When the Munich Security Conference met in February 2020, China was the most frequently mentioned country, while there was an exaggerated mood of Western decline. Yet as the recent COVID-19 pandemic has shown, China has both strengths and weaknesses. Its initial censorship, suppression of feedback and curtailment of international information allowed the pandemic to develop and fester. Draconian quarantine of Wuhan curtailed its spread somewhat; followed by a government propaganda campaign to attract others to the theme that China’s behavior had been benign. When the pandemic eventually subsides, however, China will be faced with the political and economic costs resulting from the exposure of both a failed public health system and an overly rigid party control system.

Beyond the COVID-19 crisis, we face the larger question of how to frame a strategy toward the inexorably rising China. The perennial theme of Western decline is not new, though the role of China is. Oswald Spengler opined about the decline of the West over a century ago. During the Cold War, American pundits and politicians went through several cycles of belief in declinism that featured fear of the Soviet Union. In the end, however, when it turned out to be the Soviet Union that declined many proclaimed the West triumphant. In his 1992 book *The End of History and the Last Man*, Francis Fukuyama wrote that humanity had reached “the end-point of mankind’s ideological evolution and the universalization of Western liberal democracy as the final form of human government.” A few years later, Samuel Huntington issued a gloomier prognosis in *The Clash of Civilizations and the Remaking of World Order* that “the rise of China and the increasing assertiveness of this ‘biggest player in the history of man’ will place tremendous stress on international stability in the early twenty-first century.” Today the prevailing fear is indeed the rise of China. Accordingly the 2017 version of the National Security Strategy of the United States focuses on great power competition with China, and to a lesser extent with Russia.

In a longer historical perspective, this century is witnessing not the rise, but the recovery of Asia. Western civilization did not fully flower until 1500, and before 1800 Asia (including India and Japan as well

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as China) was home to more than half the world’s population and world economy. By 1900, however, while Asia still represented more than half the world’s population its share of the global economy had fallen to only 20 percent. Meanwhile the industrial revolution in Europe and North America and their domination of the seas made Europe the center of the global balance of power—until it tore itself apart in World War I. As I wrote a decade ago, the 21st century will see the return of Asia, but Asia is much more than just China.2 Asia has its own internal balance of power, and many Asian states welcome a Western presence to make sure they are not dominated by China.3

The United States became the world’s largest economy at the end of the 19th century, but it was not until it tipped the outcome of World War I that it became crucial to the global balance of power. Failing to understand that balance, America retreated into isolationism, and the 1930s was a disastrous decade. Following World War II, Presidents Franklin Roosevelt, Harry Truman, and Dwight Eisenhower avoided the mistakes of isolationism and created the institutions of what would become the Western liberal order.

Some contemporary realists believe the rise of China portends a conflict that will tear the world apart similar to the sundering of Europe in 1914. Graham Allison has warned of a “Thucydides Trap” invoking the history of the Peloponnesian War which was caused by the rise in power of Athens and the fear it created in Sparta. While Allison’s historical cases and numbers have been questioned, his metaphor serves a useful warning.4 Strategists must pay attention both to the rise of China and the fear it creates in the United States.

Assessing Chinese Power
It is equally dangerous to over- or underestimate Chinese power. Underestimation breeds complacency, while overestimation creates fear—either of which can lead to miscalculation. Good strategy requires careful net assessment. Many current, gloomy projections rest on exaggerations of China’s strength and Western weakness. Some observers warn that the rise of China will spell the end of the American era, but this is far from clear.5 Nonetheless, failure to successfully cope with the rise of China could have disastrous consequences for America and the rest of the world.

Contrary to current conventional wisdom, China has not yet replaced the United States as the world’s largest economy. Today China’s economy is only about two-thirds that of the United States, and an even smaller fraction if Europe, Japan, Australia, and other Western allies are included. Measured in purchasing power parity, the Chinese economy became larger than the American economy in 2014, but purchasing power parity is an economist’s device for comparing estimates of welfare, not for measuring power. For example, oil and jet engines are imported at current exchange rates, not some notional purchasing power adjustment. Gross Domestic Product (GDP) is in any case a very crude measure of power. For the first half of its “century of humiliation” that started with the opium wars with Britain in 1839, China had the world’s largest GDP (and military) but that did not accurately describe the balance of power.6 Per capita income gives a better index of the sophistication of an economy; American per capita income is several times that of China.

