

The Challenge of China

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Throughout history, the rise of a new power has been attended by uncertainty and anxieties. Often, though not always, violent conflict has followed. As Thucydides explained, the real roots of the Peloponnesian war were the rise in the power of Athens and the fear it created in Sparta. The rise in the economic and military power of China, the world's most populous country, will be one of the two or three most important questions for American foreign policy in this century.

Many observers have compared the rise of China to that of Germany at the beginning of the last century. For Arthur Waldron, "sooner or later, if present trends continue, war is probable in Asia. . . . China today is actively seeking to scare the United States away from East Asia rather as Germany sought to frighten Britain before World War I by building its 'risk fleet.'" According to Robert Kagan, "the Chinese leadership views the world today in much the same way Kaiser Wilhelm II did a century ago....Chinese leaders chafe at the constraints on them and worry that they must change the rules of the international system before the international system changes them."

This year China's economy will grow by nearly 10 per cent and it has announced a 14.7 per cent increase in its defense spending. Secretary of Defense Rumsfeld has questioned China's expenditures, and the Pentagon's recent Quadrennial Defense Review identified China as a problem. Yet Chinese leaders have spoken of China's "peaceful rise" or more recently, "peaceful development."

Analysts like John Mearsheimer of the University of Chicago have flatly proclaimed that China cannot rise peacefully, and predicted that "the United States and China are likely to engage in an intense security competition with considerable potential for war." Others, like Ashley

Tellis, point out that China has engaged in good neighbor policies since the 1990s, settled border disputes, played a greater role in international institutions and recognized the benefits of using soft power. Skeptics reply that China is just waiting for its economy to continue to lay the basis for future hegemony, and that its goal is to expel the United States from Asia, and replace us as the global leader.

Who is right? We will not know for some time, but the debaters should recall both halves of Thucydides' trenchant analysis. War was caused not merely by the rise of one power, but by the fear it engendered in another. The belief in the inevitability of conflict can become one of its main causes. Each side, believing it will end up at war with the other, makes reasonable military preparations which then are read by the other side as confirmation of its worst fears. In a perverse transnational alliance, hawks in each country cite the others' statements as clear evidence. A recent poll reports that one-third of Americans believe that China will "soon dominate the world," while 54 percent see the emergence of China as a "threat to world peace." One way to make America safer is to avoid such exaggerated fears and self-fulfilling prophecies.

THE RISE OF CHINA

In fact, the "rise of China" is a misnomer. "Re-emergence" would be more accurate, since by size and history the Middle Kingdom has long been a major power in East Asia. Technically and economically, China was the world's leader (though without global reach) from 500 to 1500. Only in the last half millennium was it overtaken by Europe and America. The Asian Development Bank has calculated that in 1820, at the beginning of the industrial age, Asia made up an estimated three-fifths of world product. By 1940, this fell to one-fifth, even though the region was home to three-fifths of world population. Rapid economic growth has brought that back to two-fifths today, and the Bank speculates that Asia could return to its historical levels by 2025. Asia, of course, includes Japan, India, Korea and others, but China will eventually play the largest role. Its high annual growth rates of 8 to 9 percent led to a remarkable tripling of its GNP in the last two decades of the 20th century. This pragmatic economic performance, along with its Confucian culture, enhanced China's soft power in the region. A recent poll of 33 countries conducted for the BBC, found China's influence rated positively in 20 countries while the U.S. was rated positively in just 13 countries.

Nonetheless, China has a long way to go, and still faces many obstacles to its development. Measured by official exchange rates (a more accurate measure of power than is the World Bank's purchasing power parity estimates), China is the fourth largest economy in the world and is growing at 9 per cent annually, but its income per capita is only \$1,700 or one twenty-fifth that of the United States. China's research and development is only ten per cent of the American level. If both the U.S. and China continue to grow at their current rates, it is possible that China's total economy could be larger than ours in thirty years, but American per capita income (which is a better gauge of the sophistication of an economy) will remain four times greater. In addition, China's military power is far behind ours, and it lacks the soft power resources such as Hollywood and world class universities that America enjoys. In contrast, the Kaiser's Germany had already passed Great Britain in industrial production by 1900, and launched a serious military challenge to Britain's naval supremacy. The historical analogy misreads history, as well as exaggerates China's strength.

