

# LEVERAGING HISTORY

## What Britain's Decline and America's Rise Can Tell Us about China's Future

Dr. Jerry Hendrix

## About the Author



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The views expressed in this report are mine alone and do not represent the Center for a New American Security or the Office of Net Assessment. I am solely responsible for any errors in fact or omission.

### Cover Photo

John B. Sparks, Histomap, 1931. (public domain)

## Preface

**C**hina is on the move. Statements from its military and civilian leaders regarding their aspirations, their sense of grievance, and their strategic aims all center on a theme of the expansion of their influence.<sup>1</sup> Their diplomatic actions in international venues such as the United Nations, the Association of Southeast Asian Nations (ASEAN) conference, and the G-20 all promote a vision of a greater Chinese role in world affairs. Actions by the People's Liberation Army (PLA) naval, air, rocket elements, and space domains all demonstrate China's intent to re-establish itself as a major player on the world's stage. The question remains, however, what kind of "player," and how large a role does China desire? Does it wish to join the family of nations as a co-equal power in the current globalized international order operating under accepted international laws? Does it wish to become a regional great power with a sphere of influence in eastern Asia and in the western Pacific as the imperial European powers divided up the globe for most of the 19th century? Or, perhaps most ominously, does China wish to reassert itself globally in the manner of its cultural vision of itself as the Middle Kingdom, establishing hegemonic suzerain and supplicant relationships with all nations, allowing China to maintain peace and order as it believes it did for nearly two millennia?<sup>2</sup>

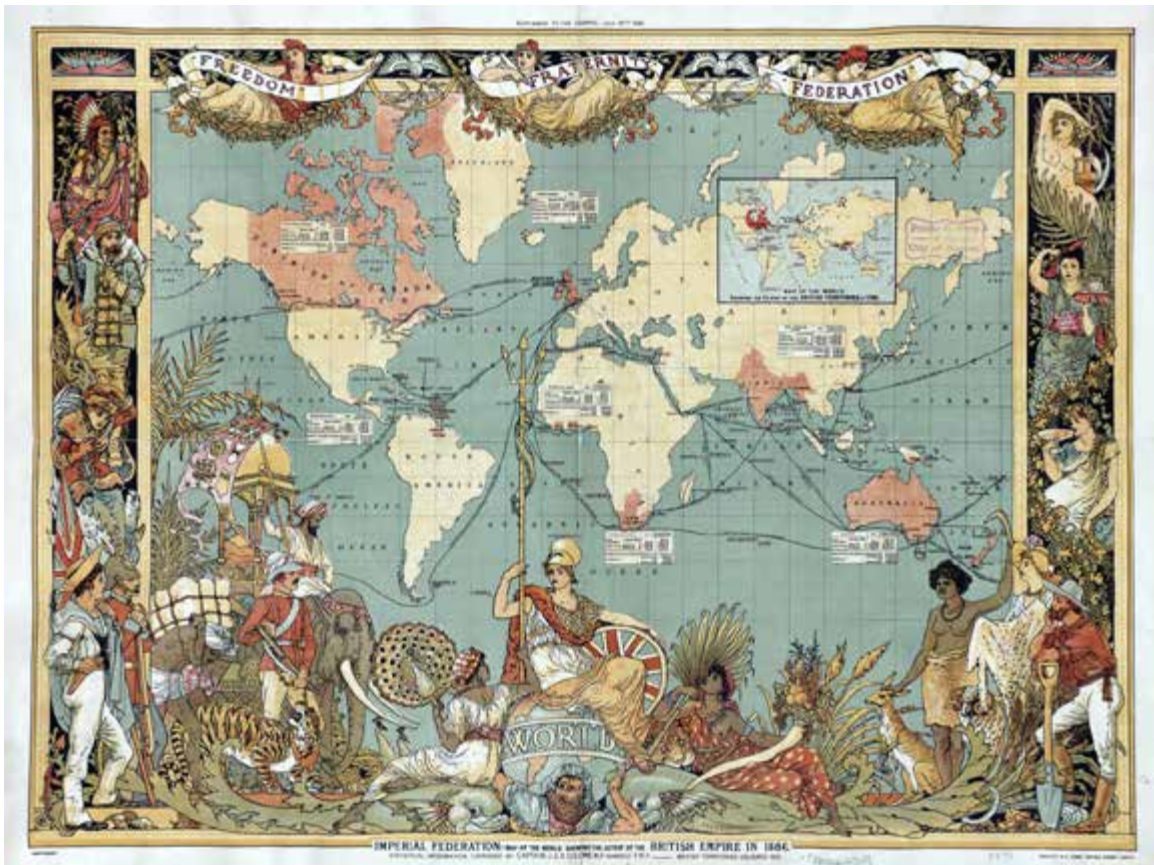
These wildly different options present a series of lenses through which observers can view and judge China's actions. There is also another lens, a historical one, through which we can observe a case study of a

rising power catching, overtaking, and supplanting an established global hegemon, namely the example of the United States' rapid rise and ultimate displacement of Great Britain during the first half of the 20th century. To what degree can the historical events of 1895–1947 inform current thoughts regarding China's actions? Is there a historical arc or trajectory that analysts can plot for the United States' rise and Great Britain's decline, looking at economic, diplomatic, governance, military, and cultural factors, and then attempt to overlay similar metrics regarding China's relationship with the United States?

Rise-and-fall analysis has been a staple of history, international relations, and political science literature for more than a century.<sup>3</sup> There is a saying that time and tide wait for no man, and the United States' position as the sole superpower does have an expiration date, although it is undetermined. No analyst can know for certain whether the United States is to be supplanted in the near term, nor can we know if the future will be characterized by the rise of another hegemon such as China or another paradigm such as a multipolar international system. Likewise, we cannot be sure that the future global system will continue to be characterized by an adherence to self-determination and the rule of law or devolve toward a more authoritarian model. While we cannot know the future, studies such as this can illuminate possible outcomes and provide the type of questions that can aid current decisionmakers in their deliberations.

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*Despite the reach of the British Empire, as depicted in this 1886 chart, it is doubtful Great Britain ever intended to become a global hegemon. (Wikipedia)*

## Great Britain at Twilight

It is doubtful that Great Britain ever set out to become a global hegemon. Rather, it seems to have arrived at its position of prominence as the unintended consequence of a series of policy decisions.<sup>4</sup> Colonial interests compelled Great Britain to build a complex economic system that funneled resources and wealth to the home islands. Britain also championed the concept of free trade throughout the 19th century, despite the fact that most of the world continued to follow protectionist policies.<sup>5</sup> Trade stimulated Great Britain to build the world's largest navy and to create a series of naval resupply bases strategically located throughout the globe to protect key lines of commercial and military communications.<sup>6</sup>

As Britain pursued these policies throughout the 19th century, its power increased accordingly. By 1870, Great Britain's per capita gross domestic product (GDP) was \$3,190, the highest in the world (the United States' GDP at the time was \$2,445 and China's was \$530), and Britain maintained an annual economic growth rate of 2 percent from 1820 to 1913.<sup>7</sup> The island empire was also aided by another policy success: the adoption of the British pound as

the global reserve currency, giving Great Britain the ability to set international economic rules and norms.<sup>8</sup> Great Britain also backed up its commercial empire throughout the 19th century by building and maintaining the largest navy in the world. It was stated British policy to have a navy larger than the next two navies combined.<sup>9</sup> Britain triumphed in the 19th century by avoiding costly land wars, preferring instead naval competitions or short expeditionary conflicts ashore.<sup>10</sup> This allowed the British government to avoid the costs associated with long combatant operations and instead remain focused on economic growth and global administrative governance.<sup>11</sup>

This series of policies, with their synergistic advantages, combined to establish Great Britain as the pre-eminent global power even in an era dominated by balance-of-power geniuses such as Prince Klemens von Metternich and Prince Otto von Bismarck. Yet, Great Britain's time as the central organizing great power came to a rapid end, with the United States filling that central role. Some have characterized the period of transition as a peaceful passing of the baton of power, while others have viewed it as a near violent act of thievery.<sup>12</sup> Neither characterization is quite true, but before one can consider the years of transition, we must first consider the moment of the United States' rise.

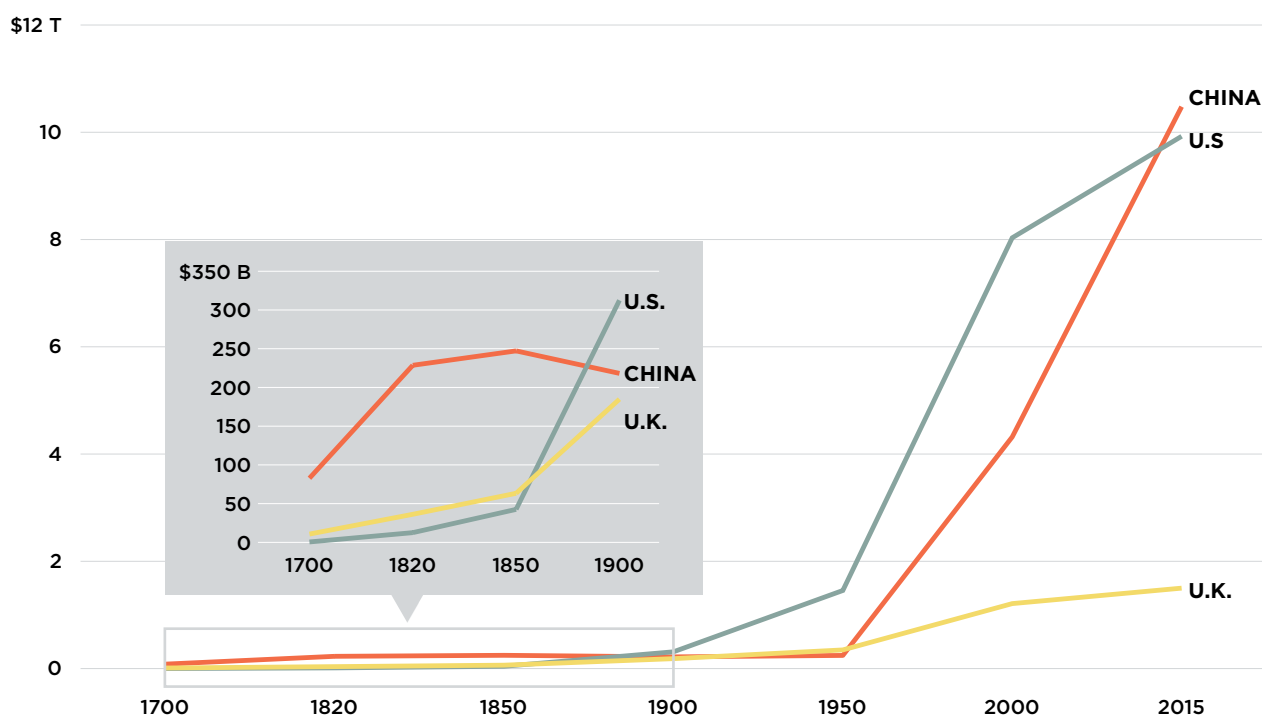
## The United States at the Dawn of the American Century

The United States approached the 20th century with tremendous energy and momentum. Having hemorrhaged both blood and treasure during the American Civil War, the nation passed the remaining three decades of the 19th century settling and incorporating its western frontier.<sup>13</sup> Simultaneously, the Industrial Revolution boosted the nation's economy. The American steel industry, drawing upon the vast natural ore resources of the nation and modernized production methods, which drove down cost but increased quality, helped to expand the American economy at an exponential rate.<sup>14</sup> Having reached the natural limits of the North American continent with a full head of economic steam, the nation, not unnaturally, began to look to the sea and access to a rapidly growing global economy, with both export and import markets, as an outlet for its considerable energies.

