

# No Eclipse

CHINESE CHALLENGES AND THE CONTINUATION OF THE AMERICAN ERA

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The United States enjoys a position of hard and soft power global supremacy that is becoming increasingly challenged by an ascendant China. While China has obvious strengths, it also has substantial weaknesses that foreshadow a less sublime future than many pundits predict. Despite American superiority in most metrics of hard and soft power, there is an increasing perception that China will overshadow the United States in political and economic influence in the 21st century. With its increasing status on the world stage, China already appears to accept this shift as its own form of “manifest destiny” and has demonstrated an unexpected economic and military aggressiveness that is increasingly unsettling to the international community. Despite prognostications about its decline, there are no signs that the United States will cease to be a global power anytime soon.

A broad and holistic analysis of factors such as demography, geography, and key aspects of hard and soft power indicate the continued dominance of the United States in international politics and the global economy. However, rather than consider a zero-sum calculation where increasing Chinese political and economic clout results in an equivalent loss in those spheres for the United States, it is more useful to recognize that both countries will continue to be major players in all aspects of international affairs for the foreseeable future. While China is increasingly assertive on the global stage, the perception of a stagnant United States declining into international obscurity is highly unrealistic. Moreover, despite recent challenges to globalization, the fortunes of both China and the United States will remain largely intertwined due to the large amount of trade conducted between the two countries. From this perspective, China’s continued rise remains highly dependent on the continued strength of the United States.

The 20th century is sometimes referred to as the “American Century.” In reality, it was really the United States as a leader of a group of countries, loosely defined as the “West,” with similar global interests, that has defined the world order after the Second World War.<sup>1</sup> In this respect, the current order is more a continuation of world affairs dominated by Western civilization that has been the norm for several centuries. As an entity, Europe is the largest economy in the world, has a population of 500 million, and has 27 universities ranked in the top 100.<sup>2</sup> Europe is, therefore, wholly invested in the current structure of global economics, politics, and international relations. It is unlikely that, should the Chinese want to remake the world order, they would be successful given the counterweight of the vested interests of Europe, the United States, and other key global stakeholders in the existing system.



Despite its leadership position in world affairs, the national self-esteem of the United States goes through recurring cycles of self-doubt. The political scientist Samuel Huntington once argued that the United States went through several phases of neurosis in the second half of the 20th century: in the 1950s after Sputnik, in the 1960s with Nixon's "multi-polarity," in the 1970s after the Arab oil embargo, and in the 1980s with the "rise of Japan."<sup>3</sup> Now in the early 21st century, an eclipse of American global preeminence by China drives a fear of decline. Moreover, the perception of American decline as a world power has gone international, with polls showing that in "15 of 22 countries surveyed, most respondents said that China either will replace or has already replaced the United States as the world's leading power."<sup>4</sup>

In a *relative* sense, the United States has suffered decline from 40 percent of overall global economic output in the aftermath of World War II. This statistic, however, is tied to a unique and specific time in history when much of the world lay in ruins after a devastating global conflict that left the United States untouched. It also focuses exclusively on economic output while neglecting the multitude of other measures of a nation's power and influence. If economic vitality is the benchmark for global leadership, per capita income provides the best and simplest measurement of a country's economic sophistication and maturity. China's per capita income is only 20 percent of the American level<sup>5</sup> and ranks 99th in the world.<sup>6</sup> Another indicator is the productivity of people and, with a population 5 times bigger and a GDP 2/3 as big, China's workers produce 1/8th of what the average American worker produces.<sup>7</sup> Since China's population will soon begin to decline while the United States' continues to grow, long-term economic prospects indicate that the United States will continue to be dominant for the foreseeable future.

### **Social and Demographic Considerations**

China is the world's most populous nation and has mobilized tremendous human resources to serve as the foundation for 3 decades of rapid economic growth. The Chinese population is expected to peak around 2026 and decline by 3.4 percent by 2050.<sup>8</sup> Contrast that with an expected population growth of 30 percent in the United States through 2050. Raw numbers tell an equally dramatic story: in 1995, some 245 million Chinese were in their 20s; by 2025, there will be only 159 million, a decline within a single generation of 86 million.<sup>9</sup> China, and not the United States, is therefore projected to begin economic decline largely due to the rapid aging of its society.