Many economists expect China to pass the United States someday as the world’s largest economy (measured as GDP in dollars), but the estimated date varies from 2030 to mid-century depending on what one assumes about the rates of Chinese and American growth, and whether either country stumbles along the projected ahistorical linear paths. Past growth rates are not good predictors.

By any measure, however, the gravitational pull of China’s economy is increasing. China is now the world’s largest manufacturer and the major trading
partner of nearly every country in the world. Not only does its growing economy support military and aid expenditures, but access to the Chinese market and its ability to set standards for that market are a significant source of political influence.

As we have seen above, Thucydides famously attributed the outbreak of the Peloponnesian War to two causes: the rise of a new power—Athens, and the fear that created in an established power—Sparta. Most readers focus on the first half of Thucydides assessment, but the second is equally important to strategic planning and more within our control. Most Sinologists properly doubt that U.S. foreign policy can prevent the rise of China’s economy, but if we use our contextual intelligence well, we can avoid the exaggerated fears that could provoke a new cold or worse, a hot war. Even if China someday surpasses the United States in total economic size, that is not the only measure of geopolitical power. As we saw, the United States became the world’s largest economy at the end of the 19th century, but did not become a central player in the global balance of power until three decades later in the context of World War I. Economic might is just part of the equation.
In terms of military might China is well behind the United States. U.S. military expenditure is several times that of China. While Chinese military capabilities have been increasing in recent years and pose new challenges to U.S. and Western forces in the region, China is not a global peer. Nor will it be able to exclude the United States from the Western Pacific so long as the United States maintains its alliance and bases in Japan. Despite its non-nuclear status, Japan anchors the first island chain and possesses a formidable military which exercises regularly with U.S. forces. Despite trade tensions, the U.S.-Japan alliance is stronger today than it was thirty years ago at the end of the Cold War.

Sometimes analysts draw pessimistic conclusions from war games played in the limited context of Taiwan. However, with China’s vital energy supply lines vulnerable to American naval domination in the Persian Gulf and Indian Ocean, it would be a mistake for China’s leaders to assume that a naval conflict near Taiwan (or in the South China Sea) would stay limited to that region.

China has also invested heavily in soft power, the ability to get preferred outcomes through attraction rather than coercion or payment. Cultural exchanges and Belt and Road Initiative (BRI) projects can enhance China’s attractiveness, but the BRI is more like a successful marketing propaganda than a true Marshall Plan for the world. BRI projects range from those that promote economic infrastructure to those designed primarily to contain India. Chinese soft power faces two major limits. Ongoing territorial conflicts with neighbors such as Japan, India, Vietnam, and the Philippines make it difficult for China to appear attractive while contesting rival claims. And domestic insistence on tight Communist Party control deprives China of the benefits of civil society that European countries or the United States enjoy. Authoritarian responses to artists like Ai Wei Wei and dissidents like Liu Xiaobo, or the cultural repression in Xinjiang limit China’s attractiveness in democratic societies. In measuring soft power, opinion polls as well as a recent index published by Portland, a...
London consultancy, ranked China in twenty-sixth place while the United States ranked near the top.\(^9\) Ironically, Mao Tse Tung’s brutal but ideological Communism in the 1960s had a far greater transnational soft power appeal.

China’s huge economic scale matters; it is an inescapable fact. The United States was once the world’s largest trading nation and largest bilateral lender. Today nearly one hundred countries count China as their largest trading partner, compared to fifty-seven that have such a relationship with the United States. China plans to lend more than a trillion dollars for infrastructure projects with its Belt and Road Initiative over the next decade, while the United States has cut back aid. China’s economic success story enhances its soft power, and government control of access to its large market provides hard power leverage. Moreover, China’s authoritarian politics and mercantilist practices make its economic power readily usable by the government. China will gain economic power from the sheer size of its market as well as its overseas investments and development assistance.

Of the seven giant global companies in the age of Artificial Intelligence (Google, Facebook, Amazon, Microsoft, Baidu, Alibaba, and Tencent), three, or nearly half are Chinese. And Chinese companies dare not defy the Chinese Communist Party, rendering them tools in China’s geostrategic competition toolkit. With the world’s largest population, its largest internet audience, and while data resources are becoming the “new oil” of world politics, China is poised to become the Saudi Arabia of big data.\(^{10}\) Overall, Chinese power relative to the United States is likely to increase.