The early 1880s witnessed a shift in the United States' maritime position. With American manufacturers looking to foreign markets as an outlet for their booming production, leaders in the White House and on Capitol Hill began to invest in an expanded Navy. The first modern ships, the "Squadron of Evolution," included the steel-hulled cruisers *Atlanta*, *Boston*, and *Chicago* along with the packet-dispatch ship *Dolphin*.<sup>15</sup>

Construction of these ships stimulated key sectors of the American economy to invest in specialized, cutting-edge manufacturing techniques. Rolled rails quickly gave way to pressed plate steel and stamped fixtures that were critical to building of a combatant warship. Innovations in steam propulsion, hydraulics, and electricity quickly followed. These first steel ships, along with the numerous cruisers and battleships that followed them, heralded a brief moment of imperialism.<sup>16</sup> The imperial "aberration" centered on the brief 1898 Spanish-American War, which witnessed the defeat of Spain and seizure of Cuba and the Philippines. Cuba was granted its independence with caveats in 1905, but the Philippines remained an American colony until the 1930s. It was not territory that the Americans desired so much as it was overseas markets for their manufactured goods and bases for the naval ships that protected the shipping routes.<sup>17</sup>

At the beginning of the 19th century, the American population comprised approximately 1 percent of the world's population, but just one century later the number approached 5 percent due to immigration. More importantly, the nation's gross domestic product increased at a near constant rate of 4 percent throughout the 19th century while those of the leading powers of Europe hovered at 2 percent. This 2 percentage-point advantage, compounded annually, translated into a \$5,000 per capita income for the average American in 1900, outpacing the



British, U.S., and Chinese gross domestic product, purchasing power parity (international dollars) 1700-2015.<sup>39</sup>

Europeans, including Great Britain, whose aristocratic past continued to restrict property rights and economic mobility.<sup>18</sup> Foreign direct investment in the United States rose accordingly as overseas interests sought to invest their wealth in growing markets where governments supported stable property rights. Under these conditions, the United States, Canada, and Australia all became investment targets of British wealth.<sup>19</sup> Also, the United States resisted trends elsewhere to debase its currency and continued to back dollars with gold until the early 1970s, providing a stable environment for international exchange.<sup>20</sup>

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The Americans went forth into the world with something more than a capitalistic urge. There was also an underlying political philosophy of individual liberty and self-determination. The concept of Manifest Destiny, the idea that the United States was fated to expand liberty across the American continent, evolved when it reached the Pacific Ocean to take on a broader meaning.<sup>21</sup> This idea found expression in the Monroe Doctrine, which sought to exclude European influence from the Western Hemisphere, creating, by extension, an American “sphere of influence” in the region.<sup>22</sup> The United States entered the 20th century poised for greatness.

## American Rise, British Fall

Great Britain approached the 20th century from a position of advantage. It possessed a thriving, industrialized economy, a globe-spanning colonial-economic empire, and the largest navy in the world. Britain was the author of a global system of laws and accepted norms and held the reserve currency of exchange used by most trading nations. It also was largely at peace, gently and persistently “administering” its system with its navy and interconnected network of naval and trading stations scattered throughout the globe. However, nearly all of these factors were soon to undergo significant challenges.

First, the United States surpassed the population of Great Britain in the latter half of the 19th century and never slowed. The American population, backed by industrialization and the most efficient agricultural techniques, overtook Britain economically. The United States maintained a series of tariff barriers to foreign goods throughout this period. American policymakers made a strategic decision to continue a protectionist policy despite Britain’s free-trade example because from a governance perspective, limitations on taxation that had been built into the American Constitution meant tariffs represented the most significant form of government income. This mercantilist approach to trade allowed the United States to export its goods while collecting large amounts of foreign reserve currency, largely in the form of gold, slowly sapping British strength.<sup>23</sup>

Second, Britain’s global empire became an anchor upon its growth. Canada and Australia possessed advanced economies and when they gained their independence around the turn of the century, they increased trade with the United States, boosting the American economy at the expense of Britain’s.<sup>24</sup> India remained a great source of raw materials and cheap labor, but the productivity of workers in the subcontinent was never as high as those in the home islands. Further, India and China, despite their large populations, never transformed into the expected markets for British goods. As economies shifted to higher technological methods of production, the United Kingdom’s remaining colonies lagged in their ability to transform, becoming a complicating factor for Britain.<sup>25</sup>

Next, Great Britain’s adherence to a “next two navies combined” standard for its fleet ran into difficulties as the Americans began to put their economic and political capital behind the creation of a “navy second to none.”<sup>26</sup> The rapid upbuilding of the American fleet at the technological crossover point from sail to steam allowed the



United States to ride a wave of technological improvements involving steel, steam, optics, electricity, and hydraulics.<sup>27</sup> Great Britain, heavily invested for a century in its attempt to keep the Royal Navy larger than the next two navies combined, had tremendous “sunk costs” in older ship designs. Abandoning them, as Britain eventually did, also meant abandoning the “next two navies” standard, which dealt a psychological blow to the British people.<sup>28</sup> Increasingly preoccupied with rising security challenges in Europe, Britain went so far as to tacitly cede the protection of British interests in the Western Hemisphere and the Far East to the United States and Japan respectively, further indicating to the population that the nation could no longer maintain its previous position of greatness.<sup>29</sup>

Finally, Britain was not able to abide by its policy of avoiding large land wars, first in South Africa with the Boer War, and then ultimately and most tragically in World War I.<sup>30</sup> These conflicts led Britain to invest for the first time in a large, expensive, standing army and to alter its foreign policy and military grand strategy away from “splendid isolation.”<sup>31</sup> The results of World War I – the millions of casualties, the billions spent, and the incalculable ruin on the continent – shook Britain’s self-confidence to its core. That the United States was more than ready to step in only hastened Britain’s decline.

Woodrow Wilson, for his part, was not particularly anti-colonial so much as he was committed to self-determination. Having earned a doctorate in political science from Johns Hopkins, Wilson wrote extensively on governance and constitutional formulation while rising to the presidency of Princeton and had arrived at the White House well-prepared to discuss global governance and reform.<sup>32</sup> With America entering World War I and assisting the Allies to bring the war to its conclusion, Wilson earned a seat at the table as the victors discussed the terms of the Treaty of Versailles. He had delineated the U.S. position previously with his “Fourteen Points” statement of January 1918, in which he called for a postwar world governed by free trade, open agreements, democracy, and self-determination.<sup>33</sup> During the actual negotiations in Paris, Wilson pressed hard to liberate colonies. Victorious European powers wanted to absorb the defeated nations’ colonies into their own holdings, but Wilson pressed to set them on the road to freedom. While unsuccessful, Wilson’s idea did begin to gain traction in the years that followed the war.

Wilson’s assistant secretary of the Navy, Franklin D. Roosevelt, had spent World War I building the president’s “navy second to none.” In a 1928 essay in the

Council on Foreign Relations’ *Foreign Affairs* journal, Roosevelt stated that morality must govern U.S. foreign policy and that colonial systems ran counter to the founding principles of the American republic.<sup>34</sup> Roosevelt became president in March 1933, at the depth of the Great Depression, and spent most of his early efforts trying to shore up the American economy. That changed when the Second World War broke out in Europe. Roosevelt took strategic advantage of Winston Churchill’s desperation for American support to undermine the strength of the British Empire. Notably, in November 1940 Roosevelt demanded an accounting of Britain’s financial resources and then requested payment in gold from the British government for U.S. military supplies. Roosevelt proposed lend-lease only after the last Kruggerand of gold had been shipped from South Africa to the American depository at Fort Knox. The United Kingdom then “leased” British colonial possessions, Newfoundland, Bermuda, and other islands in the Caribbean, to the United States in exchange for ships, tanks, and aircraft.<sup>35</sup> This action had the secondary effect of removing the British pound sterling as the global reserve currency of international exchange, another support structure of British global leadership.<sup>36</sup>



*“Fourteen Points” speech, President Woodrow Wilson advocated for a postwar world governed by free-trade, open agreements, democracy, and self-determination. (Library of Congress)*

In August 1941, as Roosevelt contemplated Europe's future and America's role in it, his administration penned the Atlantic Charter. The charter defined the Allied powers' postwar goals for the international community. Those goals fit well with Roosevelt's earlier "Four Freedoms" State of the Union address, in which he stressed that free speech, freedom of religion, freedom from want, and freedom from fear should be guaranteed, "everywhere in the world." Roosevelt, remembering Wilson's problems at Versailles and later with the Senate at home in the United States, sought and received assurances before the United States' entry into the war. Churchill, desperate to receive American assistance against Hitler's Germany, agreed to Roosevelt's demand that the Allies commit to a postwar world characterized by self-determination and lowered trade barriers.

Britain, which had been brutalized by World War I, was broken by World War II. The events of the first half of the 20th century exhausted the once globe-spanning empire. Maintenance of a large standing army had placed additional financial burdens on the British imperial systems just as it lost financially net-positive colonies in Canada, Australia, and New Zealand to self-determination initiatives – all the while retaining, at least initially, its net-negative colony in India. Britain's decision to pursue a large-scale social welfare and universal health care system immediately after World War II, along with the pound's loss of reserve currency status, completed the cycle. By 1947, facing a severe winter, a disastrous economy, and growing challenges abroad, the British foreign ministry sent a high-priority note to the U.S. State Department informing Washington of Britain's intention to withdraw its financial and military support for Greece, a British foreign client-state that was then facing a communist insurgency.<sup>37</sup> The era of British world leadership had come to an end, and in the passing of its diplomatic note, Britain also passed its tacit recognition of the United States' assumption of its mantle, a role Washington was remarkably well-suited for at that moment.