As a result of falling fertility rates, China's massive population is now shifting from a large national asset to a liability. While falling fertility is common among developing nations shifting away from economies focused on agriculture to industry, China's "One Child Policy" dramatically skewed the demographic outlook of the generations born from the 1980s through the mid 2010s. This dramatic decline in fertility over 3 decades means there are fewer workers to continue to power China's economic ascent. Since China's working-

age population is now expected to decline, Chinese workers will need to improve their productivity dramatically in order to sustain continued GDP growth as a nation. According to the UN's World Population Prospects, the United States is 1 of 9 countries that are projected to be responsible for half of the world's population growth through 2050—a factor that favors continued American economic expansion, even if American productivity per worker stagnates (an unlikely scenario considering advances in robotics and artificial intelligence).<sup>10</sup>

The dependency ratio in China, defined as the ratio between the number of children and elderly (aged 65+) to working-age people, is now increasing and will continue to do so for at least 20 years. There is a positive correlation between falling fertility rates and a rising dependency ratio. The combination of these two demographic phenomenon will cause economic growth to slow for two reasons: first, fewer workers will result in less output; second, the young and old will absorb a greater percentage of support from society. Between 1975 and 2010, China's dependency ratio fell from 80 (100 workers support 80 dependents) to 36, helping set the conditions for dramatic economic growth (demographers refer to this as the “demographic dividend”).<sup>11</sup> The trend is now reversing dramatically, with China's working-age population having peaked in 2012 and is now projected to contract by 23 percent by 2050.<sup>12</sup> As a result, current estimates are that by 2050, there will only be two workers for every retiree in China (down from a 7-to-1 ratio today).<sup>13</sup> The burden of supporting such a large population of dependents with a small number of workers will be a tremendous damper on the economic vitality of the Chinese economy.

Over the past few decades, the largest migration in human history took place when rural Chinese moved to cities. From 1978–2013, the urban population in China rose from 172 million to 731 million (18 percent to 54 percent of the population).<sup>14</sup> This massive influx of unskilled labor was a primary driving force in China's economic explosion since the 1980s. It now appears that China has reached its “Lewis turning point,” where the supply of surplus rural labor is exhausted and wages begin to rise as a result.<sup>15</sup>

There is another migration less obvious, but still important—the migration of affluent Chinese to other countries. Over one-quarter of Chinese worth over \$16 million has reportedly emigrated, with the United States, Australia, New Zealand, and Canada as the most popular destinations.<sup>16</sup> This outward migration is a key indicator of how many affluent Chinese view the future prospects of China. For an aspiring superpower, a large segment of China's upper-middle-class is demonstrating that affluent Chinese do not have confidence in the long-term economic and social prospects of their native land. That cohort seems to believe that the West offers them better opportunities—a truly astonishing sentiment considering that these are the people who have met with the greatest success in modern China.

Another challenge for China is social unrest, which remains a significant concern for the government in Beijing. High inflation, high unemployment, and rampant corruption fueled the tensions that culminated in the bloodshed in Tiananmen Square in 1989.<sup>17</sup> These



sources of tension have lain dormant for almost 30 years as economic advancements have caused the fortunes of all segments of society to improve dramatically. With increasing economic, environmental, and social challenges becoming more pronounced, concomitant large-scale and widespread social unrest is increasingly possible within China. With Gini coefficient (a measure of social equality) estimates for China ranging from 0.47 to 0.55 (which reflect high levels of inequality) and the top 10 percent owning 85 percent of assets, inequality is a potential trigger for social unrest.<sup>18</sup> Amazingly, China has over 200,000 domestic protests every year—a figure certain to skyrocket in the event of an economic shock.<sup>19</sup> Keeping a damper on social tensions is one reason why the Chinese government maintains such draconian control over its population via the media and internet.

Other forms of social unrest include rural-urban tensions and grossly distorted sex ratios that will cause many young men to have difficulty finding a spouse. China has 119 boys for every 100 girls, which will result in over 100 million Chinese men unable to find wives over the next few decades.<sup>20</sup> Similar to the looming labor supply implosion, the “One Child Policy” is largely to blame for the dramatic skewing of China’s sex ratio and serves to eviscerate the claim that centralized, authoritarian leadership is the political model of happiness and prosperity. In this case, the “One Child Policy” had the perverse effect of causing gender-selective abortions to favor male babies for many families since Chinese culture places a premium on male heirs.

A cursory examination of demographic and social factors reveals a China under stress. These considerations already illustrate stark challenges, but they are only the beginning of a more comprehensive survey that paints an even bleaker picture.