**American Assets**

In assessing the balance of power, it is important to remember that the United States has some long-term power advantages that will persist regardless of current Chinese actions. One is geography. The United States is surrounded by two oceans and benign neighbors that are likely to remain friendly. China has borders with fourteen countries and has territorial disputes with India, Japan, Vietnam, and the Philippines among others. Energy independence is another American advantage.\(^{11}\) A decade ago, the United States seemed hopelessly dependent on imported energy. The recent shale revolution has transformed it from energy importer to energy exporter, and the International Energy Agency projects that North America may be self-sufficient in the coming decade. Meanwhile, China is becoming ever-more dependent on energy imports, and much of the oil it imports is transported through the Indian Ocean and the South China Sea, where the United States and others maintain a significant naval presence. Eliminating this vulnerability will take decades.

The United States enjoys financial power derived from its large transnational financial institutions as well as the role of the U.S. dollar. Of the foreign reserves held by the world’s governments, just 1.1 percent are in yuan, compared with 64 percent for the dollar. While China aspires to a larger role, a credible reserve currency depends on currency convertibility, deep capital markets, honest government, and the rule of law—all lacking in China and not quickly developed. While China could divest its large holdings of dollars, such action would risk damaging its own economy as much as the United States. China dumping dollars might bring the United States to its knees, but it would have a similar effect on China itself.

Power in interdependent relations depends upon asymmetric vulnerability and there are too many symmetries in U.S.-China interdependence at this point, though that might change if there is a much more radical decoupling. Although the dollar cannot remain pre-eminent forever, and American overuse of financial sanctions creates incentives for other countries to look for other financial
instruments, the yuan is unlikely to displace the dollar in the near term.

The United States also has demographic strengths. It is the only major developed country that is currently projected to hold its place (third) in the demographic ranking of countries. While the rate of American population growth has slowed in recent years, it is not shrinking as are the populations of Russia, Europe, and Japan. Seven of the world’s fifteen largest economies will face a shrinking workforce over the next decade and a half, including China whose population will decline by 9 percent, while the U.S. workforce is likely to increase by 5 percent. China will soon lose its first-place population rank to India, and its working age population already peaked in 2015. Chinese worry about “growing old before growing rich.”

America has been at the forefront in the development of key technologies (bio, nano, information) that are central to this century’s economic growth, and American research universities dominate higher education. In a 2019 ranking by Shanghai Jiaotong University, fifteen of the top twenty global universities were in the United States; none were in China.

To challenge U.S. dominance in this domain, China is investing heavily in research and development; it competes well in some fields now, and has set a goal to be the global leader in artificial intelligence by 2030. Some experts believe that with its enormous data resources, lack of privacy restraints on how data is used, and the fact that advances in machine learning will require trained engineers more than cutting-edge scientists, China could achieve its artificial intelligence (AI) goal. Given the importance of machine learning as a general-purpose technology that affects many domains, China’s gains in AI are of particular significance.

Chinese technological progress is no longer based solely on imitation. Although clumsily handled, the Donald Trump administration was correct to punish China for cyber theft of intellectual property, coerced intellectual property transfer, and unfair trade practices such as subsidized credit to state-owned enterprises. Reciprocity needs to be enforced. If China can ban Google and Facebook from its market for security reasons, the United States can surely take similar steps. Huawei and ZTE, for example, should not be allowed to participate in building American 5G networks. However, a successful American response to China’s technological challenge will depend upon improvements at home more than upon external sanctions.

American complacency is always a danger, but so also is lack of confidence and exaggerated fears that lead to overreaction. In the view of John Deutch, a former Provost of the Massachusetts Institute of Technology, if the United States attains its potential improvements in innovation potential, “China’s great leap forward will likely at best be a few steps toward closing the innovation leadership gap that the United States currently enjoys.” But notice the “if.”

