China and the United States:
The Challenges of Global Hegemony

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Executive Summary

The purpose of this paper is to analyze scenarios about the future of the international system by determining whether or not the United States is in decline and whether or not China has the capacity in terms of both hard and soft power assets to potentially challenge and replace America as the global hegemon. The paper works through the literature surrounding America's decline and China's rise. Whether or not the United States is in decline is necessary for any debate because any future international system will be heavily impacted by the United States.

Will the world look much the same as it does today; maintaining the status quo or will there be a shift to a more bi-polar environment that is split between the United States and China? Or, will there be a fundamental shift in global balances of power and the result will be a reversion to a multipolar world. These issues will be analyzed and concluded upon throughout the course of this work.

By analyzing the debate that surrounds the decline of the United States and the rise of China and what it means to be a hegemon in the twenty-first century, this research paper accounts for what is expected of a hegemon as well as the benefits that are usually conferred upon a state that is in a hegemonic position in the world.

The United States is presently considered the global hegemon and as such it is examined in depth in order to analyze its capabilities and establish the reasons why it became a hegemon as well as maintained that position for as long as it has. China will in turn be held to the same scrutiny in an effort to determine whether or not it will be able to meet the high demands that the international community has come to expect from a leader of the international system.

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Chapter 1: Introduction

If history is to be any guide, all world orders are transient things.[1] They rise and they fall. There is a sort of cycle that is associated with it, and it has been proven time and again. The current world order is dominated by the United States of America and largely supported by a wide array of allies that hold similar values and, despite setbacks, have largely accepted American leadership.

At present there is a fairly intense debate taking place surrounding the future of the existing international order. This is not a new debate, but one that has gained increased interest in academic circles. Since the end of the Second World War, the United States has been the center of the international community, the 'indispensable nation' around which world politics and economics orbit. The core of the current debate focuses on whether or not the United States is in decline as the global hegemonic power. If this is indeed the case, many seek to predict how the world will be shaped due to this decline and what will rise to take its place, if anything. Currently the sole contender for replacing the United States' hegemonic dominance is China, the world's most populous country and second largest economy.

A pivotal moment in history is taking place regarding the shift in the distribution of global power. It could be argued that something similar has not taken place since the 'Age of Exploration' when Europe ceased to be the backwater of the world and began its march toward global dominance. This time the roles are reversed. Many regions of the world that were once considered underdeveloped, and were under direct or nominal control of Western sponsors are developing and they are doing so at an incredible pace. This time, it is not isolated cases like

[1] Robert Kagan. *The World America Made* (New York: Alfred & Knopf, 2012), 5.

Japan or the Asian Tigers, but the development of state economies in many regions of the world simultaneously. With their new status, they are seeking a much more active role in global affairs.

The most dynamic of these developing states are commonly referred to the BRIC states and their rise is causing quite a stir in the international community, which has traditionally been dominated by the United States and Western Europe. They are developing their own models and largely entering the world stage on their own terms.[2]

As of 2011, these four up-and-coming states together accounted for 40 percent of the world's population and approximately 25 percent of global GDP[3]; and they are expected to continue on an upward trend, all things remaining the same, for years to come. This is a significant historical development. Their combined economic clout means that they can no longer be ignored by the developed West. The developing world, led by the BRIC countries, are standing up to be recognized and they are now too powerful to be simply brushed aside.

The two great powers that will be analyzed are the United States as it is recognized as the current hegemon and China, as the leading BRIC state and as such, is widely accepted as the sole possible challenger to the global hegemony of the United States.

There are significant changes taking place in the world. The question is, what impact these changes will have to the current liberal economic order; what will the future international system look like? In order to answer this question two things need to be analyzed; America's decline and China's rise.

The first is whether or not the United States is indeed in decline. This is important because the United States is currently in the center of the current liberal economic order that

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[2] Fareed Zakaria. *The Post-American World* (New York: WW Norton & Company, 2009), 36.
[3] Global Sherpa, "BRIC Countries – Background, Latest News, Statistics and Original Articles." http://www.globalsherpa.org/bric-countries-brics

governs the world today. Whether or not it is decline will have a significant impact on the future of the international system.

The second question is China's growth. China is a rising power, but what needs to be looked at is whether or not China is going to continue to grow at the same incredible pace that it has for the past thirty years, or if its growth will slow. China's rate of growth will have a significant impact on how it will interact with the current liberal economic order and what its relationship with the United States will be.

The combination of America's decline or status quo and China's accelerated or slowed growth present four likely outcomes regarding the future of the international order as presented in Figure 1.

The first set of scenarios is based on the premise that the United States is *not* in decline. This presents two possible outcomes depending on the extent of China's rise. The first is that if China continues rising as rapidly as it has been, it will quickly catch up to the United States and the international order will assume a form of bipolarity in which both China and the United States share global dominance. The second is that if China's growth slows, the United States will remain as the sole global hegemon and the international order will remain as it is now, a status quo scenario.

The second set of scenarios is based on the premise that the United States *is* in decline. This too presents two possible outcomes depending on rapidity of China's rise. If the United States is in decline and China continues to rise rapidly, it will quickly overtake the United States and displace it as the global leader. In this case, a hegemonic transition is likely to take place as the current leader gives way to the rising challenger. In the second scenario, the United States is in decline but China's growth rate slows. In this case, there will also be a bipolar scenario but one of a more multipolar nature where the United States and China still dominate the international order, but there is a greater power diffusion to other regional blocks throughout the international system.

Figure 1

		United States	
		Not In Decline	In Decline
China	Rapid Rise	Bipolarity	Hegemonic Transition
	Limited Rise	Status Quo	Bipolar / Multipolar

In an effort to determine what form the international system is likely to take, the topic will be addressed in five additional chapters. Chapter 2 begins with a deeper analysis of the four possible scenarios outlined in Figure 1. Following that is a review of literature surrounding both America's decline and China's rise.

Chapters 3 looks at hegemony and leadership, and provides an analytical framework for the analysis of both the United States and China. It begins by explaining what hegemony is. It explores the correlation between dominance and leadership in the international system. This analysis is based on how a state attains and maintains hegemony through both hard and soft power assets. Hard power, for both the United States and China, is broken down into four subsections: geography, demography, the economy, and the military. Soft power in turn is broken down into three subsections: security and stability, political ideology, and legitimacy.

Chapters 4 and 5 look at the United States and China respectively. Since the current international system was largely created by the United States it is the only established system with which to work with. As such, much of the analysis is of China is in comparison to the United States.

Chapter 4 will focus on the United States in terms of both the hard and soft power assets that are outlined in Chapter 3 in an effort to determine whether or not the United States is still in a position to maintain its position as the global hegemon. This section will show whether or not the United States is indeed in decline or not and place in one of the two categories shown in Figure 1.

Chapter 5 in turn will focus on China through its hard and soft power assets outlines in Chapter 3 in an effort to determine whether or not China will continue to rise as rapidly as it has or if its growth will slow due to both external and internal pressures. This will help outline where China is likely to fall in relation to the categories presented in Figure 1.

Chapter 6 provides the conclusion. The conclusion determines that the current international system will remain largely as it is now, the most likely scenario being the maintenance of the status quo. It is assumed that the international system and the powers being analyzed will remain largely as they are now. It is recognized that the future is uncertain and that history has a tendency of unraveling even the most detailed analysis. There are so many factors that may affect the analysis that accounting for them all is not possible.

That being the case, through the analysis presented in both Chapter 4 and 5, it is shown that the argument for the decline of the United States is overblown. Although the United States is experiencing some relative decline as China grows, the United States is still a robust and powerful entity in the world. It is still predominant in terms of both economic and military terms. It has a healthy demographic trend, and geographically it is still in a favorable position. In terms of soft power, the United States is still largely seen as a benefactor of the global system as well as the center around which the international system orbits. China by contrast faces significant constraints in both hard and soft power assets. Geographically, China is in a much more challenging position. Demographically, it will face increasing challenges due to the consequences of its one-child policy. Economically and militarily it is indeed improving, but remains significantly behind the United States. In terms of soft power, China has limited capability.[4] It has significant obstacles to overcome in addressing regional concerns, its political and ideological attractiveness and its legitimacy in the eyes of the world. The result is that China will continue to grow, but at a slower pace and will not be in a position to overtake the United States in the foreseeable future.

[4] David Shambaugh, *China Goes Global: The Partial Power* (New York: Oxford University Press), 267.

Chapter 2: Review of Literature

There is a significant debate taking place in academic circles as to what the future of the international system is likely to take. As was mentioned in Chapter 1, it is first necessary to first answer whether or not the United States is in decline and at what rate China is likely to grow in the future.

This Chapter will expand on the four possible futures of the international system presented in Figure 1 in the previous Chapter. It will then present the literature that argues both for and against the decline of the United States as well as the predicted growth rate of a rising China.

The Future of the International System

As shown in Figure 1 in the previous Chapter, there are four possible scenarios for the international system depending on America's decline and China's rise: bipolar, status quo, hegemonic transition, and bipolar/multipolar.

Bipolar

The first possible scenario is that the international order may take is one of a bipolar nature. This possibility is based on the belief that the United States is not in decline and that China will continue with its meteoric growth. This concept represents an order that greatly resembles the conditions that existed during the Cold War between the United States and the Soviet Union. Both powers compete globally but are largely unwilling to confront each other directly for fear of destroying each other to no benefit for one or the other. In the case of the Cold War, it was military deterrence. In the case of China and the United States it is looked at more as an economic deterrence.

As put by Shambaugh, it is a sort of "condominium of power by the two dominant powers..."[5] Bergsten refers to this combination as the G-2. He argues that without the United States and China working together on international issues they "will not be advanced unless the United States and China work it out together."[6] Combined, they represent one third of global GDP, 25 percent of the global population and 13 percent of the earth's land surface.[7] Combined they possess the capacity to regulate the global economy and set norms under which the rest of the world would be forced to adhere to in order to access these massive markets.

Status Quo

The second possible scenario is the continuation of the status quo is centered on the conditions that the United States is not in decline and that China's rate of growth will begin to slow. This will in effect leave the international system largely unchanged. The United States will remain the preeminent power, and sole superpower, in global affairs. China, though powerful, will be but one if a number of great powers.

The United States will remain the largest and most powerful player internationally in terms of both hard and soft power assets, will continue to champion the current liberal economic order and will continue to underwrite global security. No other state or group of states will seek to unseat the United States.

Hegemonic Transition

The third possible scenario is a hegemonic transition. It is centered on the considerations that the United States is indeed in decline and China will continue with a high rate growth. In this scenario, the United States begins to rapidly lose global power and influence while China

[5] David Shambaugh, "Introduction: The Rise of China and Asia's New Dynamics," in *Power Shift: China and Asia's New Dynamics* (Berkeley: University of California Press, 2005), 15.
[6] Fred Bergsten, "Two's Company," in *Foreign Affairs* 88:5 (Sept/Oct 2009), 169.
[7] Niall Ferguson, "What 'Chimerica' Hath Wrought," in *The American Interest* Winter (Jan./Feb. 2009), 120.

continues to make rapid inroads in both. Hegemonic transitions have historically been very bloody affairs.

In the case of hegemonic transitions, Gilpin identifies three possible options for a declining hegemon regarding a rising challenger. The hegemon can: eliminate the challenger in a military confrontation while the hegemon is still in a position of significant advantage, the hegemon can reduce the costs of hegemony by retracting their sphere of influence to one that is more secure and less costly, or the hegemon can reduce international commitments and retrench.[8]

Whether or not war is an option under these conditions is not what needs to be addressed. A hegemonic transition possibility may imply a serious reordering of the international system where a future dominant China seeks to reorder the system into something else. What that may be in unknown, only that it is unlikely to remain exactly as it is today.

Bipolar / Multipolar

The fourth possible scenario is centered on the conditions that the United States is in decline and that China's growth will slow. The result of this combination will be that the United States will decline in power and influence and China will gain, but not to the extent that it will overtake the United States. There will be a greater diffusion of power. China and the United States will still be the two most powerful actors in global affairs but there may also be an even greater diffusion of power and regional hegemons may rise in certain parts of the world leading to a more multipolar international system.

In a bipolar situation where the United States is in decline and China is rising slowly, both will intersect but at a lower level. It will resemble something other than a Cold War scenario between two superpowers, and appear more like two powerful great powers surrounded

[8] Robert Gilpin, *War and Change in World Politics* (New York: Cambridge University Press, 1981), 191.

by lesser great powers. The two will still dominate the international system, but it will be necessary to include a wider array of actors in order to implement global initiatives.

A more multipolar scenario focuses primarily of a significant diffusion of power throughout the globe and is reliant on the belief that the United States is in a state to significant decline. It argues that the United States is no longer able to influence global affairs as it once did and as a result is no longer able to deal with significant economic blocks that are rising up and vying for a greater stake in global affairs.[9]

America is still strong, and its pre-eminence in military affairs is not likely to be challenged any time soon, but that on the economic front, there is a shift towards "…a wider participation in the governance of the international economic and financial system."[10] The inclusion of the G20 in resolving the 2007-2009 financial crisis (as addressed earlier) does signify a shift.

This shift implies that the age of Western dominance is at an end, and it is a shock to many. What is certain is that "rising powers appear to be following a third way; entering the Western order but doing it on their own terms – thus reshaping the system itself."[11] As Buzan explains, "…we have simply come to think of a hugely uneven distribution of power in favor of the West is normal and durable. It is neither. It was exceptional, indeed unprecedented."[12] Thus multipolarity returns the world to, as Hiro expresses, the "age old balance of power"[13] and a

[9] Amitav Acharya, "Can Asia Lead?: Power Ambitions and Global Governance in the Twenty-First Century," in *International Affairs* 87:4 (2011), 865.
[10] Paul Cammack, "The G20, the Crisis, and the Rise of Global Development Liberalism," in *Third World Quarterly* 33:1 (2012), 2.
[11] Zakaria, *A Post-American World*, 36.
[12] Barry Buzan, "A World Order Without Superpowers: Decentralized Globalism," in *International Affairs* 25:1 (2011), 5.
[13] Dilip Hiro, *After Empire: The Birth of a Multipolar World* (New York: Nation Books, 2010), 275.

more distributive system where all great powers are reduced and none are preponderant in power and influence."[14]

These are the four possible scenarios for the international system depending on the status of both the United States and China in the future. The following two sections review the literature surrounding America's decline and China's rise.

America's Decline?

In order to answer what the future of the international system will look like, it is first necessary to determine whether or not its most important actor is in decline. This section is an effort to review the available literature on America's decline.

In 1989, the Soviet Empire began to unravel and the United States stood as the sole global superpower. President George H.W. Bush Sr. announced in his 1990 State of the Union Address that:

> "For more than forty years, America and its allies held communism in check and insured that democracy would continue to exist. And today, with communism crumbling, our aim must be to insure democracy's advance, to take the lead in forging peace and freedom's best hope, a great and growing commonwealth of free nations."[15]

This sentiment was reinforced by a number of scholars, the most prominent among them being Fukuyama in his announcement of the triumph of liberal democracy.[16] It was also the point at which the United States began its decline. According to Hiro, the United States is in a "downward slide" and has been for some time.[17] These sources of the decline of the United States are based in both international perceptions and domestic constraints.

Domestically, Brzezinski identifies six 'liabilities' that threaten the position of the United States: its national debt, a flawed financial system, widening social inequality, decaying infrastructure,

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[14] Hiro, *After Empire*, 281.
[15] George H.W. Bush, "State of the Union Address," (speech presented as an Address Before a Joint Session of the Congress on the States of the Union), January 31st, 1990. http://www.presidency.ucsb.edu/ws/index.php?pid=18095
[16] Francis Fukuyama, *The End of History and the Last Man* (Toronto: Free Press, 1992).
[17] Hiro, *After Empire*, 60.

public ignorance and gridlocked politics.[18] This list provides an accurate summary of the contributing factors to America's decline at home and also impacts the manner in which the United States is seen abroad.[19] All of these have been with the United States for a long time but as long as the economy was growing in the United States there was little cause for concern or incentive to adapt.

The arguments around America's decline that will be explored in this chapter charge that the culmination of the Global War on Terror (GWoT), the Invasion of Iraq, the 2007-2009 financial crisis and the rise of new, powerful, economic competitors, especially China, have made America's position untenable.

Barry Buzan argues that this decline began with the fall of the Soviet Union in 1991. According to Buzan the unity that existed during the Cold War began to wane when the Soviet Union collapsed. It was "partly because there is not great ideological struggle to sustain it, and partly because of the conspicuous turn or self-interested unilateralism,"[20] Without the Soviet Union as a rival, the United States stood at the pinnacle of the global hierarchy. Unchallenged, the United States was able to impose a Pax-Americana on the world that resulted in "an international system of relative peace and security" through its security commitments in Europe

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[18] Zbigniew Brzezinski, *Strategic Vision: America and the Crisis of Global Power* (New York: Basic Books, 2012), 55.
NOTE: As an expansion of the six liabilities identified by Brzezinski. 1) National Debt is "mounting and eventually unsustainable." It will increase US vulnerability to creditor nations, threaten the dollar at the reserve currency, undermine the capitalist model and weaken the United States' leadership position in international institutions;
2) Flawed Financial System threatens both America's economic system as well as the global economic system. It also "produced a moral hazard that causes outrage at home and undermines America's appeal abroad by intensifying America's social dilemmas;" 3) Widening Income Inequality provides a "long term danger to social consensus and democratic stability;" 4) Decaying National Infrastructure. Most of America's infrastructure is old and out of date in terms of both appearance, and function. There has been little in terms of implementing new technologies like high-speed rail systems. According to the American Society of Civil Engineers, America's infrastructure is just above a failing grade; 5) Public Ignorance in the United States is widespread. Many Americans have very little understanding of "basic global geography, current events, and even pivotal moments in world history;"
6) Gridlocked Politics has made it so that even when items are identified the polarization between the parties makes action difficult.
[19] Brzezinski, *Strategic Vision*, 46.
[20] Buzan, "A World Without Superpowers," 7.

and East Asia.[21] Using its enormous resources to enforce this international system the United States was, according to Buzan, "consequently marginalizing great power conflict and the balance of power as the key drivers of international politics."[22] Zakaria agrees explaining that "the data reveal a broad trend away from wars among major powers."[23] Without an immediate threat, nor one in the foreseeable future, to upset the evolving liberal economic order, many states developed a belief that the peace was a permanent one.[24]

According to Chalmers, a direct result of this permanent peace is that governments that could once justify America's military presence are finding it increasingly difficult to do so. The "rapes, crimes, accidents and pollution"[25] that are commonly associated with large military facilities and the accompanying concentrations of soldiers are meeting with increasing local pressures in places like South Korea, Italy and especially Japan.[26] Despite these pressures, America was still largely seen as a force for good in the world.

With the fall of the Soviet Union, the United States was at the height of its power and as such felt there was no need to address the liabilities that were previously mentioned by Brzezinski and led to a profligate mentality. Bacevich explains that the profligacy was manageable so long as the United States had "bountiful reserves of power."[27] Zakaria explains

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[21] Gilpin, *War and Change in World Politics*, 145; G. John Ikenberry, *Liberal Order & Imperial Ambition: Essays on American Power and World Politics* (Cambridge: Polity Press, 2006), 201; Kagan, *The World America Made*, 45; Michael Mandelbaum, *The Frugal Superpower: America's Global Leadership in a Cash-Strapped Era* (New York: Public Affairs, 2010), 54.
[22] Barry Buzan, *The United States and the Great Powers: World Politics in the Twenty-First Century* (Cambridge: Polity Press, 2004), 97.
[23] Zakaria, *The Post- American World*, 9.
[24] Kagan, *The World America* Made, 45.
[25] Chalmers Johnson, *Dismantling the Empire: America's Last Best Hope* (New York: Metropolitan Books, 2010), 31.
[26] Johnson, *Dismantling the Empire*, 124.
[27] Andrew J. Bacevich, *The Limits of Power: The End of American Exceptionalism* (New York: Henry Holt and Company, 2008.), 2.

that possessing this "overwhelming power…bred carelessness, and carelessness led to serious mishaps."[28]

It is widely agreed that two events that took place in the first decade of the twenty-first century would prove to the United States that its "power is finite,"[29] and exposed the weaknesses that had been largely ignored during times of largess and would undermine its ability to lead. The first was the 2003 invasion of Iraq[30] and the second was the 2007-2009 financial crisis.[31]

In 2003, the United States pre-emptively invaded the sovereign state of Iraq without the consent of the international community and under false pretenses. This invasion, according to Zakaria, "delegitimized America's military-political power in the eyes of the world."[32] There were some initial efforts to secure consent from the United Nations portraying Saddam Hussein as a threat to the international community because he was developing Weapons of Mass Destruction. When support from the international community was not forthcoming, the United States, under President George W. Bush, acted unilaterally. This act of unilateralism seriously tarnished the legitimacy of America's power in the eyes of the world, especially in regards to traditional allies in Europe.[33]

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[28] Zakaria, *The Post-American World*, 67.
[29] Bacevich, *The Limits of Power*, 174.
[30] Bacevich, *The Limits of* Power; Johnson, *Dismantling the Empire*; Hiro, *After Empire*; David A. Lake, "American Hegemony and the Future of East-West Relations," in *International* Studies 7 (2006); Mandelbaum, *The Frugal Superpower*; Zakaria, *The Post-American World*.
[31] Roger C. Altman and Richard Haass, "American Profligacy and American Power," in *Foreign Affairs* 89:6 (Nov.Dec. 2010); Bacevich, *The Limits of Power*; Ian Bremmer, *Every Nation for Itself: Winners and Losers in a G-Zero World* (Toronto: Penguin Group, 2012); Buzan, "A World Without Superpowers."; Ian Clark, "China and the United States: A Succession of Hegemonies," in *International Affairs* 87:1 (2011); Niall Ferguson, *Civilization: The West and the Rest* (Toronto: Penguin Press, 2011); Joseph P. Quinlan, *The Last Economic Superpower: The Retreat of Globalization, the End of American Dominance, and What We Can Do About It* (Toronto: McGraw Hill, 2011); Zakaria, *The Post-American World*.
[32] Zakaria, *The Post-American World*, xxi.
[33] Hiro, *After Empire*, 60; Mario E. Carranza, "Reality Check: America's Continuing Pursuit of Regional Hegemony," in *Contemporary Policy* 31:3 (Dec. 2010), 412; Johnson, *Dismantling the Empire*, 32.

Zakaria explains that “the costs have been massive. The United States has been overextended and distracted, its army stressed and its image sullied.”[34] According to Huntington, two-thirds of the world’s peoples (Chinese, Russians, Indians, Arabs, Muslims, and Africans) saw the “United States as being the single greatest external threat to their societies”[35] in 1999. With the attack on Iraq, America’s traditional allies now saw it in much the same way; as the single greatest threat to international security. Many who once saw American leadership as a relatively benign force have now begun to see their actions as imperialistic in nature. It is a subtle transition; supporters call it leadership, opposition uses imperialism.[36]

Buzan, Mandelbaum and Carranza agree that any effort to unite the international community behind a new ideology through the Global War on Terror was not as effective as hoped. The ideology was not alluring enough and international terrorism, though a threat, was not a great enough security issue for world governments to accept unilateral actions by the United States.[37] According to Carranza, the United States discovered that it “cannot impose a new global order by force alone,”[38] which was evident in the global protests against the invasion of Iraq.

