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## THE DRAGON CHALLENGER: CHINA'S LONG GAME TOWARD GLOBAL POWER

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**JCSP 41**

***Exercise Solo Flight***

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EXERCISE *SOLO FLIGHT* – EXERCICE *SOLO FLIGHT*

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**China is a sleeping giant. Let her sleep, for when she wakes she will shake the world.**

— Napoleon Bonaparte

## INTRODUCTION

The famous Chinese strategist Sun Tzu once opined the most proficient manner to defeat an enemy is to ‘win all without fighting’.<sup>1</sup> Conversely, history suggests that when two great powers have a divergence of interests and national power parity there is a violent clash with world modifying consequences.<sup>2 3</sup> Since the end of World War II the United States has been thrust into a position as the foremost great power. At a time when isolationists were predominate in US politics, the US replaced Britain as the dominant global power, and surged outward to contain communism. Ideas such as manifest destiny and exceptionalism have resulted in what some academics describe as an American Empire.<sup>4</sup> The image of the American Empire has solidified in world politics with the fall of the Soviet Union, and its ability to intervene with impunity in almost every region of the world. Having trounced communism, the US assumed the role as a hegemon, the sole remaining super-power in a unipolar global system.

Today, the US is suffering under a herculean debt load, and domestic political divisions that have limited its foresight toward a grand strategy. Significant dissent against US policies and institutions has begun to show across the globe, with dissatisfied

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<sup>1</sup> Mark McNeilly, *Sun Tzu and the Art of Modern Warfare*, (Toronto: Oxford University Press, 2001), 11.

<sup>2</sup> Samuel P. Huntington, *Clash of Civilizations*, (New York: Simon & Schuster, 1996).

<sup>3</sup> A.F.K. Organski, *World Politics*, (New York, Knopf, 1968).

<sup>4</sup> Michael Hardt, and Antonio Negri. *Empire*. (Boston: Harvard University Press, 2000).

states looking to China for leadership. While the US remains the foremost superpower of the world, US national power is declining relative to other states. Conversely, Chinese power is rising at rates that will challenge the US within the foreseeable future. Peer like competition between the US and China would return the world to a bi-polar balance of power between east and west. However, as some theorists have suggested potential for one of the dissatisfied great powers to replace the US as the dominant global hegemon exists. The global power structure is cyclical in nature, with dominant powers rising and falling.<sup>5</sup> One thing is certain, no empire in history has lasted forever, and most have fallen under the burden of maintaining power primacy ahead of a rising challenger. While prediction of future geopolitical power is difficult at best, this paper will show that the US is in relative decline, and that China — playing a long game with a grand strategy — aims to become a challenger of US hegemony.

This paper proposes to examine the rise of Chinese national power and the relative decline of US national power through a realist approach. It will investigate competing visions of power, comparing current and future trends. First utilizing the Comprehensive National Power (CNP) approach, it will show that China is deliberately increasing power across of broad spectrum of instruments in an attempt to challenge the US. Second, a comparison of the US DIME (Diplomacy, Information, Military, and Economic) model will show that the US remains the dominant global power, but that China is investing in traditional forms of power in the event of military conflict. The discussion will include the use of several realist theories (Hegemonic Stability, Long Cycle Theory, and Power

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<sup>5</sup> George Modelski, *Sea Power in Global Politics 1494-1993*, (London: MacMillan, 1988).

Transition Theory) to draw comparisons between the rise of the US and fall of the British Empire, and the Rise of China and decline of the US.

### **NATIONAL POWER - The Comprehensive Approach**

National Power is a concept whereby states bring to bear all resources at their disposal to achieve national strategic goals. There are numerous models of national power from which to investigate relative strengths. The first model examined is from the Chinese perspective. In the late 1990s, the CNP approach was developed by academics in the People's Liberation Army (PLA) Academy of Military Science (AMS).<sup>6</sup> CNP analysis utilizes a vast array of variables to mathematically index the relative power of nations.<sup>7</sup> The advantage of the CNP approach is the combination of quantitative and qualitative information, across a wide array of defined variables, including such factors as: military strength, education, natural resource stocks, agriculture, energy, health, poverty, economics, scientific and technological capability, infrastructure, governance, and social development. It includes the four main tenants of the US model of national power, but expands into a deeper understanding of national power focusing less on the military / economic hard power options presented in DIME.<sup>8</sup> The CNP approach shows China indeed has a grand strategy that confronts the US in areas where it is weak, that China is

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<sup>6</sup> Sean Golden, "Chinese perception of risk, and the concept of comprehensive national power", *Copenhagen Journal of Asia Studies*, 29, no. 2, (2011), 97.  
<http://ej.lib.cbs.dk/index.php/cjas/article/viewFile/4028/4411>.

