of the future*.

### I. INTRODUCTION

Since 2009, when the first meeting of the formal summit of the BRICS countries was held (Brazil, Russia, India, China, and now South Africa) in Yekaterinburg, Russia, after Goldman Sachs launched the acronym BRIC into the world in 2002 in reference to set of countries that, as a result of their strengths, would take economic and geopolitical leadership in the year 2050, the global society reflected once again on an Eastern European country, Russia, which, due to its enormous problems at the end of the 20<sup>th</sup> Century, had often been forgotten in the international symphony of politics (Oropeza Garcia, 2011, p. 170).

Ever since the precipitous fall of the Berlin Wall (1989), and with it, the great empire of the Soviet Union (1991), the political and economic world was left with the idea of an exiguous and defeated Russia that would take a long time to rebuild the terms of its international relevance. More than two decades after the collapse of the political wall that symbolized the end of the Soviet world, Russia, through consistent work that has been ongoing for a little more than 10 years, has placed itself once again on the international agenda, thus reclaiming the recognition of its role as a relevant nation in the new geopolitical conformation that is being carried out in the first half of the 21<sup>st</sup> Century.

After its economic collapse that caused the loss of 4.5 times its economic value (GDP) in the nineties, in 2012 Russia has recovered part of its economic value by placing itself as the ninth world economy with a GDP of 2 trillion dollars, a per capita income of 14,302 dollars, reserves that total a sum of 537 billion dollars, an annual FDI of 51 billion dollars, and accord-

ing to the 2009 Nye Soft Power Index, it has 137 thousand foreign students, 42 of every 100 people are Internet users, 3.5% of the global military expenditure; 4,834 nuclear warheads, a 99.5% literacy rate, and its always relevant territory of 17 million square kilometers.

Has Russia truly managed to overcome the path of its economic problems and political instability over the span of a quarter of a century? The answer is not clear for the external observer, nor is it clear for the Russians themselves. What is clear is that the country is experiencing the beginning of an important economic recovery thanks to the strength of its natural resources. Similarly, a new period of political stability can be seen in the hands of the vertical command of President Putin. This, as a whole, has generated the first foundations to regain its role as a relevant international player and improve its economic relationship with the world in general and with the Latin American region in particular, where it increased its commercial business more than 3 times from 2000-2011. In the case of Mexico, trade went from a total of \$83 million dollars in 1999, compared with 2012 when the exchange skyrocketed to \$1.7 billion dollars during the same period (Secretariat of Economy).

Getting to know a BRIC country better, especially one whose geographic distance has been dismantled by technology, is now an obligation as much for Latin America as it is for Mexico. This is because of the importance of its past and the growing relevance of its current economic and political positioning, but above all because of the potential of its strengths in oil, gas, coal, water, food, etc., reserves in a world that will be struggling to replace its non-renewable raw materials in the 21<sup>st</sup> Century.

## II. RUSSIA, INDENTITY PROBLEM

Russia as a theme does more than pass through the identity of a country whose economic importance, whose GDP, or whose trade is once again recognized. Due to its long trajectory and its idiosyncrasy, the Slavic nation refers us to a subject, which, by the nature of its characteristics, places it alongside long-standing nations such as China, India, Mexico, Japan, etc.; with countries that in their journey have generated a historic significance, a civilization. For this reason, when the Soviet Union fell, what was appreciated was not the end of a country or a union of countries, but rather, what could be seen was the “bloodless” defeat of an enormous empire, of a civilization that, in its last phase, prevailed in Eastern Europe and South Asia for 70 years (1921-1991).

Russia, since its origins, has been, as Huntington defines, a “torn” country, a term that he also extends to countries such as Turkey and Mexico, as they are hinge nations or bridges between two cultures or civilizations. “The Russian civilization”, —Huntington points out— was the result of its indigenous roots in the Russia of Kiev and Muscovy, the important Byzantine footprint, and the prolonged Mongol rule. This influence configured a society and a culture that has few similarities with those that emerged in Western Europe under the influence of very different forces”. “Seven out of the eight distinctive features of the Western Civilization indicated above —religion, languages, separation of church and state, rule of law, social pluralism, representative body, individualism— were almost completely absent from the Russian experience” (Huntington, 2001, p. 165).

Within the change of Eras that is proposed by some authors, regarding the transition from the Atlantic to the Pacific Era (Mahbubani, Huntington, etc.), or the clash or encounter between the Western Civilization, and that of East Asia for the prevalence of the 21<sup>st</sup> Century, the question repeatedly appears in the texts that deal with the debate over whether Russia belongs to the Atlantic or the Pacific area, whether Russia should be aligned with China and the countries of the South East Asian region (ASEAN), or with the United States and the Western countries. The question is not new, as the world, along with Russia, has been permanently confused for more than half a millennium, on whether the Russian Nation should be considered a European country or whether it should be labeled as an Asian country instead. The answer, however, remains unclear, and even the Russians themselves are not really convinced. They have maintained this dichotomy as a pending issue on that path toward the future on which they have been trying to build the beginning of an identity for more than 500 years. Its quality as a border country, a hinge, between Europe and Asia, has determined it to be, since the outset, part of two worlds with different characteristics and customs, with which it shares a vicinity of centuries. Russia, with less recent history than its neighbors, is born as a cultural expression far from the metropolis of both worlds, looking for its own path, but always influenced by the power of these two cultures that had their golden eras before the Russian Nation existed.

