Table 16-1. Comparison of the Roman empire and the U.S. in times of crisis

Criteria	The Roman Empire 5th Century A.D.	The United States The 2000s
Rulers	Insensitive	Arrogant
Politicians	Irrelevant	Self-serving
Elite	Passive	Detached
Military	Dispersed	Stretched-out
Work done by	Slaves & Servants	Computers Illegal immigrants-working like slaves Off-shore cheap labor
Ideas	Lack of ideas	Lack of ideas
Purpose of life	Dolce vita	The fun society
Mindset	Return to country-side and autarchy	Protectionist and besieged
Confidence by others	Falling & attacked and beaten by weaker forces	Falling; attacked by terrorists against whom we cannot win

giving work to slaves and servants, and finding "happiness" in *la dolce vita.* Table 16-1 compares both "Romes."

This comparison of Rome I and "Rome III" gives the impression that the state of the global civilization is not good. It is unstable. To improve its well-being, the fixing of economic problems will be not enough. Certainly, the civilizational logistic system must first of all be controlled by the civilizational guiding systems. A proposal for a solution in this area is provided in Chapter VII.

THE CHINA FACTOR

The China factor in the 2000s is not new in world history. The Chinese civilization (one of the oldest) had more advanced technology than Europeans in the first 1.5 millennia A.D. They invented the magnetic compass and the art of making paper, which reached Europe with the help of Arabic merchants. They also introduced new crops, such as rice (double cropping), sugar cane, cotton, citrus fruit, the watermelon, and many other fruits and vegetables. The manufacturing of silk cloth was originated in China at a very early date. Porcelain ("*china*") was also invented by the Chinese. They used paper money before the Europeans. China's ships were superior in technology to those of the Portuguese in the 15th century, more seaworthy and more comfortable, with watertight compartments, many more cabins, and a capacity to navigate over large distances to Africa, Southern Asia, the Indian Ocean, the Persian Gulf, and Indonesia. The Chinese reached a higher level of technological solutions well in advance of the Western Europeans.

The Mongol invasion of China in the 13th century affected Chinese progress. In 1433, the Emperor Xuande stopped long-distance voyages, ordered the destruction of ocean-going ships, and prohibited his subjects from traveling abroad. When the Great Wall (4,700 miles long and guarded by 1 million men) was rebuilt in the 15th century to protect against the next Mongol attacks from the north, it also put the Chinese civilization into isolation from the rest of the world and its economy. In those times, the Portuguese, Spanish, and Dutch were at the peak of their geographical discoveries and colonizing missions, which soon gave them superiority over Chinese marine technology.

Until the 19th century, China was a much bigger and more powerful state than any other in Europe and Asia. Its skilled bureaucracy secured higher levels of income per capita than existed in Western Europe during 400 to 1,300 A.D. (Maddison, 2001, p. 42). After the middle of the 15th century, China was without naval defenses and its elite had no interest in European technological solutions and education presented to them by some foreign visitors. (They had no interest in European technology as a life-changing means of development, but they had plenty of interest in it for curiosity's sake, witnessing the activities of the Jesuits). In the 19th century, China was defeated by the British, French, and Japanese. Eventually, China had to accept low-tariff treaties with many European countries and the U.S., in a situation that may be called *free-trade imperialism*. In 1931, Japan again invaded China (Manchuria), and the fighting became additionally complicated by a civil war between Kuomintang and communist forces from 1937 to 1949. Consequently, the People's Republic of China was created under the control of the Communist Party of China and its chairman Mao Zedong. Until 1978, the Chinese economy was under state ownership and control, in a situation generally called *state capitalism*. After 1978, autarkic self-reliance was abandoned, special free-trade zones were established, and market forces emerged. After the fall of the Soviet Union in 1991, China, wanting to avoid such chaos of political transition from communism to capitalism as happened in Russia, introduced new economic policies, which in practice created *authoritarian capitalism*. China has since become a very competitive player in the global economy again, as it used to be about 1000+ years ago. The Chinese civilization is strong and should handle wisely its "second coming."

The Chinese civilization's key characteristics are shown in Figure 16-7. The party apparatus does not believe that *democracy* in the Western sense of the word guarantees economic efficiency. They are only afraid that *central planning*, which formerly created a passiveness in the labor force, may now lead to workers' unrest and counter-revolution as happened in the Soviet Block in 1989-1991. Therefore, they would like to loosen up economic relationships at the bottom and still keep power at the top. In such a manner, *authoritarian capitalism* does secure central power and controls the "free" market and trade (e.g., controlled currency exchange and management nominations).