The second major contributor to America’s decline was the impact of the 2007-2009 financial crisis on the viability of America’s economic system. According to Buzan, the United States “badly damaged itself with the financial crisis.”[39] He believes that the damage created by the financial crisis has undermined the ability of the United States to lead, “it has neither the economic resources, nor, with the collapse of the Washington Consensus, the ideological

[34] Zakaria, *The Post-American World*, 173.
[35] Samuel P. Huntington, “The Lonely Superpower,” in *Foreign Affairs* 87:2 (Mar. /Apr. 1999), 43.
[36] Robert Jervis, “The Remaking of a Unipolar World,” *The Washington Quarterly* 29:3 (Summer 2006): 7.
[37] Buzan, “A World Without Superpowers,” 7, Carranza, “Reality Check,” 423; Mandelbaum, *The Frugal Superpower*, 41.
[38] Carranza, “Reality Check,” 412.
[39] Buzan, “A World Without Superpowers,” 10.

authority to do so."[40] Altman and Haass agree stating that there is now a "diminished appeal if the American model of market-based capitalism."[41] Quinlan goes a little further when he states that the 2007-2009 financial crisis was the "tipping point" that "demolished America's ability and authority to lead the global economy."[42]

Others are not quite so dramatic but agree with the statement that the financial crisis did permanently damage America's economic standing. Bremmer, for instance, states that the "financial crisis accelerated an already inevitable shift in the world's balance of political and economic power from a U.S. dominated global order to one in which emerging powers have become indispensable."[43] This thought is echoed by Ferguson when he states that the financial crisis was the "accelerator of an already well-established trend of relative Western decline."[44]

According to Bacevich, it exposed America's limitations and proved that 'power is finite.' For Bacevich, the 2007-2009 financial crisis was the reckoning of America's profligate habits.[45] Prior to the 2007-2009 financial crisis, the United States could afford to be wasteful. Quinlan explains that since the 1980's were a high point for the global economy and despite some "periodic financial crises during this period…they were never at the core of the global economy- or the United States."[46] He continues stating that the "U.S. economy seemed to be indestructible, quickly rebounding from the dot-com bust early in the decade and then the shocking events of 9/11."[47] So long as this trend remained, there seemed to be no need to address the liabilities that are outlined by Brzezinski. According to Zakaria, that is precisely what makes this crisis so

[40] Buzan, "A World Without Superpowers," 10.
[41] Roger C. Altman and Richard N. Haass, "American Profligacy and American Power," in *Foreign Affairs* 89:6 (Nov./Dec. 2010), 25.
[42] Quinlan, *The Last Economic Superpower*, xi.
[43] Bremmer, *Every Nation for Itself*, 63.
[44] Ferguson, *Civilization*, 308.
[45] Bacevich, *The Limits of Power*, 183.
[46] Quinlan, *The Last Economic Superpower*, x.
[47] Ibid, x.

pivotal; “it did not originate in some developing world backwater; it emerged from the heart of global capitalism.”[48] The profligate attitudes of the United States had gone beyond domestic confines and “coursed its way through the arteries of international finance.”[49]

The ‘acceleration’ of American decline was put into perspective when the crisis proved to be beyond the ability of the developed world to manage. The G7[50] simply did not have the financial resources to rescue the international financial system. Cammack explains that the markets and financial systems in developed countries were no longer able to keep the global economy afloat.[51] Li and Chen explain the inability to resolve the crisis “because it is composed of the most developed countries which all have the same political ideologies and lacks the representative legitimacy to lead…”[52] A larger group of states was necessary and so the G20[53] was brought together because it is much more representative of global distributions. The G7 accounted for about 56% of world GDP and 11% of the population, the G20 accounts for 88% of world GDP and 65% of the population.[54]It was the first time that the G7 was forced to include the developing world in matters of international finance. As a result, the time when the world was directed by the US and the West and one either played by their terms or were pushed to the outside and left to irrelevance[55] was seen as coming to an end. The loss of control of global finance is seen as blow against the legitimacy of the West and the United States in particular to

[48] Zakaria, *The Post-American World*, xxi.
[49] Ibid, xxi.
[50] NOTE: The G7 is a group of seven industrialized nations that used to represent the largest and wealthiest economies in the international system. Its members include: the United States, Canada, the United Kingdom, Germany, France, Italy, and Japan
[51] Cammack, “The G20, the Crisis, and the Rise of Global Development Liberalism,” 6.
[52] MingJiang Li and Gang Chen, “China’s Search for a Multilateral World: Dilemmas and Desires,” *The International Spectator* 45:4 (2010), 21.
[53] NOTE: The G20 is a group of twenty major economies in the international system. Unlike the G7 (See Footnote 35), it is not exclusive to fully industrialized nations but instead represent a much wider sample of nations at varying levels of development. Its members include: the United States, Canada, Mexico, Brazil, Argentina, the European Union, the United Kingdom, Germany, France, Italy, Turkey, Russia, Saudi Arabia, South Africa, China, Japan, South Korea, India, Indonesia, and Australia.
[54] Quinlan, *The Last Economic Superpower*, 88.
[55] Zakaria, *A Post-American World*, 37.

guide international finance. As Cammack explains, the emergence of the G20 places "emerging economies are at the helm"[56] of the "steering committee' of global finance.

Overall there is agreement with Mandelbaum's more general statement that "the 2007-2009 financial crisis will have long term consequences."[57] As to Quinlan explains, "other countries have awakened to the fact that there are other paths to prosperity and have been emboldened to operate outside the confines and dictates if Western-style capitalism."[58]

The 2007-2009 financial crisis also had a significant impact on the manner in which the domestic population of the United States views its place in the world. According to Jervis, "commitment is required in the United States, across society and the political system"[59] in order to maintain its leadership role. This required commitment is also supported by Buzan and Weaver.[60] Yet according to some critics, domestic support in the United States is waning for foreign adventures.[61] Mandelbaum cites a 2009 Pew Research Center poll that announces "a higher proportion of Americans agreed that the United States should mind its own business internationally."[62] The result has been increasing difficulty supporting profligate activities abroad while there is domestic strain.

The positions presented are strong arguments for the decline of the United States. There are also equally strong arguments for why the United States is still a powerful state. As mentioned previously, the main arguments for why the United States is in decline are centered on the invasion of Iraq in 2003 and the financial crisis that began in 2007 and lasted until 2009.

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[56] Cammack, "The G20, the Crisis, and the Rise of Global Development Liberalism," 3.
[57] Mandelbaum, *The Fragile Superpower,* 11.
[58] Quinlan, *The Last Economic Superpower*, 82.
[59] Jervis, "The Remaking of a Unipolar World," 18.
[60] Barry Buzan and Ole Weaver, *Regions and Powers: The Structure of International Security* (Cambridge: Cambridge University Press. 2003), 34.
[61] Will Hutton, *China and the West in the 21st Century: The Writing on the Wall* (London: Abacus, 2007),3; Mandelbaum, *The Frugal Superpower*, 33; [61] Gideon Rachman, "This Time It's For Real: Think Again American Decline," in *Foreign Policy* 184 (Jan/Feb 2011), 3.
[62] Mandelbaum, *The Frugal Superpower*, 33.

Defenders of America's strength are quick to respond that America's eminent decline is nothing new.[63] As Calleo explains, "for the past five decades this has been a recurring question in American political discourse."[64] There always seems to be a new challenger who threatens to eclipse American dominance: militarily/technologically by the Soviet Union during the Cold War, economically from Japan in the 1980's, or China's rise in the present. Yet each and every time, the United States has managed to overcome these challenges.

Brzezinski argues that despite the most recent crises that the United States experienced in the first decade of the twenty-first century, there are still significant strengths that the United States possesses that provide it "with the capacity to correct its evident shortcomings."[65] These strengths are: its overall economic strength, innovative potential, demographic dynamics, reactive mobilization, geographic base, and democratic appeal.[66] Nye focuses on America's "new technology, flexible labor markets, strong venture capital and an entrepreneurial culture"[67] Both believe that the United States still has sufficient capacity to maintain its position at the top of the international order.

To begin with, the invasion of Iraq is not the first time that the United States has acted unilaterally and in direct defiance of its allies. The Vietnam War is one such incident. It is true

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[63] Carranza, "Reality Check," 410.
[64] David P. Calleo, "America Decline Revisited," in *Survival* 52:2 (Aug/Sep 2010), 215.
[65] Brzezinski, *Strategic Vision*, 55.
[66] Brzezinski, *Strategic Vision*, 55.
NOTE: As an expansion of the six assets identified by Brzezinski. 1) Overall Economic Strength is one of America's greatest strengths due to its sheer size. It represents approximately 25 percent of global GDP and is larger than all economies by a large margin; 2) Innovative Potential that is derived from the "entrepreneurial culture and the superiority in institutions of higher education; 3) Demographic Dynamics is strong as it does not "suffer from nearly the same level of population aging, or even population decline, projected elsewhere." This is supplemented by the ability to attract large numbers of immigrants; 4) Reactive Mobilization which means that the pattern is for delayed reactions followed by "social mobilization in the face of danger that prompts national unity in action." The United States has the tools that could be "harnessed to undertake the needed domestic renewal;" 5) Geographic Base is "uniquely secure, natural resource-rich, strategically favorable, and very large geographic base for a population that is nationally cohesive and not beset by any significant ethnic separatism;" 6) Democratic Appeal and the values that are associated with the United States, "human rights, individual liberty, political democracy, economic opportunity," that has "enhanced the country's global standing."
[67] Joseph S. Nye Jr., *The Future of Power* (New York: Public Affairs, 2011), 163.

that there was the Soviet Union to consider, but if anything it was for the United States to quit in Vietnam to avoid any potential escalation with Soviets as opposed to pressure from its allies.

The United States did not act unilaterally in Iraq; it did so at the head of a coalition of 38 states.[68] This is often discounted as an amalgamation of minor states that chose to follow the United States for varying economic and political reasons but both the United Kingdom and Australia were among the coalition and neither are minor powers. Both have strong economies and significant military assets.

It is also argued that the actions under President George W. Bush were an anomaly. As Nye has expressed, the election of President Barack Obama represents a "revival of America's image in many parts of the world."[69] Hughes and Bridgman add to this by stating that Obama has gone to great lengths to personally rebuild bridges that were damaged under the presidency of George W. Bush[70] and "has already begun to change the way the United States engages with the world."[71] As a result, according to Rachman, "the country's (the United States) soft power has received a big boost,".[72] The damage caused by America's 'unilateral' actions may not be as long term as some believe.

The primary focus on America's decline centers on the economy. As Carranza explains, "those who argue that America is in decline and that the emergence of a multipolar world is inevitable often emphasize the loss of vigor of the U.S. economy."[73] This coupled with the rise

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[68] Kagan, *The World America Made*, 55.
[69] Nye, *The Future of* Power, 98.
[70] Tim Hughes and Martha Bridgman, "The United States in a World of Regional Powers: Farewell Lilliput, Hello Shanghai," in *South African Journal of International Affairs* 16:2 (Aug. 2009), 189.
[71] Ibid, 188.
[72] Rachman, "This Time It's For Real," 2.
[73] Carranza, "Reality Check," 410.

of emerging economies have led to a “shift in the center of the global economy towards East Asia.”[74]

According to Mandelbaum, Carranza and Ferguson, the 2007-2009 financial crisis itself is not without historical precedent.[75] Carranza explains that “the U.S. economy has proved to be remarkably resilient, as shown by its ability to recover in the 1990’s and after the decline in the 1980’s…”[76] Ferguson goes a little further in his belief that no matter how much damage the United States incurs through a financial crisis, it “is always has worse effects on America’s rivals.”[77] One strong example in the resilience of America’s economy was that despite the fact that America’s economy was badly hit by the 2007-2009 financial crisis, it was still seen as a safe haven as global investors sought U.S. Treasuries.[78]

Despite recent setbacks, the fact remains for those like Zakaria that “the U.S. economy has been the largest since the middle of the 1880’s, and remains so today.”[79] America’s share of global output has remained between twenty and thirty percent for the last 125 years.[80] It is true that in the 1980’s America’s accounted for a third of global manufacturing and accounts for only about a fifth today.[81] This shows that America has moved beyond a reliance on primary (raw materials/basic food stuffs) and secondary (manufacturing/processing/construction) sectors of the economy and advanced into tertiary (general services-banking/insurance/entertainment) and

[74] Clark, “China and the United States,” 20.
[75] Mandelbaum, *The Frugal Superpower*, 17; Carranza, “Reality Check,” 410; Ferguson, “What ‘Chimerica’ Hath Wrought,” 122.
[76] Carranza, “Reality Check,” 410.
[77] Ferguson, “What ‘Chimerica’ Hath Wrought,” 122.
[78] Bremmer. *Every Nation For Itself*, 83.
[79] Zakaria, *The Post-American World*, 180.
[80] Ibid, 41.
[81] Marc Levinston, “U.S. Manufacturing in International Perspective,” *Congressional Research Service* (January 5, 2012). https://www.fas.org/sgp/crs/misc/R42135.pdf

quaternary (intellectual services-research and development/information technologies) activities.[82] America's share of *output* has remained constant.[83]

The American system is also considered "the world's most benign environment for technological innovation and entrepreneurship"[84] which allows them to constantly innovate and improve productivity. America's markets are quick to adopt new technologies and build markets around new industries. The old industries adapt or move their operations to less developed countries in order to remain competitive. The willingness to embrace this "creative destruction"[85] of industries ensures that the United States will remain at the top in terms of innovation and technology.[86]

The threat posed by emerging economies like China is quickly countered by academics like Hughes and Bridgman who argue that "the emergence in recent years of major economic powers relative to the United States is not a new phenomenon."[87] Kennedy explains that "in the post war decades the United States occupied an artificially high position in world affairs" and as other states began to recover, America's "share of world product, manufacturing, high technologies, financial assets and even military capacity was bound to fall."[88] Though dated, the standard can still be applied today. Kennedy continues by explaining that during this resurgence, "American industry was unprepared for the intensity of foreign competition-and paid a price for that-but since the 1980s it has become leaner and fitter."[89] Zakaria agrees when he argues that

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[82] Zoltan Kenessey, "The Primary, Secondary, Tertiary and Quaternary Sectors of the Economy," *U.S. Federal Reserve Board*, 363-364. http://www.roiw.org/1987/359.pdf
[83] Bill Emmott, *Rivals: How the Power Struggle Between China, India and Japan Will Shape Our Next Decade* (Toronto: Penguin Books, 2008), 17.
[84] Ferguson, "What 'Chimerica' Hath Wrought," 122.
[85] Ibn Warraq, *Why the West is Best: A Muslim Apostate's Defense of Liberal Democracy* (New York: Encounter Books, 2011), 78.
[86] Clark, "China and the United States," 21; Ferguson, *Civilization*, 307; Zakaria, *The Post-American World*, 184.
[87] Hughes and Bridgman, "The United States is a World of Rising Regional Powers," 186.
[88] Paul Kennedy, *Preparing for the Twenty-First Century* (Toronto: HarperCollins Publishers Inc., 1993), 301.
[89] Kennedy, *Preparing for the Twenty-First Century*, 303.

the “American economic and social system knows how to respond and adjust” to pressures of economic competition.[90]

Zakaria explains that the United States has “developed a highly dysfunctional politics”[91]that limits action. Brzezinski also listed these ‘gridlocked politics’ as one of America’s liabilities (see footnote #4). In response to this, Ferguson argues that America’s politicians, and more importantly, the American people have shown time and again that they are able to act when it is necessary to do so.[92] Brzezinski agrees that politics is a problem but America’s population is the source of America’s strength.

Another significant factor that contributes to the strength of the United States is that it managed to place itself at the very center of the international system. It is the “…central hub through which the world’s important military, political, economic, scientific and cultural connections pass.”[93] When this is considered, what impacts America impacts the rest of the world, especially the developed world, only worse.[94] Being at the center of the global system allows America to adopt changes much more quickly. This concept will be expanded much further in a deeper analysis on American strengths in a later section.

The result is that although the United States is being challenged economically, it is not something new. The United States has been challenged in the past. The argument is that the United States is slow to react to international trends. This does not mean that it is incapable of change. The rise of China and other developing states is simply a new challenge. The United States is again ‘caught off guard’ but it is also possible to recover.

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[90] Zakaria, *The Post-American World*, 42.
[91] Ibid, 211.
[92] Niall Ferguson, “What ‘Chimerica’ Hath Wrought,” 122.
[93] Ikenberry, *Liberal Order & Imperial Ambitions*, 144.
[94] Ferguson, “What ‘Chimerica’ Hath Wrought,” 122.

This is not to say that the United States is not facing a challenge, only that beginning to count them out based on a few bad years is probably a little premature.[95] As Nye explains, there is a significant difference between absolute decline and implying the loss of ability and relative decline where other states begin to develop their own resources.[96] The United States still has significant material resources at its disposal[97] that can help America recover as it has so many times in the past. It is true that America cannot always get everything that it wants from other states, but it never really could.[98]

Based on the above review, whether or not the United States is in decline is split, with little consensus as to what the status of the United States actually is. What is a definite trend according to Acharya is that there are a lot of regions rising at the same time: Latin America, India, Central Asia, and most importantly China.[99] The lead states of these regions are often referred to as the BRIC[100] countries and at their head is China. It is China that has made the developed world stand up and take notice.

China's Rise?

In order to answer what the future of the interntional system will look like, it is necessary to analyze what is happening with the most likely challenger to the United States, and that is China. This section will be an effort to analyze the literature that is available on China's rise in the international system, and whether or not it will continue to do so at present growth rates.

China has arrived on the global scene and they have done so in a big way. China is growing, and has been doing so consistently for the past three decades at an incredible rate. Its

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[95] Kagan. *The World America Made*, 103.
[96] Nye, *The Future of Power,* 155.
[97] Clark, "China and the United States," 20.
[98] Kagan, *The World America Made*, 110.
[99] Acharya. "Can Asia Lead?," 865.
[100] NOTE: BRIC refers to a group of four rapidly developing states. They include: Brazil, Russia, India, and China.

average growth rate over the past three decades has been in the order of 10 percent,[101] though it has slowed to 7.8 percent after the financial crisis.[102] It is still remarkable considering that the developed world struggled with a recession.[103] As a result of this high level of sustained growth, China is now the second largest economy in the world whether measured in terms of market exchange rates, USD 8.25 trillion, or purchasing power parity (PPP), USD 12.38 trillion (see Appendix, Table 4).

As Fishman explains, China poses a very different sort of challenge[104] to the United States than the most recent challengers represented by the Soviet Union and Japan.

Rachman identified the Soviets it as an "economic basket case."[105] China is not. As mentioned previously, China is the second largest economy in the world. Rachman explains that China is "now the world's leading exporter and its biggest manufacturer, and it is sitting of more than USD 2.5 trillion in foreign reserves."[106] Of this USD 2.5 trillion, USD 1.17 trillion is in U.S. Treasuries (as of November 2012).[107] This makes China the largest foreign creditor to the United States (Japan is second and holds USD 1.13 trillion in U.S. Treasuries[108]). Lake argues that if current trends continue, China will overtake the United States in some aggregate measures of international power such as GDP and population."[109]

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101 International Monetary Fund, "World Economic Outlook Database," last modified September 2011. http://www.imf.org/external/pubs/ft/weo/2011/02/weodata/weorept.aspx?sy=1980&ey=2016&sort=country&ds=.&br=1&pr1.x=40&pr1.y=0&c=924&s=NGDP_RPCH%2CPPPPC&grp=0&a=
102 CIA World Fact Book. https://www.cia.gov/library/publications/the-world-factbook/
103 "Chinese Growth: China Faces a More Sober Economy in 2013," in *The Economist* December 27, 2013. http://www.economist.com/blogs/graphicdetail/2012/12/daily-chart-18
104 Ted C. Fishman, *China Inc.: How the Rise of the Next Superpower Challenges America and the World* (New York: Scribner, 2005), 282.
105 Rachman, "This Time It's for Real," 59.
106 Ibid, 59.
107 Department of the United States Treasury, "Major Foreign Holders of Treasury Securities," last modified November 2012. http://www.treasury.gov/resource-center/data-chart-center/tic/Documents/mfh.txt
108 Ibid
109 Lake, "American Hegemony and the Future of East-West Relations," 24.

Japan was considered a potential economic challenger to the United States but, as Rachman explains, “the average Japanese person would have to more than twice as rich as the average American before Japan’s economy surpassed America’s. That was never going to happen.”[110] China on the other hand has four times the number of people than the United States.

It is not only in terms of economic power that China has raised to global prominence. In terms of trade and political standing among developing states around the globe, China is currently in high regard. Rachman states that “the Chinese are the preferred partners of many African governments and the biggest trading partner of other emerging powers, such as Brazil and South Africa.[111] Through trade, China has managed to gain influence in America’s traditional sphere of influence.

As Henderson points out, “China has a ‘giant’ economy and its economy is constituted as an unusual form of capitalism.”[112] The result is that China is an economic success while the developed world is reeling from the 2007-2009 financial crisis. The timing could not be better for China as Altman and Haass explain, “the recent stellar performance of China’s economy in the midst of Western economic troubles has enhanced the appeal of the system.”[113] Bremmer states something very similar when he explains that the “financial meltdown also marked a turning point in the U.S.-Chinese balance of power.”[114]

Unlike previous challengers to the dominance of the United States, China has the population, geography and economic strength to make a challenge realistic. Fishman believes that China “is the only country that can counterbalance the economic and political weight of the

[110] Rachman, “This Time It’s Different,” 59.
[111] Ibid, 59.
[112] Jeffrey Henderson, “China and Global Development: Towards a Global-Asian Era?,” in *Contemporary Politics* 14:4 (Dec. 2008), 380.
[113] Altman and Haass, “American Profligacy and American Power,” 8.
[114] Bremmer, *Every Nation for Itself*, 62.

United States."[115] More importantly, China is arriving on the scene when the United States is in a weakened state. China has presented an alternative model that many developing states find attractive. As Zakaria so accurately states, "countries with this capacity are not born every day."[116] China has high potential and is beginning to realize it. China is, according to Mandelbaum, "a formidable country that has the potential to upset existing political and economic arrangements in East Asia,"[117] and beyond.

According to defenders of China's continued rapid rise, this is not a process that is going to happen overnight. China's leaders "understand that catching up to the most advanced developed countries in the world will take considerable time. Hence, they feel the need to maintain a peaceful international environment so that China can concentrate on economic development."[118] It will take time, but the trends can already be seen. As Altman and Haass explain, the United States has experienced a loss of influence and this loss will "accelerate the emergence of a nonpolar world in which power is widely diffused among numerous states and non-state actors."[119] This being the case, China is the most likely to benefit, a more open world order will allow China to pursue its interests.[120]

China does recognize that it is currently in a position of weakness relative to the United States, but it is taking tentative steps for when that may no longer be the case. Dittmer explains

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[115] Fishman, *China Inc.*, 286.
[116] Zakaria, *The Post-American World*, 104.
[117] Mandelbaum, *The Frugal Superpower*, 103.
[118] Joseph Y.S. Cheng and HuangGao Shi, "China's African Policy in the Post-Cold War Era," in *Journal of Contemporary Asia* 39:1 (Feb. 2009), 95.
[119] Atlman and Haass, "American Profligacy and American Power," 8.
[120] Jonathan Holstag, "China's Roads to Influence," in *Asian Survey* 50:4 (July/Aug. 2010), 642.

that China has been involved in "making a direct bid to develop a countervailing coalition against Western dominance."[121]

China also recognizes that it cannot meet the United States in a direct confrontation. Instead, China has developed "unrestricted warfare which includes electronic, diplomatic, cyber-, terrorist proxy, economic and propaganda in an effort to wear down America."[122]

It is evident that China will not overtake the United States tomorrow. What is evident according to the argument is that the United States is losing in terms of global dominance. There are trends that are showing a diffusion of power. This can only benefit a state as large and as powerful as China. The arguments go that if these trends continue, China will overtake the United States by some measures. What is obvious according to Chao and Hsu is that China will not be content to be a follower forever.[123]

There are strong arguments for the continued, accelerated rise of China as has just been shown. There are also equally strong arguments that China's growth will slow. If this is indeed the case, than China will not be able to overtake the United States and become the new global hegemon.

According to those like Brzezinski, China "does not have or is likely to have the required combination of economic, financial, technological, and military power to even consider inheriting America's leading role."[124] Norrlof agrees and states that to maintain the system to the extent that the United States does is simply beyond China's current capabilities.[125] Nye is also

[121] Lowell Dittmer, "China's Rise, Global Identity, and the Developing World," in *China, the Developing World, and the New Global Dynamic*, edited by Lowell Dittmer and George T. Yu (Boulder: Lynne Rienner Publishers Inc., 2010), 223.
[122] Nye, *The Future of Power*, 34.
[123] Chien-Min Chao and Chih-Chia Hsu, "The Worldviews of Chinese Leadership and Sino-U.S. Relations," in *China and the United States: Cooperation and Competition in Northeast Asia,* ed. SuiSheng Zhao (New York: Palgrave MacMillan, 2008), 100.
[124] Brzezinski, *Strategic Vision*, 77.
[125] Norrloff, *America's Global Advantage*, 193.

skeptical when he states that “China does have impressive power resources, but we should be skeptical about projections based on current growth rates and political rhetoric.”[126]

The reasons behind the belief that China’s growth will slow are based on three factors. First, China’s economy is maturing. Up until now, China has been a developing economy in every sense of the word. China has been building, and domestic construction projects have been a significant contributor to GDP growth. When a state goes from an undeveloped state to a developing one, it is developing infrastructure and modern facilities. These greatly impact GDP growth rates. Construction in China is slowing, and so is its GDP growth. China is also benefitting from the ‘latecomer advantage’[127] where it is able to adopt existing technologies for its own benefit. As China’s economy matures, these advantages will be diminished.

The second is based on domestic and social constraints. As Buzan explains, the United States “is losing the social attributes that supported its superpower standing,” but “China has yet to a acquire them, and it is far from clear that it is well placed to do so.”[128] There are also significant pressures within Chinese society that will extend to the near future. Until China is able to get its domestic pressures under control there is little hope that it can show itself as a true model that many will wish to emulate. These domestic constraints also limit the number of international commitments that China is able to shoulder.[129]

Finally, China has shown limited success in establishing regional hegemony let alone making a global bid. For China, there is still the question of who leads Asia that it has to contend with.[130] As Acharya explains, China is a “participant but has not offered global leadership.”[131]

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[126] Nye, *The Future of Power*, 179.
[127] Justin Yifu Lin, “China and the Global Economy,” in *China Economic Journal* 4:1 (Feb 2011), 3; Kennedy, *The Rise and Fall of the Great Powers*, 421.
[128] Buzan, “A World Without Superpowers,” 12.
[129] Robert G. Sutter, “China’s Rise: Implications for American Leadership in Asia,” in *Policy Studies 21* (2006), 4.
[130] Acharya, “Can Asia Lead?,” 863.
[131] Ibid, 859.