Since the formation of the first Russian political unit at the beginning of the 16<sup>th</sup> Century, the country lives its encounter with Europe through the exuberance of the Byzantine culture. For Russia this was a motivation for a future and for a project, while for Europe this was already a period of decline for the Roman Empire. It is in reference to this separation in cultural times between Russia and Europe that one speaks of the “historical

delay” that has accompanied and defined the Slavic country during the previous centuries. Bremer relates, “In contrast, the alliance with Byzantium will define for centuries the cultural identity of Russia, and its feudal order will become even more rigid”. The Orthodox Church, in its liturgical, not catechetical, conception, did not concern itself with the formation of the people “...Russia did not know of any stimulus that compelled clerics and laity to reflect and reasonably transmit the truths and demands of the faith, as a prelude to its own secularization”. The marriage of political power with the religious world will accentuate these tendencies toward stagnation. On the one hand, an obscure religion from an intellectual point of view that favored the rite of the mysteries, and on the other hand, a centralist and absolute power, found their perfect equation. In the Russian churches, the iconostasis, a beautiful wall of icons, divides the area in which the sacraments take place from the space that corresponds to the public. This divisive wall will find its equivalent in the Kremlin, the barrier that separates the headquarters of the political power from the rest of society” (Bremer, 2006, p. 51). When the Renaissance of the 16<sup>th</sup> Century was dawning in the West; Russia, looking for the Western future, entered into a stage of political and religious darkness, typical of 6<sup>th</sup> Century Europe. In the meantime, Ivan IV freed the Russian Central State from the Asian yoke by defeating the Tartars with the conquest of Kazan and Astrakhan.

Peter I and Catherine II, the most prominent Russians hegemons of the 17<sup>th</sup> and 18<sup>th</sup> Centuries, who ruled the Russian region for nearly eight decades, also envisioned the future and the identity of the country from the standpoint of a European inspiration. This resulted in a new capital (St. Petersburg), born under Venetian influence, as well as by the Western art of the time. Despite these efforts, the modernization work only benefited the upper layers of the population, since, “During their government, the movements in favor of the liberation of serfs were cruelly repressed. Below the surface, the feudal order, the conditions of extreme poverty, and the old archaic structures in economic and political life remained intact. Enormous distances, poor communication infrastructure, the asymmetry between the weak urban population and the rural population, as well as the underdevelopment of the educational system, made it even more difficult for the changes in history to infiltrate the interior of the country” (Bremer, 2006, p. 54).

Notwithstanding the degree of civilization that is attributed to the Russian culture, on the horizon of world history, it appeared in a significant manner several thousand years after other Asian expressions such as the Chinese, Indian, Japanese, and Muslim, this being by far the continent which has the highest number of civilizations. Similarly, in its different dia-

logues with its European example, its approaches are out of step with its encounter with the Byzantine world; as are the approximately 80 “golden years” of the hegemony of Peter I and Catherine II. That is why some authors insist on the “historical delay” of the Russian civilization with respect to European progress (Bremer, Service, etc.). Of course, in spite of these limitations that identified Russia for several centuries, the strength of its geography and its own internal development succeeded in converting the country into a compulsory military reference from the 17th Century onward, when Peter I ended the Swedish Empire in Eastern Europe in the Battle of Poltava.

Russia's identity problems have not only been produced endogenously. In its exogenous sphere, its character as a hinge nation has been systematically confused by its neighbors. One of the most relevant cases is represented by its war with Japan at the beginning of the 20<sup>th</sup> Century, when it suffered a crushing defeat by the then Japanese Empire. In 1905, when the Japanese fleet commanded by Admiral Tōgō Heihachirō defeated the Russian naval force in the Tsushima Strait, due to Russia's historical background it never crossed anyone's mind that it was a war between Asian countries, nor did the fact that 60% of the country's area is located in Asia. On the contrary, the Japanese triumph was considered the victory of an Asian country over a European nation. As Mishra points out, the Japanese victory taught Asia the lesson that white men, the conquerors of the world, were not invincible. This motivated countless feelings of freedom in the region, in people like Gandhi, Ataturk, and Jawaharlal Nehru, among others. For his part, Tokutomi Soho declared at the time regarding the Japanese victory over Russia, “We have destroyed the myth of the inferiority of the non-white races. With our power, we are forcing our acceptance as members of the major world powers” (Mishra, 2012, p. 3).

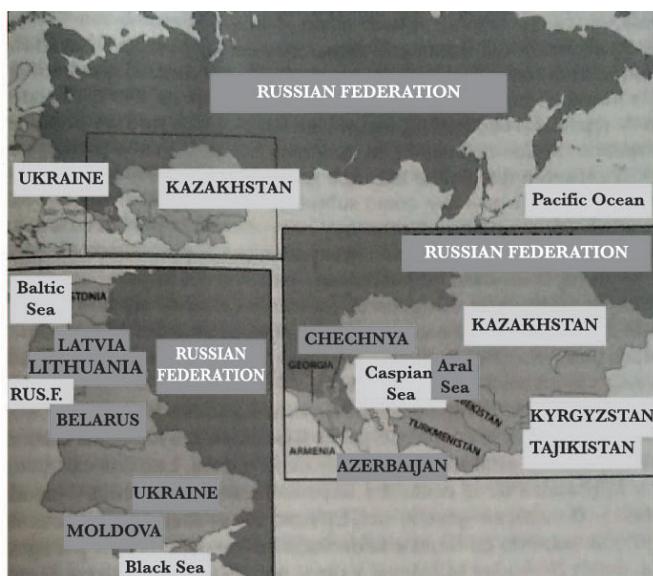
Not accepted by Europe; seen by Asia as European, with historical mismatches; Russia and the Slavic culture in general have had to build, on the strength of their position as a hinge region between cultures, their own civilizing path, on which they still find themselves today. On this cultural disagreement, some Slavic writers such as Czeslaw Milosz “...speak of unrequited love, of those tears that more than one must have spilled. Eastern Europe does not want merely compassion”—he adds—“and support; it wants to be understood and wants to be understood for itself, not for the Western purposes that it might serve” (Judt, 2012, p. 231). In this regard, Judt also comments, “I believe that no minimally sensitive Western observer, who has met any Central European person in the 20<sup>th</sup> Century, will be able to avoid this experience of unrequited love. We are different, they tell you;

and that in which we differ and that which distinguishes us is unknown to you. And we spend our life alternating between trying to explain it to you, and despairing when we realize that it is impossible for you to understand" (Judt, 2012). When adding to the above its geographical confinement until the 20<sup>th</sup> Century, its extreme weather, the enormous distance of its territory, and the great ethnic richness of its people, we can appreciate that the path toward identity and the Russian project have been a permanent reasoning, beyond the existential challenge that compromises the entire nation; in a trial-and-error exercise whose goal is to find not only its ethnicity, but also its political profile as well as its economic model, where as Vitaly Korotich says, not infrequently, "Russia has been the guinea pig for all European utopias".