In contrast to the situation in the Western civilization, the Chinese communication system is controlled directly by the state, which is exemplified by the censored Internet and Google search engine system.

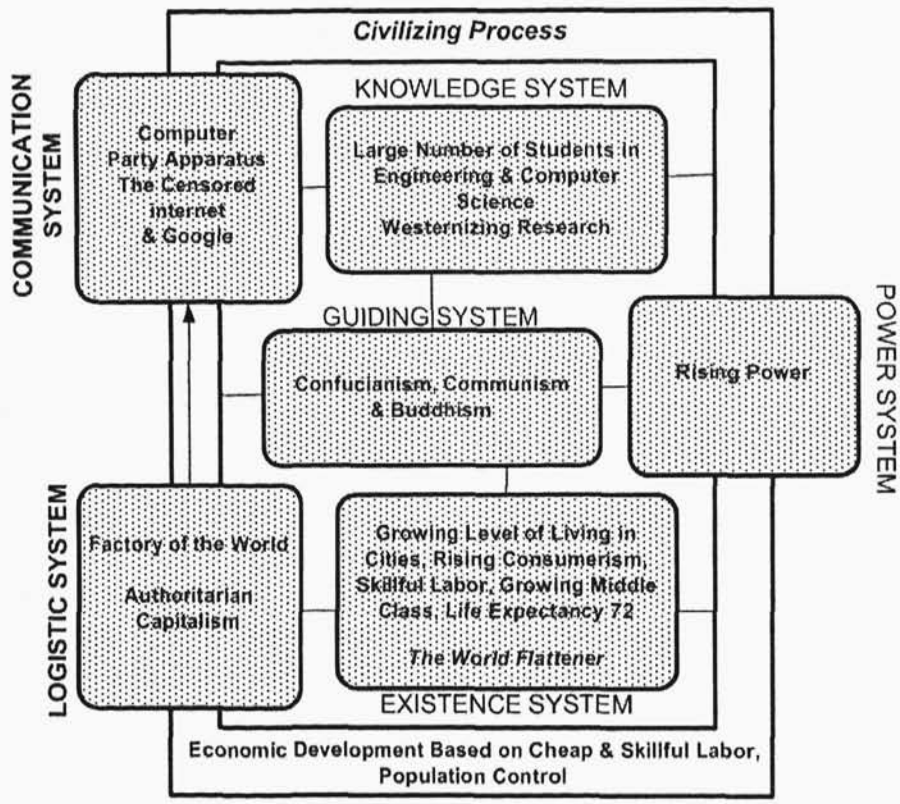
A very strong influence is the Chinese guiding system, which is a mixture of religion (Buddhism and Taoism) and such civil values as Confucianism and communism. Their composite value is the respect for authority and obedience. These values combined with Chinese patience and a middle-of-the-road attitude make the Chinese a very effective people, particularly if they are allowed to open their eyes and see what is going on around them. Then their devotion to the family life and nation can make "miracles."

In the following sections China's chances in the global economy will be projected.

THE WORLD'S LARGEST MARKET IN 2010

Table 16-2 illustrates that the projected rankings of the world's largest markets have remained unchanged since the end of the 20th century. In 2010, NAFTA will remain the world's largest market followed by the EU. The Chinese economy will grow

Figure 16-7. The Chinese civilization system in the 2000s (key characteristics)



more than 100%. It will have sharply increased its lead over Japan as the world's largest single-nation economy (two and a half times as large) and will approach the size of the European Union. Moreover, in respect to market share, only China will increase its world share—from 11% in 1988 to 17% in 2010 (Targowski & Korth, 2003).

THE WORLD'S LARGEST MARKET IN 2020

The momentum upon which the projections for 2010 are based is well developed. Of course, disruptions may well occur. However, even a major regional disruption, such as the Asian financial crisis of 1997-99, had only a moderate impact on China. There is an excellent chance that the economic projections through 2010 will occur. What happens after 2010 is much more difficult to foresee. An economic forecast of the world market's dynamics in 2010-2020 is illustrated in Table 16-3.