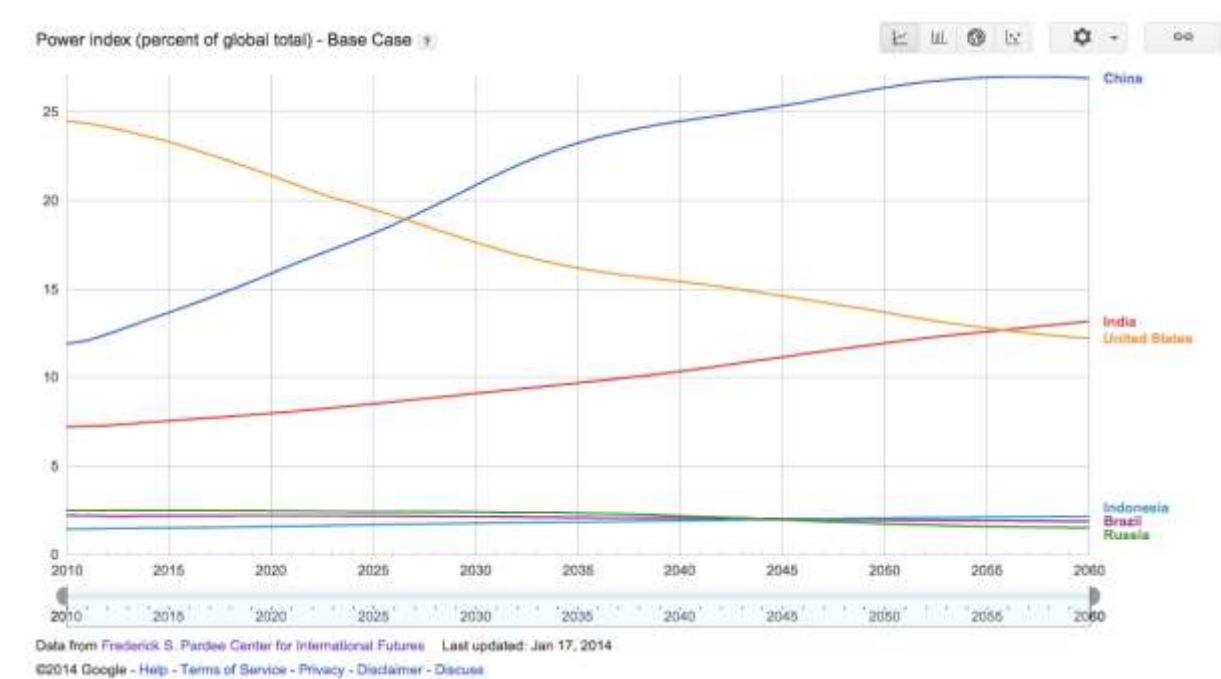
<sup>7</sup> *Ibid*, 105.

<sup>8</sup> *Ibid*, 101 & 103.

playing the long game and focusing on results over decades and not election cycles, and is adjusting the levers of power to adapt to the geopolitical situation.

The original CNP approach itself is exceptionally detailed, and well beyond the scope of this paper, however, as a proxy utilizing similar comprehensive methodology developed by the Frederick S. Pardee Centre for International Futures at the University of Denver, and accessed utilizing Google Public Data Application, the following graphics provide a 50 year snap shot of predicted Comprehensive National Power for select great power states. Figure-1 shows the relative decline of the US, and rise of China and India as major powers over a sixty year period. Of particular note, based on 2014 projections China will reach overall comprehensive power parity with the US around 2026.

Figure 1 – Comprehensive National Power as a Percentage of World Power 2010-2060



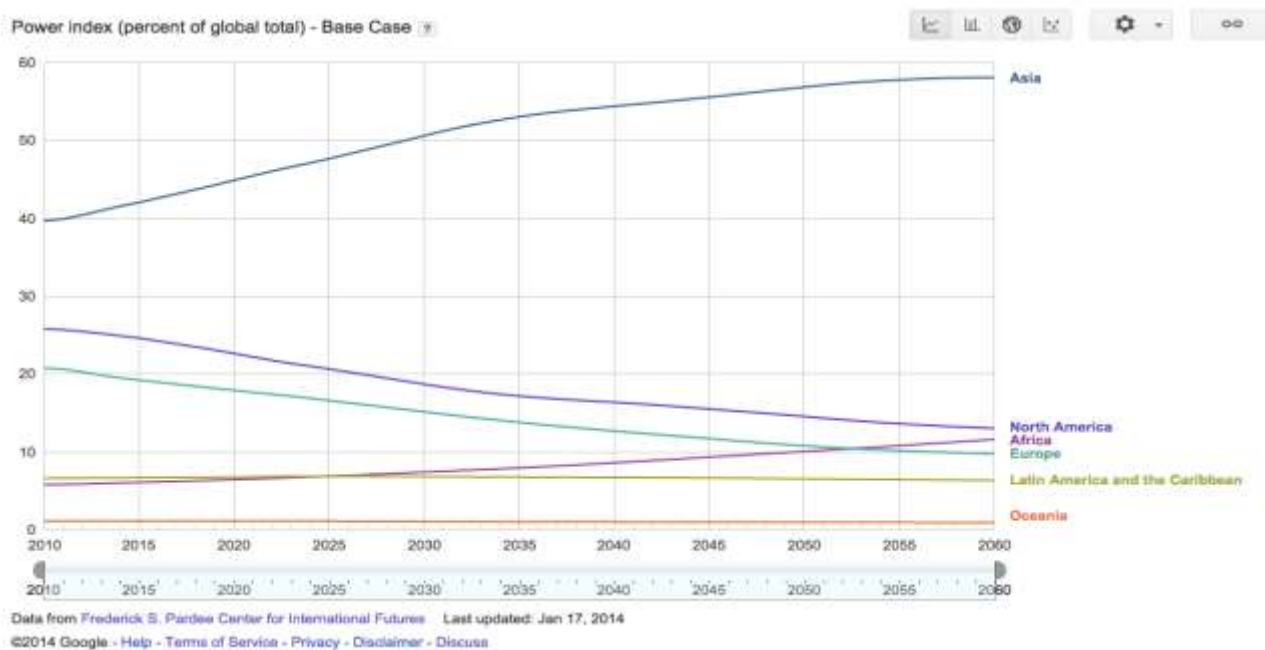
Source: Google Public Data App

It is important to note that CNP is not tantamount to military power, which the US is forecasted to remain dominant well after CNP parity. It does however represent a tipping point where Chinese leaders will find additional confidence, surging economies, and rising levels of wealth that will affect the future military balance over the long term. Moreover, it represents the point where US leadership will be forced to consider the implications of a more powerful nation on the global stage. In fact, the US has already begun to attempt to realign priorities to delay the rise of China through economic partnerships like the Trans-Pacific Partnership, and the strategic realignment of military forces in the “Pacific Pivot.”<sup>9</sup> At Figure-2 the shift in geopolitical power away from Europe and North America (Atlantic centric), toward a concentration in Asia (Pacific centric) is shown as a result of the growth of Chinese and Indian power bases. This makes it clear that a seismic shift in world politics is looming in the not too distance future. Where the world has focused on Europe and North America for centuries as the power centers of global politics, Asia is set to become the very hub of human civilization over the medium term.