The dialogue with Russia cannot depart from its new launching point that resulted from the arrival of Vladimir Putin to the government in the year 2000. The Russian government, its idiosyncrasy, its culture, its legal reality, its economic strategy, etc., are part of a complex reality in which the Slavic country has been involved during its half-millennium of political life. Its verticality and political authoritarianism, are part of the Russian DNA; the consequence of a Caesarism (Caesar-Czar) soaked in Byzantium, reinforced by a closed culture that prevailed until its revolutionary movement in 1917, as well as by a central, monopolistic, political figure, which has survived in different ways and forms in the majority of the Asian nations, as is the case with China and Russia. Its culture, its identity, is still a hot melting pot where an endless blending of languages, cultures, races, and traditions are cooking, which had its greatest expression throughout the duration of the Soviet Empire from 1921-1991; similarly, it suffered its largest dismantling as a result of its break-up in the early nineties. As Crespo informs, "In less than a year, a good part of the empire created by the czars and extended by the Soviets went up in smoke. First, the Baltic Republics of Lithuania, Estonia, and Latvia declared their independence in 1991. After the treaty, several republics were created. In the south of the Soviet Union the nations of Uzbekistan, Kyrgyzstan, Kazakhstan, Turkmenistan, and Tajikistan were born; in the Caucasus area, Armenia, Georgia, and Azerbaijan; in Eastern Europe, Moldova; and further north two large nations, Ukraine and Belarus". "Around one-third of the Soviet Empire territory, the majority acquired between 1700 and 1945, was lost in 1991. The break with the Caucasian Republics was relatively easy, since these nations of Muslim majority, and with customs that were so foreign to the Orthodox Russians, would have been the most unruly and difficult to integrate into the Russian world. On the other hand, the independence of Ukraine and Belarus, that would have formed part of the old Russia and contributed to the identity of the Russian

people, was particularly painful for the Russians. By contrast, the distant Siberia, despite the physical distance that separated it from Moscow and the differences of its inhabitants from the White Russians, would remain loyal, thereby showing the success that the colonization of this vast Asian territory had" (Crespo Maclennan, 2012, p. 393). In the face of the strength of its imperial disintegration in the 20<sup>th</sup> Century, we can appreciate the great ethnic richness, and hence the difficulty, in finding and defining the Russian prototype. In spite of the pulverization of the Soviet Empire, the ethnic richness has not diminished. In its attempt to manage this reality, the Russian Constitution recognizes 83 entities: 21 republics, 9 territories (krays), 46 provinces (oblasts), 2 federal counties, 1 autonomous province, and 4 autonomous districts (okrugs). Regarding this topic Crespo adds, "The disappearance of the Soviet Union failed to put an end to the identity and sovereignty problems, as it was still the largest country on the planet. The Caucasian people of Chechnya aspired to be declared independent and the Russian negative would cause two wars and a serious problem with terrorism. The border difficulties with Georgia were going to be another of the great lessons that the gigantic Russian Empire would leave after its precipitous decline" (Crespo Maclennan, 2012).

#### SUCCESSOR STATES OF THE USSR



SOURCE: Crespo Maclennan, 2012).

To speak with Russia is a polyphonic exercise that requires from the start an understanding with regard to a culture and a civilization that kept itself at a distance from the contemporary flows of history for centuries. Similarly, the arbitrariness during the definition of continents and borders condemned Russia to be an inhabitant of two cultural worlds that have not completely integrated their sense of belonging. At the same time, from a distance, to date Russia has not been able to build its own, sustainable, geographical area that allows it to face the challenges of the 21<sup>st</sup> Century with greater strength. Just as in 988, when it officially adopted Byzantine Orthodoxy as its official religion; at the end of the 15<sup>th</sup> Century and the beginning of the 16<sup>th</sup> Century when it consolidated the first foundations of the Russian Central State; in 1682 with Peter I and in 1762 with Catherine II when Russia managed to become a major player in European events; in 1917 when it led the European Communist utopia of the 20<sup>th</sup> Century. At the beginning of the 21<sup>st</sup> Century, Russia again faces the difficult task of economic reconstruction and political stability, as well as the historic challenge of resolving in a convincing manner the attributes of its identity and sense of future.

### III. TWENTIETH CENTURY: A SHARED LEADERSHIP

The 20<sup>th</sup> Century was the century of Russia. Its longing to be a “primus” power among equals on the European Continent was coming to fruition starting with the beginning of the period, when in the face of the geopolitical restructuring that the two world wars brought about, Russia knew how to place itself at the center of history to play a leading role that it had not been able to perform in spite of the major successes of its czarist stage. On the one hand, just as with its obligatory guide that is China, the two empires entered into a stage of exhaustion and decline starting with the 19<sup>th</sup> Century. In the case of China, it culminates with the end of the Qing Dynasty in 1911, and in the case of Russia, with the end of the czarist era and the explosion of the Bolshevik Revolution of 1917. In contrast to China, Russia concluded its revolutionary stage more quickly. What took China 38 years (1911-1949), took Russia less than 1 year if one counts starting with the overthrow of the provisional government of Alexander Kerensky by the Bolshevik; or 4 years when the triumph of the Communist Party in 1921 is considered; or 13 years when the seizure of power on the part of Stalin, in the face of the expulsion of Trotsky (1930), is considered. In any case, the Russian Revolution consolidated itself more rapidly than the Chinese, to become, in the words of

Hobsbawm, “An event that shocked the world”, or in the thoughts of John Reed, “The days that shook the world”.

