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Stop Obsessing About China

Why Beijing Will Not Imperil U.S. Hegemony

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The United States is a deeply polarized nation, yet one view increasingly spans the partisan divide: the country is at imminent risk of being overtaken by China. Unless Washington does much more to counter the rise of its biggest rival, many argue, it may soon lose its status as the world's leading power. According to this emerging consensus [1], decades of U.S. investment and diplomatic concessions have helped create a geopolitical monster. China now boasts the world's largest economy and military, and it is using its growing might to set its own rules in East Asia, hollow out the U.S. economy, and undermine democracy around the globe. In response, many Democrats and Republicans agree, the United States must ramp up its military presence in Asia, slap tariffs [2] on hundreds of billions of dollars of Chinese goods, and challenge China's influence worldwide.

But this emerging consensus is wrong and the policy response misguided. China is not about to overtake the United States economically or militarily—quite to the contrary. By the most important measures of national wealth and power, China is struggling to keep up and will probably fall further behind in the coming decades. The United States is and will remain the world's sole superpower for the foreseeable future, provided that it avoids overextending itself abroad or underinvesting at home.

The greatest risk for U.S. strategy, accordingly, lies not in doing too little but in overreacting to fears of Chinese ascent and American decline. Instead of hyping China's rise and gearing up for a new Cold War, Washington should take more modest steps to reinforce the existing balance of power in East Asia and reinvigorate the U.S. economy. To keep the peace, U.S. leaders should seek to engage rather than alienate Beijing, safe in the knowledge that long-term geopolitical trends will favor the United States.

MEASURING WHAT MATTERS

The main piece of evidence typically cited for China's supposedly inexorable rise is its large gross domestic product (GDP), along with various other statistics that are essentially sub-components of GDP, including industrial and manufacturing output; trade and financial flows; and spending on military, research and development (R&D), and infrastructure. These gross indicators, however, are terrible measures of a country's power. As I show in a new book [3], they fail to track the rise and fall of great powers over the past 200 years and perform little better than a coin toss at predicting the winners and losers of international disputes and wars.

In fact, by these very measures, China was at the top once before: in the nineteenth century, China had the world's largest economy and the largest military. It also ran a trade surplus with other great powers. Yet many Chinese citizens today think of this era as a "century of humiliation" during which their country lost huge chunks of territory and most of its sovereign rights to smaller rivals, most notably the United Kingdom and Japan. Similarly, nineteenth-century Russia had Europe's largest GDP and military, but it suffered a series of crushing defeats by the United Kingdom, France, and Germany that culminated in the collapse of the Russian empire in 1917. In the last century, the Soviet Union outpaced the United States by most measures of gross resources, including industrial output, military and R&D spending, and the number of troops, nuclear weapons, scientists, and engineers. It still lost the Cold War.

These and hundreds of other cases illustrate a simple but crucial point: gross indicators such as GDP and military spending exaggerate the power of populous countries, because they count the benefits of having a large workforce and a big military but not the costs of having many people to feed, police, protect, and serve.

A big population is obviously an important asset. Luxembourg, for example, will never be a major power, because its economy is a blip in world markets and its military is smaller than Cleveland's police department. But a big population is no guarantee of great power, because people both produce and consume resources. One billion peasants will produce immense output, but they also will consume most of that output on the spot, leaving few resources left over for power projection abroad.

To become a superpower, by contrast, a country needs to amass a large stock of economic and military resources. To do this, in turn, it must be big and efficient at the same time—not one or the other. It must not only mobilize vast inputs but also extract as much as possible from these inputs. In short, a nation's power stems not from its gross resources but from its net resources—the resources left over after subtracting the costs of making them.

MIGHT MAKES RIGHT, BUT WHAT MAKES MIGHT?

The list of these costs is long. For starters, there are production costs, which include the raw materials consumed to generate wealth and military capabilities, as well as any negative byproducts of that process (think pollution). Then, add welfare costs—the expenses a nation pays to keep its people from dying in the streets, including spending on food, health care, education, and social security. Finally, there's the price of security: the government has to police and protect its citizens from enemies foreign and domestic. Needless to say, these costs add up. In fact, they usually consume most of a nation's resources.

To get an accurate sense of a country's overall power, then, analysts need to account for these costs. In recent years, the World Bank [4] and the United Nations [5] have taken up this task and published rough estimates of countries' net stocks of resources. Their analyses focus on three areas: produced capital (man-made items such as machines, buildings, fighter aircraft, and software), human capital (the population's education, skills, and working life span), and natural capital (water, energy resources, and arable land). In addition, the investment bank Credit Suisse [6] has published data on countries' net stocks of privately held wealth. Although these three databases use different data and methods, they largely paint the same picture: the United States' net stocks of resources are several times the size of China's, and its lead is growing each year, possibly by trillions of dollars.