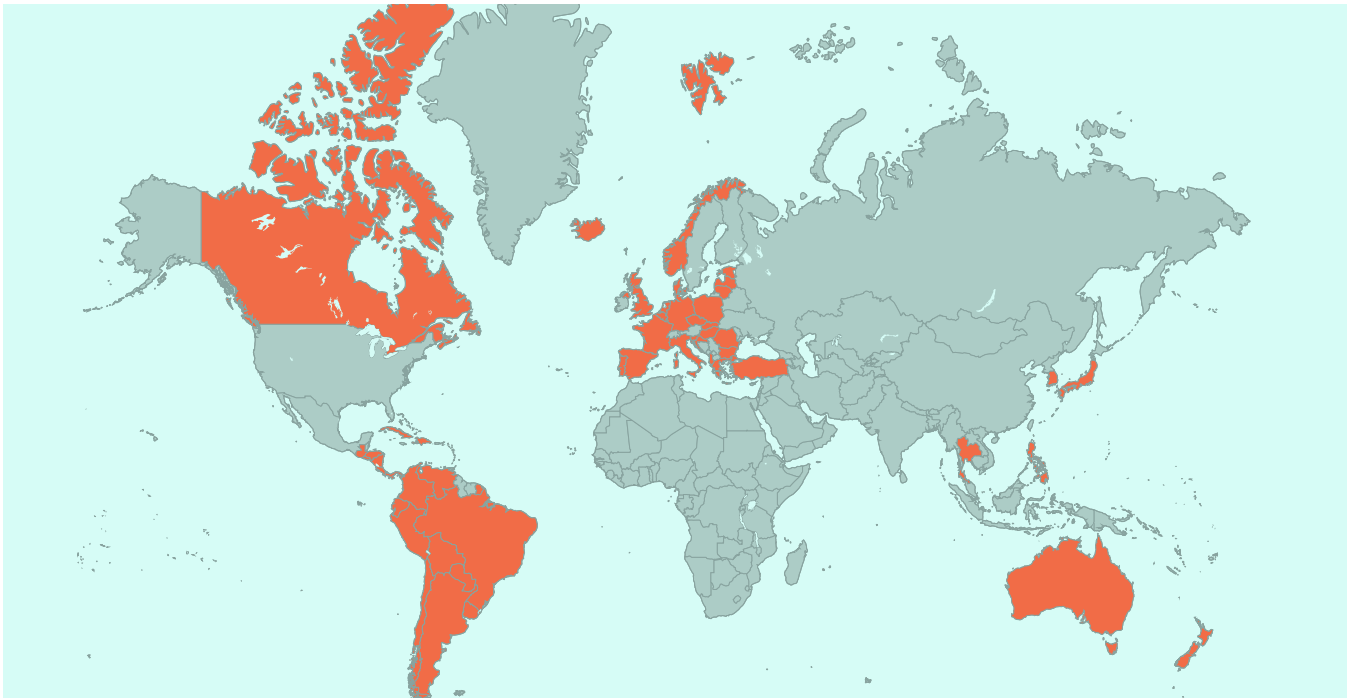
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## **The Apex of the American Century**

The United States arrived at its moment of leadership with a large and expanding population, a thriving economy committed to free trade, a technological edge as evidenced by its recent investments in atomic energy and aviation, and a dedication to a new global order based upon democracy, self-determination, and multilateral security. It set about to create a modern international system, first with the United Nations to bring countries of the world together to diplomatically work out their differences in a "parliament of man."<sup>38</sup> Second came the creation of a innovative international system of finance created at the Mount Washington Resort at Bretton Woods, New Hampshire, when representatives from 44 allied nations gathered to establish the rules and procedures to govern international financial transactions.<sup>39</sup> Last came the multilateral security arrangements: first the North Atlantic Treaty and then the Rio Treaty; the South East Asia Treaty; the Australia, New Zealand and U.S. Treaty; and the U.S. treaties with Japan, the Philippines, and South Korea. All of these pacts were focused on containing the expansion of Soviet communist influence and tied the security of a vast portion of the world to the United States and its arsenal of conventional and nuclear weapons.<sup>40</sup>

Some have characterized the passing of the baton of leadership from Great Britain to the United States as peaceful. This is not true. The United States aided Great Britain in its hours of need in World War I and World War II. But it provided its aid at a cost that purposefully undermined Britain's traditional colonial foreign policy and global system of governance, a system that the United States, with its belief in democracy and self-determination, could not abide. Some have also characterized the transition as being one of movement between two governments of similar governing philosophies. To the extent that both nations domestically practiced democratic principles and commercially promoted free trade that necessitated an adherence to international law, this was true, but the colonial system that Great Britain instituted does not closely resemble the international order that the United States created after World War II. Britain's avoidance of permanent alliances and land wars during the 19th century also does not resemble the United States' current network of commitments and near addiction to expeditionary operations in Korea, Vietnam, Lebanon, Haiti, Panama, Iraq, Yugoslavia, Afghanistan, and Iraq again.





*Numerous countries have collective defense arrangements with the United States, but after over half a century of carrying the mantle of “Leader of the Free World,” there are now questions regarding the pillars of American leadership—including that of mutual security agreements.*

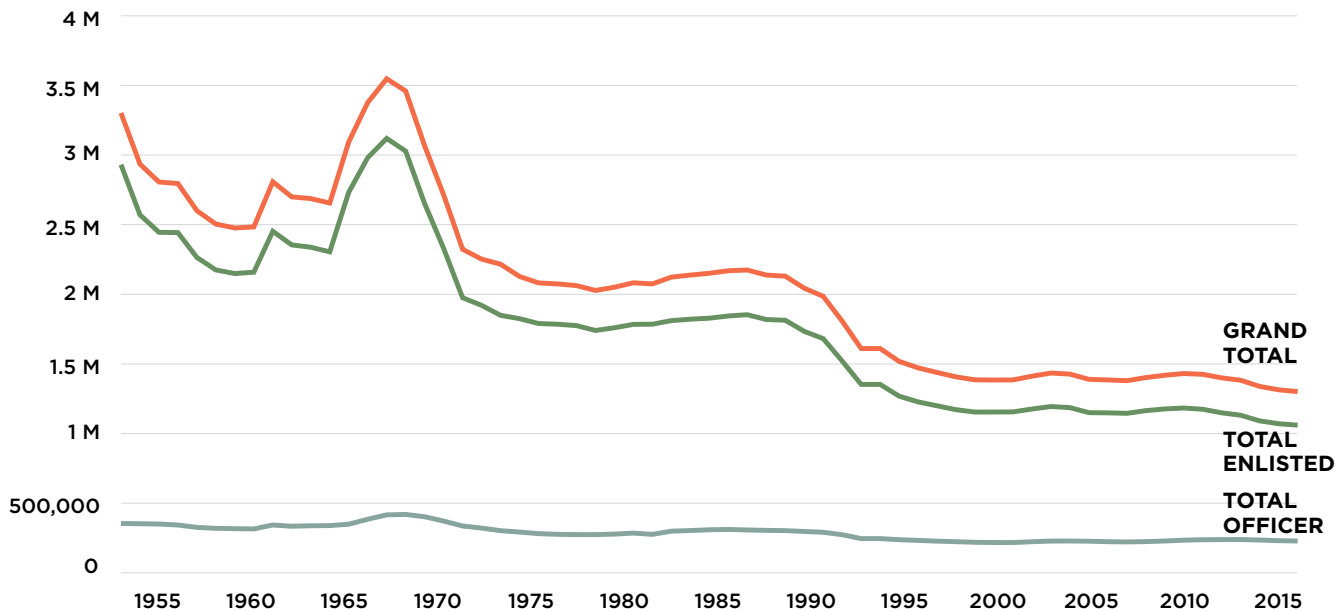
The United States did not set out with a specific goal or strategy to acquire the mantle of global leadership. The preponderance of historical analysis suggests that the United States arrived in its current leading role much as Britain had before it, through a combination of policy decisions. While the United States in the early 20th century had consistently announced its opposition to the British imperial colonial system, it did not propose a coherently organized alternative system beyond broad pronouncements regarding self-determination and democracy. Even when the moment of transition arrived with the 1947 British note regarding Greece, there was still broad debate within the leadership of the United States regarding the advisability of the country increasing its role in the world. The enunciation of the Truman Doctrine and the accompanying Marshall Plan to rebuild Europe generated great debate within the American body politic.<sup>41</sup> That being said, the nation did ultimately accept the mantle of “Leader of the Free World” and bore it proudly for more than half a century.<sup>42</sup> However, today, after seven decades, there are questions regarding the pillars of American leadership, including about basic concepts of free trade, international finance, and mutual security agreements.<sup>43</sup> These conversations, taking place simultaneously with China’s rapid economic rise and challenge to traditional international norms, suggest that another transition might be in the offing.

## **The United States at Twilight?**

The United States has not helped itself as of late. Participation in foreign land wars, coupled with increased health and social welfare spending, without commensurate tax increases, has dramatically raised American spending, resulting in rising annual deficits and accrued national debt.<sup>44</sup> This has had a net effect of weakening the American dollar and undermining its position as the international reserve currency of exchange.<sup>45</sup> Additionally, the U.S. military has shrunk dramatically since the end of the Cold War while investing heavily in advanced “offsetting” technologies in the expectation that the quality of American weapons will surpass the advantages of quantity among the nation’s enemies. The net result, however, is that the United States can no longer uphold all its commitments to international laws and norms. Gaps in attention to historical American commitments have opened the door for competitor nations, including China, to challenge U.S. leadership at the margins.<sup>46</sup> These, and several other factors, combine to help create a narrative of U.S. decline, but it is a narrative that should be critically considered.

### **The United States’ Economic Position**

As with Great Britain, the argument can be made that many of the attributes of the American-led global



*The decline of the size of the U.S. military as measured in manpower, 1954-present*

system of governance that had been sources of strength became centers of weakness as time progressed. Much as the United States did in the 19th century, prior to the enactment of free-trade agreements, modern nations today that trade with the United States enact tariffs and restrict entry of U.S.-made goods in order to expand their own industrial capabilities while simultaneously taking advantage of the United States' low trade barriers.<sup>47</sup> Allies and partners that participate in mutual defense arrangements have dramatically decreased their military spending, choosing instead to depend upon the United States as a guarantor of their security while investing in larger social welfare programs and higher qualities of life for their own people.<sup>48</sup>

From an economic standpoint, the U.S. economy remains disproportionately strong. The U.S. population in 2016 was 324 million, just 4.4 percent of the world's total, yet its gross domestic product of \$18.3 trillion in 2015 represents 24.3 percent of the world economy in purchasing power parity. American citizens earn a per capita income of \$54,000, among the highest in the world. While annual economic growth has slowed from its 20th-century average of 4 percent to around 2 percent, that percentage is of a much larger economy and hence has a larger impact in terms of real dollars.<sup>49</sup> The U.S. economy remains technologically innovative, and although it is no longer led by manufacturing, it is remarkably balanced across many sectors from agriculture to high-tech, and in the latter category remains the world's leader.