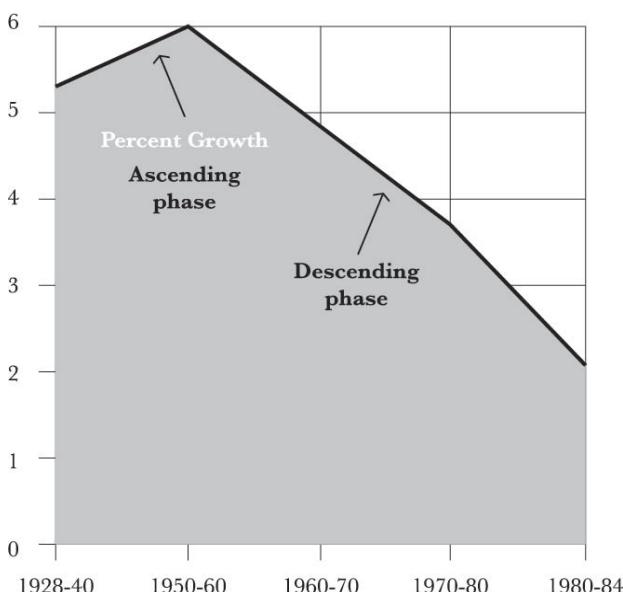
Through the deep lines of its social revolution, Russia placed itself in the leadership of the European reshuffling of the time, which it moved through freely without repose from the war of 1914 until peace from the Second World War was signed in 1945. Its social advancement, which should not be considered a “step back” as far as the reality of the other European countries is concerned, allowed it to face the major upheaval that shook and impoverished the rest of the Western European nations from the “advantage” of its geographical dimension and national political control. Based on its strength and commanded by an unscrupulous politician of steel (Stalin), it became, along with the United States, the winning nation of World War II. Of course, the Russian loss during the armed conflict was not minor; it is estimated that in the battle of Leningrad alone around 2 million Russian and German soldiers died; and, that by the end of the war, Russia had lost close to 20 million people between soldiers and civilians. Notwithstanding the foregoing, “In 1950 the Soviet industrial production was almost double that of 1945, and was well above the pre-war level. Despite the serious agricultural problems, the standard of living seemed to have regained the toll it lost during the War and the Reconstruction” (Frieden, 2007, p. 303). In a significant way, in the midst of the turmoil of the first half of 20<sup>th</sup> Century, of the collapse of the czarist empire and the social revolution, the country knew how to rebuild its empire, the largest that it had ever had, which competed with the United States until December 26, 1991, the date of its dissolution.

In its prime, Russia, through the empire built by the Soviet Union, managed to add an area of 22.4 million square kilometers (one-sixth of the earth’s surface), which gave it a large domestic market and an arable land area similar to the USA and Canada together. Similarly, the richness of its soil provided it with the largest set of raw materials in the world, with the consequent advantages in the area of production supplies; making it the area with the largest production of iron, nickel, lead, oil, and natural gas in the world, as well as the third largest producer of coal. Soviet scientists came to announce that they had 58% of the world’s reserves of coal, 59% of oil, 41% of iron ore, 77% of apatite, 25% of the timber lands, 88% of manganese, 54% of potassium salts, and 30% of phosphates. Furthermore, in the industrial segment, it came to be the world’s leading producer of machines, tools, trains, fertilizers, tractors, textiles, etc.; in addition to having an extensive rail network, merchant navy, and the largest deep-sea fishing fleet of the world. Likewise, in 1989 the empire came to integrate 288 million people with the highest levels of education rates, especially in technological areas. The Rus-

sian Empire in its prime came to be the world's second-largest economy and the second military power in the world (Kennedy, 1993, pp. 296-297).

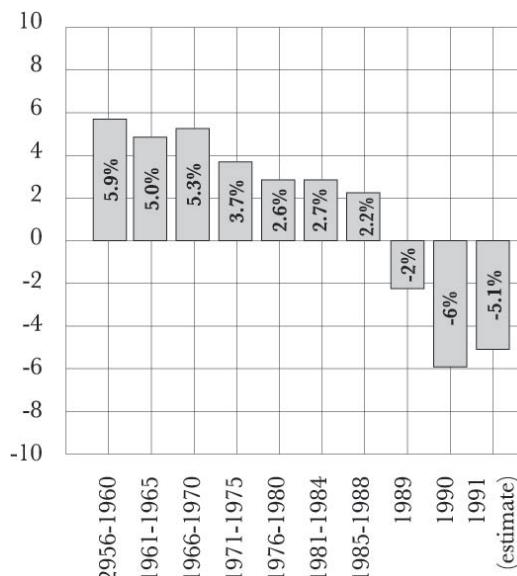
What happened, then, to the Soviet Empire? How could it pass from being the second-largest economy in the world during the eighties, to being one-twentieth of the American GDP in the nineties and to representing in 2012, 20 years after its dissolution, one-eighth of the U.S. economy? Every facet of Russian development results in an academic incitement that arises outside the context of this work; however, Kennedy tells us in his studies on this topic that, "The enormous scale of the economic crisis was not perceived until recently—1993—in part due to the Kremlin's secretiveness, in part due to the fact that the West overestimated the effectiveness of the Soviet economy. It is now clear that even before the present crisis, a long-term deceleration of growth took place". "So, according to a central plan, large quantities of iron and steel, cement, locomotives, machines, tools, tractors, textiles, and prefabricated buildings were produced. While the objectives were met, this fierce Socialist planning paid little attention to costs, protected management from competition, just as it protected workers from unemployment, and did not worry about the consumer" (Kennedy, 1993, p. 299).