Asia is a part of the world that is going through many of the same transitions that troubled Europe through the late 19th and 20th centuries. At present there are more things that separate Asian powers than unite them.[132] Acharya believes that one of the biggest problems facing the region is that the regional Asian powers "are more interested in developing and legitimizing their national power aspirations that with contributing to global governance."[133]

Overall, China does have significant assets that are working in its favor. It is growing, and doing so very quickly. If China continues as it has been, it would most certainly overtake the United States in sheer size in the near future. This is inevitable based on the math. Yet there are still serious problems that exist for China, both regionally and domestically, that have a very real chance at disrupting that economic growth. Until China is able to address these issues, it is in no way certain that it will continue at its impressive rate long enough to overtake the United States and make a bid for global leadership.

As has been shown throughout both the section on 'America's Decline' and 'China's Rise', that the literature is far from conclusive. Authors on both sides of both debates are split. There is no consensus as to what is actually taking place. In many cases, too many assumptions are made regarding both the United States and China in any analysis. Chapters 4 and 5 will thus take a detailed view of both the United States and China in an effort to determine what is actually going on in both countries and what that will mean for the future of the international order.

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[132] Emmott, *Rivals*, 157.
[133] Acharya, "Can Asia Lead?," 851.

Chapter 3: Hegemony and Leadership

This chapter sets out to define what a hegemon is and what the prerequisites are necessary for any state to seek hegemonic status in the global hierarchy. It will define what is necessary in terms of both hard and soft power and what elements of each are required. This chapter will also provide an analytical framework through which America's as well as China's power can be more accurately determined in order to see whether or not the United States is in decline as well as China's prospects for future growth. Table 1 at the end of this chapter provides an summary table for the aspects through which both hard and soft power will be analyzed.

Hegemony

Hegemony itself is a term that has a somewhat loose definition depending on which one is adopted and what ideology prevails. It is necessary however to try to adopt a single definition that it as inclusive as possible. Hegemony has been defined as:

1. Leadership or dominance, especially by one state over others;[134]
2. Preponderant influence over others: domination;[135]
3. The social, cultural, ideological, or economic influence exerted by a dominant state;[136]
4. Leadership or predominant influence exercised by one nation over others.[137]

As can be seen by the definitions provided, hegemony can be taken as both positive and negative in context. Based on the definitions above, a hegemon leads through dominance, influence, or a combination of both over other states.

Historically, power was based on dominance. One state would invade and occupy another, and maintain that occupation indefinitely. All acted in a unilateral manner with a dedicated, iron

[134] Oxford Dictionary, "Hegemony." http://oxforddictionaries.com/definition/english/hegemony?q=hegemony
[135] Merriam-Webster Dictionary, "Hegemony." http://www.merriam-webster.com/dictionary/hegemony?show=0&t=1360644120
[136] Ibid.
[137] Dictionary.com, "Hegemony." http://dictionary.reference.com/browse/hegemony

will towards a desired outcome.[138] The idea of international leadership was a foreign one. This tendency to focus of dominance has led some to feel the need to distinguish between the two, to state that hegemony is no necessarily leadership.[139] Here it will be argued that hegemony is dominance that is attained through influence by means of both coercive and non-coercive methods; both hard and soft power. Neither one on its own is enough. Coercion through hard power builds resentment while non-coercive methods alone lack enforcement and thus credibility. Hegemony is underwritten by hard power[140] and longevity is the province of soft power.[141] Combined and balanced the two amounts to leadership.[142]

Regarding global hegemony, a further distinction is in order. Based on the definition adopted previously, it is assumed that hegemony is an amalgamation of both hard and soft power but it does not mean that both can be, or are projected to the same degree. John Mearsheimer argues that hegemony is 'the domination of the system…usually meaning the whole world.' He continues by stating that it is possible to narrow the system down to a more regional level and thus it is possible to distinguish between global hegemons and regional hegemons.[143] The purpose of this reasoning is to express that it is possible for a state to establish regional hegemony but not global hegemony. The "stopping power of water" inhibits the ability of a would be global hegemon from projecting power beyond its own region of the globe and so is limited to regional hegemony no matter how much power they possess (barring "clear-cut nuclear superiority)."[144] This being the case, if there is only a single regional hegemon in

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[138] Charles F. Doran. "Statecraft Today: Regional Predicaments, Global Conundrums," in *Imbalance of Power: US Hegemony and International Order*, ed. I. William Zartman (Boulder: Lynne Reinner Publishers Inc., 2009), 95.
[139] Doran. "Statecraft Today," 95.
[140] Gilpin, *War and Change in World Politics*, 55.
[141] Ibid, 55.
[142] Charles P. Kindleberger. "Dominance and Leadership in the International Economy: Exploitation, Public Goods, and Free Rides," in *International Studies Quarterly* 25:2 (June 1981): 243.
[143] John J. Mearsheimer. *The Tragedy of Great Power Politics* (New York: W.W. Norton & Company), 40.
[144] Mearsheimer, *The Tragedy of Great Power Politics*, 41.

existence; it is possible for that state to project power on a global scale that exceeds the ability of their rivals. As such, it can be considered the 'global' hegemon in name but is still unable to completely dominate the system. It is only able to do so more than any other. This concept applies to the projection of both hard and soft power assets.

Requirements for Hegemony

It is possible the break down how powerful states may be ranked against each other in terms of power projection capabilities. Barry Buzan and Ole Weaver identify three different tiers or categories into which most potential candidates fall in terms of power and influence, they are: regional powers, great power s and superpowers. *Regional Powers* are capable of exercising significant influence and capability in a given region but they are not relevant beyond their unique region of the globe.[145] *Great Powers* do not have to have significant capabilities in all sectors of the globe but they do have some to varying degrees. The key difference between great and regional powers is "…that they are responded to by others on the basis of system level calculations about the present and near-future distribution of power."[146] Lastly, *Superpowers* are at the pinnacle of the global hierarchy and as such require a first-class military (as measured by the standards of the day) and a corresponding economy. They must also be able to reach every region of the globe in a military and political capacity. It requires that they recognize and are recognized as a superpower and are involved in the international system (that they help create and perpetuate in their image).[147] This criterion illustrates quite well what is required for a state to be a candidate for hegemony, and, as mentioned previously, only a handful of states can qualify as a great power let alone a superpower.

[145] Buzan and Weaver. *Regions and Powers*, 37.
[146] Ibid, 35.
[147] Ibid, 34-35.

When attempting to determine levels of influence, the power of a state is measured in terms of both its hard power and its soft power. The hard power associated with a given state is based upon the latter's material resources which are sometimes referred to as countable assets and are somewhat measurable. Both Kenneth Waltz and Hans Morgenthau provide a detailed analysis of what these material assets are but a summary is all that is necessary here.

Waltz explains that the core components of a state's material assets are: "the size of a state's population and territory, resource endowment, economic capability, military strength, and political stability."[148] Morgenthau uses the same criteria but delves far deeper in terms of analysis.[149] For the purposes here, Waltz's list is sufficient. For a state to be considered a great power it is necessary that it possess all of these elements in sufficient quantity,[150] and to be as self-sufficient in resource endowment and economic capability as possible.[151]

These attributes are analyzed to determine how effective a state is regarding a potential military conflict. As such, a state that is considered to be a great power would also have to possess the ability to actually engage in a modern conventional war that lasts more than mere days. It may not have to have the ability to win, but at the least draw it out into a war of attrition in which all participants endure significant material losses.[152]

It has been stressed that the nature of warfare has changed with the advent of nuclear weapons. Based on this development, Waltz expresses that in order for a state to be registered as a great power, it is required to be "continental in scope."[153] This is to make any form of nuclear deterrence a valid claim. A state would have to be able to absorb a first strike and still possess

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[148] Kenneth N. Waltz. *Theory of International* Politics (Long Grove: Waveland Press Inc., 1979), 131.
[149] Hans J. Morgenthau, *Politics Among Nations: The Struggle for Power and Peace (6th Edition)* (Montreal: McGraw-Hill Publishing, 1985), Chapter 9.
[150] Waltz, *Theory of International Politics*, 131.
[151] Ibid, 147.
[152] Mearsheimer, *The Tragedy of Great Power Politics*, 5.
[153] Waltz, *Theory of International Politics*, 145.

the capacity to retaliate.[154] This assumption of "continental scope" for a great power excludes the vast majority of states within the system. Referring back to Buzan, being a great power in more than the ability to bear a nuclear attack, it is also about influence and resources. It is not necessary for a great power to be continental in scope, but it is necessary for a superpower to of that size in order to qualify.

Based on the above criterion, it is possible for many states to become regional powers. Some may have the material capability to advance from a regional power to a great power though this is contingent upon a number of factors that have already been addressed. The movement from regional power to great power and back can happen to a single state numerous times in its history. Yet it is only a very select few states that possess even the potential to advance to superpower status.

Where hard power is more dependent on the use of coercion and payment, soft power is the "ability to obtain preferred outcomes through attraction."[155] It is "a way of getting others to want the same things that you want."[156] Nye identifies three main sources of soft power: the attractiveness of a culture, political values and how they are upheld at home and abroad, and foreign policy in terms of its legitimacy and moral authority.[157]

Through these channels, a state is able to transmit norms by which the international system operates. It generates "substantive beliefs"[158] that begins to socialize other states into accepting the source states legitimacy, to begin reshaping value orientations[159] to something more akin to those of the source state.

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[154] Robert D. Kaplan. *The Revenge of Geography: What the Map Tells Us About Coming Conflicts and the Battle Against Fate* (New York: Random House, 2012), 34.
[155] Joseph S. Nye. "Soft Power," in *Foreign Policy* 80 (1990): 160.
[156] Joseph S. Nye Jr. *Soft Power: The Means to Success in World* Politics (New York: Public Affairs, 2004), 5.
[157] Nye, *Soft Power* (2004), 11.
[158] Gilpin, *War and Change in World Politics*, 51.
[159] Ibid, 53.

As many potential hegemons have discovered, soft power is not something that is readily manufactured.[160] If a state is willing to invest significant material and financial resources, soft power can be promoted. Using military assets to help in humanitarian disaster is one example[161] while providing aid to the poorer regions of the world is another. The level of resources required makes soft power a tool that favors developed states.[162]

For all of this, there is no guarantee that a state can actively develop soft power as a matter of policy. It is more how *others* see it. Returning to Nye's definition of soft power, there has to be politically exportable assets, an ideology that is attractive to others. This ideology needs to be more than simple rhetoric; it must be present and upheld at home before it is seen as legitimate by others. According to Nye, "sustained attraction…requires consistency of practice and values."[163] When positive policies are promoted on a domestic level as well as internationally, it provides credibility[164] which translates into legitimacy. One cannot expect to act one way at home and be perceived another way abroad (or vice-versa).

Not only is soft power difficult for states to develop, it can also be very fickle. It is possible for a state to gain in soft power quickly through some of its actions, and just as quickly lose it through inconsistent or exploitative behavior at home or abroad.

A further requirement of a hegemon is the provision of public goods, much the same as those a state would provide domestically.[165] In effect it is expected to assume the role of a limited form of world government.[166] In order to fulfill this role as a 'limited world government',

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[160] Nye, *The Future of Power*, 83.
[161] Ibid, 25.
[162] Lukasz Fijalkowski, "China's 'Soft Power' in Africa," in *Journal of Contemporary African Studies* 29:2 (April 2011), 224.
[163] Nye, *The Future of Power*, 100.
[164] Ibid, 83.
[165] Robert Gilpin. *The Political Economy of International Relations* (New Jersey: Princeton University Press, 1987), 368.
[166] Mandelbaum, *The Frugal Superpower*, 54.

there are a number of services that a hegemon provides. Kindleberger provides the most comprehensive list of the expectations in two separate articles. According to him a hegemon is expected to provide an open trading system (which includes ensuring freedom of the seas, well-defined property rights, standards of weights and measures),[167] a stable money supply, global economic growth (through fiscal and monetary policy) and control over negative externalities.[168] Above all there is the need to ensure and enforce the peace.[169] Although Kindleberger provides an excellent base line, there are a few things that have been added by scholars. A hegemon is also expected to: be a market for the consumption of global goods,[170] redistribute income (through aid and humanitarian assistance),[171] counter transnational global health issues (AIDS, SARS, Bird Flu),[172] ensure the flow of energy sources (oil),[173] and generally shoulder burdens that no one else is willing or capable of bearing (international terrorism, organized crime, proliferation of WMDs, etc.).[174]

The requirements of any state that seeks to assume the role of hegemon are difficult ones to fulfill. It is for this reason that, as mentioned by Buzan in the previous section, the level of power and influence required limit global hegemony to superpowers. There are simply too many requirements in terms of both hard and soft power assets that are required for anything less to assert the required influence on a global level. That the United States and China dominate the

[167] Charles P. Kindleberger. "International Goods Without International Government," in *The American Economic Review* 76:1 (March 1986): 7.
[168] Charles P. Kindleberger. "Dominance and Leadership in the International Economy," 246.
[169] Kindleberger, "International Goods Without International Government," 7.
[170] Mandelbaum, 58.
[171] Gilpin, *The Political Economy of International Relations*, 368.
[172] Bremmer. *Every Nation for Itself*, 10.
[173] Mandelbaum, *The Frugal Superpower*, 51.
[174] Bremmer, *Every Nation for Itself*, 10.

debate today is no surprise. Hutton argues that these two states are the last of the 'true great powers.'[175]

Analytical Framework

The United States is currently acknowledged as the sole hegemon in the global system and is the provider of international public goods. It will thus be used as a template for what is necessary for any state to potentially take on this heavy role in the international community. China is the challenger, and as such will be analyzed under the same rubric as the United States.

The analysis of both the United States and China will be done in terms of both hard and soft power assets. Hard power will be assessed through four subsections for both the United States and China. These are: geography, demographics, the economy and the military. All four of these characteristics are important in their own right but they also help to reinforce each other. All are required in sufficient quantities for the others to be relevant. Each will be addressed in depth in Chapter 4 and 5 relative to both the United States and China, but a brief explanation for each will be provided here.

Geography is essential in assessing the hard power of a state because the location of a state relative to others greatly impacts its ability to exercise power. It also determines what resources are available to develop economic capabilities.

Demographics are an important characteristic because a state is made up of people, and the nature of its composition within a state determines its ability to act on a global level. It represents the size and nature of a potential workforce as well as the potential for a state to wage war. Without a stable, well balanced demographic base, a state may be limited in its output or, there is potential for social instability.

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[175] Hutton. *China and the West in the 21st Century*, 2.

The economy is vital to the power of a state. It is the foundation upon which sustained military power is built and also the ability of a state to influence global affairs. With a strong economy, a state has more resources at its disposal to influence others and to shape global events. Without a strong economy, a state will have limited influence as well as the prestige and will likely remain irrelevant to the turnings of global affairs.

Finally, the military is a significant source of hard power because it represents the pinnacle of global power. Being in possession of a powerful, advanced military is only possible when a state is successful due to the resources that are necessary to build and sustain it. It requires a competent population as well as a successful economy. A large, powerful, modern military can be seen as the ultimate luxury good of a state, one that very few can develop let alone maintain.

Soft Power in turn will be analyzed under three subsections: security and stability, political ideology and legitimacy. As with the case for hard power, each of these will be analyzed in depth in Chapter 4 and 5 but a brief outline of each will be provided here.

Security and Stability provides a framework for how a state seeks to establish itself in the international sphere, especially regarding its neighbors. The depth of commitment helps to determine how a given state seeks to be seen and sees those around it and the international system as a whole.

Political ideology is assessed in an effort to determine how attractive a given model is to the wider world. If a state seeks hegemonic status it is necessary for that state to be seen as being attractive to others in the international system. If such is the case, a state is much more likely to be seen as a viable model to follow.

Legitimacy is how others in the international system view a given state in its entirety. It assesses how international policies are perceived by others. It provides a framework for what sort of international system that is being promoted by the hegemon. Whether it is inclusive and beneficial to most or whether or not it is purely an extractive affair.

By analyzing both the United States and China by these measures will help to determine what form the international order will assume. It will provide a foundation through which it will be possible to determine whether or not the United States is in decline or not and at what rate China will likely grow in the future. This in turn will allow us to predict which of the four possible outcomes outlined in Chapter 2 are most likely: status quo, bipolar, hegemonic transition, or multipolar/bipolar.

A summary of what will be analyzed in Chapters 4 and 5 is presented below in Table 1 below. In order to determine what the future of the international system is likely to take, each of these points will be discussed. By addressing them in the following two chapters, it will determine first whether or not the United States is in decline and second whether or not China will continue to grow at an accelerated rate.

Table 1: Hard and Soft Power

Hard Power		Soft Power	
Geography	Size (Territorially)	Security and Stability	Regional Stability
	Location		Global Stability
	Number of Neighbors		History
Demographics	Population		Consistency of Action
	Population Growth		Disputed Borders
	Immigration		Adherence in International Caveats
	Balanced Population		
Economy	GDP (Market Exchange Rates?	Political Ideology	Individual Freedoms
			Political Access - Domestic
	GDP Growth		
	GDP per Capita		Political Access - International
	Advanced Economy (Tertiary/Quaternary)		
			Global Appeal
	Reserve Currency		Effectiveness
	Mature Financial Markets		Global Adoptability
	Rule of Law	Legitimacy	Recognition as a Great Power
Military	Size		
	Diversity (Multi-Branch: Land, Sea, Air, Nuclear)		Global Integration
			Development Assistance
	Spending (%GDP)		Adherence to International
	Spending (% World)		Norms
	R&D		Adherence to International
	Regional Power Projection		Law
	Global Power Projection		International Image
	Nuclear Deterrence		-Developed States
	Allies		-Developing States

Chapter 4:America's Power

The United States is the most powerful state in the international system. According to those like Huntington, it is an unprecedented time in power relations. He explains that this is the case because "the United States is the sole state with preeminence in every domain of power – economics, military, diplomatic, ideological, technological, and cultural – with the reach and capabilities to promote its interests in virtually every part of the world."[176]

There are many proposed sources of American power. As mentioned in Chapter 3, the requirements of hegemony are based on elements of hard and soft power working in tandem. The purpose of this chapter is to analyze the sources of both America's hard and soft power and how they contribute to America's hegemony.

Hard power will be broken down and analyzed based on four factors: geography, demography, the economy and the military. Soft power in turn will be analyzed using three factors: security and stability, political ideology and legitimacy. These four sources of hard power and three sources of soft power are based on a synthesis of identified sources of America's power by Brzezinski and Ikenberry.

Brzezinski identifies six strengths, or 'assets' that provide America its advantage: overall economic strength, innovative potential, demographic dynamics, reactive mobilization, geographic base, and democratic appeal.[177] John Ikenberry provides an more inclusive list. For him American power is based on: security alliances, markets, the dollar as a reserve currency, geography, historical settings, institutions, democracy, strategic restraints, modernization and civic nationalism.[178]

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[176] Huntington, "The Lonely Superpower," 36.
[177] Brzezinski, *Strategic Vision*, 55.
NOTE: These assets were mentioned previously in the 'World in Transition' section. See Footnote #53 .
[178] Ikenberry, *Liberal Order & Imperial Ambitions*, 149-161.

The following sections on America's Hard Power and America's Soft Power will look at the current status of the United States. This analysis is necessary in order to assdress the question posed in Chapter 2; whether or not the United States is actially in decline.

America's Hard Power

As Waltz and Morgenthau explain, hard power consists of countable assets.[179] A state's power is based on "the size of a state's population and territory, resource endowment, economic capability, military strength, and political stability."[180] Based on this list of requirements, American hard power will be looked at in terms of geography, demographics, economics and the military. Table 4 (see Appendix) presents a snapshot of the current state of some aspects of America's hard power. The following four subsections will identify America's Hard Power and assess whether or not there are signs of decline.

Geography

The size and location of the United States has an enormous impact on its ability to act as a hegemon. It is the third largest country in the world and is continental in scale. It straddles the North American continent from east to west with long coastlines bordering three oceans in which

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NOTE: As an expansion of the ten strengths identified by Ikenberry. 1) Security Alliances were initially developed to fight the Cold War. It also provided assurances against a resurgent Germany and Japan; 2) Markets were also see as key in fighting the Soviet Union during the Cold War and reinforced cooperation between America's partners. "Free trade helped cement the alliance, and in turn the alliance helped settle economic disputes; 3) The Dollar as the Reserve Currency allowed the United States the right of 'seigniorage' that allowed it to print money and go into debt to an extent that states could not; 4) Geography is important as the United States is not neighbored to any other great powers; 5) Historical Settings is that the United States could expand across the continent without threatening any other great power. It also came to power late after many other imperial powers had spent themselves in great power conflicts; 6) Institutions in the United States are highly open to both domestic and foreign influences. This blurs the line between domestic and international politics; 7) Democracy; 8)Strategic Restraints in that the United States has established formal institutional links between other states. This reduces surprises; 9) Modernization is that the United States is a state where "institutions are adapted to the changing demands and oppostunities created by ongoing scientific, technological and industrial revolutions; 10) Civic Nationalism is the outward projection of inclusive, rule-based international political organization, it is shared by many other Western states and leads t cohesion and cooperation, multinational character of the United States impacts its world view, and the ability to absorb and integrate immigrants.

[179] Waltz, *Theory of International Relations*; Morgenthau, *Politics Among Nations*.

[180] Waltz, *Theory of International Relations*, 141.

many natural harbors exist for deep water ports. The interior of the United States has excellent waterways that provide both access to the coast from the interior and transport within the interior. In an age where trade can impact economic performance, the ability to access the seas is vital. It is rich in natural resources and has significant access to more through its two neighbors.

The United States is globally located in a safe environment. It is distant from other global power centers[181] and neither Canada nor Mexico, America's two neighbors, are hostile or represents a threat to the United States' position as a regional hegemon. Both the Canadian and Mexican economies are highly dependent on American trade (Canada: 73.7 percent, Mexico: 78.6 percent as of 2011)[182] and cannot afford disruptions with the United States.[183]

Based on these conditions, it was comparatively easy for the United States to establish regional hegemony. The geographic safety that America enjoys has allowed it to look beyond North America onto the world. It is a luxury that very few other states have ever enjoyed.

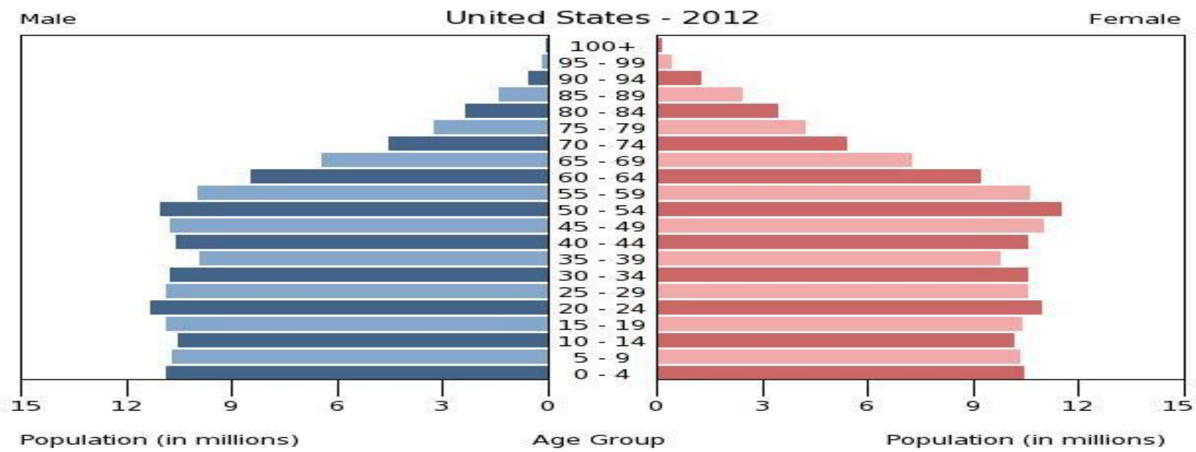
Demographics

America is home to 313 million people, and is the third most populous country in the world. It has a current population growth of 0.9 percent (see Appendix, Table 4). It also has a net migration of 3.62/1000 (see Appendix, Table 4). Combined, these two factors ensure that the United States will continue to grow and support an expanding economy. A 0.9 percent growth rate is low, but as seen in Figure 2, the slow growth rate is enough to replenish the domestic population. There are enough people being born in the United States every year to replace those who are retiring. This in turn leads to a stable social system in which there are not too many

[181] NOTE: Global Power Centers are those regions of the world that have more than one great power in close proximity with others. Examples are Western and Eastern Europe (the United Kingdom, France, Germany and Russia) as well as East Asia (Japan, Russian, China and India).
[182] CIA World Fact Book.
[183] Nye, *The Future of Power*, 61.

elderly being supported by a smaller work force. Figure 2also shows that the United States has a healthy balance of males to females.

Figure 2 – Population Pyramid for the United States



Source: CIA World Factbook

High immigration levels allow the population of the United States to grow. As Wolf explains, the combination of its birthrate and immigration has allowed the population of the United States to grown by over ten percent since 2000.[184]

Overall, in terms of demographics, the United States is in a strong position. Their population is not growing too quickly which may cause social disturbances and yet not as slow as to put unnecessary burdens on the younger generations in supporting a high number of elderly.

