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**The Response of the United States Towards
the Economic Rise of China in the
Last Decade**

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Dedication

I want to dedicate this small work to my blessing in life “MY PARENTS” whom have the grace to bring me up and the great favour to be in this level.

In particularly without forgetting all my beloved siblings, Abdelkhalek, Idriss, Abdelhamid, Sakina, Ahmed, Mehomud, Abdelhalim and Zineb and I appreciate their support both all my brothers and all Boukraa and Borni family.

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Abstract

The United States is a hyper power of the globe since the collapse of the Soviet Union .It maintained this position since that time. It has a great influence in the world from all sides: economically, politically, militarily, and scientifically.

The last decade witnessed an emergence of other economic powers such as Brazil, Russia, India, South Africa, and especially China as becoming the second largest economy in the world after the United States. China after 30 years of reforms realized a vast and broad economic rise. Also it has mentioned a big influence in the last decade in many parts of the world like Africa, Asia, and Latin America .so with this rise and flourished economy, China is the first one which worries the position of the United States as a hyper power.

Consequently, without doubt the United States has created and adopted strategies to maintain its status in the world in the last ten years.

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General Introduction

With the collapse of the Soviet Union, the United States became the most powerful country in the world or as it is called a hyper power. It is today a global power in all aspects: its gross domestic product (GDP), its military strength, the level of its science and technology, and its international influence. But the last two decades have witnessed the emergence of other powers such as China, Russia, India and Brazil.

China as the second most important power of the globe is becoming a major economic and political driver of global change; it shifted from closed-door to openness and globalization. The global power shift in favor of China will be one of the most important transformations in international politics in modern history. The dynamic rise distinguishes China from Russia, India and Brazil and caused worry to the United States. The extraordinary growth of Chinese economy has become a global issue for the study of the world development. Since the 2009 economic crisis, China has gained more attention in developed countries, as the impacts caused by the crisis on China's economy have been unnoticeable, and instead its economic strengths are being an important dynamic for the global economic growth. The present study shows that Chinese economy has a positive causal relationship on United States, Canada, European Union and Japan on selected economics variables, such as employment, economic growth and productivity.

For many years we hear that the United States is number one in everything: science, economy, politics, and culture. The last two decades have shown that there are rival powers; such as Brazil, Russia, India, South Africa and China (BRICS). China unlike the other powers, may become the next superpower towards the middle of the 21st century, because it marked a special rise in the 1990s, and in the last two decades it realized an impact on the world economy and it has been both rapid and remarkably

broad. Moreover, concerning the continued economic development, China created new economic wealth in the world. Consequently with all these new rapid changes and with the continued growth rate, a fundamental shift in power centers in the global economy was and it is expected. So the main question is

What were the strategies adopted by the United States to maintain its status quo?

There is other sub-question which is

Did the rise of China decrease the United States position?

Through evaluating China's economic performance in the past three decades, this study aims at answering the question; how did the United States behave to deal with this situation? And what was its response towards China's economic rise? Moreover, did china's rise weaken the United States' role in the world?

There are many other questions or problem questions that have relation to this work, that we cannot fulfill all of its parts among them: did the United States stand aside and watch passively as China getting increasingly to dominant? Are there any secret strategies adopted by the United States to maintain its status quo? And finally what was the reaction of the US in the last decade?

This dissertation builds on a descriptive and analytical study as a methodology; it is mainly based on secondary resources found in books, Journals and websites. General information on Chinese-American economy; Data of China and USA will be analyzed in order to compare and evaluate of their economy policies; and finally, ways would be suggested for improvement.

The work is divided into three chapters preceded by introduction and followed with conclusion.

Chapter one has two elements. It discusses the hyper power of the United States and its figure power economically, technologically and militarily. It also shows the new emerging nations that might threaten the United States such as Brazil, South Africa, China, India and Russia.

The second chapter focuses on China as a second economic power in the world that might be a hard rival to the United States. This chapter tackles the rise of China as a driver to a global change in the last decade, the conditions that help China to become a gigantic power and its influence in Asia, Africa and Latin America.

The last chapter discusses the strategies which adopted by the United States to maintain its status in these areas.

Chapter one

The United States as a Hyper Power of the Globe

1.1. Introduction

The United States is the most powerful nation in the world. It became powerful since the defeat of the Soviet Union by the end of the Cold War. Till now it is still maintaining its position in the world, and it is still number one in everything: its gross domestic product (GDP), its military strength, the level of its science and technology and its international influence. Most importantly, the United States has played the leading role in designing almost all major world mechanisms, extending the influence of its monetary and economic policy over the world (Mengzi 5).

A country must meet three criteria to be a global economic superpower. It must be large enough to significantly affect the world economy. It must be dynamic enough to contribute importantly to global growth. It must be sufficiently open to trade and capital flows to have a major impact on other countries. Three economies now meet these criteria. The United States remains the largest national economy, the issuer of the world's key currency, and in most years the leading host (and home) country for foreign investment. The European Union is now the largest economic entity and the largest trader, even excluding commerce within its membership and its euro increasingly competes with dollar as a global currency ("China's challenge to the global order" Par. 5).

Some searchers think that the world depends on it to maintain peace and order and to support the principles of democracy, free markets and freedom (Nabudere 10).

1.2. Aspects of American Power

1.2.1. Technological Aspect

Technology and science are important aspect America power. "Everything in America is about technology," says Donald Norman, author of The Design of Everyday Things and The Invisible Computer. "That's been a symptom of the United States since its foundation. We invented all sorts of crucial technologies: mass production, standardized parts, time zones, you name it". Though many countries are progressive in their adoption of technology, particularly in Western Europe and Asia, the United States still sets the pace for technological innovation, which can be attributed in part to the same risk-taking, entrepreneurial spirit on which the nation was built. From sequencing the human genome and mapping the universe to altering the rules of war, computing power has not only given us the power to solve some of life's greatest mysteries, it's also made the United States a technological hegemony ("Historical Foundations of American Technology" 8).

After many studies in the mid-20, it is found that the United States continues to lead the world in science and technology, and it is keeping faster growth than other nations on several capacities of science and technology performance; adding that America generally benefits from the influx of foreign science and technology students and workers; and that the United States will continue to benefit from the development of new technologies by other nations as long as it maintains the capability to acquire and realize such powerful technologies (Historical Foundations of American Technology 23).

1.2.2. Militarily Aspect

The American military influence extends in every point on the globe, whether on land, at sea, or in the air. It is a dominant military force in the world today. The United

States has maintained large scale military forces in Europe since 1943, for example when it invaded Italy during Second World War and in Northeast Asia since 1945, when it occupied Japan at the end of that war. The United States has aviation pioneers as Orville and Wilbur Wright and Glenn H. Curtiss led the world in innovation in heavier than-air aircraft at the beginning of the twentieth century. During much of the first decade of aviation history, the aircraft industry remained a highly competitive (Meulen 25).

The United States has 103 nuclear power reactors in 31 states, operated by 30 different power companies. Since 2001 these plants have achieved an average capacity factor of over 90%, generating up to 807 billion kWh per year and accounting for 20% of total electricity generated. Capacity factor has risen from 50% in the early 1970s, to 70% in 1991, and it passed 90% in 2002, remaining at around this level since. The industry invests about \$7.5 billion per year in maintenance and upgrades of these. The United States is the world's largest producer of nuclear power, accounting for more than 30% of worldwide nuclear generation of electricity. The country's 104 nuclear reactors produced 821 billion kWh in 2011, over 19% of total electrical output. There are now 103 units operable and three under construction (World Nuclear Association Par. 4).