The robust nature of the nation's economy is also remarkable among all the leading economic powers. The United States is, was, and ever will be a trading nation, and yet, alone among nations, it possesses the ability to be economically independent. Its internal economic market is of sufficient size and vibrancy to maintain a prosperous society independent of exports, although economic growth would slow. It remains a net exporter of agricultural products, having produced enough food to feed itself.<sup>50</sup> Prior to the advent of fracking technologies the United States was perceived as being dependent upon foreign supplies of energy, but today the nation has an energy surplus and 264 billion barrels of proven oil reserves, surpassing both Saudi Arabia and Russia.<sup>51</sup> The United States also possesses ample supplies of the ores necessary to produce basic commodities such as steel, although production capacity has fallen considerably as other nations found ways to produce more cheaply than U.S. manufacturers. Rare-earth metals, necessary to produce extremely strong magnets and energy storage devices, exist in the United States but are very expensive to refine.<sup>52</sup> The bottom line is that the United States is not dependent on any particular external economic "empire" to succeed.

From a purely financial standpoint, the nation's continued deficit spending and long-term unfunded mandates are most certainly creating problems for the country. The national debt now exceeds the annual gross domestic product, and actors within the global financial community, including China, have broached the idea of

replacing the dollar as the reserve currency.<sup>53</sup> Reserve currencies generally have two characteristics: They are issued by a large trading nation and the currency holds its value as compared to a set of commodities over time. These attributes cause other nations to “hold” that currency in reserve for the purpose of guaranteeing their ability to trade internationally.<sup>54</sup> While it is possible that a basket of currencies (as currently proposed by China and Russia) or even the yuan/renminbi will replace the U.S. dollar as world reserve currency, it is unlikely that this will occur soon due to the inability of these monetary vehicles to consistently meet the requirements to be a stable mechanism of international exchange.

### **The United States’ Military Position**

Militarily, the United States appears to be in a period of emotional exhaustion after nearly 15 years of continuous land combat in Afghanistan and Iraq. Despite pronouncements of “red lines” regarding Syria, Bashar al-Assad’s atrocious treatment of Syrian civilians, and the rise of the Islamic State group (ISIS) in the Middle East, there is no apparent appetite for large-scale American involvement in overseas ground wars at this point.<sup>55</sup> This is not anomalous. The United States experienced similar martial languor after World War I, Vietnam, and even after the Cold War. Such indications of retrenchment have given rise to pronouncements that the United States has lost the will to defend its interests and hence has tipped into decline, but such assessments would be mistaken.

The United States continues to possess considerable military strength. Today the U.S. military remains larger than the next eight militaries combined, and six of those nations are either allies or partners of the United States. The U.S. Navy currently fields 274 ships and possesses much more lethality in every ship than its predecessor fleets.<sup>56</sup> The rest of the world’s navies are smaller and far less capable. For instance, in the critical category of aircraft carriers, the U.S. Navy can currently deploy 22 aircraft carriers, 11 super carriers and 11 light amphibious carriers. The rest of the world’s navies combined field only 21 carriers.<sup>57</sup> However, it should be noted that even with 274 ships, the Navy is unable to cover its maritime commitments. It requires 355 ships to meet U.S. core national interests in the world’s 18 maritime regions.

Broadly speaking, the United States possesses a wide qualitative edge over its competitors. This is represented in its continuing strategy of investing in “offsetting” technologies that provide it with a strategic advantage militarily over its enemies. From investment in nuclear bombers, nuclear missiles, and nuclear submarines, to advanced digital communications, a global positioning system, and stealth, the United States made decisions

that provided a tactical advantage for a generation.<sup>58</sup> While the United States does have a broad assortment of precision strike weapons and new stealth Joint Strike Fighters coming into the force, both China and Russia are making similar investments based upon copycat designs. However, the United States is seeking a “Third Offset,” which will combine present technologies in new ways while introducing still newer technological approaches to the security environment.<sup>59</sup> Stealth, directed energy, electromagnetics and hypersonic capabilities are creating a new “idealized” force of the future. Still, trends suggest that an increasingly complex military built around more capable weapon systems will also become either increasingly expensive or dramatically smaller.<sup>60</sup> Such investments in advanced technology will introduce new challenges for competitors such as China, Russia, and Iran, but they will pose problems for the United States’ allies as well.

### **The Strength of U.S. Alliances**

All the United States’ allies have smaller economies, spend less as a percentage of their GDP on defense, and hence have significantly smaller defense budgets. Investments like \$100 million Joint Strike Fighters are simply beyond the fiscal grasp of some allied powers.<sup>61</sup>

This inability to keep up with the United States has led to some questions regarding the value of organizations such as NATO.<sup>62</sup> These arguments ignore the fact that the United States, since the end of World War II, has preferred to play away games rather than home games when it comes to its national defense. Bases in Germany, South Korea, and Japan have been the backbone of U.S. defense, and today Bahrain, Singapore, and Darwin, Australia, have joined the list. More than money (and some of the alliance partners, such as Japan and South Korea, contribute significantly in that category), alliance partners contribute something of inestimable value – their geography.<sup>63</sup> When confronting China, there is nothing that can replace an air base on Japan’s southern island chain or a port in Singapore. Without contributing a cent, these facilities help to bind the current global system and uphold the rule of law. The bottom line, however, is that the United States’ alliance structure in no way represents an “empire” in the way that Great Britain’s colonies did. The United States’ complex network of allied and partner nations has evolved over time and will evolve again in the future, but it remains voluntary and accessible to those who wish to join. This, in the end, is a demonstrable indication of strength.



## The Trajectory of China's Rise – Building a New Great Wall

In 2004 Zheng Bijian, an acknowledged advisor of then-Chinese President Hu Jintao, stated it was China's intention to bring about a "peaceful rise."<sup>64</sup> This phrase was used again in the September 2005 issue of *Foreign Affairs*, explaining that it was China's intent to leverage its economic growth to improve the lives of its people, but not threaten other nations.<sup>65</sup> China wished, at all costs, to remain on good terms with its neighbors in order to forestall potential bandwagoning or moves to restrict its economic expansion, which the Chinese Communist Party (CCP) viewed as critical to maintaining its political legitimacy.<sup>66</sup> By incrementally increasing the nation's standard of living, China's leaders create an image of the country's growing importance in the international arena, repudiating its "century of humiliation" by Western powers and returning to its traditional position as the Middle Kingdom in Asia and, perhaps, the world.

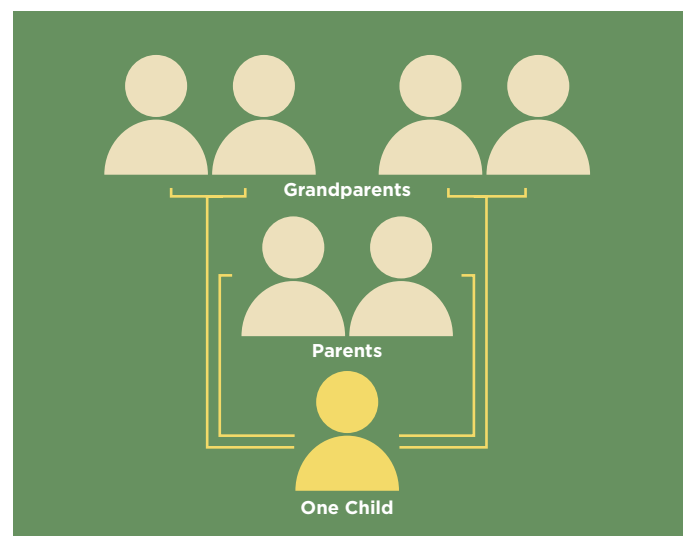
### The Chinese Economy

Today, China's continued economic growth and the maintenance of its geographical integrity remain the CCP's critical core interests.<sup>67</sup> Economically the CCP finds itself under pressure, as the nation's gross domestic product growth has slowed suddenly from its post-Mao, post-Deng Xiaoping highs.<sup>68</sup> After the Great Recession of 2008, there were prolonged conversations around the world that noted China's surprising economic resilience and the advantages of centrally controlled economies when facing such challenges.<sup>69</sup> In the crisis, China's leadership quickly stepped in to redirect the focus of the Chinese economy inward as orders for exports dried up, while also pushing nearly \$600 billion of stimulus into the economy.<sup>70</sup> Because of these actions, the Chinese economy recovered quickly, posting a 10.61 percent GDP growth in 2010. Since then, its growth has tapered off to levels more appropriate for a modern power, posting a 7.7 percent rate in 2012 and 2013 and a 6.9 percent GDP growth rate for 2015.<sup>71</sup> Some financial analysts, casting doubt upon the veracity of the Chinese governmental agency that generates the GDP reports, believe that China's actual growth in 2016 ranged from zero to 4 percent based upon analysis of electricity use, commodities pricing, railcar traffic, truck loading, and cement and steel consumption.<sup>72</sup> Such a decrease in improvement within the economy, or declines of the individual standard of living, could be taken as an indicator of the loss of the current mandate and initiate a movement toward wholesale political change.<sup>73</sup>

China's communist leadership understands all too well that its economy stands upon a foundation consisting of an unstable mixture of demographic clay, industrial sand, and energy shale, none of which is economically stable or projected to become so anytime soon. China has a large, rapidly aging population that is undereducated, sexually imbalanced, poor, and possessing a growing understanding of its predicament. It was ranked 80<sup>th</sup> in the world in per capita income in 2015.<sup>74</sup> With such low incomes, the Chinese are entirely dependent upon the global consumer market to purchase the nation's goods and fund its growth.

The bulk of the Chinese population today falls between the ages of 15 and 44, the most productive years in a human lifetime in industrial and agricultural societies, but China's recently repealed one-child policy has reduced families to four grandparents, two parents, and one child.<sup>75</sup> When that one child reaches his or her productive years, he/she will be part of the smallest demographic portion of the Chinese population but will be responsible for providing support for up to six senior family members. If demographics are destiny, the CCP has until the 2025–2035 time frame to bank wealth through continuous expansion of its gross domestic product. Such expansion can only be achieved by a constantly expanding industrial sector supported by an uninterrupted supply of energy.