Economy

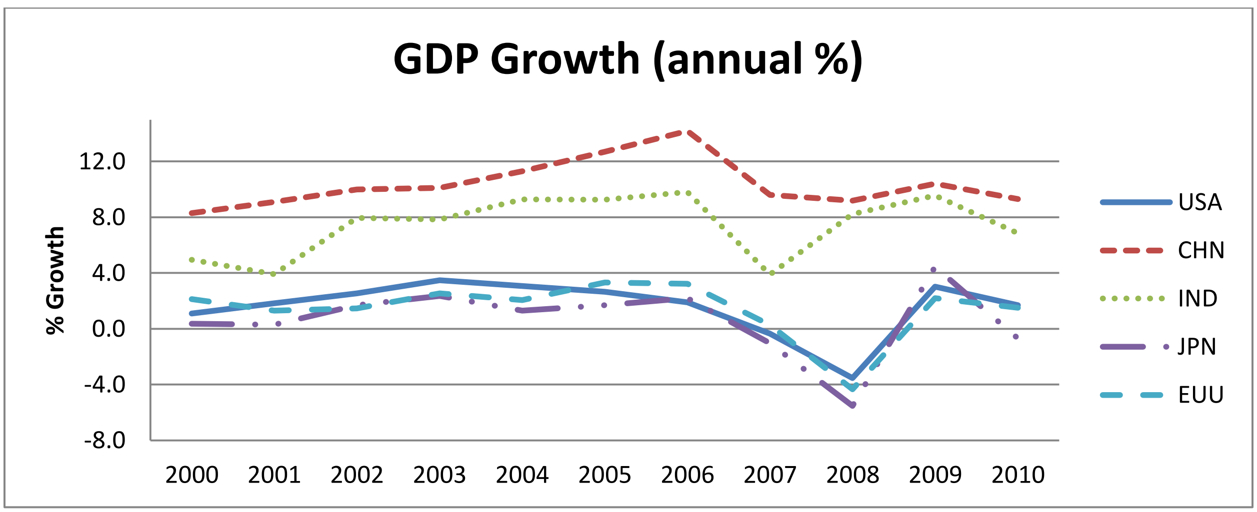
The economy is the most important aspect of a state's power; it is the foundation upon which the ability to projects state power is based. Population is necessary for any state, but without a strong economy, states tend to be unstable. Most importantly of all, the military is a direct representation of economic strength. As Zakaria so accurately explains, America's military

[184] Charles Wolf Jr., "The Facts About American 'Decline'," *RAND Corporation – The RAND Blog* (April 13th, 2011), 1. http://www.rand.org/blog/2011/04/the-facts-about-american-decline.html

power is not the cause of its strength but the consequence. The fuel is America's economic and technologic base."[185]

The American economy in terms of GDP is USD 15.65 trillion[186] (see Appendix, Table 4); the largest in the world with China being the second largest at USD 8.25 trillion (see Appendix, Table 4). It is a developed country and so does not have high rates of growth as is prevalent in developing countries as shown in Figure 3. This is not unusual for a developed country considering that most major infrastructure already exists. Even a low GDP growth rate when added to a number as large as USD 15.65 trillion results in a significant increase in absolute terms. Any positive growth rate is significant and, as shown in Figure 3, the growth rate in the United States is positive more often than not.[187]

Figure 3



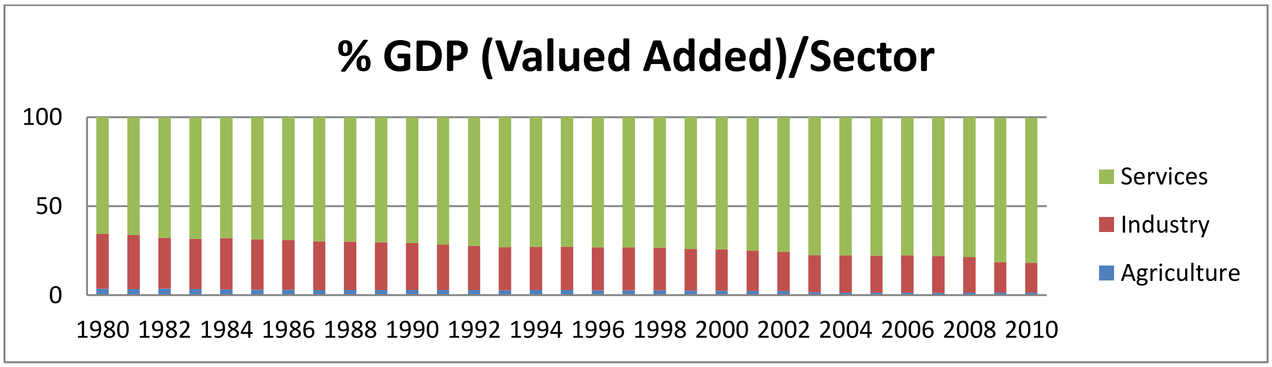
Source: The World Bank

As mentioned in Chapter 2, the economy in the United States has moved beyond a reliance on primary and secondary sectors and relies primarily on services (tertiary and

[185] Zakaria, *The Post-American World*, 182.
[186] NOTE: All national figures will be referred to at Market Exchange Rates. The choice of market exchange rates over purchasing power parity (PPP) is that it more accurately represents a country's international economic standing as it more accurately captures global prices over domestic prices. (This view is supported by Joseph S. Nye in *The Future of Power*, p180)
[187] World Bank, "The World DataBank - World Development Indicators," last updated January 8th, 2013. http://databank.worldbank.org/ddp/home.do?Step=1&id=4

quaternary) to generate wealth. Traditionally, services generate higher value added inputs to a country's economy. As seen in Figure 4, 81.2 percent of value added was generated through services in 2010. The bulk of America's GDP is generated through services but there is still a strong industrial sector as well. As Figure 4 shows, in 2010 industry made up 16.7 percent of GDP. Agriculture makes up a very small portion of overall GDP at 2.1 percent in 2010 but it is still enough to maintain self-sufficiency and provide significant exports (Wheat: 34.7 million metric tons, Corn: 48.3 million metric tons, Soybeans: 42.2 million metric tons, Rice: 3.6 million metric tons).[188]

Figure 4



Source: World Bank – World Development Indicators

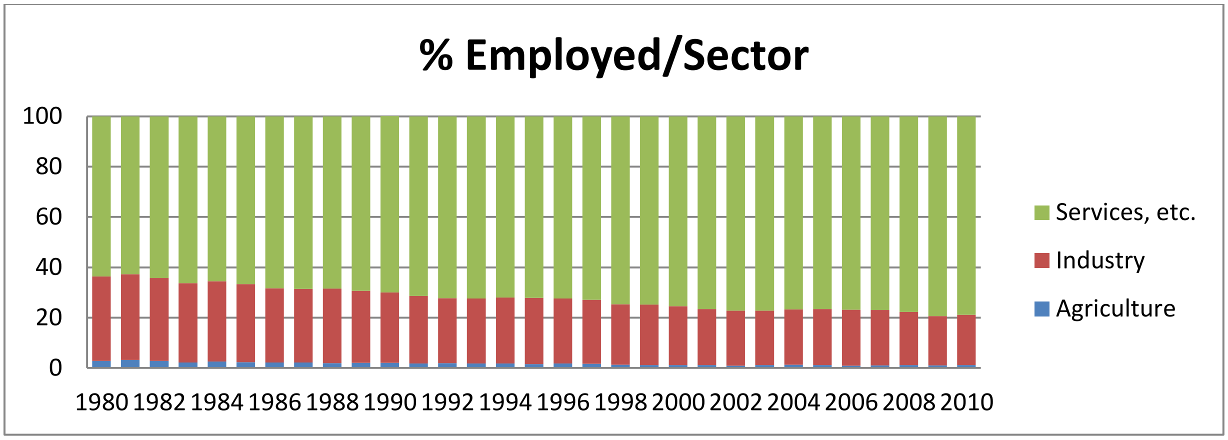
The combination of a strong service sector and a competent industrial sector allows for the United States to develop product lines and market them effectively. This combination has allowed the United States to remain one of the premier countries in terms of multinational firms as well as new industries.

In the United States, 78.8 percent of the population is employed in services; 20 percent is employed in industry and 1.2 percent is employed in agriculture (See Figure 5). As a result, the United States also enjoys a GDP per capita of USD 49,800 (see Appendix, Table 4) and is

[188] United States Census Bureau, "The 2012 Statistical Abstract – Agriculture: Agricultural Exports and Imports," last modified June27th, 2012. http://www.census.gov/compendia/statab/cats/agriculture/agricultural_exports_and_imports.html

twelfth highest in the world (most that are above it are small city-states or protectorates with the exception of Norway).[189]

Figure 5



Source: World Bank – World Development Indicators

What the GDP per capita does not capture is the distribution of income and wealth in the economy. Service jobs tend to be either high skilled (as in finance) or low skilled (as in hospitality and tourism) and the distinction is not represented in most breakdowns There are currently extreme wealth disparities in the United States and one could argue that it is a result of a reliance on a service based economy. This wealth disparity puts severe pressures on society and was manifested in the 'Occupy Wall Street' movement. The extreme wealth disparities are concentrating wealth in the hands of very few. Part of America's power is based on its image abroad and the appeal of the 'American Dream'. The erosion of America's appeal on an international level can negatively impact its soft power. This concept will be expanded upon further in the section on America's Soft Power.

Another source of America's economic power is that the USD acts as the reserve currency for the world. The benefit is that other states are willing to buy up large quantities of

[189] CIA World Fact Book.
NOTE: The eleven states that enjoy higher per capita incomes than the United States beginning with the highest are: Qatar, Liechtenstein, Luxembourg, Macau, Bermuda, Singapore, Jersey, Falkland Islands, Norway, Hong Kong, and Brunei.

American debt and in turn fund America's deficits. At present approximately 65 percent of the world's currency reserves are held in US dollars.[190] So long as foreign governments are willing to buy up American debt, the deficit doesn't matter as much as it would otherwise. As Ikenberry explains, "it gives the United States the rights of 'seigniorage'…and go deeply into debt without fearing the pain that other states would experience."[191] In this there is also an compelling reason for creditor states to keep buying America's debt. According to Drezner, "…it is in creditors' interest to buy and to hold USD in order to avoid any depreciation in their own currency"; this is especially pertinent for a country like China who holds a large stock of America's assets.[192]

These are some hard numbers about the American economy. There is much more to it than that. The United States is a capitalist country and as such is probably the most innovative economy in the world. According the Bremmer, the United States is unmatched in its ability to invent a product, market and sell it in mass quantities.[193]

Firms (whether global or domestic) have easy access to credit through America's banks as well as access to mature capital markets. Investors are confident placing their money in American firms due to the strong protection of property rights and legal system.[194] These deep reservoirs of cheap and accessible credit make opening and financing a business in the United States comparatively easy. It also makes companies far more likely to invest in Research and Development (R&D) knowing that any innovations will be protected. This is significant as

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190 Carla Norrlof, *America's Global Advantage: U.S. Hegemony and International Cooperation* (New York: Cambridge University Press, 2010), 21.
191 Ikenberry, *Liberal Order & Imperial Ambition*, 153.
192 Daniel W. Drezner, "Bad Debts: Assessing China's Financial Influence in Great Power Politics," in *International Security* 34:2 (Fall 2009), 21.
193 Bremmer, *Every Nation for Itself*, 186.
194 Mandelbaum, *The Frugal* Superpower, 80.

private American firms invested USD 279.6 billion in R&D in 2012.[195] The willingness of firms in the United States to spend so much on R&D ensures that the United States will remain well ahead of global competition in terms of advanced technology and products.[196] In order to maintain a strong economy, a state needs to maintain high value added products. As the 'smiling curve' shows, the most value added occurs at the beginning and the end of the product chain.[197] It is in these high value-added sectors that America excels.

When it comes to producing world class corporations, no other state compares to the United States. According to Zakaria, "U.S. firms lead the world in productivity and profits."[198] A brief look at Forbes 'Global 200 Leading Companies' shows consistently that firms from the United States make up the majority of the most successful companies in the world whether defined in terms of sales, profits, assets or market value.[199] This performance provides the United States with financial flows as well as the prestige that is associated with these international brands.

The United States also leads the world in terms of advanced technology[200] and is home to 7 of the top 10 universities (the other three are in the United Kingdom) in the world (and 62 of the top 100).[201] These universities attract some of the best and the brightest from around the world, many of which remain in the United States upon graduation. These international students

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[195] Battelle: The Business of Innovation, "Battelle R&D Magazine Annual Global Funding Forecast," The *Battelle R&D Magazine* (December 16th, 2011). http://www.battelle.org/media/press-releases/battelle-r-d-magazine-annual-global-funding-forecast-predicts-r-d-spending-growth-will-continue-while-globalization-accelerates

[196] Clark, "China and the United States," 21; Ferguson, *Civilization*, 307; Zakaria, *The Post-American World*, 184.

[197] The 'smiling curve' is a model developed by Stan Shih in 2005 that shows how the value added of a given product is highest with R&D (regarding patents) and in branding. These two are at either end of the production chain. The closer towards manufacturing and assembly, the lower value creation is involved (like a smiling face). For a more detailed look see http://www.wto.org/english/res_e/statis_e/miwi_e/maurer_chengdu_oct11.pdf page 15.

[198] Zakaria, *The Post-American World*, 41.

[199] Forbes. "Global 2000 Leading Companies." http://www.forbes.com/global2000/list/#p_1_s_a0_All%20industries_All%20countries_All%20states_

[200] Zakaria, *The Post-American World*, 184.

[201] The World University Ranking, "The World University Ranking 2012-2013." http://www.timeshighereducation.co.uk/world-university-rankings/2011-12/world-ranking

in turn add to America's lead in the knowledge industry that is a source of America's power.[202] It puts those minds to work in America's interest and denies this resource to others.

Military

The American military is by far the most powerful military in the world. According to Jervis, the United States seeks to establish a military that is so powerful that it cannot hope to be challenged and so no other state or collection of states will even bother with the attempt.[203]

The United States spends more every year on defense than any other (and almost every other) country. It accounts for almost half of global spending at 41 percent (see Appendix, Table 4). This amounts to USD 711 billion (with recent cuts)[204] per year and represents 4.7 percent of America's GDP. The nearest competitor is China at USD 143 billion. Citing a single year of military spending fails to adequately capture the amount of assets at the disposal of the American military because the United States has been spending at this rate (or higher in some years) for decades. The accumulation of military assets and capabilities make the gap between the United States and its competitors even more pronounced.

The United States is also intent to maintain its advantage. Of total military expenditures, the United States invested over USD 76 billion for R&D in 2011.[205] This massive investment in R&D alone ensures that America remains on cutting edge of technological capability. The ability to develop high technology in military affairs provides a significant tactical and strategic advantage. The result is that in terms of military power, the United States is far ahead of any of its competitors and is likely to remain so for the foreseeable future.[206]

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[202] Norloff, *America's Global Advantage*, 18.
[203] Jervis, "The Remaking of a Unipolar World," 8.
[204] Bremmer, *Every Nation for Itself*, 186.
[205] Eric Alterman, "Think Again: Is Defense R&D Spending Effective?," *Center for American Progress (January 13th, 2012).* http://www.americanprogress.org/issues/media/news/2012/01/13/11001/think-again-is-defense-rd-spending-effective/
[206] Mandelbaum, *The Frugal Superpower*, 49.

The United Sates has 1.4 million men and women under arms, 7600 warplanes and 201 warships (for a total of 3 million metric tons. This means that very few American vessels are small). It has 662 forward military bases,[207] both land and naval, in 146 countries[208] that house just over 297,000 American servicemen/women (as of 2010).[209] These facilities allow the United States to strike against any target, anywhere in the world very quickly and with great effect. Carrier battle groups patrol the world's oceans. Their presence has been enough to bring states back from the brink of war as in the case between Taiwan and China in 1995-96.[210]

Finally, the United States has the second largest nuclear arsenal in the world (Russia being first),[211] with multiple delivery platforms (Intercontinental Ballistic Missiles (ICBM's), Sub Launched Ballistic Missiles (SLBM's), bombers and nonstrategic forces (tactical nuclear weapons)).[212] Being in possession of multiple delivery platforms provides a credible deterrence because it makes the United States' nuclear arsenal very difficult to target and destroy in a first-strike. As a result, any attacker will have to be willing to endure a retaliatory nuclear strike from the United States.

Unlike many states that purchase armaments from others, the United States does not. It has a very large and developed military industrial complex that designs and manufactures weapons systems. This is a matter of national security for America and is protected quite

[207] U.S. Department of Defense, "Base Structure Report: Fiscal Year 2010 Baseline," 9. http://www.acq.osd.mil/ie/download/bsr/bsr2010baseline.pdf

[208] U.S. Department of Defense, "Active Duty Military Personnel Strengths by Regional Area and by Country (309A), 3. http://siadapp.dmdc.osd.mil/personnel/MILITARY/history/hst1009.pdf

[209] U.S. Department of Defense, "Active Duty Military Personnel Strengths by Regional Area and by Country (309A), 3. http://siadapp.dmdc.osd.mil/personnel/MILITARY/history/hst1009.pdf

[210] NOTE: The Taiwan Crisis of 1995-1996, also known as the Third Taiwan Crisis was sparked by a series of missile tests response to a seeming drift of Taiwan away from the 'One-China' policy. The missile tests were also seen as an attempt to intimidate the electorate in Taiwan prior to the 1996 presidential election. These were accompanied by naval exercises by the People's Liberation Army of China and amphibious landing drills. In response to this aggressive posturing U.S. President Bill Clinton ordered two American aircraft battle-groups into the region to potential intercede on Taiwan's behalf.

[211] Ploughshares Fund, "World Nuclear Stockpiles Report." http://ploughshares.org/world-nuclear-stockpile-report

[212] Hans M. Kristensen and Robert S. Norris, "US Nuclear Forces, 2012" in *Bulletin of the Atomic Sciences* 68:3 (2012), 86. http://bos.sagepub.com/content/68/3/84.full.pdf

aggressively by the American government. The United States also maintains stockpiles of critical components for a projected 3 years of combat[213] and the Strategic Petroleum Reserve provides a stockpile of 696 million barrels of oil.[214] Having a ready stockpile of critical materials makes the United States immune from any effort to blockade future imports in the event of a conflict.

It is not only in military terms that America is way ahead of its competition. For a military to remain effective it needs to be used. Its officers and non-commissioned officers need experience because only so much can be gained through training. As can be seen in global conflict areas the United States has significant experience in combat, Iraq and Afghanistan being the two most recent examples.

In an effort to capture all the factors that are associated with a modern military, Charles Dunnigan has developed a concept of combat power. This value accounts for such variables as being "a combination of the quantity and quality of manpower, equipment and weapons…it is then multiplied by a force multiplier (imperfect leadership, component of force quality, support, training, and other 'soft' factors) to generate the combat value."[215] Once these factors have been accounted for, Dunnigan assigns American land forces a combat power of 2,488 and a naval combat power of 302. To put this in perspective, the nearest competitor in land forces is China at 827[216]; naval is the United Kingdom at 46.[217]

American, on its own is seemingly indomitable in terms of conventional military power. And yet, this is only the beginning of America's military power for when America goes to war, it does not go alone.

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[213] Waltz, *Theory on International Politics*, 147.
[214] U.S. Department of Energy, "Strategic Petroleum Reserve – Current Inventory," last modified on February 8, 2013. http://www.fossil.energy.gov/programs/reserves/spr/spr-facts.html
[215] James F. Dunnigan, *How to Make War: A Comprehensive Guide to Modern Warfare in the 21st Century, Fourth Edition* (Toronto: HarperCollins Publishers Inc), 632.
[216] Ibid, 624.
[217] Ibid, 642.

Throughout the years, the United States has established bi-lateral military alliance with over 50 individual states.[218] Some of these alliances are very strong and have been founded on deep historical foundations and consist of some of the world's most powerful militaries. America can and does use these "phalanxes to offset any potential challenger."[219]

Consider the Iraq War in 2003. It was a largely unpopular war among America's allies and yet the United States was still able to collect a coalition of 38 states to assist (to varying degrees) in the toppling of Saddam Hussein. By traditional standards this is a poor representation of international support, and Americans were surprised that only 38 joined their cause,[220] but there are very few states that would be able to replicate it, even in the case of a more legitimate war.

These military alliances acts as a significant 'force multiplier'[221] for American military power. Added to this is the fact that America's strongest allies are also militarily and economically powerful. Any state that seeks to challenge the United States head on faces far more than the American military alone; it faces a coalition of the powerful.[222] Overall it is quite a daunting situation for any country that seeks to challenge American hegemony on military grounds.

In terms of America's hard power assets, it is well positioned to maintain its position as global hegemon. The geographical strength is one that is not going to change any time soon barring some calamitous event. The United States has a positive population growth thorough domestic replacement and is further augmented by immigrants who seek a new and better life in the United States. Economically it has recovered somewhat from the 2007-2009 financial crisis

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[218] Kagan, *The World America Made*, 58.
[219] Lake, "American Hegemony and the Future of East-West Relations," 28.
[220] Kagan, *The World America Made*, 55.
[221] Lake, "American Hegemony and the Future of East-West Relations," 27.
[222] Doran, "Statecraft Today," 97.

that put it into a brief recession. The United States still has the largest economy in the world as well a healthy GDP per capita ratio. The traits that made the United States economically powerful are still present and will continue to contribute to its economic growth. In terms of its military the United States is without peers. The size, quality, experience and investment in the military will ensure that no country or coalition of countries will be able to challenge it. Based on the criteria presented throughout this subsection, the United States is still well endowed with hard power assets that will continue to contribute to its overall strength in the world.

America's Soft Power

American hard power is almost overwhelming and it provides a solid foundation upon which a significant portion of American soft power is built, but not all. When the United States is measured in terms of their military power alone, they possess the material capability to dominate other world militaries. Balance of power theory explains that in light of this, a coalition should develop that would be capable of challenging the United States. Historically, "…all would-be hegemons were defeated in long, costly, and often multiple wars, by coalitions of other great powers."[223] Yet no such coalition has formed. According to Ikenberry and Nye, this lack of balancing is due to the strength of America's soft power.[224]

As mentioned at the beginning of this Chapter, America's soft power is based on three ways in which others see it. The first was already mentioned in Chapter 2. According to academics like Gilpin, Ikenberry, Kagan, and Mandelbaum, America's power is largely seen as being responsible for the current phase of stability and peace between great powers.[225] The

[223] Richard Ned Lebow and Benjamin Valentino, "Lost in Transition: A Critical Analysis of Power Transition Theory," in *International Relations* 23:3 (2009), 393.
[224] Ikenberry, *Liberal Order &Imperial Ambition*, 147-161; Nye, *Soft Power* (2004), 65.
[225] Gilpin, *War and Change in World Politics* , 145; Ikenberry, *Liberal Order & Imperial Ambition*, 201; Kagan, *The World America Made*, 45; Mandelbaum, *The Frugal Superpower*, 54.

second is the nature of American political ideology and the third is that America's power is seen as legitimate in both its existence and its use.[226]

Security and Stability

Security and stability applies to many aspects that are necessary to ensure the continuance of the international order. First it is the physical safety of state sovereignty from the threat of violence from another state. This is necessary for any others to take place. The second aspect is financial. It is equally important for a hegemon to provide economic stability and security in the international system. Third is the lesser aspects to security and stability such as addressing international health concerns (like AIDS, SARS, etc.), and the control over the proliferation weapons of mass destruction (WMD's).

America's hegemonic position began with the end of World War II. During the Second World War, the United States played a decisive role in defeating the Axis powers. America provided soldiers to the war effort but probably its greatest contribution was the lend-lease program, enacted in March 1941, that provided vital resources to both Britain and the Soviet Union that were vital in their ability to resist Nazi aggression.[227]

At the end of the war, America chose to implement the Marshall Plan to rebuild Europe and provide assistance to Japan. According to Gordon it was an unprecedented move in history.[228] It was the first time that a victorious state helped to rebuild their vanquished enemies and dedicated substantial resources towards that goal.

Immediately after the Second World War, the Soviet Union emerged as a threat. Again, America stepped up to protect its allies. In 1950, the United States fought a war to preserve

[226] Lake, "American Hegemony and the Future of East-West Relations," 26.
[227] John Steele Gordon, *An Empire of Wealth: The Epic Tale of American Economic Power* (Toronto: HaperPerennial, 2004), 352.
[228] Ibid, 377.

South Korean independence. In part this was to blunt Soviet advances and to fight wars on foreign soil as opposed to American soil, but the point remains that when it counted, the United States were there. The United States proved its commitment not with words but with vast amounts of blood and treasure. The United States established its credibility in the furnaces of war. The good will that this generated cannot be overstated and it is not something that can be easily duplicated in peacetime.[229] The United States is still positioned around the globe guaranteeing the security of many of its allies as well as reassuring others that great power conflicts are a thing of the past.[230]

Since the end of the Cold War, the threat of interstate war between great powers has declined to the point where it is barely worth mentioning. When significant interstate wars to occur, as in the case of Kuwait in 1991, the Balkans in the mid-1990's, Kosovo in 1999, it has been between small states or involves only a single great power. It is usually the United States that has been called upon to enforce the peacebecause it is the only great power with adequate resources to enforce a peace.