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<sup>9</sup> Gopal Ratnam, and Kate Brannen, “Against Other Threats, Obama’s Security Budget sticks to Asia-Pacific Pivot”, *Foreign Policy*, 2 February 2015, <http://foreignpolicy.com/2015/02/02/793982budget-asia-pacific-syria-iraq-russia-ukraine/>

Figure 2 – Regional Power Index as a Percentage of World Power 2010-2060.



Source: Google Public Data

Utilizing the comprehensive approach shows that China is indeed poised to overtake the US as a major global power within the foreseeable future, and that US power is already in decline. The CNP approach is consistent with a peaceful rise of Chinese, and does not place the emphasis on military might, or an inevitable military confrontation. In essence, the CNP represents the long game and grand strategy of returning China to a place of dominance through cultural, social, and economic advances. It represents the ‘win all without fighting’ methodology noted by Sun Tzu. However, one cannot ignore a rapidly expanding Chinese military, and its more aggressive stance on territorial claims in the South China Sea. To analyze China’s potential intentions vis-à-vis an emphasis on confrontation we turn to the DIME model of national power.



## **NATIONAL POWER – DIME**

The second approach to national power is the DIME model developed by the US military. It has a distinct emphasis on more traditional realist notions of power. The DIME model consists of four major instruments of national power, Diplomacy, Informational, Military, and Economics.<sup>10</sup> The DIME model can be further sub-divided into what Joseph Nye labeled ‘hard power’ — the military and economic might that allows coercion as a means of influence— and ‘soft power’ — diplomacy and informational power focusing on persuasion as a means of influence.<sup>11</sup> The focus will first turn to the tenants of soft power contained within Diplomacy.

## **DIPLOMACY POWER**

Diplomacy power is the ability of a nation to form coalitions, alliances, and agreements within the international system, and then use them to influence desired outcomes to its own advantage. Since the end of the Second World War, the US has been the de facto leader of global institutions, with a deep hand in the setting of global norms. Commencing with the United Nations in 1945, the US has held a continuous permanent seat on the Security Council. During the Cold War, the permanent members of the Security Council aligned themselves according to the bi-polarity of the global system. The United Kingdom and France generally supported the US stance on international

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<sup>10</sup> U.S. Department of Defence, *Doctrine of US Armed Forces Joint Publication 1*, (Washington: DoD, 25 March 2013), [http://www.dtic.mil/doctrine/new\\_pubs/jp1.pdf](http://www.dtic.mil/doctrine/new_pubs/jp1.pdf).

<sup>11</sup> Joseph Nye, *Bound to Lead: The Changing Nature of American Power*, (New York: Basic Books, 1990).

security, while China supported Soviet views. A permanent seat on the Security Council would thus seem to be a pre-requisite to hegemony in the current global system. China has been a permanent member since de-seating of the Republic of China in 1971.

In terms of the UN Security Council, China holds a permanent seat, and therefore is no more or less powerful in this respect than the United States. Albeit, the US has used the General Assembly, and indeed has tied aid packages for developing countries to UN votes.<sup>12</sup> In this manner, the US currently exercises some additional influence above that of China within the international governance system. However, as China's wealth increases, the ability to bring economic influence to bear in the diplomatic circles will also increase its own influence. For example, China is now the largest investor of direct foreign investment in Afghanistan.<sup>13</sup> It is also heavily linked to investment in Africa and South America, all of which contain numerous UN members with a propensity to accept investment for favour. China may be able to leverage these nations in the future for specific votes where their interests are contrary to the US.

In terms of alliances, the US became the de facto leader of the NATO in 1949. This alliance directly challenged the Warsaw Pack led by the Soviet Union. Although the Cold War never turned into a violent military confrontation, it was nonetheless a military confrontation that led to the economic collapse of Russia, and the ultimate demise of the

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<sup>12</sup> Axel Dreher, Peter Nunnenkamp, and Rainer Thiele, *Does US Aid Buy UN General Assembly Votes? A Disaggregated Analysis*, (Kiel: Kiel Institute for World Economy, 2006), 14. [https://www.ifw-kiel.de/ifw\\_members/global-images/kap1275.pdf](https://www.ifw-kiel.de/ifw_members/global-images/kap1275.pdf)

<sup>13</sup> Andrew Scobell, Ely Ratner, Michael Beckley, *China's Strategy Toward South and Central Asia An Empty Fortress*, (RAND, Santa Monica, 2014), 56.

Soviet Union. Similarly, China has shown diplomatic leadership in the creation of the Shanghai Cooperation Organization (SCO). The SCO consists of member states — China, Russia, and the Central Asian Republics — that form a regional economic and military alliance. Additionally there are numerous other regional players that have been granted observer status including India, Iran, and Pakistan—all of whom can be seen as potential adversaries to the US. Some scholars have opined that the SCO is China's response to NATO, and may represent a new eastern bloc alliance in an emerging bipolar global system.<sup>14</sup> If this is indeed true, an interesting development has been the granting of observer status to Turkey. Turkey is a long time ally within NATO, but one that has been on the outskirts of the European Union, and less aligned with Western sphere of influence than other members. Turkey acts as a gateway to the east, partially in Europe, and partially in the Middle East. Its geostrategic location makes it a highly sought partner for either NATO or the SCO. What is most interesting is that Turkey has expressed interest in joining the SCO. A major predictor of the future direction of the SCO will be if China requires Turkey to leave NATO if offered membership in the SCO. If Turkey were to turn its back on the US in favour of a new eastward alliance, it would signal a major shift in global influence and likely strain NATO significantly. The Turkish President, Recep Edrogan has even made comments about his willingness to abandon an EU membership in favour of joining the SCO.<sup>15</sup> He has yet to suggest abandoning NATO is an option, but

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<sup>14</sup> Conn Hallinan, "Move Over, NATO and IMF: Eurasia Is Coming", *Foreign Policy in Focus*, 6 October 2014, <http://fpif.org/move-nato-imf-eurasia-coming/>.