1.2.3. Economic Aspect

The United States economy is very often seen as the engine of the world economy. As a result, any sign of slowdown in the United States raises concerns about harmful effects to the other economies. The role of the American economy is very important whereas if it collapses, money will be degraded. This means high demand, and low supply of food, gas and other necessities. If the collapse touches local governments and values, then water and electricity is no longer be available. As people panic, self-defense becomes more important.

The economy quickly returns to a traditional economy, where those who grow food exchange for other services (Bejian 6).

1.3. The Emergence of New Economic Rival Powers

The United States shapes events in every part of the globe. It rules the world since the end of the Cold War. Its central aim is to dominate the world without peer competitor. During Cold War an important Pentagon planning document stated in 1992, "Our first objective is to prevent the reemergence of a new rival...that poses a threat on the order of that posed formerly by the Soviet Union...Our strategy must now refocus on precluding the emergence of any potential future global competitor (Mearsheimer 1).

But recently the structure of the global economy has been changed dramatically by the emergence of new economies like India, Russia, Brazil, South Africa and China.

1.3.1. Brazil

Brazil also is one of the emerging nations in the world. Its economy is the largest in South America and the seventh largest in the world, Brazil's economic growth rate has been positive for the past eight years. It has also emerged as a leading actor in twenty-first-century global economic policy deliberations. Recent discoveries of large petroleum reserves suggest that the country may be able to avoid troubles caused by future global oil price shocks and indeed may become a major petroleum exporter (Polaski 17).

After strong growth in 2007 and 2008, the start of the global financial crisis hit Brazil in 2008. Brazil experienced two quarters of recession, as global. However, Brazil was one of the first emerging markets to begin a recovery. In 2010, consumer and investor confidence revived and GDP growth reached 7.5%, the highest growth rate in the past 25 years. Rising inflation led the authorities to take measures to cool the economy; these actions and the failing international economic situation slowed growth to 2.7% in 2011, and

1.5% in 2012. Despite slower growth, in 2011 Brazil overtook the United Kingdom as the world's seventh largest economy in terms of GDP. Unemployment is at important lows and Brazil's traditionally high level of income inequality has declined for each of the last 14 years (World Report 2012: Brazil Par. 3)

According to the WTO (World Trade Organized), Brazil is classified as the seventh largest economies in the world, its GDP purchasing power is \$2.172 trillion, its contribution of Industrial Sector in GDP is 26.8%, also its contribution of Agricultural Sector in GDP with 5.8%, and finally with population of 192.376.496 as of 2011, its unemployment Rate is 6.7% (“The World’s Largest Economies 2012” Par. 6).

The United States has always seen Brazil as a significant regional powerhouse, and its importance has risen in the last decade. Because of its economic strength, its leadership it has become a dynamic player in regional and global politics through many sizes.

1.3.2. India

In the past decade, India as one of the emerging nations became among the fastest growing countries in the world because of its economic growth. It is regarded and seen as a country on the rise .It is emerging as a possible great power in Asia. Its rise is considered as one of challenges that face the United States because of its population, since Indian economy is growing, even with the economic crisis that faced the world. India is expected to be the second largest manufacturing country in the next five years, followed by Brazil as the third country, according to Deloitte (Kiesow 123)

In 2010, the Indian economy recovered strongly from the global financial crisis in large part because of strong domestic demand and growth exceeded 8% year-on-year in real terms. However, India's economic growth began slowing in 2011 because of a tight financial policy, intended to address determined inflation, and a decline in investment,

caused by investor pessimism about domestic economic reforms and about the global situation. In late 2012, the Indian Government announced reforms and deficit reduction measures to reverse India's slowdown. The outlook India's medium-term growth is positive due to a young population and corresponding low dependency ratio, healthy savings and investment rates, and increasing integration into the global economy. India has many long-term challenges that it has not yet fully addressed, including poverty, insufficient physical and social organization, limited non-agricultural employment opportunities (Tellis 43)

Today India is considered as the fourth largest economy in the world. According to WTO (World Trade Organization), India's GDP- Purchasing Power Parity is 4.06 trillion as of 2010. Its contribution of industrial sector in GDP of 26.3 %.Also its contribution of agricultural sector in GDP is 18.5%.And finally with India's population which is 1,210,193,422, its unemployment rate is 10.8% as of 2010 too ("The World's Largest Economies 2012" Par. 4).

Until the late 1990s, the United States often ignored India, treating it as a regional power in South Asia with little global weight. But India's weak and protected economy gave it little influence in global markets, and its independent foreign policy caused periodic tension with Washington. When the United States did concentrate on India, it too often fixated on India's military rivalry with Pakistan (Sharma Par. 8).

1.3.3. Russia

Russia is the sixth largest economic in the world. Russia's economy began to improve from the Soviet collapse in 1999, which is led mainly by oil and gas exports, but the decline in oil and gas prices and other aspects of the global economic downturn beginning in 2008 contributed to an 8% drop in gross domestic product in 2009. Since then, rising world oil prices have bolstered the economy. Russian economic growth continues to

be dependent on oil and gas exports. The economy is also plagued by an unreformed healthcare system and unhealthy lifestyles; low domestic and foreign investment; and high rates of crime, corruption, capital flight, and unemployment (Nichol 10).

According to the WTO (World Trade Organization), Russia's GDP in Purchasing Power Parity (PPP) is \$2.223 trillion as of 2010, its contribution of industrial sector in GDP is 36.8%, its contribution of agricultural sector in GDP of 4%, its contribution of services sector in GDP of 59.1%, and finally Unemployment Rate of 7.6% with population of 142,905,208 ("The World's Largest Economies 2012" Par. 7).

Russia's emergence as a key player in both Europe and Asia was a central development in the early modern era. The Russian empire was different from those in the West, but its effect was enormous on two continents in this era. Russia's social and economic system had strengths. It produced suitable income for the growing empire, supported the aristocracy, and allowed significant population growth. Commerce was carried on with independent central Asian regions. There were important limitations. Agricultural methods remained traditional, and peasants lacked incentives to increase production for the benefit of landlords. Manufacturing suffered from similar constraints. Moreover Russia took a different direction. In 1999, the VAT (Value Added Tax) was reduced to 20% from 23%. This was followed by the regulation of the 13% flat tax in July 2000, with application at the beginning of 2001, which touched off one of the most impressive economic recoveries ever witnessed. The previous income tax system had a top rate of 30% on income exceeding the equivalent of \$5,000 ("Russia Today" Sec. 1 Par. 4)

1.3.4. South Africa

South Africa is a middle-income, emerging market with an rich supply of natural resources; well-developed financial, legal, communications, energy, and transport sectors; a

stock exchange that is the 18th largest in the world; and modern infrastructure supporting a relatively efficient distribution of goods to major urban centers throughout the region. Growth was robust from 2004 to 2007 as South Africa reaped the benefits of macroeconomic stability and a global commodities boom but began to slow in the second half of 2007 due to an electricity crisis and the subsequent global financial crisis' impact on commodity prices and demand. GDP fell nearly 2% in 2009 but recovered in 2010-12. Unemployment remains high, at nearly one-quarter of the work force, and outdated infrastructure has constrained growth. State power supplier Eskom encountered problems with aging plants and meeting electricity demand necessitating "load-shedding" cuts in 2007 and 2008 to residents and businesses in the major cities. Daunting economic problems remain from the apartheid era - especially poverty, lack of economic empowerment among the disadvantaged groups, and a shortage of public transportation. South Africa's economic policy focuses on controlling inflation; however, the country has had significant budget deficits that hamper its ability to deal with pressing economic problems. The current government must contend with the impact of the global crisis and is facing growing pressure from special interest groups to use state-owned enterprises to deliver basic services to low-income areas and to increase job growth ("South Africa Economy Profile 2012")

According to the WTO (World Trade Organization), South Africa's GDP in Purchasing Power Parity (PPP) is \$578.6 billion, its reserves of foreign exchange and gold \$54.98 billion in 2012, its exports reached \$101.2 billion in 2012 and finally the imports reached \$106.8 billion in 2012 too ("The World's Largest Economies 2012" Par. 7).