As mentioned in Chapter 2 under the section on 'America's Decline', America's image was severely tarnished when President George W. Bush established a doctrine of pre-emptive war in the invasion of Iraq in 2003.[231] Despite this decision, the United States does not pose a long terms credible threat to the world. Part of this rests in the fact that North America is seperated by the world's oceans. This provides the rest with a sense of security on its own. The 'stopping power of water' ensures that any forays that America makes into the world are limited

[229] Mandelbaum, *The Frugal Superpower*, 41.
[230] Norloff, *America's Global Advantage*, 18.
[231] Bacevich, *The Limits of* Power; Johnson, *Dismantling the Empire*; Hiro, *After Empire*; Lake, "American Hegemony and the Future of East-West Relations," 7; Mandelbaum, *The Frugal Superpower*; Zakaria, *The Post-American World*.

in scope by the very nature of the financial and logistical difficulties of projecting power across such a great distance.[232]

The United States has established credibility in the eyes of both their allies and their enemies that they are willing to and capable of enforcing the peace when it is necessary to do so. The credibility has made it possible for the nations of the world to focus on matters other than defense knowing that the United States is there to support and enforce the peace.[233]

Security and stability is not limited to physical threats alone. It is equally important to provide for the stability and security of the international financial system. To ensure the stability of international finance the United States has taken a number of routes. It operates largely through international institutions. The World Bank and the International Monetary Fund (IMF) are both institutions that were initially established in an effort to facilitate financial transactions. The World Bank was established to provide development assistance in rebuilding Europe and the IMF to manage exchange rates between countries to avoid unnecessary competition and provide needed loans to stabilize local economies.[234]

More recently, the World Bank and the IMF have become intensely political institutions and have lost the faith of many who depend on their funding. Many in the developing world see these institutions as being "expensive and largely inefficient."[235] This may be the case, and these two huge bureaucratic institutions may have difficulties adapting to local circumstances, but the funds that they do channel into the developing world is seen as a positive.[236]

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[232] Mearsheimer, *The Tragedy of Great Power Politic*, 41; Kaplan, *The Revenge of Geography*, 34.
[233] Ikenberry, *Liberal Order & Imperial Ambitions*, 146; Mandelbaum, *The Frugal Superpower*, 54; Michale L. Levin, *The Next Great Clash: China and Russia vs. the United States* (Westport: PraegerSecurity International, 2008.
[234] Ngaire Woods, *The Globalizers: The IMF, the World Bank, and Their Borrowers* (Ithica: Cornell University Press, 2006), 20.
[235] Johan Lagerkvist, "Chinese Eyes on Africa: Authoritarian Flexibility Versus Democratic Governance," in *Journal of Contemporary African Studies* 24:2 (Apr. 2009), 122.
[236] Mandelbaum, *The Frugal Superpower*, 43.

The United States is a significant source of funding for both the IMF and the World Bank. The United States provides Special Drawing Rights (SDR)[237] of USD 69 billion to the IMF.[238] For the World Bank, the United States provides approximately USD 11.5 billion.[239] These contributions do not include the USD 30 billion that the United States provided for international aid in 2010.[240] Overall the United States contributes significantly to global development.

As has been shown, the United States has provided a relatively safe and secure environment in which the countries feel secure enough to pursue economic improvement without worry about great power conflict. This was considered a requirement in Chapter 3 on 'Hegemony and Leadership'. America's hegemony has made such conflicts unlikely due to its overwhelming military advantage. Economically the United States has done the same. It provides the world with a reserve currency and an open market for global exports. It also helps to redistribute global wealth through significant contributions to the developing world through international organizations as well as through individual bi-lateral methods.

Political Ideology

The political ideology that makes up the United States is the second significant source of American soft power. As John Ikenberry states, being a liberal democracy matters.[241] That the United States promotes a liberal economic and political order helps with its perceived image abroad. It was founded through a revolution that directly rejected colonialism and often seems somewhat reluctant to directly use its power on a global scale. Many of the world's most

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[237] NOTE: Special Drawing Rights (SDR) is a claim to currency of member countries. SDR is not a currency in itself but can be exchanged for it.

[238] International Monetary Fund, "Factsheet – IMF Standing Borrowing Arrangements," last updated January 15th, 2013. http://www.imf.org/external/np/exr/facts/gabnab.htm

[239] World Bank, "World Bank Finances – US Contributions to FIFs by Sector." https://finances.worldbank.org/Financial-Intermediary-Funds/US-Contributions-to-FIFs-by-Sector/y3f8-ad7p

[240] Global Humanitarian Assistance, "Country Profile: United States." http://www.globalhumanitarianassistance.org/countryprofile/united-states

[241] Ikenberry, *Liberal Order and Imperial Ambition*, 190.

powerful states are democracies in one form or another. The values and cultural appeal is one that is universal. As a liberal democracy, America is a land of law and order.[242] It is a place where everyone is considered equal, no matter their station in society. There is no preordained social status based on birth. It is largely believed that with hard work and dedication, anyone can become anything they choose to be.[243] Whether or not this is indeed the case, the expectation of upward mobility or the availability of it is of iconic value to so many around the world who dream of such a society.[244] It is for this dream that thousands risk their lives every year in an effort to reach American shores.[245] This attractive political and sociological appeal[246] draws people like nowhere else in the world.

Political accessibility for the average citizen gives most the sense that they have a say in how the country is run and what direction it is heading in. It provides a vent through which a lot of social pressures can be addressed and released. It can also force change. America is a land of immigrants and as such carries some of the fabric of every society. Anyone is welcome and can find something familiar.[247]

America's political system is also seen as accessible to foreign governments. Ikenberry refers to this as a "penetrated hegemony."[248] He continues by explaining that "the open and decentralized character of the American political system provided opportunities for other states to exercise their voice in the operation of hegemonic order."[249] This openness provides significant support for America's soft power in that grievances can be addressed within

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[242] Benjamin Barber, *Fear's Empire: War, Terrorism, and Democracy* (New York: W.W. Norton & Company, 2003), 46.
[243] Brzezinski, *Strategic Vision,* 45.
[244] Nye, *Soft Power* (2004), 58.
[245] Patrick Rodden Keefe, *Snakehead: An Epic Tale of the Chinatown Underworld and the American Dream* (New York: Anchor Books, 2009), 32.
[246] Bremmer, *Every Nation for Itself*, 186.
[247] Nye, *Soft Power* (2004), 58.
[248] Ikenberry, *Liberal Order & Imperial Ambitions*, 159.
[249] Ibid, 159.

America's own domestic arena. It allows all states to have a direct impact on American politics.[250]

There have been some significant challenges leveled against the nature of the political system in the United States. Both the rising income inequality and polarized politics have been identified by Brzezinski as significant inhibitors to America's international allure.[251] According to Brzezinski, the United States is "the most unequal major developed country in the world."[252] As discussed in Chapter 2, polarized politics have made it increasingly difficult for the United States to act on a domestic level in order to rectify many of the glaring problems that are becoming more and more extreme. These are serious concerns for the ability of the United States to maintain its position as a global hegemon, yet many are nothing new to the United States. The nature of the political system in the United States is reactive.[253] It is a system that requires mobilization by the masses. What is significant about the United States is that there are outlets available to redress the imbalances that currently exist. As already addressed through Ferguson, America's population has shown time and again that it can act as needed when pushed to do so.[254]

Legitimacy

As strange as it may sound, a source of the legitimacy of American leadership is based somewhat on the premise that the United States is a conflicted state. Along with its strength is a sort of timidity, or maybe confusion. America itself is a paradox. Where its interests are concerned, or it feels directly threatened, America lashes out with all its fury, and when this happens most simply get out of the way. If it is not an immediate American problem, the United

[250] Ikenberry, *Liberal Order & Imperial Ambitions*, 191.
[251] Brzezinski, *Strategic Vision*, 55.
[252] Ibid, 49.
[253] Ibid, 55.
[254] Ferguson, "What 'Chimerica' Hath Wrought," 22.

States is slow to react and when it does it seems to be in a lazy, half hazard manner and only with serious international pressure.

The United States does deploy assets around the world to maintain stability but is only moved to action when something threatens the established international order. Otherwise the United States treats the international system with a sort of benign neglect. Part of the reason that American is sometimes distant from global problems is geographic distance. America's founders warned against foreign entanglements and it seems that most Americans wholeheartedly agree with this sentiment. The United States is a distant island (albeit a very large one). The Atlantic and Pacific oceans insulate it from potential threats (the 'stopping power of water) and conveniently make the United States less threatening to others.[255]

When the United States does involve itself in foreign issues, it seems as though their first priority is how to get out.[256] The United States is truly averse to directly using its power and even more so towards directly ruling others.[257] It seems to both revolt at the idea of being a global leader and revel in it.[258] When the United States does get involved, it does so with hesitation and resistance. This hesitation allows most to believe that the United States is not an inherently hostile or aggressive power. The willingness of the United States to "operate within layers of regional and global economic, political, and security institutions and construct new ones – thereby making itself more predictable and approachable and reducing the incentives for other states to undermine it by building countervailing coalitions."[259] It makes America's hegemony seem less threatening and thus more acceptable.

[255] Ikenberry, *Liberal Order & Imperial Ambitions*, 146.
[256] Kagan, *The World America Made*, 13.
[257] Ibid, 61.
[258] Ibid, 16.
[259] Ikenberry, "The Future of the Liberal World Order," 66.

Summary

It has been shown throughout this chapter that although the United States is not omnipotent, arguments regarding its eminent, or even long-term, decline are exaggerated.

In terms of hard power, the United States is still in a position of strength and appears as though it will remain strong in the future.

Geographically the United States still occupies the same location and gains the benefits associated, security through distance and few neighbors.

Demographically, the United States is growing, and still attracting some of the best and brightest in the world through its world class universities and appeal. Not only is its population growing, but it is doing so in a healthy manner that is will help with a sustainable future.

Its economy is still the largest in the world by a very large margin, and is still experiencing positive growth rates. In terms of GDP per Capita, there are very few in the world that can claim one an high as the United States. Its economy is dominated by high value-added industries in the tertiary and quaternary sectors, but it also has a strong industrial and agricultural sector. The USD is also still the reserve currency that allows it to avoid fiscal and monetary restraints that are concerns for others. It has mature financial markets that allow local and international firms to access capital in a safe a secure manner in order to finance new ventures, while the rule of law makes any gains made through these investments protected.

Finally, America's military is without peer. In terms of size, spending, and continued investment, the United States maintains and expands its lead. It has the ability to project and sustain military actions to any theatre in the world. It has one of the largest and the most advanced military in the world and has for decades. Added to this, the United States is at the center of an elaborate alliance system of other great powers.

In terms of soft power, the United States is still in a position of dominance. The United States still underwrites global security in a way that no other state, or even group of states can match. For the past sixty-five years, the United States has been at the head of the international system, and overall, modern global prosperity is largely built on America's model. As Norrlof explains, "although income is still very unevenly distributed (in some countries more so than in the past), more people enjoy a higher standard of living that during any other era."[260]

The United States has a political model that provides great freedoms for all of its citizens. It is a model that allows for great accessibility for both its domestic population as well as international actors. This promotes a great level of appeal for America's system around the world. Many people see the United States as the land of opportunity, even if this image is becoming less real in truth. Politically and economically the United States is entering a difficult era. Income distribution has never been more equal and this in turn has impacted the image that the United States projects globally. It is also becoming increasingly politically polarized which has limited the ability for the United States to address fundamental issues at home as well as abroad.

Regardless of these limitations, the United States is still widely acknowledged as the sole superpower in the global system. It has shaped the current international system, and although it does deviate from its own rules from time to time, it largely sticks to them believing that in the long run it is in their interests.[261] With this unprecedented power the United States has molded the world into a liberal economic order that champions values that many see as universal. Although not always the most competent, it does attempt to redistribute some of the wealth that has been disproportionately directed towards the developed nations. This is largely done through international organizations but independently was well.

[260] Norloff, *America's Global Advantage*, 15.
[261] Ikenberry, *Liberal Order & Imperial Ambitions*, 219.

Many states within the international system may decry America's methods on occasion, but most largely agree with American values and aspirations.[262] This is one of the key sources of America's soft power, and it remains largely unchanged.

Benjamin Barber puts it quite succinctly by combining the words of Michael Ignatieff and Walter Mead.[263] Ignatieff expresses his admiration by stating that the United States is:

> "the only nation that polices the world through five global military commands; maintains more than a million men and women at arms on four continents; deploys carrier battlegroups on watch in every ocean, guarantees the survival of countries from Israel to South Korea; drives the wheels of global trade and commerce; and fills the hearts and minds of an entire planet with its dreams and desires."[264]

Mead adds that "the United States is not only the sole global power, its values inform a global consensus, and it dominates to an unprecedented degree the formation of the first truly global civilization our planet has known."[265] The result is that the United States hold an unprecedented position in global politics, and most would rather see it remain than not.

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[262] Ibid, 61.
[263] Barber, *Fear's Empire*, 19-20.
[264] Michael Ignatieff, "The Burden," *New York Magazine* (January 5, 2002), 22.
[265] Walter Russell Mead, *American Foreign Policy and How It Changed the World* (New York: Alfred A. Knopf, 2002), 10.

Table 2: Summary of America’s Hard and Soft Power

Hard Power		+	-	=
Geography	Size (Territorially)			x
	Location			x
	Number of Neighbors			x
Demographics	Population	x		
	Population Growth	x		
	Immigration	x		
	Balanced Population	x		
Economy	GDP (Market Excahnge Rates)	x		
	GDP Growth		x	
	GDP per Capita	x		
	Advanced Economy (Tertiary/Quaternary)	x		
	Reserve Currency	x		
	Mature / Stable FinancialMarkets		x	
	Rule of Law	x		
Military	Size	x		
	Diversity (Multi-Branch: Land, Sea, Air, Nuclear)	x		
	Spending (%GDP)	x		
	Spending (% World)	x		
	R&D	x		
	Regional Power Projection	x		
	Global Power Projection	x		
	Nuclear Deterrence	x		
	Allies	x		

Soft Power		+	-	=
Security and Stability	Regional Stability	x		
	Global Stability		x	
	History	x		
	Consistency of Action		x	
	Disputed Borders			x
	Adherence to International Caveats		x	
Political Ideology	Individual Freedom	x		
	Political Access -Domestic	x		
	Political Access -International	x		
	Global Appeal	x		
	Effectiveness		x	
	Global Adoptability			x
Legitimacy	Recognition as a Great Power	x		
	Global Integration	x		
	Development Assistance		x	
	Adherence to International Norm	x		
	Adherence to International Law	x		
	International Image			
	-Developed States	x		
	-Developing States		x	

+ signifies a contribution to the strength of the United States (not in decline) / - signifies a contribution to the weakness of the United States (is in decline) / = signifies that the United States is unchanged

Chapter 5: China's Power

The purpose here is to analyze China's power in an effort to answer the second part of the question posed in Chapter 1 on the future of the international order. This chapter hopes to provide the information necessary to determine whether or not China will continue to experience rapid growth or if that growth will slow and thus retard its ascent to the status of hegemony.

The methodology that was outline in Chapter 3 will be used as it was in Chapter 4. That is that China's hard power will be analyzed in terms of: geography, demography, the economy and the military. Its soft power will be analyzed under the headings of: security and stability, political ideology, and legitimacy. The categories will scrutinize both the strengths and weaknesses inherent to China and how well it is poised for hegemony. Table 4 (see Appendix) will again be used as a frequent reference point for figures referred to throughout the text.

China's Hard Power

As was previously explained in Chapter 4, the categories being used are based on Waltz and Morgenthau's definition of state power through countable assets.[266] They explain that strength of a state is based on "the size of a state's population and territory, resource endowment, economic capability, military strength, and political stability."[267] Based on this list of requirements, China's hard power will be looked at in terms of geography, demographics, economics and the military. Table 4 (see Appendix) presents a snapshot of the current state of some aspects of China's hard power as it did with the United States.

Geography

China, like the United States is continental in scope. It is the fourth largest country with many unresolved territorial claims that seek to enlarge its size to a significant degree. This large

[266] Waltz, *Theory of International Relations*; Morgenthau, *Politics Among Nations*.
[267] Waltz, *Theory of International Relations*, 141.

territory provides an abundance of natural resources which is essential to economic growth. There is eastern access to the oceans via an extended coastline. China is also linked internally to the ocean through two large navigable rivers, the Yangtze and Yellow rivers. This combination allows ease of movement for the products that are manufactured for export by China's massive industrial sector. As Holstag explains, "the coastline became its (China's) geo-economic interface with the international market."[268]

The Yangtze and Yellow rivers are also two of the most fertile river valleys in the world owing to the heavy silt deposits (the Yangtze deposits more silt than the Nile, Amazon and Mississippi combined; the Yellow deposits tree times that of the Yangtze).[269]

China shares land borders with 14 other states plus an additional four (including Taiwan) in close coastal proximity. Having a large number of bordering states provides for potentially valuable trading partners or potential challengers to China's increasing power.[270] This can be seen in two ways. First, it provides China with access to close markets. This improves its ability to export products or to import products to fuel economic growth. It also makes China vulnerable as it has long land borders with different, and potentially hostile neighbors.. In terms of geography, China is exposed to varied interests that can work in its favor or to its detriment.

Demographics

China is the most populous country in the world with approximately 1.3 billion people. China's official population density is 133 people per square kilometer.[271] This is a somewhat distorted figure as the bulk of the population lives in the east as can be seen in Figure 6. A more

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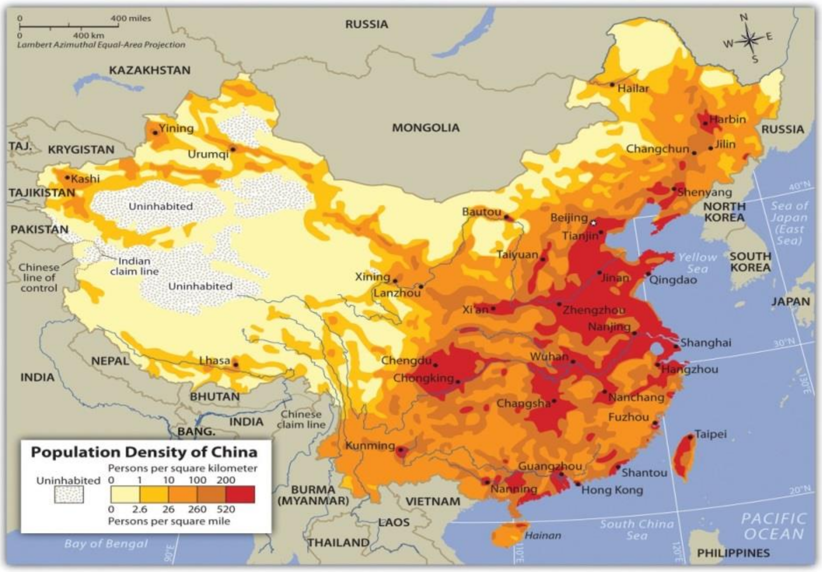
[268] Holstag, "China's Road to Influence," 641.
[269] David S. Landes, *The Wealth and Poverty of Nations: Why Some Are So Rich and Some So Poor* (New York: W.W. Norton & Company, 1999), 21.
[270] David Rothkopf, *Superclass: The Global Elite and the World They Are Making* (Toronto: Penguin Group, 2008), 215.
[271] China Through a Lens, "Population and Density." http://www.china.org.cn/english/features/38110.htm

accurate estimate around the east coast is closer to 400 people per square kilometer.[272] This high population density places huge stresses on the environment that is mitigated with a more dispersed population. These pressures on the environment will be expanded on in the following subsection on *Economics*.

Figure 6



China's Population Density

A large population ensures a large labor (and military) pool. China also enjoys the benefits of having a significant overseas population. These ethnic Chinese living abroad provide a valuable source of remittances, expertise and experience for growing firms. They also provide a valuable connection for Chinese firms seeking to expand their market. These overseas Chinese provide an opportunity for China to project its interests abroad through them and obtain valuable skills without having to rely exclusively on the domestic population, or to have to develop them independently as is the case with most developing states.

[272] China Through a Lens, "Population and Density." http://www.china.org.cn/english/features/38110.htm

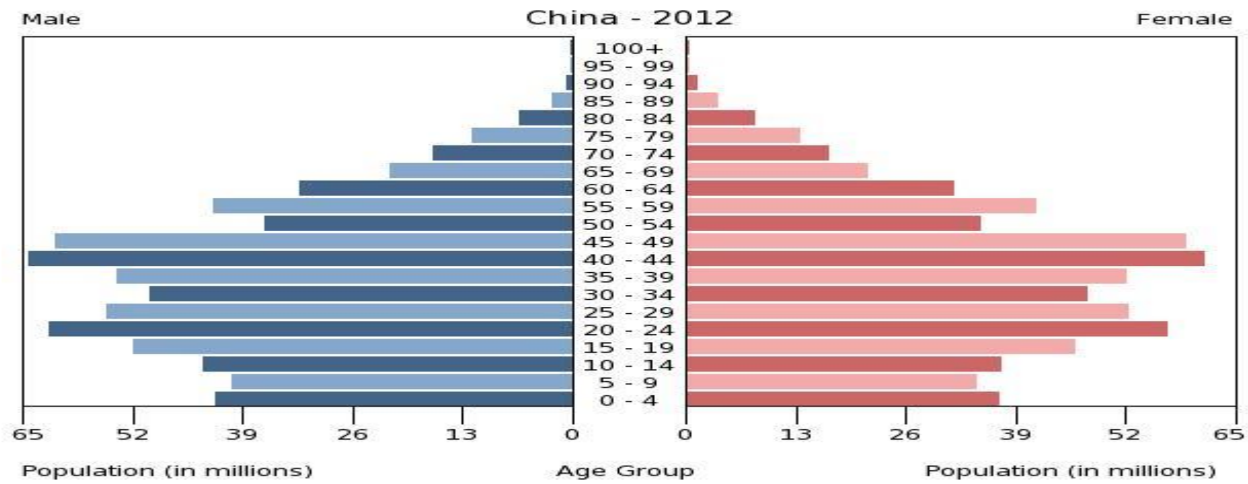
This large population is not all benefits. It is placing severe pressures on China itself. China is experiencing one of the largest internal migrations in history.[273] Traditionally, China was a predominantly rural society (as most undeveloped states are). Since 1980, China has experienced between 3.5 and 4.5 percent growth every year to its urban centers.[274] In 2006 alone, 2.6 million people left the countryside for the cities. In total for 2006, China was facing a huge infusion of 21.5 million people into the job market (college/vocational/secondary school graduates, ex-military, rural migrants and unemployed).[275] It is a large number of jobs that need to be created every year and one that is a top priority for the ruling elite. As Friedman explains, "China simply cannot afford unemployment. Large numbers of peasants have moved to the cities to get jobs, and if they lose their jobs, they either stay in the cities and cause instability or return to their villages and increase the level of rural poverty."[276] There is a link between unemployment and instability. Any instability poses a significant threat to China's growth and its ability to develop its economy further which is a significant determinant of a country's hard power assets.

Over the long term, China is also facing challenges. China's population is dangerously unbalanced as a result of the 'One-Child Policy' and is impacting the demographics in two significant ways.

The first is that the 'One-Child Policy' was a success and less children are being born than before, a lot less. As Figure 7 shows, there is a large population bulge between the ages of 20 and

[273] Hutton, *China and the West in the 21st Century*, 30.
[274] World Bank. World Development Indicators.
[275]Susan L. Shirk, *China: Fragile Superpower: How China's Internal Politics Could Derail Its Peaceful Rise* (Toronto: Oxford University Press, 2007), 30.
[276] George Friedman, *The Next Decade: Where We've Been…and Where We're Going* (Toronto: DoubleDay, 2011) , 177.

Figure 7: China's Population Pyramid



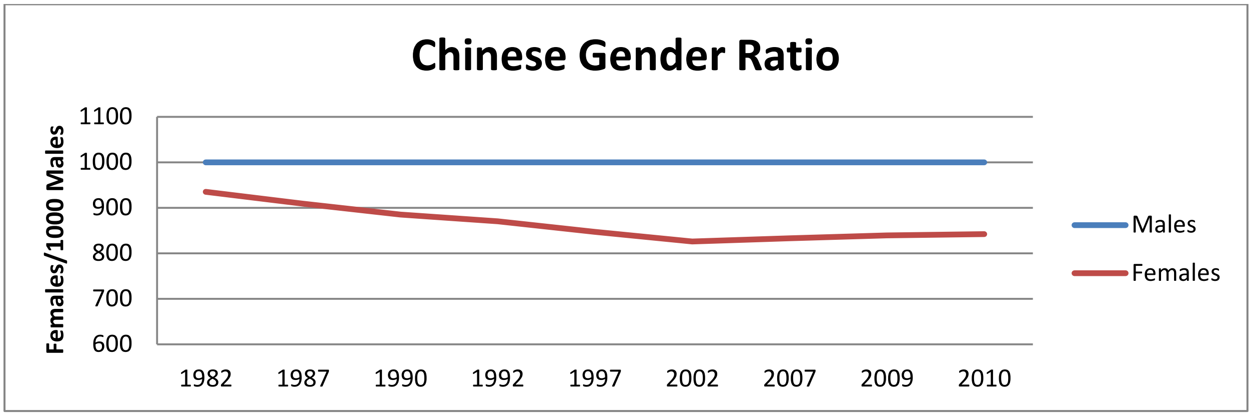
Source: CIA World Factbook

49 followed by a large drop under the age of 20. This age range shows that within the next twenty years there will be far fewer people of working age than there will be those who have retired.[277] As a result, this will cause considerable strains on society, especially on the pension and health-care systems as the population ages.[278] As Barry Naughton states, China may end up getting old before it gets rich. [279]

The second challenge is China's gender ratio. Due to cultural factors, the 'One-Child Policy' had more consequences than was initially forseen. Families in China prefer male children to female children. This is because males carry on the family name and are expected to care for their parents in old age This preference led to selective abortions and the result was a significant decrease in the number of females. Figure 8 shows this graphically in terms of the number of females born for every 1000 males.