The prediction for the world's largest market in 2020 is based upon the following assumptions (Targowski & Korth, 2003):

- NAFTA will likely expand its reach to most of Latin America after 2010, if not sooner. Signs of this can be perceived even today: Mexico already has a free-trade agreement with Chile and the United States has an agreement with the countries of Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua, and the Dominican Republic under the form of a Central American Free

Table 16-2. The world's largest market in 2010 (1998 US$; purchasing power parity)

MARKETS	(1) POPULA-TION (MILLIONS; (2010)	(2) GNP MEASU-RED AT PPP/ COUN-TRY IN $ BILLIONS; (1998)	(3) GNP ANNUAL GROWTH (% 1998-2010; VS. 1990-1998)	(4) GNP MEA-SURED AT PPP/ COUNTRY IN $ BIL-LIONS (2010)	(5) MARKET\ SHARE (2010, %; VS. 1998)
NAFTA	444	$9,000	3.0% (2.5%)	$12,800	23% (26%)
European Union	519	$8,000	2.5% (1.6%)	$10,700	19% (22%)
China (Scenario A)	1,335	$4,000	6.3% (11.1%)	$8,300	17% (11%)
Japan	125	$2,900	1% (1.1%)	$3,300	6% (8%)
Rest of World (187 countries)	4,265	$12,100	3.7% (3.3%)	$18,700	35% (33%)
World (210 countries)	6,688	$36,500	3.3% (2.4%)	$53,800	100%

Source: columns 1, 2, 3 adapted from: Global Economic Prospects and the Developing Countries, Washington, DC: The World Bank, 1997, p. 92., and Entering the 21st Century, World Development Report 1999/2000, Washington, DC: The World Bank, 1999, p. 250, and other computations by the authors. Figures are in 1998 dollars. (Targowski & Korth, 2003).

Trade Agreement—DR/CAFTA—which was created in 2004. However, if the United States persists in excluding the rest of Latin America from the benefits of participation in regional trade blocs, the region will turn elsewhere in its own self-interest.

Mexico has already signed a free-trade agreement with the EU. And MERCOSUR, the free-trade area of the "southern cone" of South America, has accepted a European Union invitation to explore a free-trade area. Despite the opposition in Congress, the U.S. has signed a protocol and is giving at least verbal support to the creation of a Free-Trade Area of the Americas (FTAA). The FTAA would clearly be dominated by the massive U.S. economy, with its moderate rate of economic growth. Nevertheless, a growth rate of 4% per year for the entire group would be plausible and conservative:

(1) Experience has shown that the opening up of regulated markets leads to accelerated economic growth. Integration would likely stimulate much more rapid economic growth among the Latin members, such as has already been seen in Chile and Mexico in recent years.
(2) Most of Latin America would be rebounding from very slow recent growth.
(3) The principal reason why such countries as Japan, Korea, China and Chile have been

Table 16-3. The world's largest market in 2020 (purchasing power parity; 1998 U.S.$)

MARKETS	(1) POPULATION IN MILLIONS (2020)	(2) GNP MEASURED AT PPP/ COUNTRY IN $ BILLIONS (2010)	(3) GNP ANNUAL GROWTH (2010-25)	(4) GNP MEASURED AT PPP/ COUNT-RY ($ BILLIONS; 2020)	(5) MARKET SHARE (2020 VS. 2010)
FTAA -NAFTA -15 others	1,004	$16,500 $12,800 $ 3,700	4.0%	$24,400	32% (23%)
Europe -EU 18 -10 others	519	$11,300 $10,700 $600	2.0%	$13,800	18% (19%)
China (Scenario A)	1,413	$8,300	3.5%	$11,700	16% (17%)
Japan	124	$3,300	1.4%	$3,800	5% (6%)
Rest of World (162 countries)	4,543	$14,300	3.9%	$21,000	29% (35%)
World (210 countries)	7,600	$53,800	3.3%	$74,700	100%

Sources: the population: The Wall Street Journal Almanac (1998, pp. 501-503), Column 2: Table 16-2. (Targowski & Korth, 2003).

able to grow at such high rates is that they are playing catch-up—rapidly absorbing the technology and techniques of the industrialized countries.

(4) There is likely to continue to be a very significant inflow of foreign direct investment, such as has been seen in telecommunications. Of course, this projection assumes that the U.S. economy will return to a dynamic period of growth after the post-2000 world recession. Under such stimuli, a growth rate of 4% is very feasible.