China shifted from being energy independent to being a net importer in 1998.<sup>76</sup> Since then, despite efforts to expand use of nuclear and hydroelectric production plants, China's demand for oil exceeds 11 million barrels per day, with 6.6 million barrels per day coming from imported sources.<sup>77</sup> Most of this oil originates in



China's one-child policy burdened its future economy, placing the responsibility to support family members on just one person.

the Middle East or East Africa, where, not trusting in Adam Smith's hidden hand, China has bought a rising number of exclusive long-term contracts from suppliers. The import of oil has produced rising concerns within China's strategic class, which is now attempting to mitigate this vulnerability by constructing oil pipelines through Burma, Pakistan, and Central Asia. These, however, create their own strategic vulnerabilities, as their combined capacity does not come close to meeting China's energy demands. China has also looked internally for additional sources of energy by expanding coal mining and exploring oil shale deposits.<sup>78</sup>

### Chinese Foreign Policy

Historically, China has long demonstrated a predilection toward insularity, isolation, and exclusivity. Much as in Russia the episodic invasions of the Chinese heartland have created a national paranoia regarding the need for security against the barbarian outsider. The first "long wall" in Chinese history was built by the Qin emperor, the first emperor of China, after his defeat of the several warring states to form China. In 215 B.C., he began a construction program that created a 2,500-mile-long barrier intended to keep out the nomadic hordes living north of the civilized areas of China. However, the problem with China's walls throughout history was that they were never long enough. Barbarian hordes would always find their way around them and strike at the heart (either the political or economic) of the empire. If the ruling dynasty was weak, it would fall; if it was strong, it would field an army (infantry or cavalry) and pursue the invader, but if it was only moderately weak, not possessing the money to pay for an army, it conscripted its populace to build walls. Pouring all its remaining resources into this effort, the dynasty would often fall relatively quickly.<sup>79</sup>

The Chinese state has retained its historic predilection in modern times. It emerged particularly poignantly under the new Maoist dynasty in the 1930s. Mao was determined to erect his own "walls" against 20th-century China's new enemies. First, he directed forces to establish a defensive perimeter against Japan; that maneuver constituted something of an extension of the Soviet Union's eastern defensive line.<sup>80</sup> Later, Mao's defensive line swung northward toward the anticipated Soviet threat.<sup>81</sup> Mao raised similar walls on the political and economic fronts. Fearing the corrupting effects of foreign philosophies, he forbade Chinese citizens to leave the country and few foreigners were allowed in.<sup>82</sup>

Mao's successor, Deng Xiaoping, followed a similar, albeit updated, approach. Deng did accept certain foreign influences. His economic reforms, for instance,

rested partly on integrating market capitalism. Yet he recognized a sustained need to keep enemies away from China's vulnerable homeland. Beginning in the early 1980s, the Chinese began to focus on "near sea active defense," which was defined as being able to operate effectively within the first island chain (Ryukyus-Taiwan-Philippines).<sup>83</sup> This strategy was intended to provide the Chinese with an ability to control this vital area, excluding the U.S. Navy and its allies long enough to land an amphibious force and recover the breakaway province of Taiwan. However, when the United States decided to sail two carrier strike groups through or near the Taiwan Strait, the strategic context changed. Accordingly, China's leadership made a deliberative decision to shift to a "distant sea defense" strategy in an attempt to push America's power projection capabilities far enough away from China's shores as to be rendered ineffective.<sup>84</sup> To counter this growing threat, Beijing began to invest in an upgraded "wall." China's sea denial force entailed longer-range aircraft, more robust surface naval combatants, nuclear fast-attack submarines, and key enabling sensing and other platforms focused on the anti-air and anti-ship missions.<sup>85</sup>

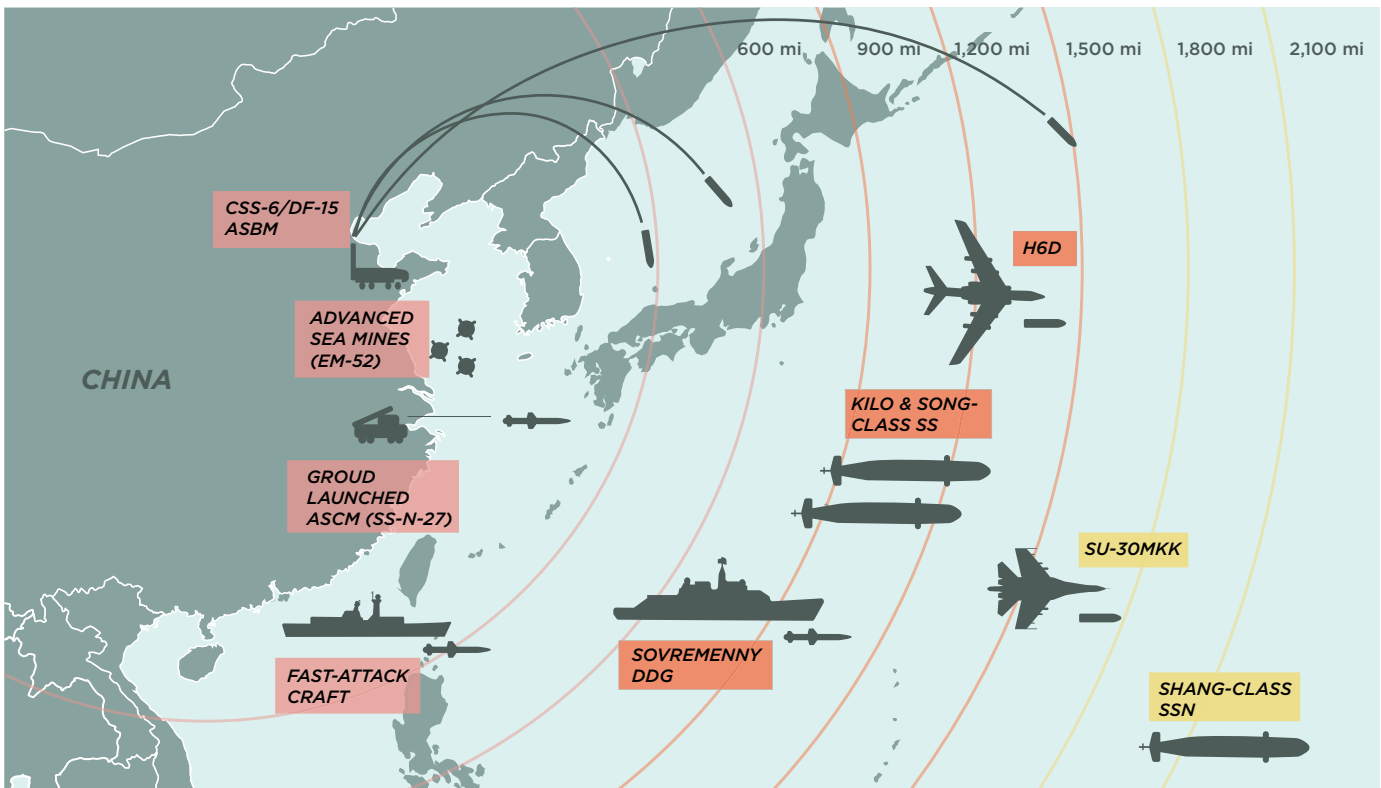
### Chinese Military Strategy

Beginning in October 2004, Chinese military strategists began to move away from "distant sea defense" language, advocating instead "far-seas operations."<sup>86</sup> Their argument boiled down to a need to break out from the traditional defensive role and position of the People's Liberation Army Navy (PLAN) in order to gain the strategic initiative in those maritime regions that define China's commercial sea lines of communications (SLOCs) and hence threaten its interests. Some Chinese officers, such as Rear Admiral Yang Yi of the PLA National Defense University, made sweeping statements that recent demonstrations of Chinese naval power should be interpreted as a signal of "where China needs to go in the future."<sup>87</sup> Others, such as Colonel Liu Mingfu, another professor at China's National Defense University, boldly stated that China must become the No. 1 world power in the 21st century and to do so it must first become a first-rate naval power.<sup>88</sup> Such language would not be troubling in most circumstances. After all, any cursory review of the papers being produced by midgrade naval officers at the Naval War College in Newport, Rhode Island, would show more than a few opinions promoting American primacy in the world. However, when coupled with recent out-of-area deployments of Chinese naval units, these statements take on increased importance.

China's economy, geographic position, and political legitimacy have compelled it to build a "blue water" navy in order to extend its Great Wall of the first island chain around the tip of Indo-China and into the Indian Ocean to provide protection and support to vital trade routes. Such a move has the effect of "internalizing" China's trade security problem, bringing these trade routes behind the wall. If the Chinese were intent on doing this in an intelligent and efficient manner, one would expect to see surface-to-surface-missile-laden, multimission destroyers with embarked helicopters and good endurance, such as the six *Luyang II*-class destroyers built between 2005 and 2015. Such ships require extensive logistical support, such as the eight Type 903 replenishment ships, each capable of transporting 10,500 tons of fuel and transferring it to other combatants at sea. Additionally, having analyzed the diplomatic success attendant to the American response to the 2004 tsunami and subsequent natural disasters in the region, the PLAN also invested in hospital and Type 71 amphibious ships with floodable well-decks that allow them to quickly on-load and offload heavy supplies for relief operations.<sup>89</sup> Such investments allow China to pursue a strong, sustained, and aggressive engagement strategy throughout the region.

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One key indicator of China's intent to assume the role of a modern great power centers on its decision to build an aircraft carrier. At face value an aircraft carrier is a "power projection" platform, a mission that only tangentially impacts sea control, and inefficiently at that. However, in 1998 China purchased the Soviet Union *Kuznetsov*-class carrier *Varyag* and spent 14 years completing its construction and upgrading its systems prior to commissioning it as the *Liaoning* in 2012. Today, China is well along in its plans to indigenously design and build additional aircraft carriers based upon the knowledge gained from the *Liaoning*, which continues to serve as a training platform to perfect the practices of naval aviation.<sup>90</sup> China will build at least three carriers and most likely five.



China's anti-access/area denial layered system creates a protected bubble for Chinese naval forces to operate in.