<sup>15</sup> Zachary Keck, "Turkey Renews Plea to Join Shanghai Cooperation Organization", *The Diplomat*, 01 December 2013, <http://thediplomat.com/2013/12/turkey-renews-plea-to-join-shanghai-cooperation-organization/>.

from a realist point of view the SCO is an attractive option for Turkey economically and from a security perspective.

Another important facet of the SCO is that it has been granted observer status at the UN General Assembly, Association of South East Asian Nations (ASEAN), Commonwealth of Independent States (CIS), the Organization of Islamic States (OIS), and the European Union (EU). Many of these organizations have not granted the US, or US led organizations similar status. China is now an observer of more international organizations than the United States, which demonstrates both its willingness and ability to engage in a leadership role through diplomacy.

Another area of diplomatic contrast between the US and China is the use of public diplomacy as soft power influence. Public diplomacy is the targeting a nation's population through messaging in order to influence the government. Rather than the traditional state-to-state diplomacy discussed above, public diplomacy occurs between the state and citizenry of another state. The Chinese diaspora around the world is significant. The 2010 US census estimated that 1.3% of the US population — approximately 4 million — are of Chinese descent.<sup>16</sup> The same census also noted that Asian, of which Chinese made up the largest portion, is the fastest growing population within the US.<sup>17</sup> Conversely, the Chinese report that there is no major source of immigration into China other than ethnic Chinese born overseas. Thus while China can take advantage of the

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<sup>16</sup> US Census Bureau, *2010 Census Shows Asians are Fastest-Growing Race Group*, (21 March 2012), [https://www.census.gov/newsroom/releases/archives/2010\\_census/cb12-cn22.html](https://www.census.gov/newsroom/releases/archives/2010_census/cb12-cn22.html)

<sup>17</sup> *Ibid.*

large diaspora in the US to influence the US citizenry, government, and business, the US has very little capability to do the reverse.

China has taken a very proactive approach to public diplomacy. They have set up Chinese Overseas Offices to coordinate and communicate with overseas populations. Embassy and Consuls keep close relationships with the Chinese community, and often attempt to influence the host nation through them.<sup>18</sup> One of the major uses of the diaspora is to promote business and investment in China, provide access to modern education and research, and foster cultural ties with China—all of which will boost Chinese CNP. One of the main efforts of the Chinese government has been the setting up of Confucius Institutes at Universities around the world. Commencing in 2004, the highest levels of the Communist Party oversaw a program to set up a series of Confucius Institutes, each built by the Chinese Government and receive continued funding and personnel support. The stated goal of these centers is to promote the Chinese culture and language, but as Peter Schmidt demonstrates in his article Confucius Institutes pose a risk of political interference in US academic institutions.<sup>19</sup> Since 2004, more than 280 Confucius Institutes have opened in more than 90 countries. Li Changchun, a high-ranking communist party leader described the Confucius Institutes as “an important part of

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<sup>18</sup> Hongmei Li, “The Chinese Diaspora and China’s Public Diplomacy: Contentious Politics for the Beijing Olympic Float in the Pasadena Rose Parade”, *International Journal of Communication* 6 (2012), 2249, <http://ijoc.org/index.php/ijoc/article/view/718/792>.

<sup>19</sup> Peter Schmidt, “AT U.S. Colleges, Chinese-Financed Centres Prompt Worry About Academic Freedom”, *The Chronicle of Higher Education*, (October 2010), A8, <http://chronicle.texterity.com/chronicle/20101022a?pg=8#pg8>.

China's overseas propaganda set-up.”<sup>20</sup> Joseph Nye proposed the use of culture as a means of power; China is aggressively promoting its culture as a counter-balance to that of US culture that dominated the second half of the twentieth century. Conversely, China has been hostile the idea of foreign cultural centres being set up in its own territory.

In terms of comparison between the US and China in diplomacy, the US remains a global diplomatic power, but China is aggressively working to balance the diplomatic lever through targeted challenges to US led institutions. Under the economic power section below, it will be shown that China has begun to develop a new world order, one that will return the global power distribution to a bi-polar system, and take the structural economic power resident within the Bretton Woods system away from the US. Moreover, while China is aggressively expanding its diplomatic efforts worldwide, recent wars in Iraq and foreign policy blunders of both the Bush and Obama administrations have begun to degrade the US standing in diplomatic spheres. Recent leaks of classified communications, and details about US intelligence operations have done irreparable harm to the US reputation—even with allies—within the global diplomatic sphere. Thus while the US still maintains a strong position in global diplomacy, China has shown a strategy which is narrowing the gap, allowing China to become more confident, and take a more active role in global politics.