1.3.5. China

China as the second most important power of the globe is becoming a major economic and political driver of global change; it shifted from import substitution to export-

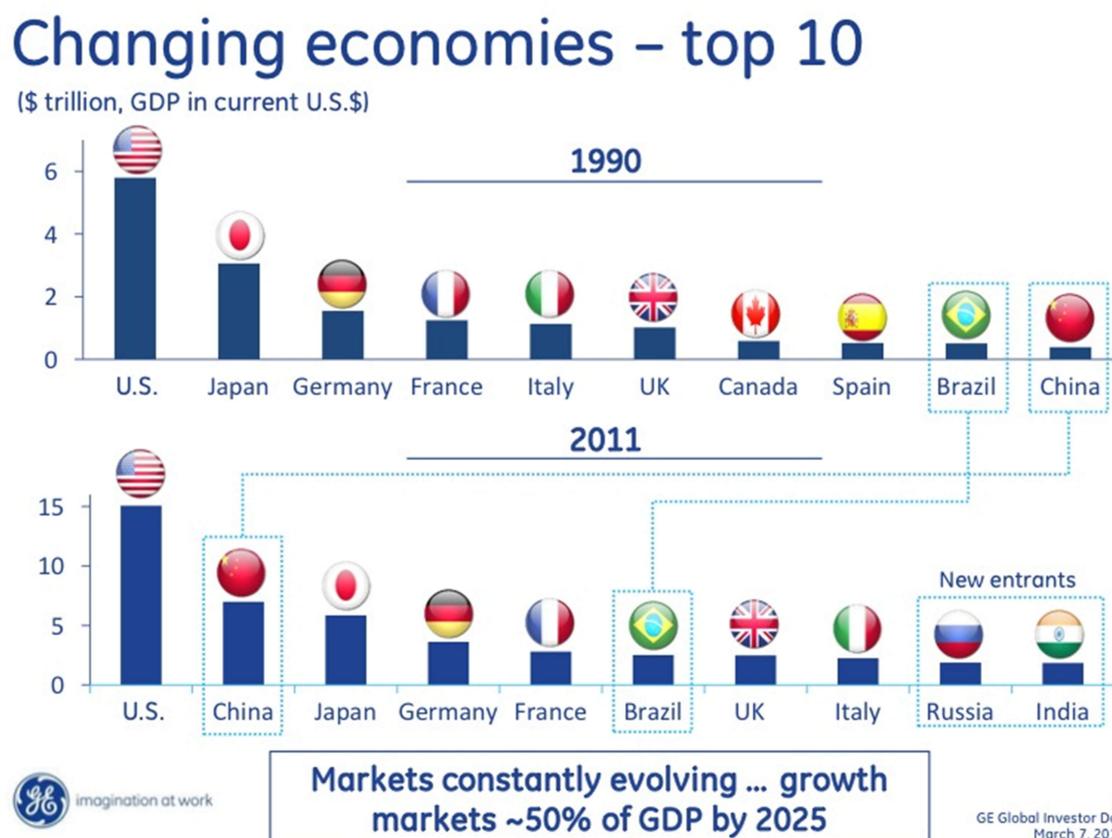
push and from closed-door to openness and globalization. The global power shift in favor of China will be one of the most important transformations in international politics in modern history. The dynamic rise distinguishes China from Russia, India and Brazil and may cause worry to the United States in the future.

China in 2012 stood as the second-largest economy in the world after the United States. It exceeded Japan in 2001. The dollar values of China's agricultural and industrial output each exceed those of the United States; China is second to the US in the value of services it produces. Still, per capita income is below the world average. The Chinese government faces numerous economic challenges, including: first, reducing its high domestic savings rate and correspondingly low domestic demand; second, behind suitable job growth for tens of millions of migrants and new entrants to the work force; third, reducing corruption and other economic crimes; and finally, containing environmental damage and social strife related to the economy's rapid transformation. China has become a global manufacturing power and is already displacing the United States as the primary trading partner for many nations ("China Economy Profile 2013").

According to the WTO (World Trade Organized), China's GDP- Purchasing Power Parity is 10.09 trillion, its contribution of Industrial Sector in GDP is 46.9%, its contribution of Agricultural Sector in GDP is 10.2%, and finally its unemployment Rate is 4.3% as of 2009 with population of 1,339,724,852 ("The World's Largest Economies 2012" Par. 8).

The United States may still be the only dominating power, but it can no longer dominate world affairs alone. Emerging countries like China are getting to share more global power (Mengzi Par. 3).

Figure.1.The Emergence of new Economic Powers from (1990-2011)



As the graph shows that nations were not included in the largest economies in the world list in 1990, but in 2011 countries like China and Brazil have included getting a good class in the economic group. For example China was the 10th position; but in 2011, it became the 2nd largest one, Brazil also was the 9th one but recently became the 6th in the world. Whereas powers like Russia and India were not include in the list of the largest economies of the world but now they are members of the top 10.

Chapter two

The Rise of China

2.1. Introduction

China has become a global economic superpower. It has been successful in the last three decades under economic reform and a policy of openness. At the beginning of the twenty-first century China has the second largest national economy; it is the second largest exporter and the third largest importing country. Now, China's rapid economic growth has impressed the world. Also when it entered the WTO, its economy has become one of the most powerful engines of world growth. Its share in global production grew, making it the world's second-largest economy at market exchange rates, and putting it on course to become the world's largest soon at purchasing power parity (PPP) rates. The emergence of China as a market economy has benefited the global economy also the speed of the integration of China into the world economy, coupled with excess demand worldwide, pushed up China's current account surplus, to as much as 11% of GDP by 2007("China's Emergence as a Market Economy" Par. 6).

For the past decade, the Chinese economy has been expanding at a nearly double-digit annual growth rate it means rapid growth of economy an increase of between 10% and 99% in the productivity or size of a company, business activity, or economy within a specific period of time. This rapid expansion requires enormous resources; especially energy. By 2004, China had become the world's second largest oil consumer, behind only the United States. Chinese oil consumption is expected to increase by 10 percent per year, while China's oil and gas imports are forecast to increase from the present 33 percent of China's total oil and gas demand to 60 percent by 2020 (Brookes 23).

2.2. China as a Driver of Global Change

After three decades of reforms, the rapid rise of China as a major economic power is described by analysts as one of the greatest economic success stories in modern times. From 1979 (when economic reforms began) to 2011, China's real gross domestic product (GDP) grew at an average annual rate of nearly 10%, and 500 million of people were raised out of extreme poverty. China is now the world's second largest economy and some analysts expect it could become the largest within a few years (Morrison 5).