#### DECLINE OF THE SOVIET GDP GROWTH RATE



SOURCE: Paul Kennedy, 1993.

### THE “LONG CYCLE” OF THE SOVIET ECONOMY



SOURCE: Paul Kennedy, 1993.

For Burbank and Cooper, “The Soviet repertoire of imperial strategies helped it to shape the way in which the USSR worked, the way in which it failed, and the way in which the power was transfigured starting in 1991” (Burbank & Cooper, 2011, p. 586). For Frieden, “The growth of centrally planned economies was declining steadily since the late 1960’s and early 1970’s; moreover, this growth had not served to raise the standard of living sufficiently to satisfy the population. The Soviets were increasingly hated in Central and Eastern Europe, and the economists were losing support even among the Soviet public”. “In the 1960’s, the advanced Capitalist world was adapting a circle of new electronic technologies...” “But the Socialist countries were falling behind technologically, apparently as a result of systematic deficiencies in the centrally planned order”. “Central planning did not give administrators many reasons to develop and to adopt new technologies”. “The Soviets and their allies tried to fill the technological gap by importing from the West. Among these technological imports, there were complete plants, already set up and in operation, that Western companies sold” (Frieden, 2007, pp. 470 and 471). It is evident that this strategy was not sufficient to close the economic and technological gap between Western development and Soviet growth.

The route of the Empires according to Quigley comprises seven stages ranging from its conception, gestation, expansion, time of conflict, universal empire, decline, and invasion. Regarding the Soviet Union, although its applicability must be framed into the long trajectory of the Russian civilization, in its Communist period, it quickly exhausted the previous stages of its decline in order to precipitate itself without any support into a political, social, and economic collapse that surprised the whole world. In the political arena, since 1953, the leaders who followed the death of Stalin, the hegemon that maintained the Empire through the imposition of state terror, were not fit for the historical moment in which they lived: a dubious Khrushchev, who did not believe even the advance news of his removal; a dictatorial Brezhnev, who with authoritarianism and corruption tried to imitate Stalinist control for about two decades, but who did not address the substantive issues of the economic problem, that together with the drop in oil prices and the war with Afghanistan, paved the way for the arrival of a “reformist;” Mikhail Gorbachev, who believed that he had read the Soviet people’s feelings of tiredness, as well as the exhaustion of a Communist model that was about to crash spectacularly in front of its American nemesis, with which it held an ideological, political, and economic dispute that awakened expectation, morbid fascination, and the hope of countless countries throughout the 20th Century.

Robert Service comments on the fall of the Russian Empire, “The Empire of the Soviet Union did not end with a shot, it ended with a moan. Its Communist Party, its ideology, its flag, its State anthem, and the October Revolution disappeared. All this happened very abruptly. Nobody, including those who were at the top of public power, has had the opportunity to consider the general meaning of the events in their full dimension” (Service, 2009, p. 509). Similarly, in accordance with this feeling of surprise at the way in which the fall of the Soviet Empire occurred, O’Clery points out, “On December 25, 1991, an event comparable to the fall of the Austro-Hungarian Empire in 1918 or the collapse of the Ottoman empire in 1923, both of which occurred without a war against a foreign nation or a bloody revolution, presented itself. The Communist Yugoslavia disintegrated in flames, but the Soviet Union collapsed unfazed before the incredulous eyes of the world” (O’Clery, 2011, pp. 9-10). As Chou Enlai said when they asked him what he thought about the French Revolution, applied to the fall of the Soviet Union, “It is too early to evaluate its results”.

#### IV. DECLINE OR RESURGENCE?

Mikhail Gorbachev assumed power in 1985 in light of the death of Leonid Brezhnev in 1982, Yuri Andropov in 1984, and Konstantin Chernenko in 1985, in an atmosphere of tension and economic breakdown, before a society that was exhausted and that was looking for the solution to their basic needs. The conditions under which he received the Soviet Empire, were such that they forced a charismatic, but inexperienced, president to set into motion one of the most relevant political and economic processes in history, due as much to the dimension of the Soviet Power, as to the consequences that it unleashed for more than 100 nations and nationalities, and an approximate number of 280 million people. As for the reasons for the change, in the words of the Gorbachev himself, he explains “Perestroika is an urgent need arising from the processes of development of our Socialist society. This society is ripe for change. It has longed for it for quite some time. A delay in starting Perestroika could have led, in a near future, to an exasperating internal situation, which, to put it bluntly, would have been loaded with a very serious social, economic, and political crisis” (Gorbachov, 1987, p. 15). From this moment of transformation of the Soviet Society arise a number of questions on a topic that will be polemical for many decades more; but in the social, and geopolitical, arena it had immediate consequences, such as the great social crisis that the Russian people have had to navigate, as well as the dismantling of the Soviet Empire, which led it from being the second-largest economy in the world and the obligatory reference in geopolitical leadership, along with the U.S., to being displaced by other Asian civilizations such as China, Japan, and even India.

Perestroika passes through at least three stages: embryonic, from March 1985 to the Summer of 1988; political reform, from 1988 to 1989; and the crisis stage from the Summer of 1989 to the disappearance of the Soviet Union on December 26, 1991 (Bremer, 2006, pp. 24 and 25). However, without diminishing the political transcendence of this period, it stands out in a special way due to consequences that it generated in the Russian people's economy, the detrimental process of economic opening, implemented to resolve the crisis of the Soviet model, which it followed in the nineties.