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<sup>20</sup> n.a., “A message from Confucius; New ways of projecting soft power”, *The Economist*, 22 Oct 2009, <http://www.economist.com/node/14678507>

## INFORMATIONAL POWER

The second portion of the soft power side of DIME is informational power. Informational power can be broken down into two main approaches, first the use of intelligence and information gathering about other states to guide development of strategy, and secondly the messaging being sent regarding your own nation's intentions. Intentions of the US and China vis-à-vis their power relationship will be left for later in the discussion, but a brief mention of intelligence capabilities is useful at this point. In terms of intelligence, the US has a total of 17 federal agencies, with an estimated combined budget of \$67.9 Billion USD, and 200,000 operatives.<sup>21 22</sup> Conversely, little is publically known about Chinese intelligence, but it is believe that the PLA and the Ministry of State Security—the two primary agencies responsible for intelligence in China—have robust capabilities and are active across a variety of military, corporate, and government espionage efforts. The Wall Street Journal reports that Chinese intelligence has wide ranging reach, with an estimate of over 100,000 operatives in the military intelligence branch alone.<sup>23</sup> Without more specific details, comparison of intelligence capability is of little value to this paper, and thus for the purpose of this comparison an assumption has be made that the US and China both have robust intelligence

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<sup>21</sup> Federation of American Scientists, *Intelligence Budget Data*, <http://fas.org/irp/budget/>.

<sup>22</sup> Tom Bunghart, *US intelligence budget: \$75 billion and 200,000 employees. Fusion centers will have access to classified military intelligence*, last modified [accessed]10 May 2015, <http://www.globalresearch.ca/big-brother-fusion-centers-part-of-us-domestic-intelligence-and-surveillance-apparatus/15386>.

<sup>23</sup> James, T. Arredy, Paul Mozur, and Danny Yadron, "From Mountains, Island, Secret Town, China's Electronic Spy Shop Watches", *Wall Street Journal*, (July 7, 2014), <http://www.wsj.com/articles/chinas-spy-agency-has-broad-reach-1404781324>.

organizations and are at relative parity. Where the US may have greater technological means, China holds advantage in numbers, and is an authoritarian regime making penetration more difficult. Turning to the most critical portion of national power, we shall examine economic power as a critical point of comparison.

## **ECONOMIC POWER**

Hard power is the use of resources to coerce, or protect one's self from coercion by an adversary. Economic power is the enabler of both hard-power and soft power. In terms of soft power, economic prosperity can increase many of comprehensive approach factors such as health, infrastructure, energy, poverty reduction, etc. Equally, economic power is the main enabler of military procurement, and thus is closely linked to national power. As a tool of hard power, prosperity can also be used to provide aid and investment in foreign countries increasing influence. Thus, a great power, or one that desires to achieve hegemonic status must pursue a robust economic agenda in order to be able to afford power primacy.

Closely correlated with economic power, many realist theories about global politics such Charles Kindleberger Hegemonic Stability Theory suggests a strong economic hegemon brings order to the international system, and creates mutually beneficial institutions that foster stability. In his work *The World in Depression: 1929-1939* he suggests that the cause of the great depression was a lack of a strong economic



hegemony that could impose stability on the global system.<sup>24</sup> Likewise, George Modelski draws concludes economic power is cyclical.<sup>25</sup> A strong economy allows a great power to invest in a strong military (navy specifically). The result is maintenance of power primacy over global trade, and a long period of global stability. He suggests the cost of maintaining military primacy in the face of a challenger nation is ultimately what causes the hegemon to fail. He shows that the cyclical nature of power is closely related to the cyclical nature of economics, and the frequency of cycles is approximately 100 years.<sup>26</sup> Most alarming under the current investigation is Abramo Organski's Power Transition Theory. Here a challenger state that reaches relative power parity with a hegemon, and is dissatisfied with the existing global system will likely instigate a violent conflict.<sup>27</sup> Below it is shown that a number of indicators suggest China is reaching economic parity with the US, is dissatisfied with the current world order, and is willing to accept the role as a challenger state. Moreover, we can also see that is has been approximately 100 years since the US became the dominant power, and the cost of maintaining power primacy is to crippling it economically.

The ability to influence nations through economic and business is core to both the US and Chinese strategies. The US has been the dominant economy since the turn of the twentieth century. The US saw unprecedented level of economic growth following the American Civil War. Led by the industrial revolution and mass investment, the US saw

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<sup>24</sup> Charles P. Kindleberger, *The World in Depression: 1929-1939*, (Los Angeles: University of California Press, 1973).

<sup>25</sup> George Modelski, *Long Cycles in Global Politics*, (Seattle: University of Washington Press, 1987).

<sup>26</sup> George Modelski, *Sea Power in Global Politics 1494-1993*, (London: MacMillan, 1988).

<sup>27</sup> Abramo Organski, *World Politics*, (Boston: Knopf, 1968).

its GDP growth rate reach 6.8% in real terms.<sup>28</sup> The US overtook Britain by various GDP measures (real GDP, GDP per capita, and GDP PPP) between the 1890s and end of World War I. It must be noted that the surge in US economic power was closely related to the industrial revolution (US overtook Britain in manufacturing output in 1880), increased infrastructure investment (a 567% increase in railways in the US), increase in energy consumption (800% increase in coal production), increased population (doubled from 50 million in 1880 to 105 million by 1920).<sup>29</sup> <sup>30</sup> Conversely, 100 years on and China's economy is showing comparable indicators and trends to the US at the close of the nineteenth century.

China's economic rise began in the late 1970s with the introduction of market reforms. By the mid 2000s, China saw the results of these reforms with a prolonged period of real GDP growth rates in the double digits maximizing in 2007 at 14.2%<sup>31</sup> Even after the financial crisis of 2008/09, China was able to maintain an annual GDP growth rate of 7.7%<sup>32</sup> With per capita income rising, more Chinese are entering the market in the

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<sup>28</sup> Rohit Murthy, "Economic History: At what point did the US become the biggest economy in the world?", last modified [or accessed] 10 May 2015, <http://www.quora.com/Economic-History/At-what-point-did-the-US-become-the-biggest-economy-in-the-world>.