The extent of China's impact on the global economy is appearing in the last two decades. Its impact on the world economy has been both rapid and remarkably broad. First of all, Chinese economy accounted for 2.9 % of global income in 1978, reached 4.7 % of global income in 2004 and is expected to reach 7.9 % by 2020. Comparing China's growth process with other success stories in history such as the United States, United Kingdom and German. Winter and Yusuf conclude that : "In terms of an expanding share of world output, China's growth spurt has been much greater than any other yet seen" (Winters and Yusuf 6). Besides China's rate of growth which is extraordinary, also the size of its economy which means that its impact is much greater than the previous rapidly-growing Asian economies such as Japan, Taiwan and Korea. China also contributed 28 % to the increase of global GDP (Gross Domestic Product) between 1990 and 2005 (the United States: 19 %; Rest of OECD (Organization of the Economic Corporation and Development): 18 %). It is projected that China could account for 37 % of global GDP increase between 2005 and 2020 – more than all the OECD countries together (Yao 3).

Secondly, China's economic reform is the largest project in human history because it has affected a population 16 times that of the four Asian Tigers (South Korea, Taiwan, Singapore and Hong Kong) combined, and more than 10 times that of Japan (Yao 6).

Thirdly, in the last thirty years, China's real GDP increased 13 - fold, real per capita GDP over nine fold, and real per capita consumption more than six fold. Many consumer goods and services that were almost unknown in 1978 have become daily necessities in Chinese households today, including color TVs, telephones, motor cycles and computers. In 1978, China ranked number 23 in world trade. By 2006, China was the third largest trading nation in both imports and exports, with a total trade volume of \$1.8 trillion, generating a surplus of \$177.8 billion. China had little foreign direct investment (FDI) before 1992 but has been competing with the US in recent years as the world's largest host of foreign capital (Yao 7).

Fourthly, China is the world's largest producer and consumer of many key industrial and agricultural products, including steel, cement, coal, fertilizers, color TVs, cloth, cereals, meat, fish, vegetables, fruits, cotton and rapeseeds. By 2006, China had constructed 3.48 million km of highways and 45,460 km of motorways, or five times the total length of motorways in the United Kingdom. China is currently constructing the same length of the entire United Kingdom motorway system every two years. In 1978, China had only 598 universities recruiting 0.4 million students, by 2006, it had 1,800 universities enlisting over 5 million students and sending another 120,000 students overseas (YAO 8).

During the reform period (1979-2011), China's average annual real GDP grew by 9.9%. This essentially has meant that, on average, China has been able to double the size of its economy in real terms every eight years (Morrison 13).

Table 1. China's Annual Real GDP Growth: 1979-2012

Year	Real Growth Rate (%)
1979	7.6
1980	7.9
1981	5.3
1982	9.0
1983	10.9
1984	15.12
1985	13.5
1986	8.9
1987	11.6
1988	11.3
1989	4.1
1990	3.8
1991	9.2
1992	14.2
1993	13.9
1994	13.1
1995	10.9
1996	10.0
1997	9.3
1998	7.8
1999	7.6
2000	8.4
2001	8.3
2002	9.1
2003	10.0
2004	10.1
2005	11.3
2006	12.7
2007	14.2
2008	9.6
2009	9.2
2010	10.4
2011	9.2
2012 First Quarter	8.1

Source: Economist Intelligence Unit and IMF

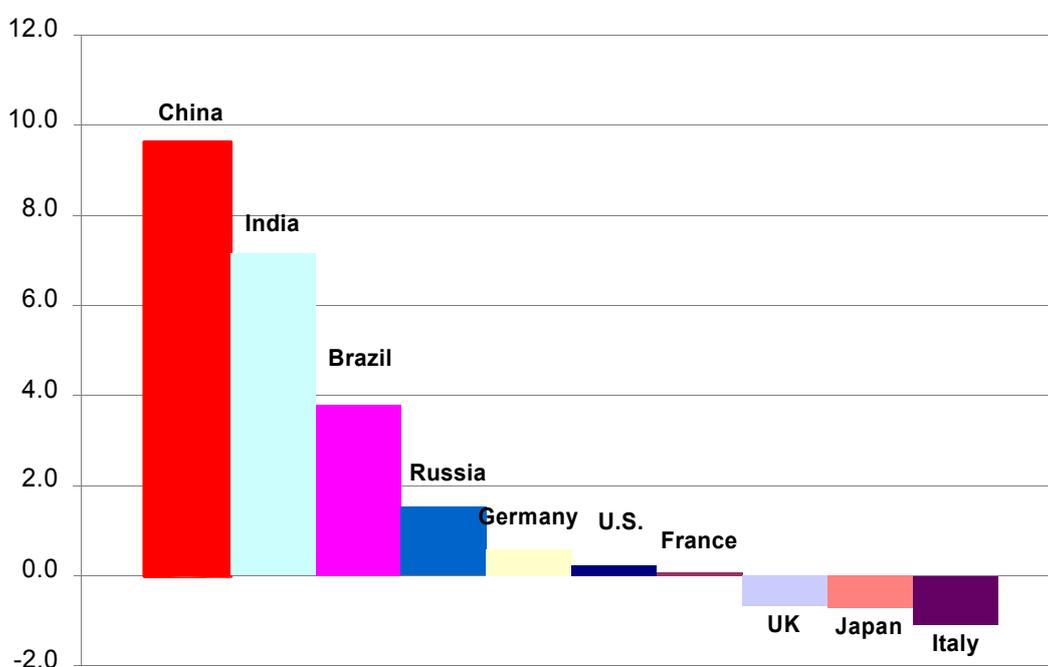
The global economic slowdown, which began in 2008, impacted the Chinese economy especially the export sector. **Table .1.** Shows that China's real GDP growth fell

from 14.2% in 2007 to 9.6% in 2008 to 9.2% in 2009. In response, the Chinese government applied a large economic motivated programs and an expansive monetary policy. These measures increased domestic investment and consumption and helped prevent a sharp economic slowdown in China. In 2010, China's real GDP grew by 10.4%, and in 2011 it rose by 9.2%.

As it is shown in **Figure 2**. China unlike the others nation was able to increase its real GDP after the world economic crisis of 2008 that faced the world. We see how it reached the top one with growth of 8.9%. Other nations like India, Brazil and Russia increased their GDP also but slowly. From other side it is noticed that the United States and developed countries such as France, Japan and UK marked a small or decreased growth.

Figure 2. Average Real GDP Growth Among Major Global Economies: 2008-2011(%)

Source: Economist Intelligence Unit database.



2.3. The Conditions That Help China to Become a Gigantic Power

The economic wonder of China has been due to Deng Xiaoping's gradualism and pragmatism in economic reforms and social changes; the smooth transformation to a mixed economy and the shift of development strategy from closed-door to openness. Deng had a 'three-step' plan for China step one, double GDP from 1981 to 1990 and ensure enough food and shelter for all people; step two, double GDP again in the 1990s and make sure people live a moderately prosperous life and step three, achieve modernization by 2050 by raising incomes to the levels of medium-size developed countries (Morrison 6).