The last stone in the new Chinese wall comes in the form of anti-ship cruise and ballistic missiles. These two technologies, deployed in large numbers, create lethal inner and outer sea denial zones that will pose a challenge to U.S. carrier strike groups. The new YJ-18 anti-ship cruise missile is assessed to have a range of 290nm and an ability to shift from a subsonic cruise speed to a supersonic Mach 3 attack speed around 20nm from its target.<sup>91</sup> With the development of the 900-mile DF-21D and 2,500-mile DF-26 anti-ship ballistic missile systems, the “distant sea defense” strategy was largely fulfilled. These missiles deliver a maneuverable re-entry vehicle designed to seek out aircraft carriers at sea. It is clear that the DF-21 and DF-26 are intended to push U.S. naval power projection forces back, beyond the combat range of their aircraft, protecting the Chinese mainland and simultaneously creating a protected “anti-access/area denial” bubble for Chinese naval forces to operate within.<sup>92</sup>

### Chinese “Lawfare”

With China’s new Great Wall established, one of Beijing’s first initiatives was to launch a series of territorial claims over the South China Sea based upon strained interpretations of the United Nations Convention on the Law of the Sea (UNCLOS). UNCLOS allows every nation to exploit maritime resources up to 200 nautical miles from its shorelines within an exclusive economic zone (EEZ), but China advanced an interpretation of UNCLOS that allowed it to claim not only economic rights over the South China Sea, but also sovereignty as if the waters were an internal, landlocked sea. To this end, in May 2009 China submitted a map to the United Nations that included nine-dashed lines to serve as a basis for territorial claims over the South China Sea. China stated that its claims were based upon historic maps and territorial fishing rights, including a 1947 map issued by the Nationalist government of the Republic of China that predated Mao’s takeover of the mainland.<sup>93</sup> Upon learning of China’s submission to the United Nations, the Philippines, Vietnam, Malaysia, and Indonesia all filed protests with the international body.<sup>94</sup>

These nations scrambled to register their own claims to the resources of the South China Sea, angering and surprising the CCP, which stated that its neighbors were exploiting China’s kindness by poaching upon its maritime territory. China steadfastly argued that settlement of boundary disputes should be handled on a bilateral basis.<sup>95</sup> This is in keeping with China’s historical foreign policy, which seeks to reinforce suzerain-tribute relationships that characterized the Middle Kingdom in



*China’s claim over the South China Sea is based on historical maps and territorial fishing rights.*

the past. The Philippines filed a case with the Permanent Court of Arbitration at The Hague regarding Chinese encroachment on the Scarborough Shoal which is clearly within the Philippines EEZ.<sup>96</sup>

China attempted to retain the veneer of its “peaceful rise” by cloaking its increased naval presence in the South China Sea through the use of China Maritime Safety Administration, Customs Service, and Bureau of Fisheries vessels, most of which are patrol craft recently transferred from the PLAN. These ships attempted to put a “polite” face on China’s efforts to assert territorial, fishing, and other resource claims in the area. In 2007 Vietnamese fishermen were detained in one incident and a Chinese ship sank a Vietnamese fishing trawler in another. In 2009 Chinese fishing boats appeared to be working in close coordination with Maritime Safety Administration vessels to harass the American survey ships *Impeccable* and *Victorious*.<sup>97</sup> Even as late as March 2016 Chinese coast guard ships ran down Vietnamese fishing boats operating well within Vietnam’s exclusive economic zone and then proceeded to fire repeatedly into the boats, wounding the crews while the Chinese



*In 2012, Chinese protesters demonstrated outside the Japanese Consulate.*

coast guardsmen shouted, “These waters belong to China; you and all Vietnamese boats must leave immediately.”<sup>98</sup> In all cases, China attempted to color the incidents as law enforcement activities, extending a “lawfare” strategy of attaching sovereign characteristics to exclusive economic zones not found within the UNCLOS agreement.

On September 7, 2010, a Chinese fishing boat operating within the EEZ of the Senkaku Islands was approached by two Japanese coast guard vessels and asked to leave Japanese waters. The captain of the Chinese boat responded aggressively, deliberately ramming the two Japanese vessels in succession while their crews filmed the incident. The Chinese boat was ultimately seized and the captain arrested. China immediately demanded the return of its citizen and carefully orchestrated demonstrations outside of the Japanese Embassy in Beijing.<sup>99</sup> China may have calculated that Japan, facing the impending September 18 anniversary of the infamous World War II Mukden Incident, the event that triggered Japan’s invasion of Manchuria, would want to settle the situation quickly rather than face the strong anti-Japanese nationalist sentiment that accompanied the anniversary. Such a collapse of Japanese resolve in reaction to the egregious transgression on the part of the Chinese captain would both give great “face” to the Chinese and undermine Japan’s future moral and legal claims to the Senkakus.

However, instead of capitulating to China’s demands, Japan extended the internment of the Chinese captain. The Mukden anniversary, with its accompanying anti-Japanese demonstrations, came and went. China responded by stridently warning Japan that it was seriously damaging Sino-Japanese relations.<sup>100</sup> Facing a stalemate and a loss of face on its own part, China finally escalated the confrontation by suspending shipments of rare-earth metals essential to Japan’s communications industries. Japan quickly yielded, but not before the story of the rare-earth metals suspension appeared in international newspapers.<sup>101</sup> These events, ranging from the South China Sea to the Senkakus, all but convinced the United States and the other nations of the Pacific Rim that China’s “peaceful rise” was a façade. The rise of Xi Jinping brought whatever debate that remained to an abrupt end.

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### Xi's "Dream"

Xi, who has led China since 2012 and will continue as chairman of the Chinese Communist Party, the head of state, and chairman of the Central Military Commission into the early 2020s, has enunciated a policy of pursuing "The Chinese Dream," which he describes as "the great rejuvenation of the Chinese nation." Xi went on within his "China Dream" policy statement to describe the goal of establishing a "strong China" militarily, economically, politically, diplomatically, and scientifically. To achieve these goals from a relatively weak political position (Xi was not elected nor selected for leadership by Mao or Deng as his predecessors had been), Xi moved quickly to consolidate power in a manner not seen since Mao.<sup>102</sup> Shortly after taking up his leadership role, he began a public campaign to stamp out corruption that had the convenient effect of destroying some of his political enemies while intimidating all others.<sup>103</sup> Abroad, Beijing began to pursue a policy of "standing tall." China, feeling its time had come, wished to announce its re-emergence as a great power in a strong fashion. Gone were the days of China's "peaceful rise" communications strategy. It is clear that China, to its own mind, has emerged as a great power, most certainly as a regional power, and has done so with a purpose. However, the question remains as to whether Beijing seeks the ultimate goal: the establishment of itself as the global hegemon and the leader of a new international system of governance.

**China's one-child policy continues to exert its lingering influence, namely a rapidly aging population supported by a shrinking workforce. Such a dynamic will keep China chained to an export economy driven by low-cost labor as its own domestic economy slowly climbs to a level of per capita income that will allow it to pivot to a domestic consumer base as its target.**

### Does China Plan to Lead?

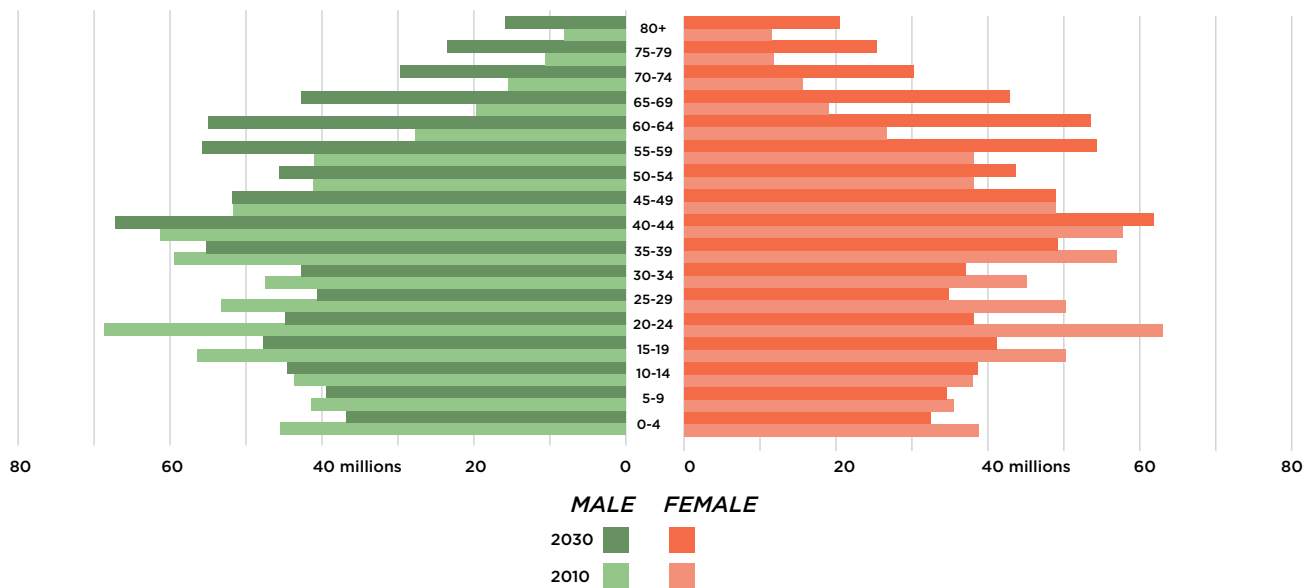
Does China have a strategic plan to replace the United States as the leader of the world? Some voices suggest that it does; however, it is important to note that they do not suggest that it is modeling its ascent upon the United States' rise a century ago.<sup>104</sup> Instead, some in the U.S. analytical community perceive that China's rise is more closely modeled on Japan's ascent in the late 19th and early 20th centuries, which suggests a more regional rather than global focus in the Chinese Communist Party's overall strategic aim.<sup>105</sup> Still others suggest that China does not seek military dominance so much as economic leadership in line with its rapidly growing economy.<sup>106</sup> It would be best to review the particulars of China's approaches to the world from the various vantage points – economic, diplomatic, military, and cultural – in order to clearly illuminate the presence or absence of a grand strategic plan to achieve global leadership.

#### Economic Future

China's economy is large and growing larger, as would be expected of a nation with 1.37 billion people.<sup>107</sup> In keeping with economic theory, the nation with the largest population will eventually rise to the top economically, barring poor governance, war, or natural disasters.<sup>108</sup> As the United States overtook Great Britain as the economic leader of the world, so too will China overtake the United States as more of China's population rises economically and the country's economy undergoes technological maturation. In 2015 the United States contributed 24.3 percent of the global economic output and China produced 25.7 percent.<sup>109</sup> By 2025 the U.S. portion is expected to shrink while China continues to expand with 2018 represents the probable crossover point of economic dominance.<sup>110</sup>

However, raw GDP is not indicative of the real power of the economy to the degree that per capita income is. In the United States, each individual earns around \$55,000 and has around \$40,000 of "disposable" income to spend. These are the numbers that drive the U.S. consumer-based economy. China, on the other hand, has a per capita income of \$7,600 with around \$3,000 available to spend.<sup>111</sup> While China's per capita numbers will continue to rise, it is doubtful that they will ever reach U.S. levels within the next century, especially as China's one-child policy continues to exert its lingering influence, namely a rapidly aging population supported by a shrinking workforce. Such a dynamic will keep China chained to an export economy driven by low-cost labor as its own domestic economy slowly climbs to a level of per capita





Chinese demographics by age and gender

income that will allow it to pivot to a domestic consumer base as its target. Once China does see substantial individual wage growth, its export products will become increasingly expensive and subject to international competitive markets.