<sup>29</sup> *Ibid.*

<sup>30</sup> US Census Bureau, Census data from 1880, 1890, 1900, 1910, and 1920.

<sup>31</sup> World Bank, *GDP Growth Rate (annual %)*, last modified [accessed] 10 May 2015, <http://data.worldbank.org/indicator/NY.GDP.MKTP.KD.ZG?page=1>.

<sup>32</sup> *Ibid.*

middle class ,and thus driving additional demand and consumption which further fuel GDP growth.<sup>33</sup>

China's impressive economic expansion is a result of urbanization, industrialization, and a shift in world manufacturing toward cheaper labor. As of 2014, the US economy remains the largest in absolute terms, with an estimated GDP of \$16.8 trillion USD.<sup>34</sup> China seems a distant second at \$9.2 trillion USD.<sup>35</sup> However, given the cost of living differences between the US and China, a more relevant measure of economic power is GDP adjusted to Purchasing Power Parity (PPP). The World Bank reports in 2013 that China and the US are almost at parity in GDP PPP.<sup>36</sup> Indeed, it is estimated that during 2014 China overtook the US as the largest economy.<sup>37</sup> Figure-3 shows that based on current IMF and World Bank predictions for GDP growth and inflation, China will overtake the US in absolute terms between 2021, and 2022.

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<sup>33</sup> Dominic Barton, "Half a Billion, China's Middle Class Consumers", *The Economist*, (May 30, 2013), <http://thediplomat.com/2013/05/half-a-billion-chinas-middle-class-consumers/>.

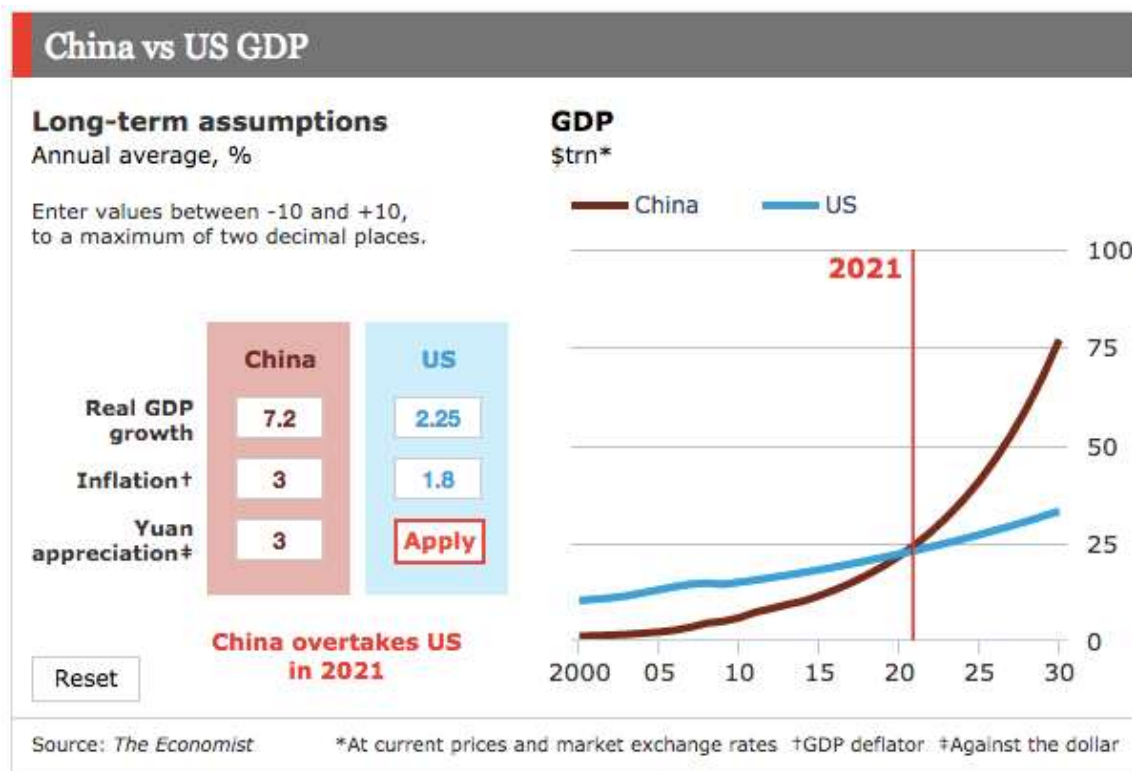
<sup>34</sup> World Bank, *GDP (in current US \$)*, last modified [accessed] 10 May 2015, <http://data.worldbank.org/indicator/NY.GDP.MKTP.CD>.

<sup>35</sup> *Ibid.*

<sup>36</sup> World Bank, *Gross Domestic Product 2013 PPP*, last modified [accessed] on 10 May 2015, [http://databank.worldbank.org/data/download/GDP\\_PPP.pdf](http://databank.worldbank.org/data/download/GDP_PPP.pdf)

<sup>37</sup> International Monetary Fund, *Select Data Report on GDP PPP 2014*, last modified [accessed] 10 May 2015, <http://www.imf.org>.

Figure 3 – US and Chinese GDP Growth Predictions based on Current IMF data



Source: The Economist

The implications for China reaching parity with the US are considerable. As indicated in Power Transition Theory, a near peer great power that becomes dissatisfied with the global system is likely to resort to war. We must then ask if China is satisfied with the current global economic system? Indications are it is not.

The US was instrumental in setting up the Bretton Woods institutions including the International Monetary Fund, World Bank, and World Trade Organization (originally GATT). Americans heavily influenced all of these institutions when they were designed, and they have allowed the US to maintain structural power over the world economic

system. After World War II when the Bretton Woods system was set up, it created a system of dependence on the US dollar. Having the US at the center of the international banking, monetary, and trade system allowed it to take advantage of the system for its own economic gains.