The miracle of China's economic can be attributed to its official reforms, transforming the former plan system to a mixed plan and market system. Many methods and theories adopted to achieve this success. China's reforms have been guided by some important development theories no available from existing economics text books. Deng's theory of "Crossing the River by Feeling the Stones" is one of the adopted strategies which is guided by him as a method of reform. The reform was carefully managed with appropriate experimentation, accurate timing, correct sequence and manageable scale. Second, the other idea adopted in the reform in order to develop China was that reforms progressed from agriculture and the countryside to the urban economy and state-owned enterprises, from the real economic sectors to the banking and other financial sectors, and from prices to the labor and capital markets, etc. In addition to that development strategies are shifted from import substitution to export push and from closed door to openness and globalization (Morrison 8).

Besides the previous strategies, other theory that adopted was 'Spots to Lead Areas' development, which is included with some growing centers motivating the growth in the surrounding areas and then isolated regions through the program of

growth momentum protected in the growth centers. In the early 1980s, China established the special economic zones and open coastal cities to be the country's growth centers (Morrison 12).

Another theory is 'Walking with Two Legs' development to improve China's capability in science, technology and innovation. China has relied heavily on foreign technologies through direct purchase or indirectly through FDI to improve productivity. It has also invested heavily to improve its ability in technological innovation and knowledge creation at home (Morrison 14).

Moreover, there are also other policies and plans adopted by the Chinese government to reach the recent growth such as Cheap Labor, Government Policy, Raw Materials, Investment from Overseas and Education.

Cheap labor is when of these policies. China has a large unskilled workforce work or forced to work for low wages. In the north many farmers struggle to make an income, therefore, they are willing to move south and work in manufacturing for low wages. Therefore, despite high growth, wages have remained low. Thus Chinese exports have continued to be very competitive. Exports to the rest of the world are one of the main factors behind increased AD and China's. Cheap labor has also helped to avoid wage inflation, which could weaken economic growth (Pettinger Par. 4).

The Chinese government worried about unemployment from privatized industries and agriculture. Thus it has been strong to promote economic growth. So, the first thing they started by is keeping the Yuan undervalued. This makes Chinese exports more competitive and has helped the exporting sector. The government has also kept interest taxes quite low. Although, it is sometimes difficult for small business to get loans. Low interest taxes have also encouraged some careless lending. Perhaps

the government has contributed to a boom and there is a danger that the government have allowed growth to be too high (Pettinger Par. 5).

Concerning raw materials, China has good reserves of raw materials such as coal. However, for many raw materials they are net importers. This is true, particularly, for metals and oil. In fact demand from China is one of the main reasons behind the boom in goods prices. Therefore, we could say China has experienced growth, despite having to import so many raw materials. The increasing price of oil and metals may be a constraint on future growth (Pettinger Par. 6).

Investment from overseas 'strategy increased productive capacity and helped improving technological development. However, as a % of GDP investment from overseas is relatively low (Pettinger Par. 7).

At the moment, China's comparative advantage lies in unskilled labor intensive industries. However, there is a growing, educated, middle class, which has enabled the economy to diversify out of manufacturing. Education will be of increasing importance as China tries to provide greater value added to its industries (Pettinger Par. 8).

2.4. China's influence in Asia, Gulf States and Africa

China's influence is growing in its neighborhood. China's rise is shaping up to be the most salient development of international politics and economics in the early 21st century, and Beijing is increasingly searching for stable sources of energy to power its ballooning economy (Wakefield Par. 6).

2.4.1. China's Influence in Africa

If the Chinese are not quite everywhere in Africa their numbers, their investments and their trade has flourished over the last 10 years. Unlike the United States, France and the United Kingdom ,China has never tried to establish military alliances or bases in Africa but its provision of arms has been a long standing policy;

first as aid to liberation movements and later, as its aid program was coiled down in a commercial enterprise in the 1980s. For example during the Ethiopian/Eritrean war in the late 1990s Beijing sold weapons to both sides and has sold weapons to Zimbabwe (Power Par. 5).

Now, China is in its third attempt to engage itself in Africa both the quality and size are different. There are probably a million Chinese living in Africa. China has become a major participant in the United Nations peacekeeping in Africa. A report by the Stockholm Peace Research Institute says that “Chinese peacekeepers are rated among the most professional, well trained, effective and disciplined in the United Nations operations”(Power Par. 1).

In addition to that, the relationship between China and Africa goes on getting deeper. Ngozi Okonjo-Iweala, the finance minister of Nigeria, said that trade between them increased in value from \$11 billion in 2000 to \$166 billion in 2010. Nigeria’s trade with China increased in the same period from \$1 billion to \$7.8 billion. In the same side, China has taken the lead in encouraging relations with African countries and over the last few years Chinese influence in the continent has increased obviously. The country has emerged as Africa’s largest trading partner. Two-way trade has increased dramatically to an all-time high of \$166.3 billion, triple the figure for 2006. Both imports and exports have registered impressive growth rates. According to guesses, there are around 800 Chinese firms in Africa, investing in the organization, energy and banking sectors. The deepening relationship between China and the continent has led to the formation of the Forum on China-Africa Cooperation (FOCAC). The first ministerial conference of FOCAC was held in 2000 with the most recent one held in 2011 July in Beijing (Safdar Par. 2).

Chinese influence is also evident in Northern Africa, where the Algerian government hired Chinese construction firms for several major projects including an airport, a mall, 60,000 homes, and a 745-mile east-west highway, the longest on the continent (Chen 3).

China is expanding its influence in Africa to secure supplies of natural resources, to counter Western political and economic influence while expanding China's global influence. As a result, Chinese support for political and economic repression in Africa is countering the liberalizing influences of Africa's traditional European and American partners (Brookes Par. 12).

2.4.2. China's Influence in The Middle East

China has become increasingly active in Asia and especially in the Middle East over the last decade as a soft power. Chinese investors have significantly increased their activity in the Middle East. Investment flows from China have grown tenfold, from \$1 billion in 2005 to \$11 billion in 2009.

One of the most obvious signs of China's increasing its participation in the Middle East is the explosion in economic activity. From 2005 to 2009, the total trade volume between China and the Middle East rose 87 percent, to \$100 billion, and the Middle East's exports to China grew by 25 percent. China is also the top source of its imports, most of them being low cost household goods that increase purchasing power for the average Middle East consumer. For example, a greater number of Egyptians are now able to afford cars due to the availability of cheap Chinese models, and in Gaza, residents lasting with the Israeli blockade have come to depend upon cheap Chinese goods in their daily lives (Chen 2).

Moreover, trade relations between China and the six countries of the Gulf Cooperation Council (GCC) have broadened dramatically over the past decade. The

relationship is dominated by oil, and growing Chinese energy demand makes it likely that large-scale oil flows between the two sides will continue to enlarge. China and the GCC states are also increasing their bilateral economic relations outside oil, a process accelerated by swelling foreign exchange reserves (Coordinator 154).

Furthermore, China invested heavily projects in Saudi Arabia. It became a major player in the regional economy. By building and upgrading factories in the Gulf States, Rather than relying only on Chinese demand, and in a bid to enter new markets, Chinese companies increasingly export refined oil to Europe and Asia, generating hard currency and imposing themselves as significant players in the global energy market (AlTamimi 14).