## **Geography, Resources, and the Environment**

### ***Geography***

The geographic location of a country is a key determinant when considering access to economic markets, the possibility of conflict along borders, and the ability to project military power. As the third- and fourth-largest countries in the world, both the United States and China are able to support large populations and are blessed with access to an abundance of natural resources. A long coastline close to existing Southeast and East Asian manufacturing hubs has allowed China to leverage increased globalization of supply chains to serve as the final assembly point for many of the world’s manufactured goods.<sup>21</sup> The United States also enjoys long coastlines along the Atlantic Ocean, the Caribbean, the Pacific Ocean, and extensive coastlines around Alaska, Hawaii, and other overseas territories.

Geography has always been important to the security and prosperity of nations, with most economic activity throughout history taking place via trade routes over land. Starting in the 1500s, however, advancements in maritime technology allowed trade routes over water to supplant land-based trade as the preferred method to conduct long-distance commerce.<sup>22</sup>

One second-order effect of this transition was that China's "Silk Road," the world's most lucrative trade route from the 2nd century BCE until the 15th century CE, fell into disuse as maritime routes became more profitable.<sup>23</sup> In today's globalized world, access to the world's oceans provides significant economic advantages to nations with easy access to maritime trade. In this respect, the United States is perhaps the most advantageously positioned country in the world—with direct access to both the Pacific and Atlantic Oceans that provide efficient access to the world's most lucrative markets.

Geographic proximity to military threats and competitors is also an important element of a nation's security. The United States is favorably positioned in this regard, as it has no territorial or other disputes that would cause conflict with its neighbors. China, on the other hand, borders nations with which it has disputes serious enough to potentially result in war. China's strategic concerns stretch back millennia (the Great Wall of China began its initial construction in the 3rd century BCE to defend against Turkic invaders, with subsequent efforts built over centuries to try and keep Mongolian raiders at bay),<sup>24</sup> and China is positioned amongst nations like Japan, Russia, and India whose security interests make them potential adversaries. The United States is able to project its military power overseas without much fear of the ravages of war on its homeland, whereas China must always keep some forces at home to deter potential adversaries in its own neighborhood.

Geography also plays a part in providing access to natural resources, of which water is becoming an increasingly important one. China has 20 percent of the world's population, but only 7 percent of its fresh water.<sup>25</sup> A shortage of fresh water is, therefore, becoming an increasingly concern for the government in Beijing. With ten of the largest rivers in Asia originating on the Tibetan Plateau, Chinese attempts to acquire a greater share of this fresh water through the use of dams is already causing tensions with the various nations downstream.<sup>26</sup> For example, the ongoing construction of a hydroelectric dam and a 1000-kilometer tunnel to divert water from the Brahmaputra River is causing substantial pollution downstream in India, with the future effect to result in dramatically less flow in coming years.<sup>27</sup> Another 600-kilometer tunnel diverting water from the Siang River is having a similar polluting effect and will certainly compound the problem of decreased water flow downstream into the Brahmaputra and Ganges rivers.<sup>28</sup> With riparian tensions rising with its downstream neighbors, China will face increasing challenges in dealing with these countries in the coming years.

China is also finding it increasingly difficult to feed its people, particularly since increased affluence generally translates into higher caloric intake per person in a society. Projections indicate that China will have to import at least 15 percent of its grain requirement from abroad within the next few years.<sup>29</sup>

The Chinese government is currently pursuing a foreign economic engagement policy known as "One Belt, One Road" (OBOR)—now referred to more broadly as the "Belt and



Road Initiative” (BRI). The economic avenues advanced by this initiative are designed to address weaknesses in China’s geographic position, particularly with regard to Chinese access to resources. One critical resource is oil, with over half of Chinese imports coming from the Middle East.<sup>30</sup> The ongoing Chinese construction of a port in Gwadar, Pakistan, with connecting infrastructure projects connecting the port to western China, is a prime example of how China is using the BRI to redress its geographic vulnerabilities by providing a bypass away from the South China Sea.<sup>31</sup> As addressed above, another increasingly critical resource is food.

### ***The Environment***

In 2006, China surpassed the United States as the world’s largest emitter of greenhouse gases and this gap continues to grow.<sup>32</sup> By 2012, China accounted for 24 percent of all global greenhouse gas emissions—more than twice the United States and EU combined.<sup>33</sup> In an era where most of the criticism on environmental policy is levied at the United States for withdrawing from the Paris Climate Accords, it is surprising that a country like China whose pollution is creating a domestic ecological nightmare while concurrently contributing an increasing percentage of global greenhouse gases escapes international scrutiny.