Devising a Strategy

The United States holds high cards in its poker hand, but hysteria could cause it to fail to play its cards skillfully. When the Bill Clinton administration published its East Asian Strategy Report in 1995 to cope with the rise of China, we decided to reaffirm the U.S.-Japan alliance well before seeking to engage China in the World Trade Organization. Discarding our high cards of alliances and international institutions today would be a serious mistake. If the United States maintains its alliance with Japan, China cannot push it beyond the first island chain because Japan is a major part of that chain. Another possible mistake would be to try to cut off all immigration. When asked why he did not think China would pass the United States in total power any time soon, the late Singapore Prime Minister Lee Kuan Yew cited the ability of America to draw upon the talents of the whole world and recombine them in diversity and creativity that was not
possible for China’s ethnic Han nationalism. If the United States were to discard its high cards of external alliances and domestic openness today, Lee could be proven wrong.

As China’s power grows, some observers worry we are destined for war, but few consider an opposite disruptive danger. Rather than acting like a revolutionary power in the international order, China might decide to be a free rider like the United States was in the 1930s. China may act too weakly rather than too strongly and refuse to contribute to an international order that it did not create. China knows it has benefited substantially from the post-1945, Western international order. In the United Nations Security Council, China is one of the five countries with a veto. China is now the second largest funder of UN peacekeeping forces and has participated in UN programs related to Ebola virus containment and climate change. China has also benefited greatly from economic institutions like the WTO and the International Monetary Fund, and is a party to the 2015 Climate Accords.

On the other hand, China has started its own Asian Infrastructure Investment Bank (AIIB) and the BRI program of international infrastructure projects that some see as an economic offensive. China has not practiced full reciprocity as a market economy, and its rejection of a 2016 Hague Tribunal ruling regarding the South China Sea raised questions about whether China would treat its legal obligations a la carte (as the United States has sometimes done). American and allied navies’ freedom of navigation operations in the South China Sea remain essential to maintain this point.

Thus far, China has not tried to overthrow but rather to increase its influence within the world order from which it benefits, but this could change as Chinese power grows. Appetites sometimes grow with eating, and Xi Jinping’s rhetoric about China as a great state suggests this could occur. The Trump administration has called China a revisionist power, but so far its revisionism has been quite moderate, unlike extreme revisionist powers such as Hitler’s Germany. China is not interested in kicking over the card table but in tilting the table so it can claim a larger share of the winnings. China’s growing economic power will create problems for the United States and the international order, and this friction will likely continue. The United States will have to manage alliances, networks, and institutions deftly to shape the environment in which China uses its growing power.

As Chinese power increases, the American-led, liberal international order will have to change. China has little interest in liberalism or American domination, but it does have a continuing interest in an “open and rules-based” world order. In the aftermath of the trade wars and COVID-19 pandemic, there is bound to be a degree of disengagement between the two countries. The American approach to an open international economy will need to be adjusted for greater oversight of Chinese trade and investments that threaten its technological and national security objectives, but there is still a basis for fruitful interdependence and rules of the road to govern that independence. The West can also express its disagreement over values and human rights while cooperating on rules of the road related to matters where there are joint interests. Our values are an important source of our soft power.

In late 2017, President Trump announced a new National Security Strategy focused primarily on great power competition with China and Russia. It provided the benefit of a wake-up call, but as a strategy to protect American security, it is inadequate. Under the influence of the information revolution and globalization, world politics is changing. Even if the United States prevails over China as a great power, we cannot protect our security acting alone. COVID-19 is only the latest example of national security challenges that cannot be met unilaterally. Global financial stability is
another; it is vital to the prosperity of Americans, but we need the cooperation of others to safeguard it. And regardless of potential setbacks to economic globalization caused by trade wars, environmental globalization will increase.

Pandemics, climate change, and economic instability threaten all Americans, but we cannot manage these problems alone. In a world where borders are becoming more porous to everything from drugs to infectious diseases to cyber terrorism, we must use our soft power of attraction to develop and cultivate networks and institutions capable of addressing these untraditional challenges.