Middle Eastern governments have also reached out by bringing Chinese workers in to work on major infrastructure project investments. Saudi Arabia borrowed the enterprise China Railway Construction Corporation to work on the Mecca monorail project, which went into operation in November 2010, just in time to prepare the 2.8 million people who arrived for Hajj. Egypt has also partnered with China to develop its Suez special economic zone, and the Iraqi government awarded five separate agreements to Chinese oil companies to develop its long-neglected oil fields. In addition, China signed an agreement with the Iranian government to build a railway line from Tehran to the Iraqi border as part of an overall plan to link the Middle East to Central Asia and China through rail (Chen 3).

Chinese trade with the Middle East has roughly doubled in the past five years. In 2010, China replaced the US as the top exporter to the region. Chinese exports to the Middle East, including Turkey, were worth \$57 billion in 2009, up from \$28 billion in 2005. Chinese imports from the region stood at \$61 billion, up from \$34

billion in 2005. China's global exports for the same period grew 58 percent – from \$760 billion to \$1.2 trillion (Topol Par. 5).

2.4.3. China's Influence in Latin America

China's growing interest in Latin America is a fairly new phenomenon that has developed over the past decade. China's primary interest in the region appears to be to gain greater access to needed resources such as various ores, soybeans, copper, iron and steel, and oil through increased trade and investment. Over the past decade, China has become an increasingly important economic partner for Latin America. But this trend must be placed in proper perspective. Even as trade and investment links between China and Latin America have grown, the United States and Europe are and will continue to be vital trading partners for the region. Moreover, China's rise is only one part of a broader shift towards a world in which emerging markets have greater economic weight. Policymakers in Latin America need to view China's growing influence within the context of both current economic patterns and long-term global trends (Dadush 55).

Nevertheless, other observers contend that China poses a potential warning to United States influence and interests in the region. First, some maintain that by presenting an alternative political and economic model rapid state-sponsored economic growth and modernization together with political authoritarianism, China undermines the United States program to advance political reform, human rights and free trade in the region. People-to-people contact between China and Latin American has been growing in recent years, although it is still very small compared with widespread United States exchanges. In 2006, China established the first Confucius Institute in the region, in Mexico City, with the goal of promoting Chinese language and culture. There is now a second Confucius Institute in Mexico, one in Colombia, and three in

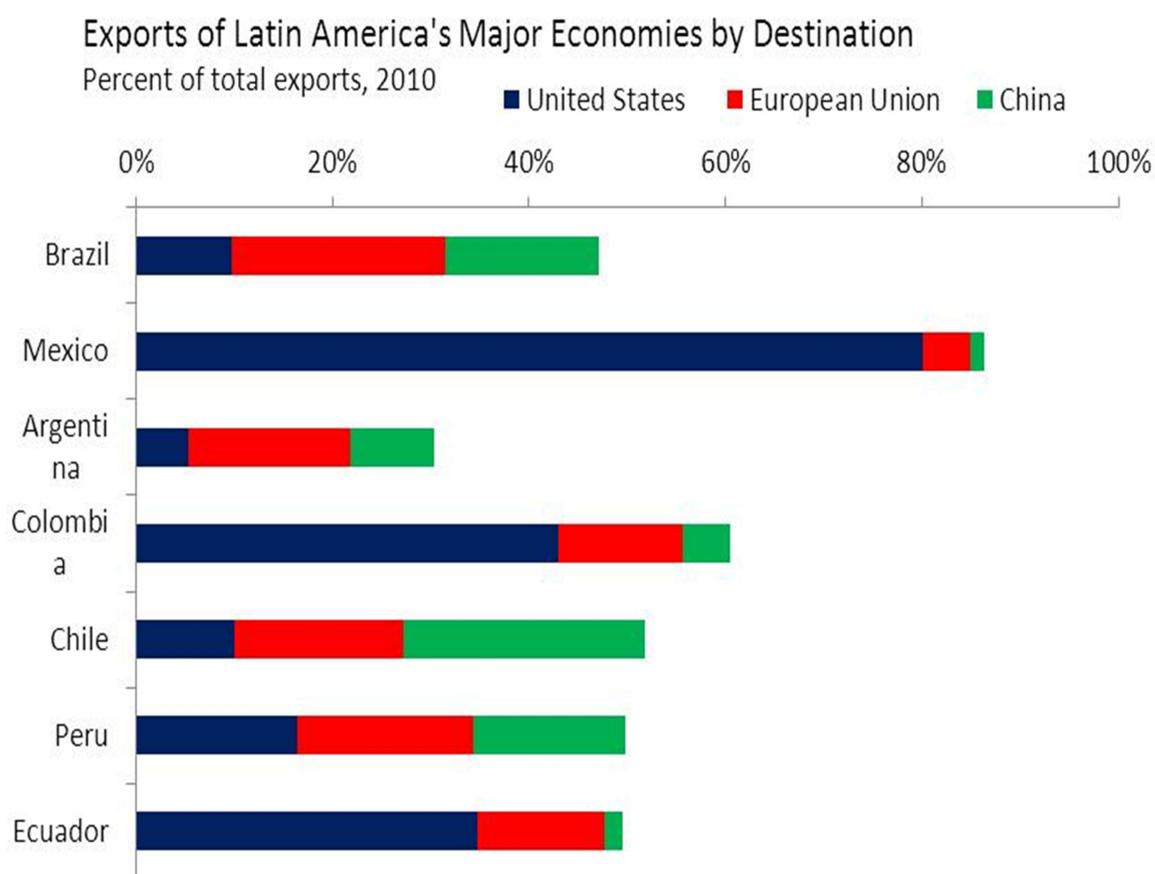
Peru. There are almost 100 sister city relationships between Chinese cities or provinces with their counterparts in 15 countries in the region (Coordinator 173).

Over the past five years, China has designated 17 countries in Latin America and the Caribbean as approved destinations for Chinese citizens to travel as tourists. Such agreements allow the countries to take advantage of the increase in Chinese tourist travel worldwide, which is expected to reach 100 million tourists a year by 2020. Cuba was the first country in the region to receive such status in 2003. Since 2005, 16 more countries in the region have been so designated: Mexico; the South American countries of Argentina, Brazil, Chile, Peru, and Venezuela; the Caribbean nations of Antigua and Barbuda, the Bahamas, Barbados, Dominica, Grenada, Guyana, Jamaica, Suriname, and Trinidad and Tobago; and most recently the Central America country of Costa Rica, which switched diplomatic relations from Taiwan to the PRC in 2007. While Chinese tourism to Latin America to date has not been significant, this could change given the recent tourism agreements with the region as well as the marketing campaigns undertaken by various nations in the region to attract Chinese tourists (Arroba 17).

Clearly Beijing is making its mark in Latin America. In 2000, China was the seventh-largest export market for Latin America and accounted for less than 2 percent of the region's exports. Today, China accounts for 10 percent of Latin America's exports and is the leading export destination for Brazil and Chile. Even so, the United States and Europe remain Latin America's most important trading partners, accounting for 40 percent and 14 percent of its exports, respectively. The United States is, moreover, a key provider of remittances to Latin America accounting for 75 percent of the \$60 billion the region received in 2008 and, thus, a critical source of foreign exchange for many countries in the region (Dadush Par. 6).

As **Figure 3.** below suggests, there is a marked difference between China's importance as an export market for Mexico, which is closely tied to the United States and exports manufactures that often compete with China's, and the natural resource exporters in South America.

Figure 2: Exports of Latin America's Major Economies by Destination



Source: UN Comtrade

According to the United Nations Economic Commission for Latin America, China's foreign direct investment in Latin America reached \$15.3 billion in 2010 and \$22.7 billion in 2011, up from a much lower level in each of the previous nine years. Still, China is the third-largest external investor in the region, behind the United States and the Netherlands, and its share of investment trails the intraregional total.