Pollution in China is having a dramatic effect on human health and the ecology of a large percentage of the arable landscape. Common estimates are that more than 70 percent of China’s major lakes, rivers, and streams are severely polluted.”<sup>34</sup> The World Bank estimates that, with 16 of the 20 most polluted cities in the world, air pollution in China contributes to the early deaths of 700,000 people per year.<sup>35</sup> Amazingly, that is the most conservative estimate, with the average being approximately 1.6 million people suffering an early death each year (4000 per day).<sup>36</sup> With an estimated 1 percent of the urban population breathing safe air, it is not surprising that one of China’s leading causes of death is respiratory disease.<sup>37</sup>

Ensuring enough food and water is available for the world’s most populous nation is considered a national security priority for the Chinese government and its encroachment, both economically and territorially, on lands in Asia, South America, and Africa is a result of policies designed to increase food security for their people.<sup>38</sup> This has given China an imperialist bent that, due to effective Chinese propaganda, is largely not acknowledged in the global media. As China continues to suffer the effects of pollution at home, an increasingly aggressive China is likely to emerge on the international scene to secure enough food and water for its large population.

Throughout history, geography has laid the foundation for some civilizations to prosper more than others. While both China and the United States enjoy key geographic advantages such as long coastlines and abundant natural resources, the United States’ strengths are clearly stronger. Just as compelling are the concerns regarding the social and economic impact of pollution on China—a problem much less pronounced in America.

## Economics

The strength of a nation's economy is one of the primary means of measuring "hard power."<sup>39</sup> The United States, with a GDP of \$20 trillion, is the world's largest economy and has held this position since the late 19th century. The Chinese economy is currently the second-largest economy, with a GDP of \$12 trillion. A dramatic 40-year expansion of the Chinese economy to its present size is a reflection of a transition from a Communist command economy towards a more market-driven system through the promotion of the "East Asian developmental strategy" of maximizing exports as a means towards rapid national development.<sup>40</sup>

In the late 1970s, Chinese policy makers developed strategies that would leverage a key strength, their people, while addressing their fundamental weakness—a lack of capital. Fundamental to this policy would be an increased toleration of private enterprise while simultaneously transitioning from capital-intensive heavy industry to labor-intensive light industry to generate foreign exchange needed to import equipment.<sup>41</sup> Key differences between the Chinese version of the "East Asian developmental strategy" and the Taiwanese, South Korean, and Japanese models that preceded it were: the establishment of "Special Economic Zones" (SEZs) to provide foreign firms with incentives to build industry inside of China, the large role of foreign direct investment (FDI) in the expansion of the economy, and the large role that state-owned enterprises (SOEs) continued to play in the Chinese economy.<sup>42</sup>

The impact that FDI played in China's rapid economic development was decisive—much more so than for Japan, South Korea, or Taiwan during their "tiger" years.<sup>43</sup> As a result, almost half of Chinese exports (and three-quarters of high-technology exports) are produced by foreign firms and a substantial portion of the profits eventually get repatriated outside of China.<sup>44</sup>

Two other indicators now point to the approaching end of the rapid growth that created a 4-decade economic miracle in China: increased urbanization and large-scale infrastructure development have now peaked and are already beginning to taper off.<sup>45</sup> In fact, these two factors are interrelated, since the migration of large numbers of rural Chinese required significant investment in infrastructure. As Arthur Kroeber explains: "In each year of the decade 2000–2010, China had to create over 20 million new jobs . . . and build 8 million new urban housing units . . . just to meet the basic employment and shelter needs of its population."<sup>46</sup>

Now that urbanization and infrastructure development are no longer able to sustain high economic growth rates, the future of the Chinese economy will increasingly depend on the flexibility of local governments to change their growth model—something that will be very difficult to achieve based on momentum of the current bureaucratic incentives. For



instance, large infrastructure projects have allowed local officials to impress higher-level visitors with impressive physical construction while also looking good on the GDP growth rate balance sheet due to the significant boost such projects create.<sup>47</sup> Continued reliance on SOEs and the prevention of bankruptcy for loss-making enterprises are policies that will almost certainly continue due to the political reliability of such entities. That will translate into much slower economic growth as a result.

Unlike systems in the West, the Chinese financial system relies heavily on banks, with 80 percent of capital coming from banks and 20 percent coming from stocks and bonds.<sup>48</sup> This is designed to ensure as much political control as possible. The most obvious by-product of such tight control over money is that capital is not allocated as efficiently as it should, stunting economic expansion and development.