- The European Union embraced most European states in 2007. However, the expansion of the EU is likely to be more awkward and less economically dynamic than that in Latin America. The current members are older and wealthier and, very significantly, most of the new members are weighed down by the legacy of communism. The process of integrating them into the style of the Western-West democratic capitalist societies will encounter problems, similar to the problems of integrating East Germany with West Germany. Therefore, an economic growth rate of 2% annually may be all the region can realistically expect.
- Perhaps Japan's economy will enter a phase of very modest recovery. However, even an

optimistic projection sees Japan growing at no more than 1.5% annually after 2010. As was seen above, some very responsible Japanese estimates place the growth much lower than that. Even the Japanese government's Ministry of International Trade and Industry (MITI) estimates the maximum potential economic growth through 2010 to be no more than 1.8% and only 0.8% thereafter (Hartcher, 1998).

- China's economy is not likely to grow at the rate of more than 3.5% annually, even under the most favorable scenario in the 2010-2020 decade, due to over-exploitation of extensive reserves in the previous periods.
- The rest of the world will grow faster than in the first decade of the new century. Due to the expansions of NAFTA and the EU, as many as 40-50 countries will join either FTAA or the EU. The remaining 140-150 countries will be heavily stimulated by the four larger markets. There will also be benefits as more and more of these countries open their economies to world markets and capitalism. Therefore, economic growth of close to 4% per year is reasonable. And there are some potentially very strong countries in that group: in addition to the "tigers and dragons," India, South Africa, Australia and the oil producers. All have favorable potential. India may very well compete with China as the most dynamic of all of the major developing countries. Also, the possible success of other integrated regional markets, such as ASEAN or any group involving India, should be considered.

During 2010-2020, the anticipated dynamics of world markets suggest that FTAA's share should increase from NAFTA's 23% in 2010 to 32% in 2020. FTAA would be the largest market on the planet. Despite the slowdown of the Chinese economy and the enlargement of the EU, China will close the gap between the two. The Japanese economy will continue to lose market share. The rest of the world, despite solid growth, will also yield market share due to the loss of about 25 countries to either FTAA or the expanded EU.

The projection of China's advance into the second position depends upon a continuation of *authoritarian capitalism* after 2010. If not, then China's economy will likely decline, due to new uncertainty.

BEYOND 2020: THE TRIUMPH OF GLOBALIZATION

It has been said that "economics controls politics." The successful integration of the rapidly-growing American market and simultaneous slow growth of the European market may lead toward the further integration of the all components of Western civilization (Western-West, Western-Central, Western-Latin, and Western-Jewish). As a result, the Americas may integrate with Europe into the *FTA* of *the Atlantic* (FTAAT), with at least fifty Western civilization countries forming the world's largest market.

Several factors will propel Europeans in that direction. Both areas already trade much more with each other than with Asia. Furthermore, Great Britain trades twice as much with NAFTA as it does with its EU partners and would prefer to have its own currency and political identity as a member of FTAAT rather than become a member of a political union (Black, 1999). Also, Italy and Central Europe have strong ethnic ties with the United States as a result of massive migration from Europe to the U.S. These are only some of the influences that may lead to the emergence of FTAAT Targowski & Korth, 2003).

FTAAT could have half of the world's market and 1.5 billion consumers – more than in China. Table 16-4 illustrates this new division of the world market. Assuming a continuation of the *authoritarian capitalism* scenario for China, the most optimistic scenario, by 2020 China will ap-

Table 16-4. The world market after the integration of the western economies 2020+ (1998 U.S.$)

MARKET	(1) POPULATION MILLIONS (2020)	(2) GNP MEASURED AT PPP/ COUNTRY BILLIONS (2020)	(3) MARKET SHARE In % (2020+)	(4) GNP MEASURED AT PPP/CAPITA (2020+)
FTAAT (FTAA + Europe)	1,523	$38,200	51%	$25,000
China	1,413	$11,700	16%	$8,200
Japan	124	$3,800	5%	$30,600
Rest of World	4,543	$21,000	29%	$4,600
Total	7,600	$74,700	100%	$9,800

Source: Targowski and Korth (2003)

proach a GNP level of $10,000 per capita. It will be another of China's "Great Leaps"; within 22 years its citizens' GNP per capita will have almost tripled. However, by 2020, China may be at its economic peak. Figure 16-8 illustrates the shares of the world marketplace by major civilizations (Targowski & Korth, 2003).