2.5. Conclusion

Even China is developing its economy rapidly, but it still needs to focus on the humanity. China now is unable to face up to the challenges and controls, execution the country vulnerable to division, corruption and financial/material crises with little hope of becoming a real superpower. But it is able to maintain high economic growth, to reduce inequality and poverty, to improve the natural environment, and to overcome the potential problems of energy and material lack.

Chapter Three:

The Strategies Adopted By the US to Maintain Its Status in the Middle East, Africa and Latin America

3.1. Introduction

China's rapid economic growth and emergence as a major economic power have given China's leadership increased confidence in its economic model. Many believe the key challenges for the United States are to convince China that firstly has a stake in maintaining the international trading system, which is largely responsible for its economic rise, and to take a more active leadership role in maintaining that system; and. Secondly, that further economic and trade reforms are the certain way for China to grow and modernize its economy. For example, by increasing domestic spending and allowing its currency to appreciate, China would import more, which would help speed economic recovery in other countries, promote more stable and balanced economic growth in China, and lessen trade protectionist pressures around the world. Lowering trade barriers on imports would boost competition in China, lower costs for consumers, and increase economic efficiency. However, many American investors are concerned that China's efforts to increase the development of native innovation and technology could result in greater intervention by the state (such as supports, trade and investment barriers, and unfair policies) (Villarreal 6).

The rise of China has posed serious questions about the future of the international order and United States position in the developing global power structure. According to some estimates, China is expected to replace the United States as the world's largest economy by the end of the first quarter of this century. As China's prosperity and confidence keep growing, the ambiguity in Beijing's long-term

intentions coupled with China's rising dominance has and will continue to stir up debates about the viewpoint for United States power and status (Trang 7).

China and the United States use tools of soft power in different ways and with varying effects in the world. Since the mid-1990s, China has adopted an increasingly active and pragmatic diplomatic approach around the world that emphasizes complementary economic interests. In the past decade, Beijing has emphasized relatively short-term, economic "mutual benefits" while using tools of soft power. This method has had a positive impact on public views of China in many countries. China's influence has been strengthened through its increasingly open and sophisticated diplomatic force as well as through public works, and economic investment projects in many developing countries. The United States from the other side has maintained significant strengths, including latent reserves of soft power. It exceeded China in global trade, although China is catching up, and far exceeded China in GDP and foreign direct investment. It has continued to be the dominant external political and military actor in the Middle East and political and economic influence in Latin America. The United States maintained formal alliances in Europe and Asia (Lum 6).

The United States has applied global foreign aid leadership and maintained a major and much appreciated, aid presence in Africa, Latin America and the Middle East.

3.2. The Strategies Adopted By the United States in the Middle East

The growing importance China attaches to the Middle East put the country in danger of confusion to the United States, which has been the unparalleled power in the region since the British withdrawal from the Persian Gulf more than three decades ago. The United States foreign assistance to Asia has increased markedly in the last decade.

The United States Department's Middle East Partnership Initiative (MEPI) has encouraged reform in four areas; politics, economics, education, and women's authorization. The main factor driving Washington's interest in the region is the growing economic and military power of the People's Republic of China (Topol Par. 13).

The United States has responded to these threats or worries with a series of major security cooperation enterprises in the region keened towards containing and discouraging China. These have included organizing United States special forces to the Gulf, making the Gulf Cooperation Council (GCC) states allies in its Combined Air Operations Center (CAOC) in Qatar, sharply increasing the number of multilateral military exercises, especially with the United States fifth fleet, and helping the GCC states make major improvements in their defense capabilities ("China-Gulf Economic Relations" Par. 6).

While the major Western European states and China have cut their weapons exports to the region in recent years relative to the mid-2000s, the United States increased its arms agreements with GCC states by over eight times between 2004-2007 and 2008-2011. Saudi Arabia made the strongest increases, with a nine-fold increase in 2008-2011 in versus 2004-2007. Kuwait, Oman, the UAE, and Qatar have also experienced considerable growth in weapons imports from the United State. The United States also has focused on helping the Southern Gulf states develop their air, naval, asymmetric warfare, and counterterrorism capabilities. It has also helped them develop improved missile defense capabilities, particularly in Qatar and the UAE (Mo 43).

All of these measures represent a United States commitment to the containment and discouragement of China in the Gulf addressing the conventional and

unconventional threats posed to these states. At the same time, the United States has encouraged economic, social, and political reform; the development of energy exports; and the expansion of trade. It remained the leading provider of foreign assistance to many governments in the Middle East, the largest receivers of United States assistance in the region (Mo 159).

3.3. The Strategies Adopted By the United States in Africa

China's broad energy, trade, political, and even military interests in Africa threaten to weaken American and European efforts to promote peaceful, varied, and prosperous societies in the region. To protect and advance American interests and influence in Africa, the United States has maintained some strategies. The United State is viewed favorably in much of Africa, according to a 2007 Pew global opinion election and other elections. Indeed, the United States is more popular in most African countries than in most other world regions. According to the same Pew election, however, many Africans hold highly positive views of China and of the manner in which it is spreading its influence and engaging in Africa. In most countries, respondents viewed both Chinese and United States influence in their countries as considerable, but in many countries, they saw that of China as growing more rapidly than that of the United States. On average among all surveyed countries, 70% saw China's influence as growing more rapidly than that of the United States (Lum 113).

Across Africa, the impact of the United States engagement in Africa is viewed positively in most countries, but substantially more respondents see the results of China's involvement in Africa as helpful. An average of 78% of respondents in 10 African countries viewed Chinese influence as good, while 13% viewed it as bad. By comparison, 60% saw the American influence as good, and 27% saw it as bad. In

several countries, favorable views of China were in the range of 10% to 20% higher than favorable views of the United States (Lom 147).

Moreover, the United States has maintained some strategies. It has made diplomatic relations with each of the 48 countries in sub-Saharan Africa, and maintained embassies in 43 of them. It has also recently established diplomatic ties with the African Union and the United States both maintain ambassadors who are entirely devoted to supporting their mutual relations and to maintain their status there. The United States has also ordered African development within the context of the G8 Group of countries, which have formed an entity called the Africa Partnership Forum (APF) (Sutter 140).

The direct American bilateral and regional assistance to Africa has steadily risen in the last decade under the Bush Administration. The United States also has provided assistance to Africa indirectly, through international aid and development organizations. Bilateral assistance supported the goals and program areas outlined under the Foreign Assistance Framework. In comparison to China, the United States preferred to provide most of its assistance to Africa in the form of conventional Official Development Assistance (ODA), rather than trade finance, export promotion or trade capacity building assistance. Trade promotion and capacity building assistance has, however, grown steadily, from \$80.8 million in 1999 to \$504.8 million in 2007 (Lum 142).

3.4. The Strategies Adopted By the United States in Latin America

United States interests in Latin America includes economic, political and security concerns. Geographic proximity has ensured strong economic relations between the United States and the region, with the United States being the major trading partner and largest source of foreign investment for most countries in the

region. Free trade agreements with Mexico and Canada, Chile, Central America and the Dominican Republic, and Peru have augmented the United States economic linkages with the region. The region is also the largest source of migration, both legal and illegal, with geographic proximity and economic conditions in the region being major factors in the migration. The United States maintained full diplomatic relations with 32 of the 33 independent nations in Latin America and the Caribbean. The exception is Cuba, but even here the United States and Cuba maintain Interest Sections in each other's capitals and, despite comprehensive U.S. economic sanctions on Cuba, the United States is Cuba's fourth most important import market because of the exception to the embargo that allows for the export of agricultural products to Cuba (Coordinator 183).