It gets even more astonishing. These numbers are conservative estimates, because they rely on Chinese government statistics, which exaggerate China's output by as much as 30 percent and ignore numerous costs that erode its wealth and military capabilities. Chinese businesses, for instance, use roughly two times more capital and five times more labor than U.S. companies to generate the same level of output. More than one-third of China's industrial capacity is wasted. More than half of its R&D spending is stolen. Nearly two-thirds of its infrastructure projects cost more to build than they will ever generate in economic returns. China also spends hundreds of billions of dollars more than the United States every year to feed, police, and provide social services to its population.

These same inefficiencies and barriers drag down China's military might. On average, Chinese weapons systems are roughly half as capable as those of the United States in terms of range, firepower, and accuracy. Chinese troops, pilots, and sailors lack combat experience and receive less than half the training of their American counterparts. Moreover, border defense and internal security consume at least 35 percent of China's military budget and bog down half of its active-duty force, whereas the U.S. military enjoys a secure home base and can focus almost entirely on power projection abroad.

The U.S. military, of course, disperses its assets around the world, whereas China's are concentrated in East Asia, making it a formidable regional power. But the United States' military presence in many far-flung corners of the globe is a matter of policy preference rather than necessity, meaning that Washington can quickly redeploy forces from one area to another without seriously jeopardizing its security. China, by contrast, has to keep most of its military on guard at home. For one, it suffers much higher levels of domestic unrest than the United States. It also shares sea or land borders with 19 countries, five of which have fought wars against China within the last century and ten of which still claim parts of Chinese territory as their own. Crucially, many of these countries have developed advanced air, naval, and missile capabilities that could prevent China from establishing sea or air control in most of the East China and South China Seas.

In sum, the United States maintains a huge economic and military lead over China. To catch up, China will need to grow its power resources faster. This, however, is a long shot, not only given its massive debts, dwindling resources, and rampant corruption but also because of its eroding work force. By some estimates, China will lose a quarter of its working-age population—more than 200 million workers—over the next 30 years, while the number of Chinese aged 65 years or older will more than triple. As a result, China's ratio of workers to retirees, which today stands at seven to one, will shrink to two to one. In the same period, the U.S. work force is expected to grow by 30 percent and the American worker-to-retiree ratio will remain around three to one.

THE PRICE OF FEAR

On top of being wrong, the conventional wisdom that China is a juggernaut set to overtake the United States as the world's dominant power has dangerous policy implications. It creates the impression that the United States and China are locked in Thucydides' Trap, in which a rising power challenges the ruling hegemon, and the two slide into a major war. This misguided notion, widespread in both countries, is already driving a spiral of hostility [7]. Emboldened by the global hype about its rise, China has embarked on the greatest territorial expansion of any nation since World War II, staking claim to roughly 80 percent of the East China and South China Seas and pouring resources [8] into its military. The United States has responded by labeling China a rival, imposing steep tariffson Chinese goods, gutting the State Department to free up funds for the military, inserting U.S. forces [9] into East Asian territorial disputes, and making plans to hit China early and hard [10] in the event of war.

Slowing this spiral requires both sides to take a clear-eyed look at the real balance of power. China must recognize that its economy and military are not strong enough to support grand ambitions for territorial conquest and regional hegemony [11]. Its best option, therefore, is to become a responsible stakeholder in the existing international order. The United States, on the other hand, must recognize that China is nowhere close to achieving regional hegemony, let alone to challenging U.S. global primacy. The most sensible path, therefore, is to maintain deep economic, diplomatic, and cultural ties with China while taking sensible steps to keep it in check.

Instead of spending trillions of dollars building a 355-ship navy, for example, the United States should strengthen existing power relationships in East Asia by helping China's neighbors develop defensive military capabilities and deploying U.S. antiship and surface-to-air missile launchers [12] on allied shores along the East and South China Seas. Instead of rushing into a 1930s-style tariff war, the United States should punish Chinese trade violations and espionage through a reformed WTO [13], regional free trade pacts, and targeted export controls [14] and investment restrictions [15]. Rather than reflexively opposing China's international initiatives, as the United States did with the Asian Infrastructure Investment Bank, Washington should join and shape them from within, as China did with the World Bank. Instead of combatting Chinese sharp power [16] by imitating Beijing and shutting down media, cultural exchanges, and private organizations, the United States should use its free press and open civil society as soft power [17] tools to expose and discredit Chinese meddling. Instead of countering China's Belt and Road Initiative [18] by spending billions of dollars on dubious infrastructure abroad, Washington would do better to spend those funds on infrastructure, scientific research, and job training at home.

The main threat to U.S. primacy is not China's rise but geopolitical hyperventilating that emboldens Beijing while encouraging reckless U.S. foreign adventures and domestic underinvestment. The United States' longstanding policy of engagement may not have democratized China, but it has preserved U.S. primacy and made the world a more peaceful place. To let exaggerated fears undermine this achievement is a tragic misstep that will ultimately leave the United States less secure, powerful, and prosperous.

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