China has attempted to take a page from the United States’ “book” and create alternatives to institutions conceived by the West after World War II that now serve as the backbone of the international order. Together with Brazil, Russia, India, and South Africa, China has created the New Development Bank as a substitute to the World Bank, but without many of the inconvenient ethical restrictions that the World Bank imposes on its borrowers. China also founded the Asian Infrastructure Investment Bank, which provides tailored loans in a neo-colonialist manner to China’s Asian and African neighbors, allowing them to build vital roads, bridges, and other critical infrastructures, often with the assistance of Chinese construction companies. China is also spending lavishly on “soft power” outreach projects such as its New Silk Road initiative through the heart of central Asia. In total, China has pledged \$1.4 trillion in investments worldwide, dwarfing the United States’ original four-year Marshall Plan, which spent only \$103 billion in 2015 adjusted dollars.<sup>112</sup> These investments are clearly targeted at earning China the respect and loyalty of its neighbors, many of whom rightly distrust Beijing based upon their past subjugation. However, it must also be noted that China will make loans to nations and despots who cannot get loans from anyone else, and China will expect to collect on its debts, one way or another.

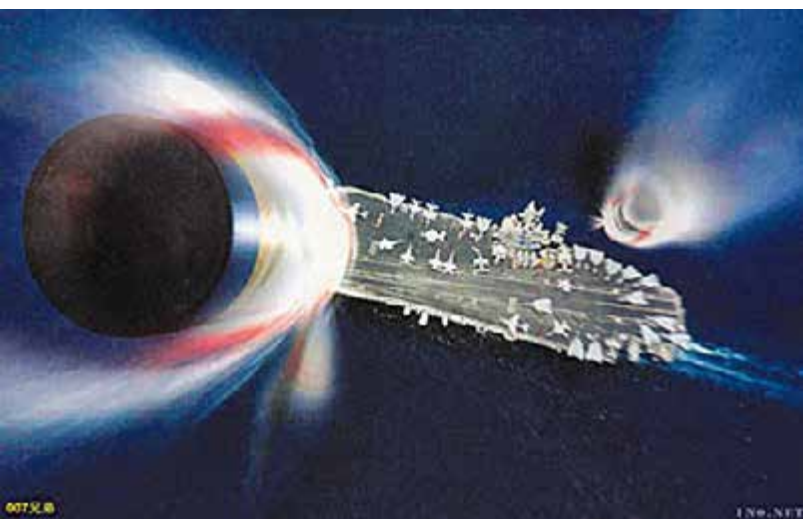
### A New Diplomatic System

Diplomatically, China has pursued a broad range of policies. Overtly, it has, over the past 30 years, promoted multilateral diplomacy and the importance of international institutions such as the United Nations and the G-20 as components of its “peaceful rise” strategy (while also strongly stating that such institutions should not interfere with the internal politics of individual nations). Covertly, China has used multilateral institutions as venues to undermine the strength of U.S. security relationships, such as its treaty alliances with Japan and South Korea. This could be construed as similar to the United States’ international efforts in the early 20th century to undermine the British (and other) colonial system(s). However, China, as a communist and authoritarian state, has not been notably successful in persuading democratic nations to leave the United States’ diplomatic orbit, despite notable advantages that have accrued to authoritarian states in the modern communications era.

Because of its absolute control of the state, power stemming from China’s imperial past and continuing through Mao, China’s leaders can exert total discipline over what has come to be termed strategic communications. Positive news stories regarding China and its leaders dominate Chinese media (which is isolated behind a cyber “Great Firewall”) and criticism is reserved for China’s perceived enemies.<sup>113</sup> China has no politically correct restrictions on how to refer to the United States, Japan, India, or Australia when those countries choose to criticize Chinese excesses. Fictional videos are broadcast

showing Chinese military forces conducting attacks on their nation's "enemies," dramatizing the slaughter of thousands while instigating nationalism at home.<sup>114</sup> With surprising effectiveness, China can marry its media with its diplomatic strategy, highlighting the nation's effectiveness and efficiency while hiding its drawbacks, to effectively shape the environment in a way that the United States and most nonauthoritarian states cannot. China has fashioned a loose alliance of authoritarian states and created an incentive for still other nations to consider authoritarian paths.<sup>115</sup> The Philippines present a case in point. For most of the past 15 years the Philippines have been a target of Chinese aggression and bullying. Accordingly, the islands sought closer security ties with the United States.

However, to be fair, it was the Obama administration's foreign policy, which one commentator characterized as "passivity pretending to be accomplishment," that signaled to China that it could assert itself without fear of retribution.<sup>116</sup> Examples of this passivity include the failed negotiation of a status-of-forces agreement with Iraq and subsequent rise of ISIS, a weak response to Vladimir Putin's annexation of the Crimea and invasion of Ukraine, and the Obama administration's disastrous handling of the Arab Spring movement, including the false red line in Syria. Obama administration "successes" also included pursuit of a controversial deal with Iran to limit that country's nuclear weapons development program, as well as the recognition and opening of diplomatic relations with the terrorist-sponsoring state of Cuba.



*This artist's depiction shows what a photo taken from Chinese CCTV of a Chinese missile attacking a U.S. aircraft carrier could look like.*

By these actions, the Obama administration created the Chinese perception that the United States was weak and lacking in resolve, and that President Obama was eager to leave office with no complications from diplomatic confrontations or military actions. Such a belief led China to assert its power in the western Pacific, seizing Philippine maritime features, particularly the Scarborough Shoals, without any fear of punishment from the United States. For two years China dredged sand, destroyed coral reefs, and built military installations without the United States taking effective action. The combination of Chinese action and U.S. inaction had huge domestic and international implications.<sup>117</sup> China has succeeded in its diplomatic strategy to move the world back to a multipolar arrangement with the tacit assistance of the United States, which has consistently claimed that it will no longer pursue comprehensive influence everywhere.<sup>118</sup> However, China has yet to gain the prestige and coercive power to cement anything remotely resembling pre-eminence into place, and to this extent it has moved out with massive investments in and reform of its military.

### **A Strengthened People's Liberation Army**

China's current military strategy goes far beyond the massive spending increases in its defense infrastructure, which rose 10.1 percent in 2015 to an estimated \$141.9 billion, a slight downturn from the 12.2 percent increase in 2014. Though large, these numbers do not present the full picture to outside analysts because of defense-related projects hidden elsewhere in the Communist Party's overall budget. U.S. Department of Defense (DoD) analysts believe that China's actual security budget for 2015 was closer to \$165 billion, and the Stockholm International Peace Research Institute pegged China's defense spending at \$216 billion. What is even more important to understand is that these numbers still reflect a budget that is only 2 percent to 3 percent of China's overall GDP, which implies that there is room for significant growth before negatively impacting the economy.<sup>119</sup>

The PLA has been undergoing significant reform and restructuring to align to the nation's new foreign policy and strategic goals. A more outward-facing force is emerging that de-emphasizes land power components of the army in favor of naval, air, and space capabilities. Fifth-generation aircraft, naval ships with highly advanced air search capabilities, increasingly quiet nuclear-powered submarines, aircraft carriers, and anti-ship ballistic missiles now dominate Chinese military acquisitions. Additionally, China has added new



*China's investment in pipelines, highways, and bridges, which Xi Jinping terms "One-Belt, One Road," will facilitate the transfer of goods and energy and demonstrates his commitment to land and sea economic engagement.*

amphibious ships and forces whose capabilities exceed those required to simply cross the Taiwan Strait and seize that island. Today China has the ability to move 50,000 amphibious mechanized infantry anywhere within the first island chain and smaller elements of 500 to 1,000 troops anywhere in the Pacific or Indian Oceans.<sup>120</sup> These new capabilities support China's intent to reach farther out across the Pacific and even Indian Oceans to uphold and support critical core interests. Individual units, both ships and aircraft, have demonstrated increased confidence and boldness, and it remains ambiguously unclear as to whether their activities are cued from their headquarters or represent individual initiatives.<sup>121</sup>

Beyond military strategy and acquisitions, the Xi-led leadership group of the Communist Party has laid out an aggressive grand strategic vision. Titled "One Belt, One Road," the new plan calls for China to increase its role in central Asia through the new "Silk Road Economic Belt." Investment in pipelines, highways, and bridges will ease the transfer of goods and energy along a path that partially re-creates the Silk Road, which connected China to Europe's economy in the 13th and 14th centuries.

Simultaneously, China is investing in what it terms a "Maritime Silk Road" (previously described as a "String of Pearls") a series of commercial seaports stretching from the South China Sea to Pakistan. These ports also

**These numbers still reflect a budget that is only 2 percent to 3 percent of China's overall GDP, which implies that there is room for significant growth before negatively impacting the economy.**

provide logistical support to PLAN ships patrolling this line of communication between China and sources of energy and raw materials in the Middle East and Africa. Taken together, these initiatives touch nearly 60 countries and could result in increased regional connectivity and the expansion of Asia's sense of its own identity, with China at its center.<sup>122</sup>



## Chinese Hegemony: Is There a Plan?

Britain did not plan to become the global hegemon. Its economic, diplomatic, and military policies synergistically combined to create conditions wherein Great Britain effectively administered a global colonial system for nearly a century. Its economic policies of free trade and low tariffs, instituted at the dawn of the Industrial Revolution and drawing upon the economic potential of a quarter of the world's population, augmented its diplomatic policy of offshore balancing. Both were supported by Britain's emphasis on naval power and its "next two navies combined" force structure while maintaining a small standing army and avoiding costly land wars. Britain, after the Napoleonic Wars, found itself in the cockpit of power because it had avoided costly drains upon its resources and strategic focus of administering a large global empire that had been built up over centuries. Britain lost power only after two world wars exhausted it financially and militarily. The world also moved on philosophically, with democracy and self-determination first challenging and ultimately setting aside the global colonial administrative system of governance that Britain had dominated.

The United States, the first of Britain's colonial children to separate from the empire grew quietly throughout the 19th century in the shadow of Britain's greatness. After the devastation of World War I, however, the United States began to present an alternative form of global governance. Woodrow Wilson's vision of self-determination and Franklin D. Roosevelt's policy of anti-colonialism undermined British leadership, but it is clear they did not intend the United States to don the mantle of hegemony. However, the institutions that the United States created for the Cold War – the strong military based in continuous technological advancements, the multilateral security alliances chartered throughout the world, the strong domestic economy linked to a strong dollar as the global currency of exchange, as well as a growing, globalized world economy organized by the financial instruments birthed at Bretton Woods – all combined to ultimately yield one of the strongest world-spanning hegemonies in history.