[277] Edward R. Grumbine, "China's Emergence and the Prospects for Global Sustainability," in *BioScience* 57:3 (March 2007), 252; Ferguson, *Civilization*, 320; Shirk, *China: Fragile Superpower*, 20.
[278] Shirk, *China: Fragile Superpower*, 20; Ferguson, *Civilization*, 320.
[279] Barry Naughton, *The Chinese Economy: Growth and Transitions* (Cambridge: MIT Press, 2006), 176; Quinlan, *The Last Economic* Superpower, 112; Mandelbaum, *The Frugal Superpower*, 52; Shirk, *China: Fragile Superpower*, 20.

Figure 8



Source: World Bank - WDI

In a society where having a male heir is paramount; men who are just beginning to come of age will be unable to find a mate. The possibility of men not being able to find mates coupled with the possibility of employment difficulties (considering China's employment needs mentioned earlier it is not an unreasonable possibility) can cause social unrest or at the least disturbances. As Rickards explains, "it is a sad fact that single, unemployed men in their early twenties are often associated with forms of anti-social behavior."[280]

Economy

As mentioned in Chapter 4, the economy is quite possibly the most important aspect of a state's power. It is a requirement for any state to attain a strong position in the world hierarchy. Without a strong economy, it is very difficult for a state to develop a strong society and a strong military.[281]

Since 1985, China's growth rate has been above 7 percent (except for a brief time in 1989 and 1990 after the Tiananmen Square incident) and has often been above 10 percent. Its present growth rate of 7.8% (see Appendix, Table 4) is the lowest that China has experienced since

[280] James Rickards, *Currency Wars: The Making of the Next Great Global Crisis* (Toronto: Penguin Group, 2012), 159; Ferguson, *Civilization*, 320.
[281] Zakaria, *The Post-American World*, 182.

1999.[282] As a result China's current GDP at market exchange rates[283] rests at USD 8.25 trillion (see Appendix, Table 4) outranking all but the United States (Japan is third with a GDP of USD 5.98 trillion).[284] While overall GDP is impressive, when broken down to a per capita basis it is only USD 9,100 at PPP[285]. This number does represent millions escaping poverty[286] but approximately 150 million are still living on USD 1.50 a day or less.[287] This is not representative of an affluent state.[288]

China's growth can be deceiving because it began at a very low level. When labor inputs are high and capital inputs are low, every increase in capital inputs has a significant impact on total factor productivity. China is taking full advantage of this 'latecomer advantage.'[289] It is adopting existing methodologies and technologies that more developed states have spent years in developing. It is a significant advantage. However, as China's economy continues to expand, this 'low hanging fruit' will become less available[290] and further growth will be curtailed due to diminishing returns.

Luckily, this does not seem likely in the immediate future. Although the rural to urban migration is high, the bulk of the Chinese population is still employed in agriculture as can be seen in Figure 9. The level of migration that has already taken place is enormous but the labor pool that is still available represents about 40 percent of the total. When you consider that a

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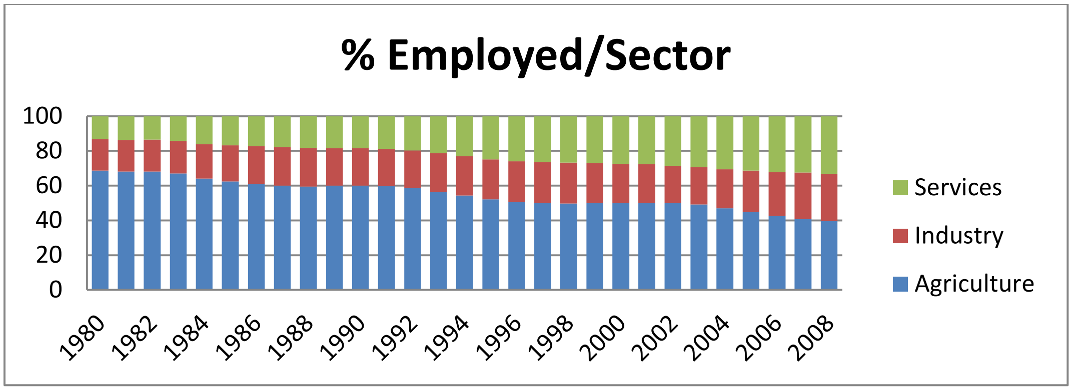
282 World Bank Development Indicators
283 NOTE: As mentioned previously, all national figures when used to compare one states capability with another will be referred to at Market Exchange Rates. The choice of market exchange rates over purchasing power parity (PPP) is that it more accurately represents a country's international economic standing as it more accurately captures global prices over domestic prices. (This view is supported by Joseph S. Nye in *The Future of Power*, p180)
284 CIA World Fact Book
285 NOTE: The decision to use PPP in this case as opposed to Market Exchange Rates is that when determining the overall wealth of individuals within a state the local purchasing power is relevant. Market Exchange Rates reflect international prices, while PPP more accurately represents domestic prices within a given country.
286 Hiro, *After Empire*, 163.
287 Ferguson, *Civilization*, 320.
288 Amita Etzioni, "Is China a Responsible Stakeholder?," in *International Affairs* 87:3 (2011), 548.
289 Lin, "China and the Global Economy," 3; Paul Kennedy, *The Rise and Fall of the Great Powers: Economic Change and Military Conflict from 1500-2000* (New York: Random House, 1987), 421.
290 Nye, *The Future of Power*, 181.

developed country like the United States employs approximately 1.2percent of its population in agriculture, it is possible to visualize the scale of available labor for industry and service.

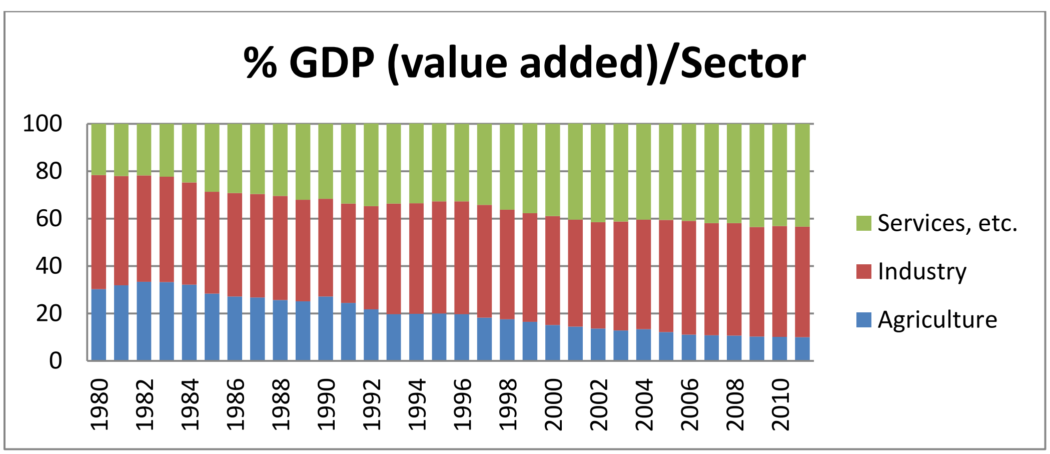
Figure 9



Source: World Bank – World Development Indicators

China's economy has been built on its industrial sector. Since 1980, industry has made up between 43 and 48 percent of GDP as represented in Figure 10. The shift in GDP composition has taken place through expanded services and decreasing agriculture. The shift shows China's economy is maturing. The investment in human resources is beginning to pay dividends. The result is that China is developing and moving up the value-added chain.

Figure 10



Source: World Bank – World Development Indicators

As was mentioned earlier, the strength of a state is largely based on the strength of its economy. The ability to generate wealth allows a state to realize its power. The above shows exactly that, China is developing its economy away from one dependent on the primary and secondary sectors to one with much more services. It represents a maturity of the economy and as a result more wealth for China's citizenry.

The scale at which China is developing and modernizing is staggering. China is now the largest consumer of coal (1714 million tons of oil equivalent), steel (453 million tons), meat (73 million tons), grain (424 million tons) and fertilizer (49 million tons).[291] Buildings and infrastructure are continually being built or upgraded. These huge national upgrades serve four purposes: maintain national security, enhancing economic integration, increasing international competition, and promoting more efficient use of energy.[292]

This explosion of economic growth has substantially increased China's demand for primary resources. China does have significant natural resource deposits but not nearly enough to fuel its surging economy. As a result, China has been forced to venture out in search of secure supplies of key resources to maintain their economic growth. This foreign dependence has exposed China to both political and military vulnerabilities it would rather have avoided. The need to secure ever increasing volumes of resources it has become necessary for China's diplomatic corps to interact with foreign governments, some of which negatively impact international perceptions of China (this topic will be expanded on in the section on 'China's Soft Power'). On the military front, China's military planners now have to determine how to secure resources from interruption by foreign powers (this point will be expanded upon in the following subsection, *Military*).

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[291] Earth Policy Institute. "Annual Consumptions of Key Resources in China and U.S.," last updated 2010. http://www.google.ca/url?sa=t&rct=j&q=&esrc=s&source=web&cd=4&ved=0CD0QFjAD&url=http%3A%2F%2Fwww.earth-policy.org%2Fdatacenter%2Fxls%2Fhighlights18_1.xls&ei=5gtNUdf4MpOMyAHW64CYCg&usg=AFQjCNGc-NEWSPvXK210CYLjxirAiKeJdQ&bvm=bv.44158598,d.aWc

[292] Holstag, "China's Roads to Influence," 654.

Economic growth has come at a cost however. China is doing in thirty years what it took developed states two hundred years to accomplish.[293] It is now believed that 5 out of the 7 major rivers in China are now considered unsafe for humans.[294] Urbanization, desertification, soil erosion and salinization[295] are slowly destroying available arable land, mostly due to development but pollution also plays a significant role. The percentage of arable land available to China in 1985 was 13 percent; by 2009 that percentage had dropped to 11.8 percent.[296] With a population as high and as dense as China, the loss of arable land has a severe impact on the ability of a state to provide for itself and is likely to continue due to internal resistance to change that may impact China's growth.

In China the economy is even more important than for most. This is due to the fact that for the ruling party, the Chinese Communist Party (CCP), it is a significant source of legitimacy. Thus, the economy is the foundation of political power in China. As a result of this, the CCP has been forced to shift the base of its legitimacy to a promise of continued economic growth and nationalism (nationalism will be explored later in this section).[297] It is as Henderson explains, is "the ability to deliver sustained economic growth, coupled, as the occasion arises, with its determination to right the perceived historic wrongs perpetrated against China by foreign powers."[298] According to Shirk, both economic growth and ideology are required to prevent

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[293] Zakaria, *The Post-American World*, 97.
[294] Grumbine, "China's Emergence and the Prospects for Global Sustainability," 251; Zakaria, *The Post-American World*, 98; Peter Navarro and Greg Autry, *Death By China: Confronting the Dragon – A Global Call to Action* (New Jersey: Prentice Hall, 2011), 177.
[295] Grumbine, "China's Emergence and the Prospects for Global Sustainability," 251.
[296] World Bank World Development Indicators
[297] Hutton, *China and the West in the 21st Century*, 7; Henderson, "China and Global Development," 382; Nye, *The Future of Power*, 182.
[298] Henderson, "China and Global Development," 382.

social unrest.[299] The CCP claims that it alone can bring sustained economic growth and maintain social order.[300] So long as the economy continues to grow, the CCP has widespread support.

China still operates largely under a command economy. There are aspects of a market based economy in play within China but the CCP still holds final arbitration over all important elements of the economy and often push through policies that are necessary regardless of the socio-economic dislocation it may cause.[301] The CCP still chooses "which sectors and which companies will receive additional capital and expand."[302] This system has been dubbed 'State Capitalism.[303] According to Bremmer, state capitalism is somewhat influenced by mercantilism but is not the same.[304] Bremmer explains that mercantilism and state capitalism are similar in that both use markets to build state power.[305] The difference is that state capitalism uses markets as a tool for state power where mercantilism is a zero-sum game.

China is not an open economy despite appearances. There are elements that give it a superficial appearance of one, but these are largely restricted to their Special Economic Zones (SEZ) that dot the coastline. Examples of this superficiality exist in the Shanghai Stock Exchange. Zakaria explains that "of the thirty-five largest companies on the Shanghai Stock

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[299] Shirk, *China: Fragile Superpower*.
[300] Shirk, *China: Fragile Superpower*, 54.
[301] Zakaria, *The Post-American World*, 95.
[302] Daron Acemoglu and James Robinson, *Why Nations Fail: The Origins of Power, Prosperity, and Poverty* (New York: Crown Publishing Group, 2012), 93.
[303] Rickards, *Currency Wars*, 149; Navarro and Autry, *Death By China*, 195; Hutton, *China in the 21st Century*, 235.
[304] Ian Bremmer, *The End of the Free Market: Who Wins Between States and Corporations* (Toronto: Penguin Group, 2010), 40.
NOTE: According the Webster's online dictionary (http://www.merriam-webster.com/dictionary/mercantilism) Mercantilism was an effort to unify and increase the power and especially the monetary wealth of a nation by a strict governmental regulation of the entire national economy usually through policies designed to secure an accumulation of bullion, a favorable balance of trade, the development of agriculture and manufactures, and the establishment of foreign trading monopolies.
[305] Bremmer, *The End of the Free Market*, 41.

market, thirty-four are either partly or wholly owned by the government."[306] This is not exactly representative of an open market.

As a result, it is very difficult for an individual to begin a private enterprise without being a member of the Communist Party or have deep political connections.[307] Most political and business practices revolve around the concept of 'guanxi,' meaning working through personal contacts. Zakaria points to the belief that in China "social relations and trust are far more important than paper commitments.[308]

There are also very weak financial markets in China.[309] Without the recourse to markets for capitalization, would-be entrepreneurs are forced to use commercial banks, all of which are directly controlled by the CCP.[310] These restrictions allow the CCP to control who can access capital and maintain control over the levers of power. This statement is explained by Bremmer when he states that "Chinese officials believe they must exert heavy influence over the country's banks, especially in deciding how much money they loan, to whom, and on what terms."[311] Only those loyal to the CCP can gain access. With such heavy state involvement it is difficult to establish good practices regarding corporate governance. Cullen explains that "a sound system of checks and balances to supervise senior managements and foster a culture of transparency and trust between primary corporate players and investors"[312] is necessary to develop good governance.

The primacy of social relationships combined with weak financial systems and exclusive lending practices leads to excessive corruption which is endemic in the Chinese system and

[306] Zakaria, *The Post-American World*, 97.
[307] Hiro, *After Empire*, 165.
[308] Zakaria, *The Post-American World*, 112.
[309] Mandelbaum, *The Frugal* Superpower, 80.
[310] Emmott, *Rivals*, 61.
[311] Bremmer, *The End of the Free Market*, 135.
[312] Roy Cullen, *The Poverty of Corrupt Nations* (Toronto: Blue Butterfly, 2008), 55.

extends throughout all levels of Chinese society. It has gotten so bad that some, like Susan Shirk, argue that it is how the Chinese now view wealth creation. Hard work is not the root to wealth creation; networks and corruption are the only ways to success.[313] Cullen believes that this "large scale corruption is considered culturally acceptable because of precedent."[314] As a result it is ever more difficult to address corruption as can be shown by China's repeatedly poor rating by transparency international's corruption index. China has consistently ranked low on these ratings. In 2012, China had a Corruption Perception Index of 39 and was ranked the 80th (Denmark being ranked 1st with a score of 90).[315]

With the CCP being the undisputed overlords of the Chinese economy, there is no higher power that exists to keep members of the CCP accountable.[316] The corruption and makes it difficult for infant industries to "mature into more permanent structures."[317] Bribes are now considered a simple business expense. Estimates vary, but it is believed that as much as one-seventh of GDP is lost to "bribes, tax evasion, pilfering and arbitrary local levies."[318]

This may explain why China has such difficulty in competing on an even playing field internationally. Within China, markets are protected and there is little need to innovate or adapt. With such a massive market as a reserve, Chinese state backed firms are able to slowly move beyond their borders but have difficulty competing with true multinationals[319] once outside of the protected markets.[320]

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313 Shirk, *Fragile Superpower*, 31; Cullen, *The Poverty of Corrupt Nations*, 16.
314 Cullen, *The Poverty of Corrupt Nations*, 16.
315 Transparency International, "Corruption Perception Index – 2012." http://cpi.transparency.org/cpi2012/results/ NOTE: The Corruption Perception Index ranks countries and territories based on how corrupt their public sectors are perceived to be on a scale of 0-100, 100 being highly clean and 0 being highly corrupt.
316 Hutton, *China and the West in the 21st Century*, 129.
317 "Bamboo Capitalism: China's Success Owes More to Its Entrepreneurs than Its Bureaucrats. Time to Bring Them Out of the Shadows," in *The Economist* (March 10th, 2011).
318 Hiro, *After Empire*, 166.
319 Bremmer, *End of the Free* Market, 139; Hutton, *China in the 21st Century*, 33
320 Navarro and Autry, *Death By China*, 65.

These weaknesses indicate that although the economic model has worked well enough up to now, it is fragile and as a result may be poised on the brink of collapse. This fragility threatens the future of China's financial system and may result in undoing much of what has been gained over the past three decades.

Acemoglu and Robinson make the argument that this growth is destined to end, and soon. They identify the concept of "extractive institutions" and it is their argument that although these extractive institutions are "able to create rapid economic growth by allocating resources and people by fiat…this process is intrinsically limited"[321] and "will usually not generate sustained economic growth."[322] They make reference to the Soviet Union and how once it had reached its cap, growth stopped and stagnated. Their argument is that this is China's fate as well. Unfortunately, China's impending collapse has been predicted since the beginning of its rise. Gordon Chang for example predicted the impending collapse of China at the beginning of the twenty-first century.[323] Thus far the CC has proven able to adapt to changing circumstance else it would have failed already.

Economically China is growing very rapidly. This is an excellent indicator of whether or not China will have the hard power assets to continue on its upward movement on the global stage. This subsection has also shown that China has some significant vulnerability to its economic model. Weak financial systems and rampant corruption have the potential to undermine China's gains. Without a solid economic base, many other aspects of both hard and soft power become irrelevant. China's strong economy is a powerful indicator of China's increasing hard power, yet its weak foundations are a concern.

[321] Acemoglu and Robinson, *Why Nations* Fail, 94.
[322] Ibid, 93.
[323] Gordon G. Chang, *The Coming Collapse of China* (New York: Random House, 2001).

Military

China has the largest military in the world in terms of size. With over two million men under arms, its military significantly outnumbers that of the United States at 1.4 million. It also has an impressive military budget, which was USD 143 billion in 2011. It is the second largest in the world after the United States and represents 8.2 percent of total global defense spending (see Appendix, Table 4). China's defense spending has remained relatively constant at approximately 2 percent of their GDP for the past 30 years.[324] Although the percentage of GDP has remained constant, the total dollar amount has increased significantly. With this increased budget, the Chinese military has been making substantial upgrades in terms of both equipment and training.[325] Paul Kennedy argues that this is only the beginning. As China becomes more secure in its economic strength, even more resources will be dedicated towards military expenditures than are currently being expended.[326]

Initially, China gave priority to its land forces. Dunnigan's combat score[327] puts China's land power potential at 807 (see Appendix, Table 4). The People's Liberation Army (PLA) was founded as a land based power and since the end of the Second World War, most of the conflicts that China has been involved in have been with its land based neighbors (Korea, 1950-1953; Burma, 1956; India, 1962; Soviet Union, 1969; Vietnam, 1979-1980). Land forces are also somewhat easier to establish than naval forces. As Freidman explains, it is not simply a matter of building the required assets that makes a navy effective. It is based as much on the experience of

324 World Bank World Development indicators.
325 Ian Storey, *Southeast Asia and the Rise of China: The Search for Security* (New York: Routledge, 2011), 93.
326 Kennedy, *The Rise and Fall of the Great Powers*, 458.
327 NOTE: This 'Combat Score' was described under the section on 'America's Power.' This value accounts for such variables as being "a combination of the quantity and quality of manpower, equipment and weapons…it is then multiplied by a force multiplier (imperfect leadership, component of force quality, support, training, and other 'soft' factors) to generate the combat value. It is assigned for both land and naval forces.

its officers and the doctrine that is developed through it that makes a navy (or any branch of the military) truly effective.[328]

Regarding the navy, China has focused on coastal defense. Every year, China's navy grows and its recent acquisition of a Russian aircraft carrier shows future aspirations towards a blue water navy. China's navy is considered third in the world behind the United States and the United Kingdom with a total combat score of 16 (see Appendix, Table 4).

China also commands the fourth largest nuclear stockpile (behind Russia, the United States and France),[329] but delivery systems are limited (ICBM's and Bombers).[330] This is a serious weakness in China's nuclear deterrent because an adversary has the capacity to "destroy most or all of China's nuclear forces"[331] and eliminate the possibility of a retaliatory second strike. Zakaria explains that China only possesses twenty or so weapons that have the capability of even reaching targets as far away as the United States and all are vulnerable.[332] It is a weakness that China is desperately attempting to rectify.

Another shortcoming is that China lacks a significant military industrial complex. The capacity to manufacture exists, but a lack in R&D limits the development indigenous technology. China is still dependent on technology transfers from more militarily advanced states, particularly Russia[333] as it faces severe restrictions of arms supplies from the more developed West.[334]

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[328] Friedman, *The Next Decade*, 180.
[329] Ploughshares Fund, "World Nuclear Stockpiles." http://ploughshares.org/world-nuclear-stockpile-report
[330] Hans M. Kristensen and Robert S. Norris, "Chinese Nuclear Forces, 2011," in *Bulletin of the Atomic Sciences* 12 (2011), 85. http://bos.sagepub.com/content/67/6/81.full.pdf,
[331] Charles Glaser, "Will China's Rise Lead to War?: Why Realism Does Not Mean Pessimism," in *Foreign Affairs* 90:2 (March/April 2011), 87.
[332] Zakaria, *The Post-American World*, 126.
[333] Levin, *The Next Great Clash*, 68; Navarro and Autry, *Death By China*, 114-116; Alastair Ian Johnston, "Is China a Status Quo Power?," in *International Security* 27:4 (Spring 2003), 52.
[334] Hugo De Burgh, *China: Friend or* Foe? (Cambridge: Icon Books, 2006), 46.

Geographically China faces a difficult military challenge because it is uniquely vulnerable.[335] When Chinese generals look out from their shores, they see little room to maneuver. This problem was already briefly mentioned under geography but will be expanded here. Kaplan expresses the problem very well when he explains that "looking out from its Pacific coast onto the First Island Chain, they behold a sort of 'Great Wall in reverse,'…a well-organized line of American allies, with the equivalent of guard towers stretching from Japan to Australia, all potentially blocking China's access to the larger ocean."[336] The vulnerability is a serious one. As previously mentioned, China relies heavily on imports from abroad in order to fuel its booming economy. Those resources largely have to pass through these 'guard towers' before reaching friendly waters. The American Navy enforces freedom of the seas for all, but in the event of a conflict, Chinese imports could be cut at various points (the U.S. navy is present at the Strait of Malacca. It also dominates the Persian Gulf and thus the Strait of Hormuz as well as the Suez Canal with its dominance of the Gulf of Aden).[337]

India is also a serious concern. India "straddles China's economic lifeline"[338] because it dominates the Indian Ocean though its continued naval development.[339] The Indian Ocean is described as a 'closed ocean' meaning that the only way to enter or exit the ocean is through one of a small number of strategic choke-points,[340] any one of which could be. In an effort to address this threat, China has made efforts to secure basing rights on a number of islands throughout the Indian Ocean through which it can better protect its shipping fleet.[341] These efforts are of a concern to India because it involves having China's navy permanently camped in India's

[335] De Burgh, *China: Friend or Foe?*, 39.
[336] Kaplan, *The Revenge of Geography*, 214-215.
[337] Christian Bouchard and William Crumplin, "Neglected No Longer: The Indian Ocean at the Forefront of World Geopolitics and Global Geostrategy," in *Journal of the Indian Ocean Region* 6:1 (June 2010), 33.
[338] Kaplan, *The Revenge of Geography*, 206.
[339] Hiro, *After Empire*, 261.
[340] Bouchard and Crumplin, "Neglected No Longer," 31
[341] Mohan Malik, *China and India: Great Power Rivals* (Boulder: First Forum Press, 2011), 346.

backyard. The presence of two navies in close proximity to one another tends to cause tensions to escalate.[342] Although in public Indian officials are relatively open to China, according to Nye, India's "concerns remain intense in private."[343]

Tensions with India that are largely caused by the need for China to secure access to vital imports can potentially expose China to conflict that it would otherwise seek to avoid. Militarily it forces China to devote more resources to protect its supply lines at the periphery while facing very real challenges much closer to home. This need to focus on multiple regions with limited naval capacity stretches China's ability to act as a great power.