Just as Chinese development is reaching a critical phase in its evolution, the economy is finding itself with fewer workers demanding higher wages and better working conditions. This helps contribute to wage-growth and, since wages for unskilled labor is rising at over 10 percent annually, production is now moving from China to other developing Asian countries.<sup>49</sup> The migration of manufacturing out of China will likely result in China falling into what economists call the “middle-income trap.” As wages rise, manufacturers find themselves unable to compete with lower-cost producers elsewhere or, in higher-value-added products, with more advanced economies.<sup>50</sup> This will be a difficult dilemma for Chinese policy makers to solve without increased liberalization of the economy and a loosening of government control.

Energy drives a modern economy and China accounts for almost a quarter of global consumption—30 percent more than the United States and almost double the EU.<sup>51</sup> While China is fortunate to have a large domestic supply of coal, the environmental impact of its coal-fired power plants is causing China to shift much of its energy production to power plants that use oil. As a result, in 2017, China became the world’s largest importer of crude oil, with 70 percent of these imports having to pass through one critical choke point—the Strait of Malacca.<sup>52</sup> Like most metrics of efficiency, China continues to lag—in order to produce a million dollars’ worth of economic output, China uses twice as much energy as the United States and 3 times that of the EU.<sup>53</sup>

While China finds it increasingly difficult to supply enough energy to power its economy, the United States finds itself in the enviable position of challenging Saudi Arabia and Russia as the world’s top oil and natural gas producer. In terms of long-term economic health, this is yet another harbinger of continued US economic strength juxtaposed against an increasing liability for the Chinese.

Other Chinese economic vulnerabilities involve potential property bubbles and debt.<sup>54</sup> According to the IMF, with 27 of 33 Chinese banks failing stress tests in late 2017 and



debt now 234 percent of GDP, there are now significant risks to the health of the Chinese economy.<sup>55</sup> In order to pare down this high debt-to-GDP ratio, capital must be used to pay down the debt—which will adversely effect growth. If it is true that economic growth provides the Chinese government with internal stability, then the economic and social stability of China appears bleak.

While most people see a highly centralized China, recent IMF statistics show that there is substantial decentralization—with 85 percent of government expenditures occurring at the subnational level.<sup>56</sup> In order to fund these expenditures, local governments have had to sell land—another policy that is unsustainable and that has now run its course.<sup>57</sup>

Currency exchange is an important factor when considering global economic power and influence, with the primary medium of exchange being the US dollar. By percentage of global currency trades, the US dollar ranks 1st, the Euro 2nd, the Japanese yen 3rd, and the Chinese renminbi a distant 9th.<sup>58</sup> Furthermore, the dollar accounts for about 60 percent of the reserve holdings of the world's central banks, with the renminbi's share less than 1 percent.<sup>59</sup> This provides the US government with tremendous leverage in global economic markets. The use by merchants and foreign governments also signals that there is a high degree of confidence in the current and future value of the dollar as a medium of exchange. The same is clearly not true of the Chinese renminbi.

In the words of Joseph Nye: “The Chinese economy faces serious obstacles of transition from inefficient state-owned enterprises, growing inequality, environmental degradation, massive internal migration, an inadequate social safety net, corruption, and an inadequate rule of law.”<sup>60</sup> As the preceding paragraphs illustrate, what is considered the inevitable ascendancy of the Chinese economy is very much in doubt. While the United States has its own challenges, it is fortunate to have established institutions and a sustainable model that will ensure its continued long-term dominance in global economic affairs. It is clear that China faces significant social and economic pressures that will create tensions for many years.

## **Military**

For the international community, the most dangerous response to such domestic stress is for the government in Beijing to engage in military adventures abroad as a means to distract its populace from internal issues. The United States has the most modern and capable military in the world, to include the largest and most capable nuclear arsenal to deter against conflict with another nation-state. As with other measures of national power, China is aggressively trying to close its military capability gap with the United States. China's military budget has increased by over 10 percent a year since 1989,<sup>61</sup> but the United States enjoys such supremacy in all aspects of military power that it will be difficult for China to match the American ability to project force worldwide at very short notice.



As discussed earlier, China enjoys a long coastline—but only one. Whereas the United States has unconstrained access to the oceans on its east and west coasts, China is effectively boxed in by several key choke points adjacent to sovereign nations with whom China could potentially enter into armed conflict. Such choke points include the narrow passageways of the Miyako Strait near Okinawa, the Luzon Strait south of Taiwan, and the Malacca Strait at the southwestern extreme of the South China Sea.<sup>62</sup> Unconstrained by choke points such as these, the United States possesses unparalleled ability to project naval power on the world's oceans.<sup>63</sup> From a military security perspective, the United States enjoys much better geographic positioning for both offensive and defensive actions.