Yet the United States faces challenges. Its national debt is high and undermines the strength of its dollar as the global exchange currency. Its military is both aging and shrinking even as its commitments and multilateral alliances are being challenged worldwide. Lastly, its vision of government characterized by democracy and individual liberty is under assault around the world as authoritarian foreign regimes rise and present

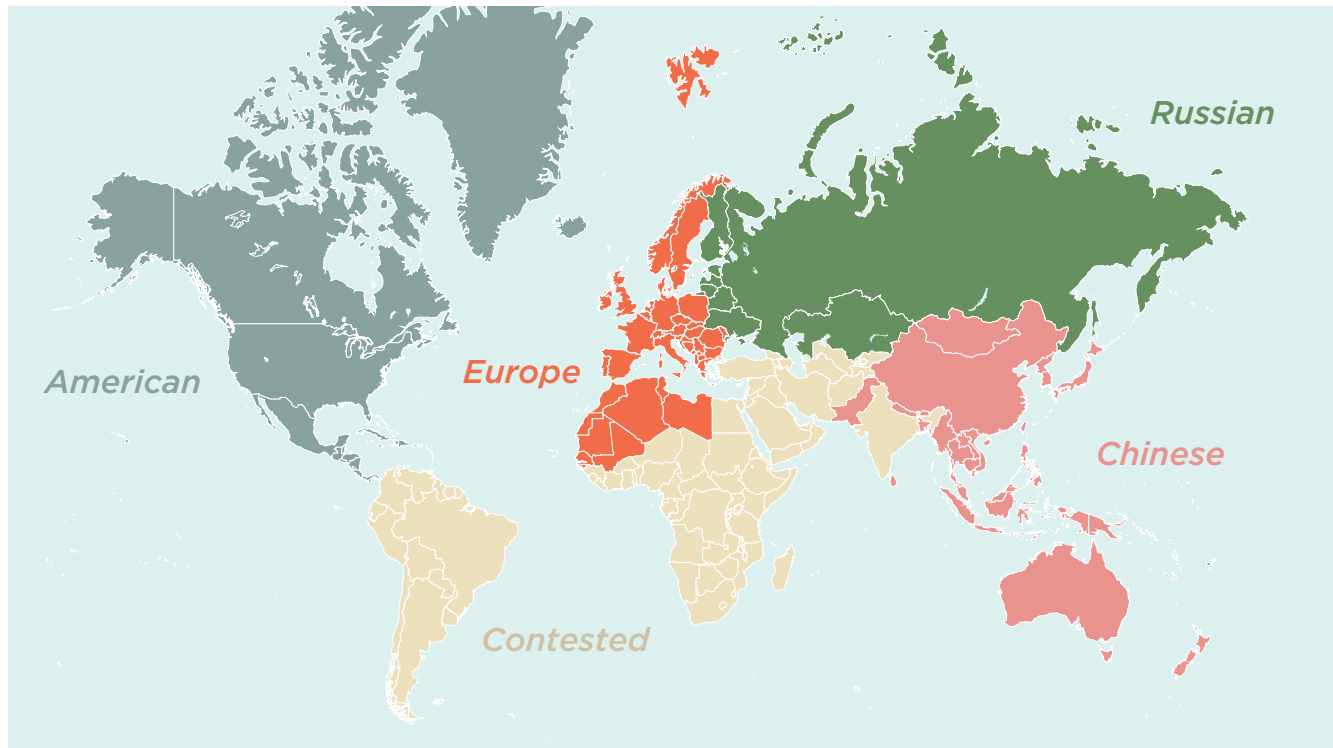
themselves as more capable to deal with the increasing diplomatic, economic, and military complexities of the modern world. So, the question, once again, is: Is China pursuing a strategy to overtake a declining United States as the leading great power on the planet?

While there are many voices within the Chinese government and the PLA that have actively supported such a goal, it does not appear that there is a developed plan to do so. However, this is like Great Britain and the United States, which never developed or pursued such an overt plan of attaining pre-eminence. China today seems most interested in reasserting regional dominance and gaining a sphere of influence in Asia and the western Pacific, and that may be enough to create the circumstances for its ascendancy.

To the extent that China is actively plotting strategy, it seems to derive more from its history for inspiration than from anyone in the West. China's grand strategy still appears focused on its own Warring States era and the establishment of the Qin (Chin) kingdom as the Middle Kingdom, or even Japan's rise as an imperial naval power in the Pacific, than the United States' expansion beyond its continental boundaries.<sup>123</sup> These analogies are representative of competitive struggles in a multiplayer arena. China's strategic vision seems at present focused on establishing its traditional local control over its near abroad and its emergence as the Middle Kingdom in Asia. While seemingly limited in ambition, such a focus could in fact contribute to the downfall of the American-led international system and thus make way for China's rise.

**Britain, after the Napoleonic Wars, found itself in the cockpit of power because it had avoided costly drains upon its resources and strategic focus of administering a large global empire that had been built up over centuries.**

At present the United States leads a global international order that is undergirded by individual liberty, national self-determination, free trade, the dollar as the international reserve currency, and a system of bilateral and multilateral mutual security treaties. These components gain both power and authority from their voluntary broad acceptance as aspirational goals within the modern international system. Such authority would be significantly undermined if China could re-establish



*Should U.S. leadership wane, the world could be divided up into new spheres of influence.*

itself as a regional power in the Asian-Pacific region. If this was to occur, accepted concepts would be set aside.

While the United States represents an expression of liberty, free trade, and self-determination, China places its emphasis on its traditional values of order, Confucian ethics, and disciplined central governance. China's views on economics and international trade are dramatically different from those of the United States as well. Just as the United States took advantage of Britain's low tariff/free-trade policy during the 19th century to make inroads into the British home market while keeping tariffs high at home to exclude British goods, China has used the United States and other advanced economies as export markets for its products while protecting its domestic markets from foreign suppliers. China also pursues a mercantilist approach to certain raw materials, seeking to establish near-monopolist controls over supplies through the use of long-term contracts backed by military force. Beijing does this to eliminate the instability associated with capitalist markets and substitute in its place the efficiencies of a centrally planned global economy.

It should also be understood that China's emergence as a regional economic hegemon – implying local dominance over Vietnam, Malaysia, the Philippines, Taiwan, South Korea, and even Japan and Australia – would have other implications as Chinese economic tools

could be used to shift arrangements in other aspects of the relationship as well.<sup>124</sup> For instance, local economic supremacy could result in the negation of several bilateral security agreements that the United States currently has within the region. Such negotiations, even one or two, would call into question the United States' other worldwide security arrangements.

On a larger scale, the rise of China as a local hegemon and the creation of an Asian-Pacific sphere of influence could also trigger other powers – Russia, Turkey, and the European Union, for instance – to make a push toward establishing their own spheres of local governance under their own civilizational constructs. Hence, China's rise could be but the first step toward a collapse of the international consensus that was formed under U.S. leadership. While this might not result directly in China's rise as a global hegemon, it most certainly could signal the end of the era of U.S. leadership.

Such an eventuality could precipitate the end of the global free-trade economy, upon which the United States depends for sources of high-end manufactured products as well as markets for its own services. A multipolar world could also lead to the end of the U.S. dollar as the global reserve currency as other regional currencies emerge to take its place, shifting an emphasis back to gold or other commodities to back exchanges between trading centers. Such a loss of reserve currency

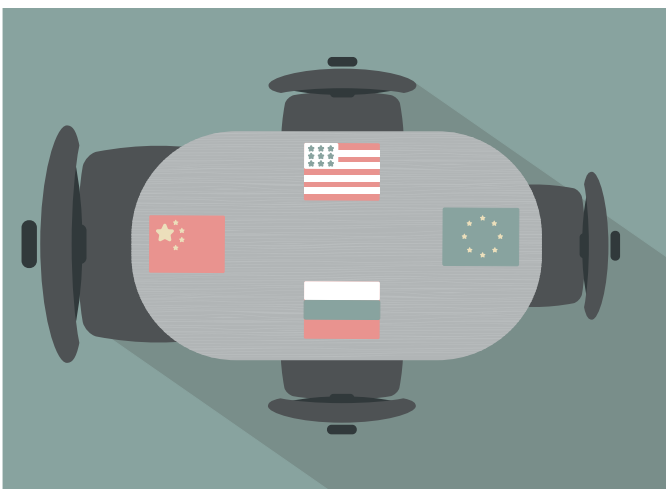
status would also have a significant impact upon the United States with regard to its debt, which is currently denominated in dollars. Should other nations, such as China, demand to have their U.S. Treasury bonds paid in a currency other than dollars, the U.S. economy would contract disastrously. The rise of China as a regional power would also signal the end of the liberal order of global governance as the rise of competing governance models delegitimize the Western approach. Lastly, the rise of a China-led sphere of influence would signal loss of confidence in the United States as a partner in mutual security treaties and lead to rising military competition and global instability.

Such an end is not inevitable nor is it clearly in sight. The surprise election of Donald Trump and the resulting revanchist challenge to both the United States domestically to strengthen itself as well as to allies to step up their commitments to the mutual security, his plan to re-examine trade agreements to establish “fair” trade vs. free trade, and his stated goal to rebuild the American military all signal significant changes to the environment surrounding China. China’s desire for a return to a transactional balance-of-power environment was based upon the premise that such an environment would be to its favor. Businessman-President Trump does not agree.

His acceptance of a post-election congratulatory phone call from Taiwan President Tsai Ing-wen put the “One China” policy that had governed U.S.-China relations since the 1970s in question, and put the communist People’s Republic of China in the recently uncommon position of having to react to a diplomatic initiative from the United States.<sup>125</sup> It is clear that the election of Trump has signaled a significant change in the international environment. Whereas the United States in the past had been the stable, predictable actor, allowing China to test boundaries and norms, a Trump presidency has

introduced a new mode of strategic ambiguity on the part of the United States. Both sides will need to reassess their own ideas of global and regional hegemony.

China in its public statements and private gestures is signaling that it desires respect. Its standard of measurement is its own historical past and the level of achievement that will satisfy its internal sense of self-worth: the re-establishment of China as the Middle Kingdom in Asia and the western Pacific with secure economic supply lines of raw goods and energy sufficient to keep its economy stable over the decades to come; its own sphere of influence wherein it can reassert historical bilateral relationships between itself as the large power and all other nations of the region as smaller powers: suzerain and supplicants. It also desires harmony with and respect from other civilizations. This is what China desires because it views itself as something much larger than a mere state. It is a civilization. Lastly, it seeks a seat at a multipolar table. It will accept a chair of equal height at first, but over time, decades if not centuries, it will seek to undermine Western norms and U.S. cultural influence and power, pursuing always a first-among-equals position.



*China's desired arrangement at a new "grand table" of world powers.*

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