Originally set up to assist in the rebuilding of Europe post World War II, the World Bank has become a means for the US to control development aid across the globe. Moreover, the International Monetary Fund was also set up to help deal with balance of payments and economic crisis's. Both organizations provide loans with significant terms attached, including mandatory structural or Austerity reforms that are often seen as damaging.<sup>38</sup> As developing nations attempt to seek loans for aid, developmental assistance, or favourable trade deals, it has been noted that the system sets conditions which favour the US and Western capitalists over developing nations needs.<sup>39</sup> As such, numerous developing nations have sought an alternative option, and have looked to China to show leadership.

With China's wealth exploding, it is able to directly challenge Bretton Woods. The BRICS (Brazil, Russia, India, China, South Africa) created the New Development Bank in 2014 to provide a competing international banking system with more favourable terms for developing states. This system comes into direct competition with the Western

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<sup>38</sup> Eric Rugley, "IMF Admits it Botched Bailout of Greece", *Globe and Mail*, (5 June 2013), <http://www.theglobeandmail.com/report-on-business/international-business/european-business/imf-admits-it-botched-bailout-of-greece/article12363807/>.

<sup>39</sup> Asad Ismi, "Impoverishing a Continent: The World Bank and the IMF in Africa", July 2004, <http://www.halifaxinitiative.org/updir/ImpoverishingAContinent.pdf>.

(US) dominated World Bank, and IMF. Moreover, the New Development Bank is not the only direct challenge to US financial domination. The Asian Infrastructure Investment Bank (AIIB) is being set up by China as an additional direct competitor to Bretton Woods.

The AIIB, which is due to become operational by the end of 2015, will be responsible to invest in regional infrastructure development in Asia. What is interesting about the AIIB is that numerous non-Asian, and indeed non-Chinese aligned governments have signed on, or are awaiting approval to become members. While the US opposes the creation of AIIB, many of its traditional allies including the UK, France, Germany and Canada have been approved, or have expressed interest in joining. The US attempted to block traditional allies from becoming members, but was unsuccessful.<sup>40</sup> This is particularly interesting as these initiatives not only directly challenge US dominance in world banking, but have also show China to be a capable diplomatic operative. This surge in wealth and a new world banking opportunity will only serve to increase China's use of hard power economics for its own benefit. As the world turns from US institutions, China and the US potentially move closer to exercising hard power options. As such, we shall turn attention to the military dimension of national power.

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<sup>40</sup> George Parker, and Anne-Sylvain Chassany, "Europeans Defy US to Join Chinese Development Bank", *Financial Times*, 16 March 2016.

## MILITARY POWER

Military power is the means by which a nation uses physical coercion to influence other nations, or deter actions against it self. There are two portions of military power, deterrence and offensive capability. Deterrence is aimed at preventing other powerful nations from attempting to coerce or interfere with a nation's goals or outcomes. Deterrence comes in several forms. To be considered a hegemonic state, a nation must have a large and capable standing military.<sup>41</sup> Moreover, to be considered a great power, a state must have a guarantee of sovereignty by means of a nuclear capability. Such a capability ensures that no other great power can coerce you into action you are otherwise unwilling to take. The Mutually Assured Destruction (MAD) doctrine ensures that rational actors remain below the nuclear threshold. Given that both the US and China posses nuclear deterrence, the focus on this section will be on convention power.

Since the turn of the nineteenth century, the US has maintained a robust military capability. Indeed, as the Cold War progressed, it was ultimately the Soviet Union's inability to keep up with US military supremacy that was a major contributing factor to its demise. Since the fall of the Soviet Union, the US has been the predominant military power with no other nation being considered a peer or near peer competitor. The US has maintained such a commanding lead in capability, that it will be a significant number of years before China could be capable of direct conflict with the US. Nonetheless, China

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<sup>41</sup> Covarrubias, Jack, "The US - Reluctant Sheriff or Potential Hegemon?", *American Diplomacy*, Last modified [accessed] 12 May 2015, [http://www.unc.edu/depts/diplomat/archives\\_roll/2003\\_04-06/covarrubias\\_us/covarrubias\\_us.html](http://www.unc.edu/depts/diplomat/archives_roll/2003_04-06/covarrubias_us/covarrubias_us.html)

has undertaken an aggressive modernizing and procurement campaign to increase its military capabilities.

In terms of the current situation, the US defence budget is estimated to be \$581 billion USD.<sup>42</sup> China's defence spending is estimated at \$129.4 billion USD.<sup>43</sup> Even adjusted for purchasing power parity (an increase of 67%), the Chinese Defence budget is only estimated at \$215 billion. Moreover, the US maintains a technological and equipment advantage over China that is staggering. In naval terms, the US maintains a 10:1 ratio of aircraft carriers and amphibious assault vessels.<sup>44</sup> Although China has undertaken to build additional carriers, it is unlikely that they will ever possess more naval airpower than the USN. In terms of Submarines, and surface combatants China was reached relative parity, both in terms of numbers and technological capability. From an air power perspective, the US maintains an overwhelmingly superior force both in terms of numbers and technological advancement.<sup>45</sup> Finally, from a land power point of view China has a 2:1 numerical advantage with a large lag in technological capability.<sup>46</sup>

What is poignant is the rate at which China is modernizing its military forces, and that the US military has been stagnating due to budgetary constraints. Moreover, as China's wealth grows its vast population allows for significantly more expansion than is

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<sup>42</sup> International Institute for Strategic Studies, *Military Balance 2015*, (London: Routledge, 2015), 21.