A successful national security strategy for the United States must begin with the recognition that our size and superpower status mean we have to lead the cooperation effort. A classic problem with public goods (like clean air, which all can share and from which none can be excluded) is that if the largest consumer does not take the lead, others will free-ride and the public goods will not be produced. President Trump’s National Security Strategy says little about these increasingly important transnational threats to national security. As the technology expert Richard Danzig summarizes the problem, “Twenty-first century technologies are global not just in their distribution, but also in their consequences. Pathogens, AI systems, computer viruses, and radiation that others may accidentally release could become as much our problem as theirs. Agreed reporting systems, shared controls, common contingency plans, norms and treaties must be
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pursued as a means of moderating our numerous mutual risks.” Neither tariffs nor border walls can solve these problems. Even with American leadership, success will require the cooperation of others. The United States will have to work more closely with other countries and institutions rather than in the dismissive manner of the Trump administration.

On transnational issues like COVID-19, climate change, and global economic stability power becomes a positive-sum game. It is not sufficient to think in terms of American power over others. We must also think of power in terms of the ability to accomplish joint goals which involves power with others. On many transnational issues, empowering others can help us to accomplish our own goals. The United States benefits if China improves its energy efficiency and emits less carbon dioxide, or improves its public health systems. In the world of the 21st century, institutional networks and connectedness are an important source of national power. In a world of growing complexity, the most connected states are the most powerful. Washington has some sixty treaty allies while China has few, but we are squandering that strategic resource.

In the past, the openness of the United States enhanced its capacity to build networks, maintain institutions, and sustain alliances. But will that openness and willingness to engage with the rest of the world prove sustainable in the populist mood currently dominating American domestic politics, or will we see a 21st century analogue to our isolationism of the 1930s? Even if the United States continues to possess greater military, economic, and soft power resources than any other country, we may not choose to convert those resources into effective power behavior on the global scene. Between the two world wars, we did not and the result was disastrous.

If the key to America’s future security and prosperity is learning the importance of “power with” as well as “power over,” our current strategy is not up to the task. Every country puts its interests first, but the important question is how broadly or narrowly those interests are defined. Recent events have shown an inclination toward short-term, zero-sum transactional interpretations with little attention to institutions or allies. The United States appears to be stepping back from the long-term, enlightened self-interest that marked the security paradigm designed by Roosevelt, Truman, and Eisenhower after 1945, and successfully guided us through the Cold War. The new threat to our security is not just from transnational forces like COVID-19 and climate change but from our domestic failure to adjust own attitudes to this new world.

Conclusion: Cooperative Rivalry

Despite Russia and China’s current alliance of convenience against the United States, a real alliance of authoritarian countries similar to the Axis of the 1930s or the Sino-Soviet alliance of the 1950s is unlikely given the underlying mistrust between Russia and China and the difficulty of coordinating competing nationalist ideologies. Today’s alliance of authoritarians lacks the soft power appeal of the 1950s, though steps will need to be taken to counter their covert “sharp power” threat to democratic values. China makes major soft power efforts to promote its authoritarian social model through economic inducements as well as manipulation of social media. However, while Maoism used to bring protesters onto the world’s streets, it is unlikely that many protesters will march under the banner of “Xi Jinping Thought about Socialism with Chinese Characteristics.”

Since the Nixon era, China and the United States have cooperated despite ideological differences. Rapid Asian economic growth has encouraged a horizontal power shift to the region, but Asia has its own internal balance of power. Chinese power is balanced by Japan, India, and Australia among others. None want to be dominated by China. The United States will remain
crucial to that Asian balance of power. If the United States maintains those alliances, the prospects are slight that in the traditional interstate competition China can drive the United States from the Western Pacific, much less dominate the world. The United States holds the high cards in the traditional great power competition. The question is whether it will play them well.

The more difficult question for an effective national security strategy will be whether the United States and China can develop attitudes that allow them to cooperate in producing global public goods while competing in the traditional areas of great power competition. Exaggerated fears and worst-case analyses may make such a balanced policy impossible. The U.S.-China relationship is a cooperative rivalry where a successful strategy of “smart competition,” as advocated by Orville Schell and Susan Shirk, will require equal attention to both aspects of that description. But such a future will require good contextual intelligence, careful management on both sides, and no major miscalculations. That will be a hard test of the skills of our leaders. PRISM

Notes


13 Lee, AI Superpowers.


17 Michael Mazarr, Timothy Heath, and Astrid Cevallos, China and the International Order (Santa Monica, CA: RAND Corporation, 2018), 4.

19 This section is adapted from my book *Do Morals Matter? Presidents and Foreign Policy from FDR to Trump*. (New York: Oxford University Press, 2020).