The six years that covered the period of Gorbachev's government that went from 1985 to 1991, is one of the most interesting periods of global geopolitics due to the conditions that prevailed before Perestroika, during its implementation, and after the dissolution of Soviet Power. Surely, studies on this period will continue to be produced as a world-class example of

what should and should not be done in the face of the framework of a political and economic crisis that may be confronted not only by a country or an empire, but even by a civilization, which is what the culture of Eastern Europe represents for the world. However, along with the great political and power issues that occurred during the innocuous, bloodless, and even nonchalant dismantling of an empire that had been characterized by the radicalization of its geopolitical actions in the world, appears the exit strategy in the economic sphere that was adopted both by the Russian leaders who were unable to stop the economic devastation (Khrushchev, Brezhnev, Andropov, and Chernenko), as well as by those who did not have the sensitivity to understand the global world in which they found themselves (Gorbachev, Yeltsin) in reference to the particularities of the Soviet Project, and who made decisions that instead of solving the problem accelerated the Union's economic collapse.

Although what was being said in the world, in those moments of Russian defeat, was about the political triumph of the United States, its 20th Century and Cold War opponent, trying to imitate the American model without further reflection was an act of naivety or perversity, internal and external, which in the first place disintegrated the Union and in the second, returned it to the economic levels of an underdeveloped country. Unlike the above, ten years before, China had faced the same challenge of incorporating itself economically into the global world, but operated a radically different strategy that explains today why China is the second-largest economy in the world and is projected to displace the United States in the next lustrum, while Russia is today one-eighth the size of the American economy and one-fourth the size of the Chinese economy.

Adopting a shock therapy, and in coordination between Russian (Gaidar, Chernomyrdin, Fedorov, etc.) and American (Sachs, Allison Fisher, etc.) experts, Russia launched itself into an economic adventure applying draconian measures with a plan that was called the "Four Hundred Days" Reform. It included, among other measures: monetary policies to control the volume of money and credit in circulation, the abrupt cut of tax subsidies, the reduction of the financial deficit, lifting the control that it had over prices, the cancellation of consumption subsidies, the establishment of a free exchange system, the breakdown of industrial monopolies, the accelerated privatization of public enterprises, etc. Along with the aforementioned, Russia removed the price control over 90% of consumer goods, as well as 80% of the means of production. It gradually lifted the price controls on real estate rental income and on public services, as well as on transportation and fuel. As one of the first consequences of these measures, over the

course of one year, the inflation percentage rose to 2600% and the price of commodities rose 6187% from 1991 to 1996. The money that people had saved in the bank to buy themselves a car turned out to be barely enough to buy three or four bus tickets. For Russia, the economic consequences derived from this enormous economic error were greater than those caused by World War II. By the end of 1996, the sum total of unpaid wages reached 472 billion rubles, and of unpaid pensions 110 trillion rubles. The losses caused by the privatizations of public companies, rose to 9500 trillion rubles from 1992 to 1996. In this regard, some authors estimate that the damage caused to the Russian economy during 1996, was 4.2 times its gross domestic product, which represents 2.5 times the loss suffered by the Slavic country during World War II, causing a direct economic damage to 60% of the population, and poverty to 40% (Mengkui, 2003, pp-18-20). “The most reliable estimates—Sachs points out—indicate that about one hundred billion dollars in oil, gas, and other valuable raw materials went into private hands in exchange for a figure that perhaps did not exceed one billion dollars, received by the Treasury, thanks to privatization. “Overnight, billionaires were created, the arrogant owners of the Russian oil and gas industry, now converted into the nouveau riche” (Sachs, 2006, p. 212).

Regarding the “Big Deal”, the project that consisted of Gorbachev trying to carry out an economic reform and a fast-paced democratization, or Yeltsin’s idea that Russia would be a “normal” power, thereby it was understood that Russia would adapt itself to a democratic system and a market economy, Sachs, who was a main external advisor of the project for two years, in relation to the issue of its implementation and its consequences, comments, “Could it work? I believed so. Of course, I thought it was worth a try, at the end of the day, what alternatives were there? Civil war? A rapid return to tyranny and anarchy, a new conflict with the West? I assumed the role of advising Gaidar and his team, not because I was sure, nor even because I was confident, that the reforms would work, but rather, because I thought that it was necessary to try them. They offered the best opportunity for peace, democracy, and economic prosperity”. He answers the question himself , “When the time came, I had little success in promoting the initiatives in which I believed, in particular, the idea of using external financial support to soften the worst consequences of the Russian reforms” (Sachs, 2006, pp. 201 and 211).

For his part Stiglitz, with the still valid questioning of, “Who lost Russia?” points out: “After the fall of the Berlin Wall began one of the most important economic transitions of all-time, it was the second boldest economic and social experiment of the century. The first was the deliberate transition

to Communism, seven decades before. Through the years, the failures of this first experiment became clear. As a result of the Revolution of 1917 and the Soviet hegemony over a large portion of Europe after World War II, eight percent of the world's population was living under the Soviet Communist System, lacking both political freedom and economic prosperity. The second transition in Russia and in the East and Southeast of Europe is far from finished, but one thing is clear: Russia has fallen quite short with respect to what the market economy supporters had promised or expected. For the majority of those living in the former Soviet Union, economic life under Capitalism has been even worse than what was warned by the old Communist leaders. The prospects for the future are melancholic; the middle class has been devastated; a crony and mafia capitalism has been created and the only achievement, the creation of a democracy with significant freedoms, including the freedom of the press, now seems fragile at best, particularly when the independent television stations are closed one after the other. Although the Russians hold a large part of the responsibility for what has happened, the Western advisers, particularly the United States and the IMF, which were quick to preach the gospel of the market economy, were also guilty. At least they provided support to those who took Russia and several other economies along the paths that they followed, proposing a new religion, the market fundamentalism, as a replacement of the old, the Marxism that had shown itself to be so defective" (Stiglitz, 2002, pp. 173 and 174).