China has much of its military capability concentrated in a relatively small geographic area, which would be a liability in the event of conflict. In contrast, the oft-referenced “First Island Chain” and “Second Island Chain” series of American sea and air bases provide strategic depth and allow the United States to deploy forces within striking range of the most critical Chinese commercial and military sites. That is because they are mostly concentrated near the Chinese seaboard for reasons of necessity and economic viability. China will remain vulnerable to interdiction of its seaborne and overland commerce in the event of conflict. Both rely heavily on routes that the United States or its allies could sever in the event of a war. The same is not true for the United States—it is almost impossible to blockade its east, west, and Caribbean coasts in the event of conflict.

### *Alliances*

The American system of alliances around the world continues to reinforce US supremacy in the use of military force. The North Atlantic Treaty Organization (NATO) has escaped the confines of its name and now serves as a military alliance structure that supports common American and European interests in a massive geographic box from the North Atlantic Ocean east to the Baltic Sea, south to the Arabian Sea, and west to the South Atlantic Ocean. In Asia, the United States' alliances with Australia, Japan, and South Korea provide American forces with military basing rights that enable substantial force projection that would be reinforced by these host-nation militaries in the event of conflict—thereby multiplying an already substantial American quantitative and qualitative superiority in military operations. Furthermore, the Australian, Japanese, and South Korean militaries are technically advanced and capable of combined operations with the United States or its other partners.

China and Russia are currently aligning their interests as a counterbalance to American global preeminence and its system of alliances with an alliance of their own. One could argue this now signifies a “Cold War III,” with “Cold War I” (1940s–1960s) consisting of China and the Soviet Union allied against the West and “Cold War II” (1970s–1980s) having China and the United States working together against the Soviet Union.<sup>64</sup> China and Russia, however, have little in common besides an authoritarian-style of governance and are not

natural allies. Historical tensions underlie this relationship, with events like the Treaty of Aigun in 1858 (where China surrendered Vladivostok to the Russians during the “century of humiliation”) and, most recently, the border war between the two in 1969.<sup>65</sup> Some observers, such as Robert Kaplan, even go as far to suggest that Chinese migrants to Siberia are the vanguard of a means to take over parts of Siberia demographically.<sup>66</sup> With increasing tensions with neighboring countries, it is unlikely that China will fight with allies in any potential future conflict with the United States—a consideration that provides tremendous momentum for continued stability in the Asia-Pacific region.

### *Imperialism*

When considering the elements of “hard power,” it is useful to consider the probability of their use as instruments of foreign policy. In recent years, the Chinese government has repeated the mantra of a “peaceful rise” and contrasted its foreign relations with an aggressive and bullying “imperialist” United States. It is true that over the past 100 years, the United States has entered numerous conflicts. These conflicts, however, were fought for ideological or moral objectives where there were no territorial aspirations. Conversely, the People’s Republic of China claims to a “peaceful rise” is at odds with its short and aggressive history that looks to be imperialist in its own right.<sup>67</sup> In total, China has had 23 territorial disputes with its neighbors since 1949, of which 6 involved the outright use of force.<sup>68</sup>

As its economic and military power has grown, China has become increasingly more aggressive in its foreign policy. This aggressiveness is sometimes explained as a method to deflect attention from growing domestic social unrest.<sup>69</sup> In this context, a useful narrative of a “century of humiliation” is intoned to stir up nationalist sentiment and distract the Chinese populace from domestic problems. The problem with the “century of humiliation” narrative is that it neglects two glaring historical facts—that the Yuan (1271–1368) and Qing (1644–1911) dynasties were not Han Chinese, but Mongol and Manchu, respectively.<sup>70</sup> This, therefore, puts the “century of humiliation” into an anti-Western rubric constrained to a period of convenience for the Chinese government. It also provides credibility to the argument that nationalism is a tool to distract the Chinese populace from poor governance at home. A more accurate narrative would be of “centuries of humiliation” that included two of imperial China’s neighbors.

Other indicators of attitude and intent are concerning. For instance, Chinese leaders have created a myth that China has never invaded its neighbors or behaved as a hegemon,<sup>71</sup> yet Chinese actions over the past 70 years refute this claim. Fears of a neighborhood bully are stoked when statements such as “China is a big country and other countries are small countries, and that is just a fact” are made by senior Chinese officials at international meetings (a quote by Chinese foreign minister Yang Jiechi at an ASEAN conference in 2010).<sup>72</sup> While building military support facilities in the South China Sea, in Djibouti, and



in Pakistan may result in an increase in their ability to project military power, the methods the Chinese use to establish these bases are at odds with the concept of a “peaceful rise.”