<sup>43</sup> *Ibid.*

<sup>44</sup> *Ibid.*

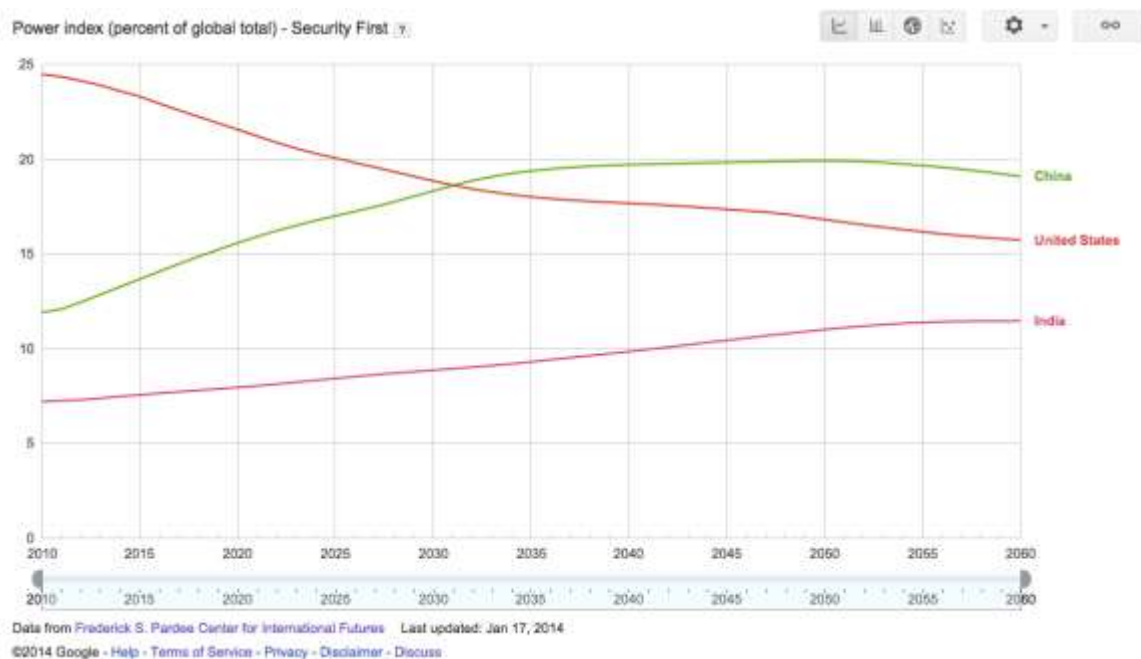
<sup>45</sup> *Ibid.*

<sup>46</sup> *Ibid.*



possible in the US context. China has been increasing defence spending at double-digit rates for several years, and has indicated an intention to continue the process.<sup>47</sup> Moreover, working with Russia, China has purchased its first operational air craft carrier, and has begun a modernization of its Air Force. In contrast, the US has been forced to hold defence-spending flat in real terms due to sequestration and national debt ceilings. This slow down in augmenting military power for the US will allow China to rapidly close the gap. Figure-4 provides a prediction of 2031/2032 of when Chinese military power will reach parity with the US based on current spending projections.

Figure 4 – Military Power Projections as a Percentage of Global Military 2010 – 2060



Source: Google Data

<sup>47</sup> n.a., “China military budget to rise 10%”, *BBC*, last modified [accessed] on 11 May 2015. <http://www.bbc.com/news/world-asia-china-31706989>.

## CONCLUSION

This paper has examined the power relationship between the US and China. The Comprehensive National Power approach relies on numerous variables that focus primarily on soft power, and allow a more refined approach to adjusting the national grand strategy. CNP suggests that the US and China are approaching power parity within the next decade. That being said, China has shown that it has considered a realist approach to national power, and thus hard power cannot be discounted. From the perspective of DIME, we can note that the US remains the current dominant power, however, China is rapidly increasing its power across all four instruments of national power. From a diplomatic point of view, China is aggressively engaging the international community to develop new alliances, and challenge the current system put in place by the US. The emergence of the Shanghai Cooperation Organization as an economic and military alliance of the eastern bloc, shows China's willingness to engage with traditional adversaries such as Russia to balance US power. Taking advantage of a populous diaspora around the world, China is highly active in public diplomacy working to increase its soft power through cultural exposure, education, and influence of host nation citizenry. From an informational point of view China and the US are both highly active in intelligence and influence operations worldwide. Where a significant divergence shows is economically. While US GDP growth has slowed to less than 1/3<sup>rd</sup> of China, and it struggles to deal with a mounting debt, China surges forward. Anchored by manufacturing and a growing middle class, China's GDP has seen phenomenal growth over the past several decades. Based on Purchasing Power Parity China has already overtaken the US economy. Predictions suggest that China may well be able to overtake the

US economy in absolute terms in the medium term. As the Chinese economy surges forward it provides a new found confidence and willingness for China to engage on the International Stage. Given that the economy is the enabler of the other forms of power, it will be inevitable that they grow together. Finally, militarily the US is still the dominant power. While the gap between numbers of forces and equipment continues to close, it will still be a significant amount of time before China has the ability to confront the US militarily. The US maintains a commanding lead in technology, and air power (both at sea and over land). However, given the modernization programs currently underway in China, combined with a lack of growth in US defence spending, it is foreseeable that China may reach military parity during the 21<sup>st</sup> century.

This investigation has shown that the US is a hegemonic power in relative decline to a rising challenger. China has emerged as a global powerhouse having reformed itself over a few short decades. In less time it is foreseeable for China to reach parity and surpass the US. What remains to be seen, and is a topic for a future investigation is what will happen when the US is overtaken by China. History suggests that a period of violent hegemonic war will occur as the cycles of global power continue to shift. Conversely, emerging theories of Dependence Theory make such a war against the interests of both parties. What has changed from the historical narrative is this cycle nuclear weapons and cyber warfare are available to both the dominant power, and the challenger state. This may have a significant impact on the transition between hegemons, and the stability of the global system.

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