THE MYTHS AND THE REALITIES OF THE WORLD MARKET

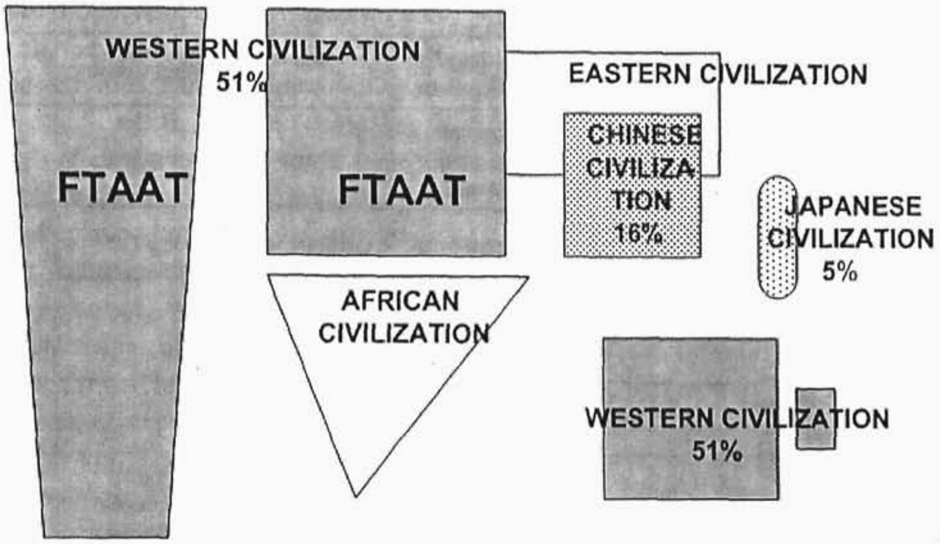
There is no question that NAFTA will be the world's largest market in 2010. And FTAA, if it develops as suggested here, will have the same position in 2020. If a free-trade area of the Atlantic evolved, it would emphasize this trend even further. Indeed, beyond 2020, FTAAT would even have the most consumers.

China will not be the largest economy, as many predicted at the end of 20th century. It is very possible that after 2020 or even earlier, China will enter a period of chaos, either pursuing military expansion or transforming to *democratic capitalism*.

Japan will remain among the richest countries in the world but its economy will grow slowly while its population not only ages but shrinks.

The globalization strategy will be better accepted in 2010-2020 and beyond, since it works very well for poor economies. Emotional attacks upon the World Trade Organization, the International Monetary Fund and the World Bank cannot obscure the fact that freer trade raises standards of living. And it is the poorest countries that have the most to gain from freer trade! The strong economies have no choice but to seek more markets for their high-performing economic engines. The wealthier countries will continue to grow, but the developing countries will have the opportunity to grow much faster as they adopt the economic model of the industrialized world. Not only China but Japan, Turkey, Chile, the Asian tigers and others have shown how poor countries can develop at rates far beyond what the traditional industrial countries were ever able

Figure 16-8. The integration of civilization markets



to accomplish. It is a long-term positive outlook which offers hope to the world's masses.

The world market in 2020 will not be saturated. The 162 countries comprising the "rest of the world" will be markets for FTAA and FTAAT, China, and Japan. The economic prospects for the world look good. In the next 20 years, the world economy will grow 100% and GNP per capita will also grow rapidly, especially in the developing countries.

However, there are potential "flies in the ointment." These predictions assume a world without major wars (either between countries or between ideologies) or economic disasters. But strong economic performance, coupled with continued increase in the world population (an increase of 1.7 billion—almost 30%!), will cause continued deterioration of the environment. And the development of the global economy will pass through crises such as the one experienced in East Asia in the late 1990s, or even worse.

The proliferation of Internet access will open intriguing scenarios. On the one hand, windows of opportunity will be offered for developing markets (e.g., India and Brazil already have booming software-development industries). Also, ready access to the communication and information opportunities provided by the Internet may help stimulate education, improve health, and encourage entrepreneurs—thereby improving living standards and stimulating the economies. On the other hand, the dissemination of information, together with the ready access to free worldwide communication, can abet terrorist groups such as al Qaeda. Also, as widespread cyber-attacks have shown, the Internet is open to abuse—from anywhere in the world (Targowski & Korth, 2003).

THE CIVILIZATIONAL PATTERNS OF ECONOMIC DEVELOPMENT

Civilization has developed so quickly and impressively in the last 500 years because it was guided by the ideology of *capitalism*. The first 5,500 years of civilization's history had very slow progress, but an acceleration took place in the following