The most visible form of Chinese expansionism is its ongoing efforts to construct islands in the South China Sea. The South China Sea is important for three reasons: first, it controls the critical sea-lanes providing access between the Indian and Pacific Oceans; second, it has substantial quantities of fish; and third, it contains one of the largest untapped oil and gas reserves in the world.<sup>73</sup> The infamous “9-dashed line” that China uses to claim almost 90 percent of the South China Sea first appeared in 1947—highlighting the assertion that Chinese territorial ambitions are not based on any historical control of this body of water.<sup>74</sup> Chinese claims to the South China Sea are particularly worrisome to the international community because China’s position is that freedom of navigation and overflight are restricted within a nation’s Exclusive Economic Zone.<sup>75</sup> This Chinese position contradicts the legal international recognition that the South China Sea is an international waterway.

A less obvious form of imperialism is what could be called “debt imperialism.” Using the BRI as its vehicle, China is constructing projects with such magnitude and scope that the recipients of this apparent largesse are unable to repay the accompanying loans. When Sri Lanka was unable to make payments on the \$6 billion debt it incurred when it agreed to the joint venture with China, China Merchants Port Holdings company converted debt into equity by taking a 70 percent stake in the Hambantota seaport.<sup>76</sup> Tajikistan’s debt was forgiven in exchange for disputed territory along its mutual border with China.<sup>77</sup> Pakistan is considered the country at greatest risk of exposure to Chinese debt imperialism, with \$50 billion worth of infrastructure projects at high interest rates.<sup>78</sup> While the port at Gwadar is currently being leased for 40 years, defaulting on Chinese debt may see assets such as these placed more permanently in Chinese government hands.<sup>79</sup> Other countries at significant risk include Djibouti (82 percent of debt owned by China) and Kyrgyzstan (71 percent of debt owned by China), with Laos, the Maldives, Mongolia, and Tajikistan also significantly vulnerable to debt being converted into equity by Chinese firms in their own countries.<sup>80</sup>

Despite Chinese attempts to close the military capability gap with the United States, much of their actions are becoming counterproductive for their long-term interests. By demonstrating increased military capability and the increased willingness to use it, China is strengthening American alliances and causing US policy makers to shift resources towards a potential Chinese threat. Even former wartime adversaries such as Vietnam and non-aligned states such as India are so alarmed by aggressive Chinese actions and policies that they are reaching out to the United States as a counterbalance to their own perception of a Chinese threat. The interesting paradox is that as Chinese military and economic policies, actions, and capabilities increase, a corresponding counterbalancing is occurring around their geographic periphery that constrains their long-term strategic interests. The United States faces no such backlash.

## Soft Power

As an affluent and liberally democratic state, the United States is a natural leader in all forms of soft power. American music, culture, innovativeness, education, and sports are recurring world-beaters. In fact, there tends to be a negative correlation between government involvement and amounts of soft power generated within a society. This not only portends continued American dominance in this sphere, but of a sustained Chinese struggle to generate the kinds of soft power that make the United States so appealing to the rest of the world.

Open societies with strong education systems facilitate innovation. When comparing the world-changing inventions from China and the United States, the contrast is stark. Key Chinese inventions include the compass, gunpowder, papermaking, and the printing press—innovations from centuries ago.<sup>81</sup> In its brief history, the United States is the source of such inventions as the electric light bulb, the airplane, television, and the internet. The United States continues to lead in terms of the number, and more important, in the quality of patents produced worldwide. This trend will likely continue based on a US market economy which fosters entrepreneurialism, innovation, and competition—complemented by a strong rule of law to protect patents and other intellectual property. Despite recent moves to promote innovation within China, a society that stifles public discourse and restricts the free exchange of ideas will have a difficult time generating high-quality innovative products or concepts. Under Xi Jinping, China has become even more repressive regarding public information flow—an indicator that China will continue to trail the West in this key aspect of global leadership.<sup>82</sup>

China is promoting authoritarian, centralized government as an alternative to liberal democracy. Such a model, as evidenced by the Great Leap Forward (1958–1961) and the Great Proletarian Cultural Revolution (1966–1969), is equally capable of producing disaster as it is to produce the type of economic miracle that started in the 1980s. In contrast, the American model of governance produces a less efficient and effective government (by design), but also affords a smoother and more sustainable social and economic system. These attributes will continue to elevate bottom-up American soft power over top-down Chinese attempts to manufacture it.