Moreover, simple linear projections of economic growth trends can be misleading. Countries tend to pick the low hanging fruit as they benefit from imported technologies in the early stages of economic take-off, and growth rates generally slow as economies reach higher levels of development. In addition, the Chinese economy faces serious obstacles of transition from inefficient state owned enterprises, a shaky financial system, and inadequate infrastructure. Growing inequality, massive internal migration, an inadequate social safety net, corruption and weak institutions could foster political instability. Creating a rule of law and institutions for political participation has lagged behind the economy. Indeed, some observers fear instability caused by a weak rather than a rising China. A China that cannot control flows of migration, environmental effects on the global climate, and internal conflict poses another set of problems. Politics has a way of confounding economic projections.

As long as China's economy does grow, it is likely that its military power will increase, thus making China appear more dangerous to its neighbors and complicating America's commitments in the region. Taiwan is a case in point. But the balance of military power will also depend on what the United States and other countries will be doing over the next decades. The key to military power in the information age depends on the ability to collect, process, disseminate and integrate complex systems

of space-based surveillance, high speed computers, and ‘smart’ weapons. China and others will develop some of these capabilities, but according to many military analysts it is not likely that China will soon close that gap with the U.S.

The fact that China is not likely to become a peer competitor to the United States on a global basis does not mean that it could not challenge the United States in East Asia, or that war over Taiwan is not possible. Weaker countries sometimes attack when they feel backed into a corner, such as Japan did at Pearl Harbor or China did when it entered the Korean War in 1950. If, for example, Taiwan were to declare independence, it is likely that China would use force against Taiwan, regardless of the perceived economic or military costs. But it would be unlikely to win such a war, and prudent policy on both sides can make such a war unlikely.

DESIGNING A STRATEGY TO FIT THE CHALLENGE

We faced these problems a decade ago when the Clinton Administration formulated our strategy for East Asia. We knew that hawks who called for containment of China would not be able to rally other countries to that cause. We also knew that if we treated China as an enemy, we were ensuring future enmity. While we could not be sure how China would evolve, it made no sense to foreclose the prospect of a better future. Our response combined realism and liberalism: balance of power and economic integration. We reinforced the U.S.-Japan alliance so that China could not play a “Japan card” against us, while inviting China to join the World Trade Organization and other international institutions. In a rare case of bipartisan comity, the Bush Administration continued that strategy. Nonetheless, there are many in the administration and in the Congress who dislike this strategy. The domestic politics of America’s China policy might be summarized as the left and the right against the center.

China is now our third largest trade partner and second largest official creditor. Critics contend that this trade with China has made us vulnerable. China could hurt us by dumping its holdings of dollars, but to do so would also damage its own economy. The yuan may be undervalued, but China accounts for only a third of the increase in America’s trade deficit over the past five years, and a revaluation will not remove our deficit. As for jobs, even if America bars low cost goods from China, we will import them from somewhere else. To solve our economic problems, we must get our own house in order by raising savings, cutting

deficits, and improving our basic education. That will do more to make America safe than exaggerating China's economic threat.

China's internal evolution remains uncertain. It has lifted 400 million people out of poverty since 1990, but another 400 million live on less than \$2 per day. It has enormous inequality, a migrant labor force of 140 million, severe pollution and rampant corruption. Political evolution has failed to match economic progress. While more Chinese are free today than ever before in Chinese history, China is far from free. Some 110 million Chinese use the internet, but the government censors it. The danger is that party leaders, trying to counter the erosion of communism, will use nationalism as their ideological glue, and this could lead to an unstable foreign policy.

Faced with such uncertainty, Deputy Secretary of State Robert Zoellick has engaged China in a strategic dialogue to encourage it to evolve as a "responsible stakeholder", i.e., to see itself as helping to provide international public goods rather than just pursue its short run self interest. There are some signs of an evolution of Chinese attitudes in this direction, but there is always a residual danger that China will slip into competitive nationalism in the face of its domestic problems. We can make America safe by taking a clue from Ronald Reagan's phrase "trust but verify." For China, our slogan should be "embrace, but hedge." We have had such a strategy for the past decade, and it seems to be working.

CONCLUSION

There is no need for the United States and China to go to war in this century. Not every rising power leads to war—witness America overtaking Britain at the end of the 19th century. And if China's rise remains peaceful, it promises great benefits to Chinese, its neighbors, and to Americans. But remembering Thucydides' advice, it will be important for security analysts not to mistake their simple theories for reality, to avoid misleading historical analogies (like the one to Germany), and to avoid letting exaggerated fears create a self-fulfilling prophecy. Or to paraphrase another American president, we can make Americans safer by being wary of fear itself.

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