Japan and Taiwan provide China's military leadership with a difficult dilemma. Japan is an economically powerful state with an equally powerful military, especially its air and naval forces[344] (though Japan refers to them as a coast guard).[345] Japan is also in the developed club and has extremely tight military ties with the United States. As China's interests expand, it is inevitable that it would bump against Japan. There have already been tense moments between the two over territorial claims (the Senkaku Islands) as well as standoffs between military vessels, or the incident when a fishing vessel from China rammed a Japanese destroyer.[346] Tensions grow and as Shirk explains "the possibility of military conflict …no longer seems as remote as it once did."[347] Singh believes that the current uncertainty in the region due to a possible drawdown of U.S military forces and the uncertainty poised by the rise of China, prompted Japanese policy makers to call for a reassessment of Japan's strategy of one-country pacifism."[348] He continues

[342] Bouchard and Crumplin, "Neglected No Longer," 43.
[343] Nye, *The Future of Power*, 175.
[344] Friedman, *The Next Decade*, 181; Bhubhindar Singh, "Japan's Post-Cold War Security Policy: Bringing Back the Normal State," in *Contemporary Southeast Asia* 24:1 (April 2002), 91.
[345] Singh, "Japans' Post-Cold War Security Policy" 91.
[346] Etzioni, "Is China a Responsible Stakeholder?," 544.
[347] Shirk, *China: Fragile Superpower*, 147.
[348] Singh, "Japans' Post-Cold War Security Policy," 82.

that such a move would “directly challenge China’s emerging influence in the area, leading to competition for regional influence between the two Asian Giants.”[349]

Generally, Japan is not a state that China can easily push around. Japan has the military, economic, and political alliances to push back hard if it chooses to. It is somewhat reminiscent early twentieth century Europe where the rise of Germany (China) challenged the dominant power of the United Kingdom (Japan). That did not turn out very well.

As Singh points out, competition with Japan could bring China into a confrontation that it is not yet prepared for. It is not because Japan is so much more powerful than China, but that Japan in a much more established power. A confrontation with Japan would challenge China’s rise. China would be forced to spend much more heavily on its military in an arms race of sorts. China is still focused on economic growth, and an arms race may be more than it can presently handle.

Taiwan is an especially difficult problem. China claims Taiwan as a rogue province, and Taiwan, despite opening up to China, is still fiercely independent. Taiwan is also very well armed through bi-lateral military arrangements with the United States. China has repeatedly vowed to retake the island and the United States has repeatedly stated it would back Taiwan against an aggressor.[350]

As was the case with Japan, China cannot presently afford a war, or even a direct arms race. The costs that would be associated with attempting to take the island through military strength would be high. Any direct confrontation with Taiwan would likely draw in the United States and challenging the United States directly is simply not an option for China.

[349] Singh, “Japans’ Post-Cold War Security Policy,” 96.
[350] Mearsheimer, *The Tragedy of Great Power Politics*, 375.

Although all of the above-mentioned impediments to China's military expansion are of serious concern to China, their number one concern is the United States. Any confrontation in East-Asian waters involves the American Navy through the security commitments the United States has in place throughout the region. China also knows that it cannot defeat the American Navy outright on the open seas, and will not be able to for some time to come.[351] Nye explains that China is only the "beginnings of the complex process of developing a 'blue water' navy."[352] While China builds its conventional naval forces, it has invested heavily in accumulating medium-range ballistic missiles to target virtually any fixed target in East Asia,[353] and the surrounding waters. The belief is that these missiles can be used in an effort to limit the involvement by the American Navy through deterrence. The belief is that if the United States seeks to involve itself, it will have to be willing to pay a heavy price for that involvement.[354]

All of this China has to do alone, as they lack any significant allies[355] and none seem to be available. Most states in the region maintain strong military and economic ties to the United States and are unlikely to switch allegiance.[356] For now, with the possible exception of North Korea, China must prepare as though no help will be forthcoming in any potential military confrontation.

On a whole China's hard power is impressive. Geographically China is huge. It has significant natural resources and a rich territory to call its own. It has a large, relatively young population that provides an abundant labor pool and potential military pool. By any economic measurement, China has come a very long way in a very short time. It is not the second largest

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[351] Friedman, *The Next Decade*, 181.
[352] Nye, *The Future of Power*, 184.
[353] Friedberg, "Asia Rising," in *The American Interest* (Nov/Dec. 2007), 57; Nye, *The Future of Power*, 184; Navarro and Autry, *Death By China*, 120.
[354] Johnston, "Is China and Status Quo Power?," 52; Mearsheimer, *The Tragedy of Great Power Politics*, 375.
[355] Buzan, "A World Order Without Superpowers," 13.
[356] Kaplan, *The Revenge of Geography*, 127.

economy in the world and maintains an impressive growth rate despite the financial crisis of 2007-2009. On a military level China is also advancing and modernizing at an impressive rate. It is developing advanced weapons systems and investing heavily in modernization and expansion.

That being said, China also faces serious restrictions. The size of China itself is unlikely to change but due to rapid development, China has paid a horrible price regarding the environment. Its population is aging and there are indicators of possible sources of unrest with the male to female ratio and the daunting employment needs for such a vast population. China's economy is growing at an impressive rate but is still only half of the size of the United States. In terms of GDP per capita, China is far from an affluent state. When corruption and growing wealth inequalities are added to this low GDP per capital China has some serious issues that need redress.

Finally China is facing a very daunting military dilemma. It is surrounded on all sides by other sovereign nations, some of which are quite advanced both economically and militarily. Unlike the United States, China cannot move far beyond its borders without encountering the territory of another state. That China is becoming more and more dependent on imported materials to fuel its economy. It is a serious dilemma as to how to secure these imports from interception. Added to this is the ever present U.S. navy, ready to block any efforts made by China to break out of its encirclement.

Overall, China is certainly close to possessing the hard power assets (if it is not there already) to establishing a hegemonic position. Materially China is quite powerful and if the United States is indeed in decline, China may be able to capitalize on that weakness to expand its interests.

China’s Soft Power

The main difficulty in understanding China is that most of its foreign policy is completely opaque. China does not want the international community to know what it is doing or what it is planning. Susan Shirk believes that there are two faces to Chinese power. The first face is a “cautious, responsible power preoccupied with its own domestic problems and intent on avoiding conflicts that would disrupt economic growth and social stability.”[357] However, in a crisis the second face comes to the fore, one that is “more aggressive.”[358]

Fijalkowski explains that China possesses “limited soft power.”[359] China’s soft power will be analyzed under the same headings that were used previously to analyze America’s soft power: security and stability, political ideology and legitimacy.

Security and Stability

China realizes that its growing economic strength makes many of its neighbors uneasy. Sensing this, China has gone to great lengths to assure all that it intends to rise peacefully.[360] According to Storey, China’s leaders work very hard to show two things. The first is that “China’s growth raises all boats and is positive to regional peace and prosperity” and the second is that China is a benign and status quo power despite its large military.[361] It is repeated like a mantra that all China seeks is a “harmonious world” and that China is “peace-loving country.”[362] According to Sutter, this has been done by “advancing Asian multilateralism as a means to pursue regional solutions to regional problems.”[363]Through this concentrated effort, China has

357 Shirk, *China: Fragile Superpower*, 10.
358 Ibid, 11.
359 Fijalkowski, “China’s ‘Soft Power’,” 225.
360 Shirk, *Fragile Superpower*, 111.
361 Storey, *Southeast Asia and the Rise of China*, 65.
362 Chao and Hsu, “The Worldviews of Chinese Leadership and Sino-U.S. Relations,” 99.
363 Robert G. Sutter, “China’s Rise and the Durability of U.S. Leadership in Asia” in *China and the United States: Cooperation and Competition in Northeast Asia*, edited by SuiSheng Zhao (New York: Palgrave MacMillan, 2008), 35.

been quite successful in largely assuaging the fear of its neighbors. At present, most states do not see China as being an openly hostile threat, according to Buzan.[364]

According to Holstag, China has gone to great lengths in "promoting cross-border networks as a new regional public good."[365] Holstag continues stating that "by 2007, it (China) had opened road transport at more than 60 border gates, paved 140 roads to neighboring countries, and signed ten bilateral agreements and 3 multilateral agreements."[366] Quinlan agrees explaining that China has developed "massive trade links" within the region.[367] China's efforts to become a responsible stakeholder in regional issues have contributed greatly to the hopes of many for beneficial interactions with a rising China. Through these overtures, China has promoted trade and has begun to show its neighbors that it is interested in regional growth and adds to the appeal of China's rise to its neighbors, a major requirement of soft power development.

Despite these efforts, there is a lot of history that has to be overcome. Since the birth of the Republuc of China in 1949, it has gone to war with many of its neighbors. China attacked India in 1962 over a border dispute, the Soviet Union (now Russia) in 1969, Vietnam in 1974, and occupied the Mischief Islands that lie within the Philippines Exclusive Economic Zone (EEZ) in the 1990's.[368] This list is only of the military incidents that have taken place where China acted with open aggression. It has also threatened Japanese vessels, stalked American warships (latest being in 2009) and the list goes on.[369]

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[364] Buzan, "A World Order Without Superpowers," 9.
[365] Holstag, "China's Roads to Influence," 642.
[366] Holstag, "China's Roads to Influence," 645.
[367] Quinlan, "The Last Economic Superpower," 101.
[368] Etzioni, "Is China a Responsible Stakeholder?," 544.
[369] Ibid, 544.

As Nye explains soft power is based on "sustained attraction," which "requires consistency of action."[370] The fact that China repeatedly announces that it seeks a peaceful rise and then acts in an aggressive manner towards its neighbors quickly erase any gains in soft power that China may make through regional efforts at integration. Storey outlines this very well when he states that "Southeast Asian attitude towards their northern neighbor has hardened…Southeast Asians became more aware of the gap between China's rhetoric and reality."[371] This became most evident in 2010 when China managed to upset relations with almost every one of its neighbors.[372] When neighbors see 'a gap between rhetoric and reality' soft power is a difficult commodity to cultivate.

The distrust felt towards China extends throughout the region. Sutter explains that "Asian government officials hold the view that Asian governments generally do not trust each other."[373] A direct result of this lack of trust is the reaffirmation of the essential role that the United States plays in the region.[374]

China does take efforts to play down its historical trends of aggression, and to discount many of the expansive territorial claims that it makes. Again, however, its actions speak louder than words. The continued disagreements between Japan and Taiwan cause serious regional tensions. China seems completely unwilling to bend on either issue and does everything that it can to force other states to choose sides in an effort to isolate both countries.[375] Most East-Asian states have managed accept Japan's imperialist past, China has not. Soft power is based on the ability to co-opt as opposed to the need to coerce. When China demands that others must choose

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[370] Nye, *The Future of Power*, 100.
[371] Storey, *Southeast Asia and the Rise of China*, 94-95.
[372] Shambaugh, *China Goes Global*, 51.
[373] Sutter, "China's Rise and the Durability of U.S. Leadership in Asia," 50
[374] Ibid, 50.
[375] Ibid, 46.

a side, it undermines its ability to influence other states into 'wanting what it (China) wants.' Japan and Taiwan are largely respected in the region and China's demands make many nervous.

The hypocrisy is that China is unwilling to forgive Japan their past imperial ambitions and yet make claims based on its own imperial past. China's claims extend into South Korea (which is not appreciated by the South Korean government) and all the way through the South China Sea. Thomas Christensen points out that many of China's claims in the South China Sea are based on "maps that predate the People's Republic of China and sometimes on vague terms such as 'historic waters,' which carry no validity in international law."[376] Based on loose interpretations such as these and the willingness to intimidate those who seek to challenge those claims does not improve China's image in the eyes of its neighbors. The opposite is more accurate. As Etzioni explains, "claims of 'indisputable sovereignty'…have been regarded with considerable alarm as a sign of rising Chinese assertiveness, if not aggression."[377]

This outlines some of the challenges facing China in establishing regional hegemony. There are a lot of historical grievances and a seemingly limited availability of trust in that region of the world. As Bill Emmott explains, "the things that separate Asian powers are far more powerful than those that unite them."[378]

What all these incidents show is that China has a long way to go before it will be able to accumulate significant stores of soft power. Despite repeated claims to a peaceful rise, China seems more than willing to throw its weight around when it feels slighted or denied what China deems belongs to it.[379] Wang identifies part of the difficulty that China has regarding soft power. He explains that, "traditional Chinese diplomacy emphasizes high politics and neglects

[376] Thomas F. Christensen, "The Advantages of an Assertive China: Responding to Beijing's Abrasive Diplomacy," in *Foreign Affairs* 90:2 (March/April 2011), 59.
[377] Etzioni, "Is China a Responsible Stakeholder?," 546.
[378] Emmott, *Rivals*, 157.
[379] Shirk, *China: Fragile Superpower*, 113.

grassroots politics."[380] In other words China has difficulty understanding that it is how other states perceive China's actions that matters in terms of soft power. Wang states that China believes that, "if the nation is strong enough and big enough, then others will respect it."[381] This could not be further from the truth when considering soft power. Soft power is about perceptions and the desire to follow another. It is not something that can be demanded or expected. It has to be earned.[382]

In an effort to promote regional stability and security China has a mixed experience. It has been able to accumulate a certain level of respect with its neighbor's trough efforts at providing 'regional public goods.' These efforts have gone a long way to showing China's neighbors that China is intent of rising peacefully. Where China has difficulty is when issues arise that do not favor China. There seems to be a serious disconnect with China's view of what soft power and leadership entail, and its reality. Hard power resources do not immediately translate into soft power assets as, according to Wang, China believes they do. Soft power requires other states to willingly follow out of respect.

China has made significant inroads to regional trade integration and this is an excellent foundation upon which to build stability. At the same time however, the manner in which China interacts with those that it feels have wronged it in the past, as is the case with Japan and Taiwan, undermine its efforts and in fact promote instability in the region.

Political Ideology

China is an authoritarian state that is governed by a single party system. If Gilpin is correct expressing his belief that "the growth and power of a state and its expansion is to be

[380] YiWei Wang, "Public Diplomacy and the Rise of Chinese Soft Power," in *The Annals of the American Academy* 616 (Mar. 2008), 260.
[381] Ibid, 261.
[382] Shambaugh, *China Goes Global*, 267.

found in its internal structure and the nature of domestic society,"[383] then China may be facing even more severe constraints to its legitimacy.

The political ideology in China is opaque and thus information is guarded.[384] The CCP has a very long memory, and vividly recalls what happened in the past when the empire attempted to deal with external pressures and internal unrest at the same time, it was destroyed. As a result, the CCP goes to great efforts to control the population.[385] This is successfully done through a variety of means, but the control of information is considered essential. China deploys enormous resources in order to monitor the flows of information, especially the press and the internet. According to both Navarro and De Burgh, China employs up to 50,000 'cybercops' to monitor internet activity.[386] All information is censored and passed through official channels before reaching the population.[387] Nye sees this as a squandering of China's soft power through censorship. Fijalkowski expands this concepts further in explaining that "non-governmental instruments of expanding the soft power's basis, such as media, have limited possibility in increasing the indirect attractiveness of Chinese culture or 'way-of-life' given that it is largely and fairly obviously pure propaganda and hence lacks credibility."[388]

There are some in the developing world who see the political ideology of the CCP as an attractive model. These states are largely authoritarian in nature. Some see China as a successful authoritarian regime that has successfully blended an open market while resisting political liberalization. The result is that China may have a model that can be applied by authoritarian states.

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[383] Gilpin, *War and Change in World Politics*, 152.
[384] Emmott, *Rivals*, 257.
[385] Shirk, *China: Fragile Superpower*, 64.
[386] Navarro and Autry, *Death By China*, 7; De Burgh, *China: Friend or Foe?*, 142.
[387] Joshua Kurlantzick, *Charmoffensive: How China's Soft Power is Transforming the World* (New Haven: Yale University Press, 2007), 64; Shirk, *China: Fragile Superpower*, 92; Nye, *The Future of Power*, 100.
[388] Fijalkowski, "China's Soft Power in Africa," 225.

This has led some states to halt their attempts at political liberalization with support from Beijing.[389] It is believed that this may be one of the reasons why the spread of democracy has stalled in recent years. With a powerful sponsor that challenges the dominant Western model; authoritarian regimes are more likely to resist Western efforts to promote responsible government in these developing regions. Many in the West see things as Zakaria does when he explains that, "China's dealings with these countries give them a lifeline, retard progress, and, in the long run, perpetuate the cycle of bad regimes and social tensions…"[390]

It is not only authoritarian regimes that see in the China model something appealing. Developing democracies like Indonesia have grown tired of the developed world denouncing the poor working conditions, human rights records and all manner of issues that are prevalent in developing economies.[391] These developing democracies recognize that while the values promoted by the developed West are valid they are not necessarily possible at low levels of economic development. Most developed democracies fail to recognize that in their own development process, human rights and working conditions were not high priorities either. The conditions that international organization like the World Bank places on borrowing states are often seen as both unreasonable and unrealistic. Western analysts operating through organizations like the World Bank often operate with little real knowledge of the restrictions that are inherent in many developing countries.[392] This lack of understanding often breeds frustration

Victimization is another promotional element that some are attracted to. The CCP claims that most of their ills, and continuing challenges, can be placed at the door of Western

[389] Lagerkvist, "Chinese Eyes on Africa."
[390] Zakaria, *The Post-American World*, 118.
[391] Kurlantzick, *Charmoffensive*, 50.
[392] Ibid, 135.

Imperialism.[393] The 'Century of Humiliation' is widely promoted in China. The CCP explain that only it can protect China from future foreign aggression. It is also a slogan that many developing states can easily adopt as they have also experienced something of a colonial past. This sense of common victimhood provides a sense of solidarity with these developing countries, against "the collective legacy of Western domination."[394] That China is an emerging power, it is able to harness this sense of victimization and present itself as the champion of the oppressed and provides China with significant influence and through it power. This is especially the case in Sub-Saharan Africa.

China has gained some support on an international level regarding other authoritarian regimes. It is a political ideology that generally appeals to the elites that are governing those systems and do not wish to risk losing power.[395] For the masses, there is little of the China model that is attractive.[396]

This is not surprising. The political ideology of the CCP is not seen as legitimate in China itself.[397] With the loss of ideological legitimacy at home, the CCP has based its legitimacy on economic growth and nationalism. Legitimacy through economic growth was discussed earlier in the section of 'China's Hard Power'. The promise was that the CCP would be able to provide employment and increasing living conditions for all. Unfortunately this is not possible under every circumstance. That China is a one party, authoritarian regime, there is no vent through which common grievances can be expressed. This point is reinforced by the tens of thousands of violent protests that take place every year in China. According to Sun Liping in a February 25th, 2010 article in the *Economic Observer* there were around 180,000 protests, riots and mass

393 Henderson, "China and Global Development," 382.
394 Brzezinski, *Strategic Vision*, 32.
395 Kurlantzick, *Charmoffensive*, 50.
396 Fijalkowski, "China's Soft Power in Africa," 230.
397 Shirk, *China: Fragile Superpower*, 195.

incidents in 2010.[398] As recourse, the CCP has been forced to stoke nationalist sentiments in an effort to channel these grievances at something other than the political elite and at the same time legitimize CCP rule.[399] Henderson sees it as a "propaganda strategy designed to legitimate Party rule in the face of deepening contradictions and conflicts associated with increasing corruption."[400]

The favored targets of nationalist sentiment are Taiwan and Japan.[401] With a bloody history and modern economic challenges, Japan is an easy target. It is also creating a backlash in Japan that is intense enough to lead Japan to consider eliminating key articles in Japan's 'peace constitution.'[402]

Taiwan is much the same. It is rooted in history and seen as rightfully belonging to the People's Republic of China. The independence of Taiwan is seen as a direct result of imperialism and is thus unfinished business.[403] The CCP educated China's youth about what is perceived as a slight against China and one that needs to be redressed.

This use of nationalism resounds negatively in many parts of the world that have had historically tragic experiences with nationalism, especially Europe and Japan. They too had governments that relied on nationalist tendencies to legitimize their rule and millions perished in two of the bloodiest wars in human history. Nationalism is a powerful tool, but it is also one that is difficult to predict and control.[404]

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398 Sun Liping, in *The Economic Observer*, February 25th, 2010. http://www.eeo.com.cn/ens/
399 Shirk, *China: Fragile Superpower*, 185.
400 Henderson, "China and Global Development," 382.
401 Shirk, *China: Fragile Superpower*, 146.
402 Ibid, 150.
403 Ibid, 186.
404 Brzezinski, *Strategic Vision*, 170.

In terms of political ideology, it has been seen here that the model used in China is only attractive to some. It lacks any universal appeal through cultural, ideas, economic and political practices that is inherent in the Western model.[405]

China has been able to accumulate some soft power assets through its political ideology, especially regarding developing countries that have authoritarian regimes. As Nye's defines soft power, "there has to be politically exportable assets, an ideology that is attractive to others"[406] and China has shown that its political ideology is attractive to some as a possible alternative at the least.

China's political ideology is attractive to some, but not to others. Its censorship of the media, willingness to blame the world for all of its ills and an over reliance on nationalist sentiment as a vent for public frustrations undermines its soft power in the eyes of the developed world. As Fijalkowski points out China "may very well attract African elites appreciation, in autocratic regimes where the bulk of the population suffer from corrupt and incompetent ruling elites, it is highly doubtful that China's power to attract is bolstered by support for the likes of dictators."[407] China's political model is largely rejected by the developed world. The result, according to Buzan, is that the challenge China faces is that "being an ideological outlier in international society poses huge difficulties for China's acceptability as a superpower."[408]

Legitimacy

China's global legitimacy is somewhat mixed depending on where one is standing. In the developing world, China is seen as a viable and welcome alternative to what has been seen as Western imperialism, especially in Africa. The developed world in contrast sees China's

405 Fijalkowski, "China's Soft Power in Africa?," 230.
406 Nye, *Soft Power* (2004), 5.
407 Fijalkowski, "China's Soft Power in Africa," 230.
408 Buzan, "A World Without Superpowers," 14.

unwillingness to adhere to international norms and liberal democratic values as a problem that needs to be addressed.

According to Kenneth Waltz, the only reason that China is considered a superpower is that the United States once said that it was.[409] Since then, China has begun to pursue "major power diplomacy based on an assumption and should be accorded the status and influence of one."[410] It takes more than simply expecting others to grant a certain level of respect. It is how a state is perceived in action that matters, not how it sees itself. When Western democracies look at China, the first thing that many see is that it is an authoritarian government.[411] When developing states look at China they see an alternative.

In the search for natural resources to fuel substantial economic growth, China's domestic resources are no longer enough. In response, China has been forced to go out into the world in an effort to secure access to these resources. Lagerkvist explains that China seeks to secure these resources by "adopted basic economic principles according to its own circumstances and perceived needs."[412] Tseichtchev explains further in explaining that China approaches securing access to natural resources in three ways. The first is through a focus on the building of infrastructure. Second is that re-payment of loans is done with natural resources as oppose to hard currency. The third is that there are no conditions tied to these loans that demand things like democratization, improvements on human rights, economic liberalization or anti-corruption models.[413]

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[409] Waltz, *Theory of International Relations*, 130.
[410] Cheng and Shi, "China's African Policy in the Post-Cold War Era," 87.
[411] Friedberg, "Asia Rising," 56.
[412] Lagerkvist, "Chinese Eyes on Africa," 127.
[413] Ivan Tseichtchev, *China Versus the West: The Global Power Shift in the 21st Century* (Toronto: Wiley, 2012), 171.

Where most Western financial institutions seek to impose restrictions and conditionality on any financial assistance that is doled out, China does not. There are only two conditions that China makes for its development assistance: adherence to the 'One-China' policy and that development projects that favor Chinese firms.[414] China does not have any interest in what sort of government is in place, or how the money is spent, only that it is granted access to the resources that are being sought.

China does its business largely through the Export-Import Bank of China (EXIM Bank)[415] and does so in significant amounts. Between 2001 and 2010, it gave USD 67.2 billion compared to USD 54.7 billion given by the World Bank.[416] It is important to note that the World Bank gives out development loans that are expected to be paid back largely in hard currency. The EXIM Bank does not operate in exactly the same way. The EXIM Bank provides advanced credit in return for the ability to access and develop the host states natural resources.[417] China receives its repayment through the extraction of resources, not hard currency.

This volume of development assistance has gone a long way towards helping development in the developing world, especially in Africa. Considering that China is willing to give large sums of development assistance, and assist in infrastructure projects through the issuance of credits and grants as opposed to conditional loans, has been seen by the developing world as a welcome alternative with the result of a "significant leaning within Africa towards China"[418] and the view that China is a positive force for the developing world.

[414] Lagerkvist, "Chinese Eyes of Africa,"128.
[415] Ivar Kolstad and Arne Wiig, "Better the Devil You Know: Chinese Foreign Direct Investment in Africa," in *Journal of African Business* 12 (2011), 35.
[416] Alfredo Tjiurimo Hengari, "The European Union and Global Emerging Powers in Africa: Containment, Competition, or Cooperation?,," in *South African Journal of International Affairs* 19:1 (Apr. 2012), 8.
[417] J. Ndumbe Anyu and J.P. Afam Ifedi. "China Ventures in Africa: Patterns, Prospects and Implications for Africa's Development." *Mediterranean Quarterly* 19:4 (Fall 2008), 102.
[418] Emmott, *Rivals*, 21.