From other side, the United States started a summitry process with hemispheric nations that advanced regional cooperation in a wide range of areas such as trade, energy, the environment, and anti-corruption, counternarcotic and anti-terrorism efforts. One of them was in 2005 held in Argentina, and two special hemispheric conferences on maintainable development and on economic, social, and political challenges facing the region. The Fifth Summit of the Americas is planned for April 2009 in Trinidad and Tobago. Most efforts to increase North American regulatory cooperation generally have followed recommendations, these recommendations have included. One, increasing the competitiveness of North American businesses and economies through more compatible regulations. Two, making borders smarter and more secure by organizing long-term organization plans, attractive services, and reducing crowding at major border crossings. Three, strengthening energy security and protecting the environment by developing a framework for coordination of energy efficiency standards and sharing technical information. Four, improving access to safe

food and health and consumer products by increasing cooperation and information sharing on the safety of food and products; and Five, improving the North American response to emergencies by updating bilateral agreements to enable government authorities from the two countries to help each other more quickly and efficiently during times of crisis (Villarreal 14).

The OAS (Organization of American States) remains the key multilateral forum in the hemisphere, and the United States remains committed to working through the OAS to resolve regional problems and engage Latin American and Caribbean nations on topic of hemispheric concerns. The United States a key player in the OAS contributes some 59% of regular OAS funding, and also has contributed millions for specialized OAS programs such as the Unit for the Promotion of Democracy and the Inter-American Drug Abuse Control Commission. The United States also plays a key role in international financial institutions such as the World Bank, the International Monetary Fund, and the IDB that provide considerable financial support and development financing for the region. The United States recent policy interests in Latin America and the Caribbean shifted away from security concerns and focused more on strengthened economic relations, but the September 2001 terrorist attacks in the United States resulted in security interests re-emerging as a major United States interest. As a result, bilateral and regional cooperation on anti-terrorism efforts have intensified. The Bush Administration has described the Caribbean region as America's third border, with events in the region having a direct impact on the homeland security of the United States. Cooperation with Mexico on border security and migration issues has also been a key component of the bilateral relationship (Hornbeck 24).

President Bush's visits to the region has increased recently in which he has visited it eight times during his presidency, including six trips to Mexico and travel to

nine other countries in the region. U.S. Cabinet-level and other high-levels visits to the region are common as are visits by Latin America and Caribbean heads of state and other officials to the United States (Hornbeck 12).

3.5. Conclusion

When it comes to the economy, the United States is still the largest developed country and China the largest developing nation. There is a wide gap in the two countries' industry, technology innovation, labor cost and economic scale. The United States and Chinese economies are greatly interdependent and need each other wealth, it is only natural that the Chinese economies are greatly interdependent and need each other to succeed. Further, with a population of more than 1.3 billion and increasing consumer wealth, it is only natural that the Chinese economy will one day be larger than the United States one. Rather than being viewed as a threat, this should be viewed as an opportunity for the American companies to participate, and benefit, from that growth (China and the US economy Par. 8).

General Conclusion

The last decade witnessed many changes in the globe especially in the United States and China. Both are great powers but one is already power and the other one is becoming a rival power. China's rise worries the United States because in the time china was growing the United States was passing in a global crisis. Even though the United States is still number one.

The main concern from this work was the response of the United States towards the economic rise of China, also to see whether this rise decreased its position in the world as a hyper power in the world in the last decade or not. The starting point of this research was to describe both the American and Chinese powers and to emphasize on the new economic rival. Also to compare and follow the influences of both China and the United States in some areas such as Africa, the Middle East and Latin America.

The adoption of a descriptive and analytical methodology allows us to describe data and then explain and analyze it. From the previous data it is noticed that a country must meet three criteria to be a global economic superpower. it must be large enough to significantly affect the world economy. it must be dynamic enough to contribute importantly to global growth .it must be sufficiently open to trade and capital flows to have a major impact on other countries. Three economies now meet these criteria .The United States remains the largest national economy ,the issuer of the world's key currency ,and in most years the leading host (and home)country for foreign investment. The European Union is now the largest economic entity and the largest trader, even excluding commerce within its membership and its euro increasingly competes with dollar as a global currency.

The most pessimistic scenario is that China is unable to face up to those challenges and constraints, rendering the country vulnerable to division, corruption and financial/material crises with little hope of becoming a real superpower. The most optimistic scenario is that China is able to maintain high economic growth, to reduce inequality and poverty, to improve the natural environment, and to overcome the potential problems of energy and material shortage. In this scenario, China may overtake Japan by 2017 and the United States by 2037. China will also become a world leader of science and technology, possessing the world's most advanced space, nuclear, computer, biological, medical, energy and military technologies.

Currently, there are a growing numbers of research papers, which forecast that China will supplant the U.S. as the world's largest economic power by 2050, or 2020, or even 2015 even though some criticisms have been raised on the forecasts.

This research could be considered as the starting point of a more in-depth study of the analysis of the rise of china and the American response in the previous and the coming yers. The results of the analysis of the present research can be a helpful mean to do more researches in civilization and to help students to follow the American evolution power and to follow the evolution of America as a hyper power and what is the fate of this superiority .

List of Abbreviations

GDP: Gross Domestic Product.

BRICS: Brazil, Russia, India, China and South Africa.

WTO: World Trade Organized).

PPP: Purchasing Power Parity.

VAT: Value Added Tax.

OECD: Organization of the Economic Corporation and Development.

FDI: Foreign Direct Investment.

FOCAC: Forum on China-Africa Cooperation.

GCC: The Gulf Cooperation Council.

MEPI: Middle East Partnership Initiative.

CAOC: Combined Air Operations Center.

UAE: United Arabian Emirates.

APF: Africa Partnership Forum.

ODA: Official Development Assistance.

OAS: Organization of American States.

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ملخص

تعتبر الولايات المتحدة اكبر قوة عالمية منذ تفكك الاتحاد السوفياتي, ظلت محافظة على هذه المكانة منذ ذلك

الوقت, تمتلك تأثير عظيم على العالم من كل الجوانب اقتصاديا, سياسيا, عسكريا وعلميا.

في العقد الاخير من الزمن شهد ظهور قوى اقتصادية اخرى مثل: البرازيل, روسيا, الهند, جنوب افريقيا

و بالخصوص الصين بما انها القوة الاقتصادية الثانية عالميا بعد الولايات المتحدة. بعد ثلاثين سنة من الاصلاح أحرزت

الصين نمو اقتصادي واسع و سريع. أيضا حققت تأثير كبير في الفترة الاخيرة على عدة دول مناطق من العالم كأفريقيا

.أسيا و امريكا اللاتينية. اذن نظرا لهذا النمو و الازدهار الاقتصادي,تعتبر الصين البلد الاول الذي يزجج او يقلق مكانة

الولايات المتحدة في العالم.

و بالتالي فلا بد ان الولايات المتحدة قد اتخذت اجراءات و طبقت استراتيجيات للمحافظة على هذه المكانة في السنوات

العشر الاخيرة.