Since the mid-nineties when the terrible economic results of the Reform began to show up on the books, the question of, "What, who was responsible for the Soviet economic breakdown?" began to be a matter of debate in the Russian forum, as well as internationally, and it surely will remain so for the coming decades, since it has become a case study for economic dogmatism in the framework of the deepening poverty of the hundreds of millions of people that comprised the Soviet Union at that time. In this regard, the Chinese opening model will continue to be a bothersome benchmark as much for the figures who lived through the historic moment as for the analysts who today follow closely the debate that is maintained about the Russian and Chinese strategies. This includes all those developing economies that aspire to a sustained growth, as well as the overwhelmed developed economies of Western Europe and the United States, which today are seriously reviewing the terms of their economic strategy. The economic dogmatism, on the basis of these profound experiences that arose from the Russian case, will continue working on the best attributes that could be part, or not, of the new post-neo-liberal strategies.

## V. THE ASSETS OF THE FUTURE

The interesting thing about today's Russia, as noted above in chapter 1.3.1, is that despite the economic events that impoverished the country's economic life, a little more than 20 years after these events occurred, the Russian nation's assets have come to operate in a positive way in the recovery of its economic positioning within the international context.

Facing toward the future of the 21st Century and not the past at the end of the 20th Century, is the way the new Russia should be visualized, the Russia-BRIC that looks through the strength of its natural resources to recover the political and economic space that it came to have in the past. Russia registers the world's largest gas reserves; with about forty-three trillion cubic meters, that is to say, 23.4 % of the world total. Regarding coal, which is a product that is more scattered in the different countries of the world, Russia occupies the second place after the United States with 19%. As for water, which will be one of the supplies that will be causing serious problems to the majority of nations during the 21st Century, Russia, along with Canada, maintains the largest global reserves of that 3% of freshwater that runs through the Earth and of which 70% is used for agriculture. Climate issues must be added to the aforementioned, where some studies establish that the temperatures could rise between 3.5 to 5 degrees for 2080, 2100. They establish that one of its consequences will be that the northern area of the Earth will be the area that receives the greatest benefits of the climatic crises, which will present themselves in the middle parts of the globe, where it also appears that Russia will be a beneficiary country of said changes with the corresponding increase in its agricultural production. Most especially, all the potential that this climate change is generating for the Arctic Area appears where Russia opened a route to the North Pole starting in 2007 and planted a flag indicating that the Arctic, "belongs to Russia". This region of the future that will surely represent the richest potential of resources for humanity in the coming years, opens naturally to a country that for centuries, for geographical reasons, has had the need to get to know it and adapt itself to its extreme conditions. It is estimated that the Arctic may contain one-fourth of the hydrocarbons that are yet to be discovered on Earth, as well as other raw materials that will be disappearing or diminishing in the 21st Century. In the new Arctic Ocean may be found the most complex food webs and the prospect of new fisheries; of gas hydrates, of oil, and of natural gas, where it is estimated that there could be 22 trillion cubic meters of gas, which are three times greater than the reserves that the three North

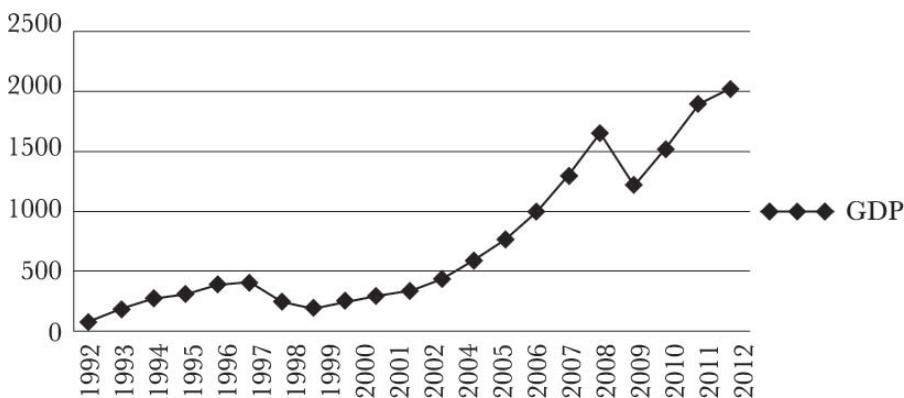
American countries currently have. Russia has the longest coastline and the widest continental shelf of the Arctic Ocean, which gives it sovereignty over large portions of the seabed and the majority of the natural gas from the hydrocarbon estimates registered in the area; at the same time, it has the three most important ports in the Arctic Region to operate the exploitation of its raw materials. Beyond the ecological debate on the Arctic's sustainability, where the utmost seriousness from the countries involved must be expected, Russia appears as the most profitable player in this new area. It must be added to the above that large reservoirs of oil and gas that are found to the west of Siberia, in the regions of Samotlar, Fedorovskoye, and Mamontovskoye, among others, which have resuscitated the Russian economy by providing it with one-fifth of the oil and natural gas that is utilized in the world. Thanks to these reserves, the Russian Federation has been able to meet its financial requirements, while at the same time, they have made it into the largest producer of natural gas and the second largest producer of oil. On the importance that this type of raw materials may have, the Secretary of the General Council of Russia pointed out that, "The Arctic should become the main base of strategic resources of Russia", and that, "It cannot be ruled out that the battle for raw materials shall be settled by military means" (Smith, 2011, pp. 242-255).