Modern China suffers from a weak legal system that is subject to political control, resulting in a system where violations of intellectual property right (IPR) occur on an unusually large scale.<sup>83</sup> Just as importantly, China is ranked 171 out of 178 in the Press Freedom Index.<sup>84</sup> A free press provides a natural bulwark against both political and economic corruption and without one, Chinese growth will continue to fall short of its potential due to corruption's insidious effects on the economy. Unsurprisingly, China ranks 80th on Transparency International's corruption perceptions index and ranks 28th in economic competitiveness by the World Economic Forum.<sup>85</sup>



Similar to the spectacular boost to American dominance that the dollar gives long-term economic prospects, the ubiquitous use of the English language as the language of diplomacy, commerce, and tourism provides an immeasurable advantage to native English-speaking countries like the United States. Forms of soft power such as the film industry, largely dominated by movies produced in Hollywood, get a substantial boost because they are filmed in English. American dominance in this realm is so great that UNESCO reports that three-quarters of the world's feature films and their resultant revenue are produced by the American film industry.<sup>86</sup>

Other measures of American dominance are easy to find. For instance, the United States has 46 percent of the top 500 transnational corporations.<sup>87</sup> The United States has world-beating information technology (IT) companies like Microsoft, Google, and Facebook. China has no globally dominant IT companies and the only two hardware firms that are partially successful internationally are Huawei and Xiaomei, whose models are described as "80 percent of the quality for 60 percent of the price."<sup>88</sup> Nineteen of the top 25 global brands are American.<sup>89</sup> When new technologies come along, systems within the United States are flexible and have the venture capital necessary to exploit these new technologies quickly. The Chinese top-down, more centralized approach is simply not as nimble, nor as innovative. It is possible to achieve short-term success with a centralized approach to innovation, but only if the concept is already developed first. For example, China may take the global lead in the development of artificial intelligence, but it will do so at great cost (both actual and in terms of opportunity) and is unlikely to be a world leader across a broad spectrum of industries.

A final measure of soft power is its attractiveness as a place to live and raise a family. Whereas the United States continues to attract large numbers of immigrants to its shores, China finds itself in the exact opposite scenario—with millions of people emigrating abroad. Since the 17th century, many Chinese who had the opportunity to emigrate abroad chose to do so, with the preponderance settling in Southeast Asia, North America, and South America.<sup>90</sup> This is a tremendous advantage in favor of the United States since immigrants tend to contribute substantially across the entire spectrum of the economy, from high-tech start-ups (50 percent of those worth more than \$1 billion in 2016 were started by immigrants) to manual labor.<sup>91</sup>

## Conclusion

An analysis of geographic, demographic, social, economic, and military indicators all point to continued dominance by the United States in global affairs. The Chinese economic miracle over the past 40 years is now facing dramatic challenges that will make it extremely hard to compete with the United States in the long term. The demographic implosion of its work force, the aging of its society, and its large debt burden will hobble Chinese economic vitality. Social concerns such as pollution, distorted sex ratios, rural-urban tensions,

corruption, and a lack of press freedoms will likely result in continued authoritarian rule—a style of governing that is anathema to producing world-class innovation and educational institutions. The real danger is that domestic social unrest will cause irredentist territorial claims to result in military conflict—fueled by nationalism and populism designed to distract the Chinese populace from poor governance at home. Based on that possibility, the United States needs to continue its leadership of the existing world order, maintain a credible deterrent to military conflict in Asia (in conjunction with key allies), and continue to promote the aspects of American society that provide it with such effective hard and soft power. The American advantages of English as a native language, a growing population, being the provider of the global currency, and its geographical position astride the Pacific and Atlantic Oceans will continue to reinforce American dominance in world affairs. China has every right to advance the welfare of its people and continue to prosper, but it will have to do so in accordance with existing global norms in conjunction with a global understanding that the United States is not in decline.

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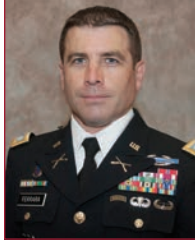
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## Synopsis

An American crisis of confidence, augmented by effective Chinese propaganda, has driven the narrative of the end of the “American Century,” replaced with a Chinese one. An analysis of such metrics as demography, social stability, geography, the environment, economics, military strength and capability, and soft power belies the concept of American decline and shows that China is beset with substantial internal and international challenges that indicate continued United States dominance in world affairs.