Most African governments recognize that China is acting in its own interests which are similar to Western interests.[419] China in turn knows that it is perceived as little better in some cases and thus attempts to improve its image through even more aid.[420] That being said, these same governments are more than happy to take full advantage of what China is offering. The conditions that are attached to World Bank and IMF money are often difficult for developing countries to bear. Woods states that "once a country approached The (World) Bank or the (International Monetary) Fund, it opens up a number of opportunities for the institutions and their most powerful government members to wield influence through penalties, conditionality and advice."[421] Since the World Bank and the IMF have traditionally been "powerful gatekeepers to all aid flows."[422] Up until China's appearance, there was little in the way of options for developing countries.

China on the other hand offers much of the same but without the same conditions. The 'One-China' policy demands that states retract recognition of an independent Taiwan which is not too difficult. China also demands that the bulk of contacts be awarded to Chinese firms which again, do not raise much of an issue at the elite level.

Recently there has been significant backlash against Chinese firms that are operating in developing states. More and more host populations are beginning to see China as another colonial power with purely extractive policies.[423] The Chinese have made pledges to share its technologies and to provide employment to locals. This has not been the case. When the Chinese

[419] Marcus Power and Giles Mohan, "Towards a Critical Geopolitics of China's Engagement with African Development," in *Geopolitics* 15 (2010), 465.
[420] Sanusha Naidu, Lucy Corkin and Hayley Herman, "China's (Re)-Emerging Relations with Africa: Forging a New Consensus?," in *Politikon* 36:1 (Apr.2009), 96; Hiro, *After Empire*, 242.
[421] Woods, *The Globalizers*, 70.
[422] Ibid, 185.
[423] George T. Yu, "China's Africa Policy: South-South Unity and Cooperation," in *China, the Developing World, and the New Global Dynamic*, edited by Lowell Dittmer and George T. Yu (Boulder: Lynne Rienner Publishers Inc., 2010), 145.

arrive, they bring their own labor with them[424] and tend to avoid using local talent. In the Sudan alone there is an estimated ten thousand Chinese workers.[425] The Chinese attempt to defend the importation of a massive labor force as necessary to avoid language and cultural difference as well as skilled labor[426] but this defense is becoming less acceptable. The influx of cheap Chinese labor has extended beyond the development projects and is undermining local industries.[427]

As seen above, there are some positive points to China's involvement in the developing world and Africa in particular. The main benefit is that it offers a choice.[428] Emmott believes that this choice is important as it allows recipient states to play donors and investors off against each other"[429] and so developing states have more influence over how this new money is spent as opposed to being told how it needs to be spent. The fact that China seems to show no concern for local development is creating an unexpected backlash. So far China's experience in Africa is a mixed one.

China also dedicates substantial diplomatic resources to cultivating relations in developing countries.[430] Where the United States barely acknowledges some smaller developing countries or has laid sanctions against them (as is the case in Sudan and Zimbabwe), China sends high-level officials to deal with developing nations and the respect associated with this act is welcomed.[431] China also champions developing states in international forums like the United Nations. China believes in strict non-interference and will often veto or threaten to do so when

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[424] Cheng, "China's African Policy in the Post-Cold War Era," 107.
[425] Anyu, "China Ventures in Africa," 99.
[426] Li Anshan, "China and Africa: Policy and Challenges," *China Security* 3:3 (Summer 2007), 81.
[427] Kurlantzick, *Charmoffensive,* 163.
[428] Hengari, "The European Union and Global Prospects for Global Sustainability," 14; Power and Mohan, "Towards a Critical Geopolitics of China's Engagement with African Development," 480; Hiro, *After Empire*, 242.
[429] Emmott, *Rivals,* 52.
[430] Cheng and Shi, "China's African Policy in the Post-Cold War Era," 97.
[431] Kurlantzick, *CharmOffensive*, 67; Shirk, *China: Fragile Superpower*, 134

the United Nations attempts to sanction states on human rights violations. This is especially the case if China has interests in a particular state.[432]

The very aspects that provide legitimacy in the eyes of the developing world are the same ones that elicit a lack of legitimacy in the eyes of others in the developed world. It is believed that the nature of the assistance that China provides undermines the efforts of the international community and international organizations to promote good governance.[433] According to Henderson, China “releases those regimes…from the pressure they might otherwise be under to drive through political reforms.”[434] The willingness of China to deal with oppressive regimes has limits on the conditionality associated with development loans. Countries like Germany have gone so far as to state that China’s interference has straddled Africa with more debt as the bulk of the money simply benefits the oppressive regimes and does nothing to alleviate overall poverty.[435] The lack of any transparency in how this money is distributed has led some to refer to China as a ‘rogue creditor.’[436] It is also believed that one of the reasons why China seeks out these authoritarian regimes in to provide more lucrative deals for their businesses.[437] Either way, it is widely believed that China’s current involvement is exacerbating the existing corruption issues that are so prevalent in the developing world.[438]

That China has taken a different path towards providing aid to the developed world has, according to Power and Mohan, “clearly upset the dominant aid regime.”[439] That the ‘dominant

[432] Naidu, “China’s (Re)-Emerging Relations with Africa,” 105, Cheng and Shi, “China’s African Policy in the Post-Cold War Era,” 95.
[433] Navarro and Autry, *Death by China*, 104;
[434] Henderson, “China and Global Development,” 385.
[435] Yu, “China’s African Policy,” 145; Power and Mohan, “Towards a Critical Geopolitics of China’s Engagement with African Development,” 464.
[436] Power and Mohan, “Towards a Critical Geopolitics of China’s Engagement with African Development,” 483; Lagerkvist, Chinese Eyes on Africa,” 128.
[437] Kolstad and Wiig, “Better the Devil you Know,” 37; Lagerkvist, Chinese Eyes on Africa.”
[438] Kolstad and Wiig, “Better the Devil You Know,”, 41.
[439] Power and Mohan, “Towards a Critical Geopolitics of China’s Engagement with African Development,” 485.

aid regime' is backed by some of the most powerful states in the system undermines China's role as a responsible stakeholder in the international system. The fact that China is willing to support "highly corrupt and, indeed, predatory"[440] regimes without making any efforts promote good governance is seen negatively. Soft power is a matter of how other states in the international system see ones actions. So far China's actions as a 'rogue creditor' have done much to erode its hopeful image of a responsible stakeholder.

On a deeper level, China is not a democracy and as such does not subscribe to enlightenment values.[441] China has repeatedly resisted efforts to adhere to the commitments to economic liberalization through their admittance into the World Trade Organization. Like many things, China continues to defend its actions and promises more openness, but at its own pace. Yet in practice, there seems to be little real commitment. Soft power requires a consistency between words and deeds. The trend to continually differ changes to a future date makes it difficult to develop any trust between China and the rest of the world.

This trend to differ international commitments can be extended to include that China resists all efforts to shift to a floating exchange rate that would more accurately represent the strength of the Chinese economy.[442] Instead, China pegs its currency to the USD in an effort to maintain a low exchange rate and keep Chinese exports artificially cheap to the detriment of China's trading partners.[443] Again, the unwillingness of China to play the role of a responsible stakeholder in the international system undermines its hopes of a positive international status. This is beginning to be see around the world as many states, including the United States are taking steps to limit China's exports.

[440] Henderson, "China and Global Development," 379.
[441] Ibid, 379.
[442] Shaun Breslin, "China and the Crisis: Global Power, Domestic Caution, and Local Initiative," in *Contemporary Politics* 17:2 (June 2011), 195.
[443] Navarro and Autry, *Death By China*, 69.

China also fails to enforce laws protecting intellectual property rights or fail to make any significant progress in preventing mass counterfeiting of copyright protected goods. Copyright problems are at a high as manufactures in China often run entire lines of products that are beyond the specified orders and selling them to third parties or on the domestic market.[444] This is even assuming that China can maintain any sort of quality control over their exports.[445] There have been consistent reports of faulty products wmanufactured in China. This reputation for manufacturing inferior products will severely limit the hopes of China developing an advanced industrial export market.[446]

It is probably to be expected that individual firms in China have no reason to respect or desire to adhere to international property rights when the state itself is deeply involved in industrial espionage.[447] CCP officials themselves benefit from the illegal activities and have no incentive to end them. So long as the state officials resist, those below are not going to accept restrictions. The result is that there will be no concentrated efforts to improve the enforcement of international commitments. Again, as with the previous paragraphs, China's unwillingness to play by the international rules shows other international actors that China's words mean little. Storey states that, "Southeast Asians became more aware of the gap between China's rhetoric and reality."[448] Through China's unwillingness to adhere to international conditions, this gap is being seen by far more than simply Southeast Asia. This opinion that is developing towards China is one that will be difficult to reverse. Being seen as a positive influence in the world is a necessary condition for hegemony. If China loses it now, it will be difficult to recover.

[444] Paul Midler, *Poorly Made in China: An Insiders Account of the China Production Game* (New Jersey: John Wiley & Sons, 2009), 230.
[445] Bremmer, *End of the Free Market*, 86.
[446] Midler, *Poorly Made in China*, 95.
[447] Etzioni, "Is China a Responsible Stakeholder?," 545.
[448] Storey, *Southeast Asia and the Rise of China*, 94-95.

At present, China needs access to Western markets and technology for its continued economic growth. As such, it is necessary that it at least appears to value international commitments,[449] even while there is no real effort to curb the disturbing behavior. China seems to have difficulty understanding that actions speak far louder than words. When China states that they are dedicated to becoming an active and responsible member of the international community and then turns around and violates those commitments in action it severely undermines any credibility in the eyes of the world. As Nye explains, “soft power is based on trust,” and without it, no amounts of dialogue will be able to erase the actual actions of a state.

Although China has been able to improve its image in of the developing world, it has destroyed it in the eyes of the developed world. It may sound harsh, but having the support of the poorest and least technologically advanced nations is irrelevant if the wealthy and technologically advanced elements of global power are lined up against it. Soft Power is about perceptions. If a regime is only seen as being legitimate in the eyes of the poorest and the weakest, it will wane. States, like people, are attracted to power. If a state has no powerful allies, or its soft power does not extend to the powerful and the weak, it is not universal.

Summary

When all of this is assessed, China has some significant factors that are working in its favor. Geographically, China is a large and diverse territory with an abundance of natural resources and excellent access to the oceans. It does share borders with a significant amount of others state’s, but up until recently, China has handled its border issues with great skill.

For the next decade at least, China’s demographics will continue to work in its favor. There is still a massive labor pool upon which China can draw on. Its continued investment in human capital will also continue to provide positive returns in the economy (as was shown in

[449] Bremmer, *Every Nation for Itself*, 86.

Figures 9 and 10). Once this population bulge passes, there will be severe imbalances that may have the potential to severely curtail China's future ambitions.

China is growing and is doing so quickly. With a trend of GDP growth of upwards of ten annually, though it has slowed due to the 2007-2009 financial crisis. It currently rests at 7.8 percent (see Appendix, Table 4). This may be low by China's standards but it is still significant and so there is a lot more growth in the future. Although on a per capital basis China is still not considered and affluent nation, continued GDP growth with raise this number.

China faces severe military difficulties. It has both significant land as well as sea-based challenges.[450] A country the size of China has huge territorial land borders that will consume significant military resources in order to secure.[451] Although the majority of the land borders are in lightly populated areas and are separated from the Chinese heartland by imposing natural barriers, it will still be necessary for the Chinese army to be ready to react to any possibly hostile incursions by any of its many neighbors. At sea China faces a much more real and pressing challenge. That their trade routes are extremely vulnerable to foreign governments is something that simply cannot be ignored.

In short China has the material assets (geographic size, population, a large and strong economy, and a powerful military) to become a global power. The problem for China, as summed up by Breslin, is "more social that material."[452] It is how China is perceived abroad that is going to restrict any role that it may play on the international level.

The image that China has of itself in regards to its rightful role in the world and the way others should accord it the respect it believes it deserves is grating to many. The abrasive attitude that China projects to its immediate neighbors does not bode well in terms of peaceful

[450] Kaplan, *The Revenge of Geography*, 203.
[451] Rothkopf, *Superclass*, 215.
[452] Buzan, "A World Without Superpowers," 12.

coexistence and regional prosperity. The fixation that China has on past grievances combined with nationalist sentiments that are drummed up on a regular basis makes many nervous. China is quick to make demands of others and yet is fairly unwilling to undertake significant costs, risks, or commitments in dealing with difficult regional issues.[453] Chinese rhetoric is strong and persuasive because China's leaders excel at telling everyone exactly what they want to hear. China is a powerful country yes, but its growing power will benefit everyone and there is nothing to fear from China's 'peaceful rise.' Most states in the current international system are happy with the way things are; largely peaceful and prosperous. Yet at the same time, China's rhetoric is usually belied by the subsequent actions it takes. The contradictions make many nervous.

China needs to project an image that it is both a capable and *willing* participant in the international community; one that is willing to look to the future and forgive the past. It does not imply that China has to forget, but that it has to accept that the world has changed and it needs to change with it. If this is not done, many of China's neighbors will continue to fear China's rise. They will believe that once China has made it to the top it will enact revenge and take what has been denied the for too long. [454]

The facts cannot be ignored; materially China is a power to be taken seriously. In the future this power will only increase barring some calamitous event. How that growing power will in turn affect the international system is the focus of the following section.

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[453] Sutter, "China's Rise and the Durability of U.S. Leadership in Asia", 49.
[454] Shirk, *China: Fragile Superpower*, 153.

Table 3: Summary of China's Hard and Soft Power

Hard Power		++	+	=	Soft Power		++	+	=
Geography	Size (Territorially)			x	Security and Stability	Regional Stability		x	
	Location		x			Global Stability			x
	Number of Neighbors		x			History		x	
Demographics	Population	x				Consistency of Action		x	
	Population Growth		x						
	Immigration		x			Disputed Borders		x	
	Balanced Population		x			Adherence to International Caveats		x	
Economy	GDP (Market Exchange Rates)	x							
	GDP Growth	x			Political Ideology	Individual Freedom		x	
	GDP per Capita		x			Political Access -Domestic		x	
	Advanced Economy (Tertiary/Quaternary)		x						
	Reserve Currency			x		Political Access -International		x	
	Mature / Stable Financial Markets		x			Global Appeal		x	
						Effectiveness	x		
	Rule of Law		x			Global Adoptability		x	
Military	Size	x							
	Diversity (Multi-Branch: Land, Sea, Air, Nuclear)		x		Legitimacy	Recognition as a Great Power	x		
						Global Integration		x	
	Spending (%GDP)			x		Development Assistance	x		
	Spending (% World)	x							
	R&D		x			Adherence to International Norm		x	
	Regional Power Projection	x				Adherence to International Law		x	
	Global Power Projection			x		International Image			
	Nuclear Deterrence		x			-Developed States		x	
	Allies			x		-Developing States	x		

++ signifies that it will contribute to China's accelerated growth / + signifies that it will restrict China's accelerated growth / = signifies no change

Chapter 6: Conclusion

In Chapter1, there were four possible outcomes highlighted for what form the future of the international system may take depending on whether or not the United States was in decline and the rate at which China was likely to grow in the future. Throughout the course of this analysis, it has been determined that the United States in in fact not in decline and that China's rapid growth is more likely than not to slow in the near future. The conclusion then is that the most likely form of the future international order is the maintenance of the status quo. In other words, little will change. The United States will remain the dominant power in the international system and the central state in the global system.

Walt provides an accurate summary of why the status quo is most likely. According to him, the strengths of the United States are multifaceted. He explains that "America still has the largest economy in the world, an overwhelming military advantage, a dominant position in key international institutions and far reaching cultural/ideological influence. Moreover, these advantages are magnified by a favorable geopolitical position"[455] Ikenberry expresses a similar sentiment when he explains that "the reason is that the sources of American dominance – and the stability of the American - centered liberal capitalist world order - are remarkably multidimensional and mutually reinforcing."[456] These mutually reinforcing systems exist in the international institutions that are largely funded by the United States and the largely multilateral nature of American interactions with the world through these institutions.[457]

Geographically the United States occupies a far more favorable environment. It does not share anywhere near the security challenges that China faces in East Asia.

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[455] Stephen M. Walt, *Taming American Power: the Global Response to U.S. Primacy* (New York: W.W. Norton and Company, 2005), 32.
[456] Ikenberry, *Liberal Order & Imperial Ambition*, 146.
[457] Carranza, "Reality Check," 431.

In terms of demographics China does hold a significant advantage. China is the most populous country in the world and the resulting labor pool gives China a lot of room for growth. Yet, unlike the United States, China's population is uneven. The result of the 'One-Child' policy that was enacted in China has begun to have an impact. Within a generation there will be a much smaller number of working age adults that there are elderly that need to be supported. This couple with the uneven male to female ratio has serious implications for China's future growth and stability.

Economically the United States is still far stronger than China. In terms of GDP America's economy is almost twice as large and still growing (measured by market exchange rates). Although China's growth rate of 7.8 percent is much higher than that of the United States' 2.2 percent (see Appendix, Table 4) there is still a long way to go before China can hope to catch up to the United States. Even if China were to catch up with the United States in terms of GDP, the GDP per capita, another indicator of a country's economic strength, would still be far below that of the United States.

Regarding the military there is no comparison. In terms of yearly budgets and invested assets, China (or any other country for that matter) is nowhere near the strength of the United States. It is true that the United States has had difficulty in the occupation of both Iraq and Afghanistan but the war was over quickly. It was the insurgency that was draw out and difficult to overcome. Even if China were to invest much more heavily in its military, it would take decades to accumulate the infrastructure, doctrine and experience that America's military possesses.

In terms of hard power, the United States far outstrips China in every category mentioned here save demographics. China has far more people and will for the foreseeable. In the long run, it is possible that China will harness this demographic power and channel it more effectively into more tangible strengths. This is a process that does not occur suddenly, nor is it guaranteed.

When soft power is added to the hard power of the United States, the disparity becomes even more pronounced. The United States provides for the overall security and stability of the international system. As explained in Chapter 3, a hegemon is expected to provide international public goods. These include services such as :an open trading system, a stable money supply, global economic growth and control over negative externalities, to be a market for the consumption of global goods, redistribute income, counter transnational global health issues, ensure the flow of energy sources, and generally shoulder burdens that no one else is willing or capable of bearing (international terrorism, organized crime, proliferation of WMDs, etc.), and above all there is the need to ensure and enforce the peace. All of this the United States provides to the world. China in contrast has made some efforts at regional security and stability through expanded trade networks but repeatedly belies its stated peaceful intentions with acts of aggression towards it neighbors, especially Japan and Taiwan. This is not to say that the United States is not guilty of acts of aggression, only that its contribution offsets the occasional outburst of unilateralism.

The United States also possesses a very attractive set of values that appeal to most. The notions of equality, human rights and good governance attract more than they repel. These values can be seen as universal and many around the globe appreciate them. China by contrast is an authoritarian regime that censors its citizens, and overtly oppresses minorities within its borders. Authoritarian regimes may be attractive to one another but not to democracies. It just so happens that most states within the international system are democracies and this makes a difference.

Finally, the United States' power is see as legitimate. It is a relatively benign power that is distant from other sources of power. The nature of the United States is one that does not seek to occupy or to conquer other territories and has no conflicts with its neighbors. The United States has shown that it is willing to go to great lengths to support its allies and has historically backed up this claim with significant sacrifices of both blood and treasure. China has not. It repeatedly supports oppressive regimes (North Korea, Sudan) around the world and makes unsubstantiated claims on territory controlled by its neighbors (South China Sea). China lacks legitimacy.

It must be stated that the United States has been experiencing difficulties, it has not all been one sided. The war in Iraq and the 2007-2009 financial crisis did deal a serious blow to both the capacity of the United States to act as well as its global image. It is also experiencing serious social tensions due to the increasing levels of wealth disparity between the richest and poorest of its citizens. Politics have become gridlocked and federal politicians seem unable to get past this impasse.

However, these limitations are also not new to the United States. Time and again, the United States has been challenged and each and every time it has emerged from crisis as stong, if not stronger than when it went it. As mentioned previously by Kennedy, the United States has been taken by surprise by sudden shifts before. Zakaria explains that "as long as it (the United States) can embrace and adjust to the challenges confronting it," the United States can remain the global leader.[458] Nye explains that there is a difference between "the absolute decline in the sense of decay and loss of ability to use one's resources effectively and relative decline in which the power resources of other states grow greater or are used more effectively.[459] The United States

[458] Zakaria, *The Post-American World*, 182.
[459] Nye, *The Future of Power*, 155.

has the capacity to overcome the challenges facing it. China on the other had is simply making things up as it goes. The system that the CCP has erected to govern China is limiting. There are few vents through which dissent can be challenged and the overriding desire to maintain authoritarian rule limits its ability to act.

Despite these limitations and the size of the existing chasm between China and the United States in terms of power, China is still heralded as the next superpower. Academics like Hiro, Buzan, Bremmer and many others stress that the United States is declining and that China is the next in line. Yet the presented conclusions on China in terms of hard and soft power assets have exposed the lack of validity to such a claim. China simply does not have sufficient assets to establish itself as a regional hegemon let alone challenge and displace the United States at a global level.

In 1999 Segal wrote an article titled 'Does China matter?' He explained then that China most certainly does not matter. According to Segal, "China is overrated as a market, a power, and a source of ideas." The result, he continues, is that "China is better understood as a theoretical power – a country that has promised to deliver for much of the last 150 years but has constantly disappointed."[460]

Segal wrote over a decade ago and China is still growing. Yet there is some truth to it as well. I disagree with the idea that China doesn't matter; only that it does not represent the dramatic change that many academics believe it does. China is a powerful state but it is not the challenger that it has been painted as. Nye explains that "China does have impressive power resources, but we should be skeptical about projections based on current growth rates and political rhetoric."[461] This is very much the case. China is repeatedly being seen as a rising

[460] Gerald Segal, "Does China Matter?," in *Foreign Affairs* 78:5 (1999), 24.
[461] Nye, *The Future of Power*, 179.

superpower, but that status is, at present, far beyond China's capabilities. To say that China is an emerging great power would be more accurate, or as Shambaugh claims, a "partial power."[462]

[462] Shambaugh, *China Goes Global*.

Appendix

Table 4: American and Chinese Hard Power Assets

			America	China
Country Size	Land Surface(in 1000km^2)		9,826.68	9,596.96
	Arable Land(as % of Land Surface)		18.01%	14.86%
	Length of Coastline(in km)		19,924	14,500
	Number of Neighbors		2	14
Population	Number of People (in millions)		313	1,343
	Population Growth		0.9%	0.48%
	Age Structure (Population Pyramid)	0-14	20.0%	17.4%
		15-24	13.8%	16.1%
		25-54	40.6%	46.5%
		55-64-	12.1%	10.9%
		65+	13.5%	9.1%
	Gender (males to females)		1.04	1.17
	Net Migration (per 1000)		3.62	-0.33
Economy	GDP (in trillion USD)	Market Exchange Rates	15.650	8.25
		Purchasing Power Parity (PPP)	15.66	12.38
	GDP per Capita (in USD)	Purchasing Power Parity (PPP)	49,800	9,100
	GDP - Real Growth		2.2%	7.8%
	GDP Composition (as % of GDP / % of Population)	Agriculture	1.2 / 0.7	10 / 36.7
		Industry	19.2 / 20.3	46.6 / 28.7
		Services	79.6 / 79	43.3 / 34.6
	External Debt (in USD Billions)		14,700	710
Military	Spending*	Total (in billion USD)	711	143 (est.)
		As % of GDP	4.7%	2.0%
		As % of Global Spending	41.0%	8.2%
		Percent Change (2010-2011)	-1.2%	6.7%
	Composition**	Total Men/Women Under Arms (in millions)	1,400	2,100
		Total Aircraft	7,600	3,300
		Total Ships – Including Coast Guard (Tonnage (1000 tons)/Number)	3,024 / 201	346 / 219
	Combat Power***	Land Forces	2,488	827
		Naval Forces	302	16

All Data came from the "CIA World Fact Book" https://www.cia.gov/library/publications/the-world-factbook/" unless otherwise noted (as of 2011).[463]

[463] CIA World Fact Book.

* SIPRI, “Background Paper on SIPRI Militray Expenditure Data, 2011 (April 2012): http://www.sipri.org/research/armaments/milex/sipri-factsheet-on-military-expenditure-2011.pdf[464]
** Source: Charles F Dunnigan, *How to Make War (4th Edition)*.[465] – The source is from 2003 and a little out of date. Militaries do not change quickly and as such completeness was favored.
*** An estimate based on a combination of the quantity and quality of manpower, equipment and weapons…it is then multiplied by a force multiplier (imperfect leadership, component of force quality, support, training, and other ‘soft’ factors) to generate the combat value factors.

[464] SIPRI, “Background Paper on SIPRI Military Expenditure Date, 2011,” last modified April 17th, 2012. http://www.sipri.org/research/armaments/milex/sipri-factsheet-on-military-expenditure-2011.pdf
[465] Dunnigan, *How to Make War*.

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