Notwithstanding the foregoing, the promising future of Russia that could be substantiated through its large stock of raw materials that gives it a differential value before most of the countries of the world that do not have these potential inputs, which does not belong to the North Circle (title that defines those nations that throughout the 21st Century will see themselves benefit from the climate changes that will provide a greater facilitation toward the new banks of raw materials, among which will be the United States, Canada, and the Nordic countries). By contrast, regarding demographics, Russia faces one of the darkest challenges upon registering 16 deaths for every 10 births, which is generating a depopulation of the country at an approximate rate of 800 thousand people per year. One of the main problems that Russia has faced since its foundation is precisely its population development, which has been limited as much by its geographical position as by the nature of its climate. As early as the 18th Century, Catherine of Russia stimulated waves of migration toward the Volga River Valley and Peter I directed them toward the swampy area of what is now St. Petersburg, which was done with both the native population and with groups from other countries such as Greeks, Bulgarians, Polish, Jews, etc., to start generating a sustainable population throughout its territory. In a special way, because of its radical conditions, the settlement of its south-

ern and eastern parts has always been a state issue for Russia, particularly in the Siberia Region, which has a reputation for its tough climatic conditions, which not infrequently has been considered as a punishment area, where during the times of the Revolution and Stalinism, the currency to increase the area's demography was political exile. In the eastern part of Russia; its extension on the Asian continent covers approximately six million square kilometers, which represents two-thirds the size of the United States and three times the area of Great Britain, France, and Germany together. Russia has less than 5% of its population within this large territory, with one person per square kilometer, and where its great border with the People's Republic of China, approximately 3000 kilometers, contrasts in demographic terms. This is because the Chinese border towns have a population density 15 or 30 times greater than the Russians border towns, where more people live in the city of Harbin than in the entire Far East of Russia. This will be a permanent challenge in the decades ahead that both countries need to solve. The demographic problem in Russia is an issue of future perspective, of alcoholism, of suicide, of migration, of low birth rate, which has always defined it, where Russia had approximately 157 million inhabitants when its Revolution started in 1917, 16 million people more than it has on record today (141 million in 2012). To the foregoing, must be added the fact that, "The present-day Russia would have reached a life expectancy at birth of 69 years in the early 1960s, very close to that of the Western countries; however, that trend has been halted, and then it has been reversed with a rapid involution: in the middle of the 1990's, life expectancy had declined to 65 years, a loss of 4 years with regard to the sixties, which contrasts with an increase of 7 years in the Western countries. The collapse has been stronger for men, whose life expectancy has dropped to 59 years at the beginning of this century, below the levels of half a century before, and below those of the poorest countries in Latin America, such as Bolivia and Guatemala" (Bacci, 2012, p. 288).

Since the year 2000, the political and economic panorama of Russia, although full of challenges, has changed due to another possibility, where through a more efficient management of money coming from oil and gas (approximately 50% of the budget), the country has been able to solve its previous debt burden and the social debts that were not allowing it to construct a project for the future.

### GDP OF RUSSIA 1992-2012



SOURCE: Prepared with data from UN <http://data.un.org>.

Although the economic model is still a project under construction, where adjustments are made every day in a mixture of a market economy with a State that has not finished defining the new face of the Russian economic model, the main variants of income and expenditure have been placed under control, as have the issues of debt and inflation. This has allowed Russia to exercise rationality in the areas of agriculture, education, and exploitation of raw materials that has allowed food self-sufficiency and an important exportation of products overseas, although it is still defined by commodities and raw materials. The industrial part of the country, which continues in a phase of reengineering, investment, and incorporation of new technologies, has yet to be re-launched. Despite these limitations, Russia has been able to recover an important part of its economic output after its serious setbacks, and has been able to raise the per capita GDP of its inhabitants from its reduced total of \$575 dollars to which it fell in 1992, to the \$14,500 dollars that it recorded in 2012. Due to its geographical extension, its status as a civilization for humanity, its importance in the supply of raw materials, its military development, and its geopolitical importance, the topic of Russia, both economic and legal, will be representing a major challenge for the World, within the framework of the development of a century that will not give rest to the different figures in the global society.

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*From the Atlantic to the Pacific: The New Global Order*, editado por el Instituto de Investigaciones Jurídicas de la UNAM, se terminó de imprimir el 18 de abril de 2017 en los talleres de MGM, Consultoría Gráfica, S. A. de C. V., Fuentes Brotantes 43-1, colonia Portales Oriente, delegación Benito Juárez, 03570 Ciudad de México, tel. 5243 9110. Se utilizó tipo *Baskerville* en 9, 10 y 11 puntos. En esta edición se empleó papel *cream book* de 70 x 95 de 60 gramos para los interiores y cartulina couché de 300 gramos para los forros. Consta de 200 ejemplares ( impresión digital).

The new economic and political realities that open gradually toward East Asia and Pacific Asia, without forgetting the strategic value of Asia Minor and Central Asia, leave no doubt about the asset reallocation in central issues such as economic growth, per-capita growth, manufacturing, export of goods, accumulation of world reserves, contribution to world growth, etc., which before were dominated by the Western European countries and the United States, and have now passed to be led by East Asia and China. These changes are generating a new economic reality, as well as a new economic, commercial, political, and social mixing difficult to predict, since they involve in their transformation not only economic goods and services, but also include powerful civilizations that share and compete day-to-day in their exchange.

For Mexico and Latin America, today absent from this historical phenomenon of economic and political transfer among countries and among regions, the immediate responsibility to become actors and not witnesses of this change is generated. They must turn to the accumulated experience and move away from the easy recourse of the fascination for the other; the false political comfort of a hegemon change; of demonstrating their adulthood exercising with maturity the defense and promotion of their national and regional positions, transcending from the ancestral practice of 500 years of only selling raw materials, to fully enter into the only successful economic door of the 21st Century, which is that of intelligence services

The economic-political transfer from the Atlantic to the Pacific is an event of the greatest importance which impacts directly on the public and private agenda of all the nations of this new global society.

In any scenario, its effects will continue to be felt directly in the economic, political, and social life of the countries, as already happens to date.



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