

# Asymmetric parity: US–China relations in a multinodal world

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It is likely that the slowdown of the Chinese economy, highlighted by the volatility in its stock markets in June 2015, marks the ‘end of the beginning’ of China’s rise. China is no longer alarming its neighbours (and destabilizing the world economy) by marching along at 10 per cent growth despite the 2008 global financial crisis. Instead, resource-supplying states such as Australia are now worried about dwindling markets, and more generally the global economy is concerned about the signs of fatigue or even failure in its most dynamic engine.<sup>1</sup> But China’s slower pace and more complex trajectory are more likely to be its ‘new normal’ rather than the beginning of the end of its development.<sup>2</sup> Assuming slower growth but no sudden collapse, China’s domestic new normal will be a key part of a global new normal. The Chinese economy may have stumbled in 2015, but it also achieved a new stage of global prominence with the internationalization of the renminbi.<sup>3</sup> And the new normal includes sharing the centre ring of the world economy with the United States, the US and Chinese economies each being greater than the combined economies of India, Japan and Germany, the next three largest.<sup>4</sup> The United States and China no longer face each other as larger and smaller states in a typical asymmetric relationship.<sup>5</sup> If the new normal of moderate growth holds, they will be the central actors in the world political economy for the foreseeable future.

Nevertheless, the relationship is not symmetric. The United States and China are central to the world political economy for markedly different reasons. With one-fifth of the world’s population, China has seen its global status transformed by its increase in production and engagement in world markets since 1980. It is now

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<sup>1</sup> ‘Chinese sneezes: financial contagion from China now rivals that from America’, *The Economist*, 24 Sept. 2016.

<sup>2</sup> ‘Xi’s “new normal” theory’, Xinhua News Agency, 9 Nov. 2014.

<sup>3</sup> Eric Helleiner and Jonathan Kirshner, eds, *The Great Wall of money: power and politics in China’s international relations* (Ithaca, NY: Cornell University Press, 2014).

<sup>4</sup> These and following figures are calculated from World Bank, *World Development Indicators 2015*, <http://data.worldbank.org/products/wdi>. (Unless otherwise noted at point of citation, all URLs cited in this article were accessible on 4 Oct. 2016.) When not otherwise indicated, I am using the purchasing power parity (PPP) data.

<sup>5</sup> Brantly Womack, *Asymmetry and international relationships* (New York: Cambridge University Press, 2016).

the largest producer and market for many products, and globally a top trading partner. But it is a middle-income country, and is likely to remain so for the next generation. Moreover, it lives in a diverse and crowded neighbourhood, and the stakes in regional relationships are high and rising. The United States has the world's largest concentration of capital and technology, and is likely to retain its position as the most important developed economy for at least the next generation. It has more than four times China's inclusive wealth<sup>6</sup> and four times its per capita productivity; and American geopolitics encourages a global outlook rather than one focused on the Americas. Each has different resources and faces different challenges. The bilateral relationship is thus not one of symmetric actors.

In brief, the argument put forward here is that while China and the United States are each other's most important bilateral challenge, they are not running a race against each other. Their rivalry is now a marathon rather than a sprint to a point of transition. Therefore, relative gain and eventual challenge are strategically less significant for each than absolute gain and relational management. The concerns of power transition<sup>7</sup> and Thucydides traps<sup>8</sup> are misplaced—not because trade trumps power,<sup>9</sup> but because the realities of the two are profoundly asymmetric. A family of twelve in an urban neighbourhood faces different options from those facing a family of four in the suburbs, even if their incomes are equal.

Moreover, the bilateral relationship between the United States and China is played out in a stream of grander global changes. Globalization has produced a diffusion of economic options that makes the formation of Cold War-style camps unlikely, and China is only the leading case of the continuing rise of middle-income countries. Sustainable rivalry between the United States and China will be the central concern of world politics for the next generation, but it will work itself out in a post-hegemonic, dynamic world in which power counts, but does not dominate.

Not surprisingly, analysis of the prospects for the US–China relationship has hitherto been fixated on China's sudden emergence against the background of the 2008 global financial crisis. The reactions of (primarily American) scholars can be crudely characterized as falling into 'fight' or 'flight' groupings.<sup>10</sup> The flight-ists, called the 'declinists' by some critics,<sup>11</sup> emphasize the dynamics of China's growth and the relative loss of global share by the United States, and give varied

<sup>6</sup> Calculated from United Nations University–International Human Dimensions Programme and United Nations Environment Programme, *Inclusive Wealth Report 2014* (New York: Cambridge University Press, 2014). 'Inclusive wealth' is a term used by the UN for the total value of infrastructure, education and resources—physical, social and resource capital.

<sup>7</sup> A. F. K. Organski, *World politics* (New York: Knopf, 1958).

<sup>8</sup> Graham Allison, 'The Thucydides trap', in Richard Rosecrance and Steven Miller, eds, *The next Great War?* (Cambridge, MA: MIT Press, 2015), pp. 73–80.

<sup>9</sup> Richard Rosecrance, *The rise of the trading state: commerce and conquest in the modern world* (New York: Basic Books, 1986).

<sup>10</sup> 'Fight or flight' is a phrase coined by the psychologist Walter Cannon in 1915 to describe the physiological response of animals to a sudden, possibly threatening event. The metaphorical link here is that 'fight' is rational if one expects to win, and 'flight' is rational if one doesn't. I do not intend to suggest that one group desires war and the other surrender.

<sup>11</sup> Edward Luttwak, 'The declinists: wrong again', *National Interest* 4: 2, Nov.–Dec. 2008, pp. 7–13.

predictions of the consequences for global order.<sup>12</sup> The fightists stand firm with the existing American hegemony, pointing out that China's GDP is an artefact of demographic scale and that American advantages in technological, military and innovative capability outweigh China's prospects.<sup>13</sup> While initially the fightists were the defenders of the robustness of a unipolar world order and the flightists were arguing for a bipolar or multipolar future, more complex views of future hierarchies have emerged. Following Barry Buzan's suggestion of a superpower plus Great Powers framework ('1 + X'),<sup>14</sup> Brooks and Wohlforth have suggested a special role for China in a 'US + China + X' framework.<sup>15</sup>

Since 2012 Xi Jinping, now China's president, has emphasized the notion of a 'new type of Great Power relationship', which at first glance would suggest an assertion of a new bipolarity or at least a challenge to American unipolarity.<sup>16</sup> However, an analysis of a broad spectrum of Chinese scholarship presents a more nuanced picture. On the basis of an extensive survey of Chinese academic and policy writings, Zeng and Breslin describe what they term 'a G2 relationship with Chinese characteristics'.<sup>17</sup> While the 'Chinese characteristics' include a new confidence in China's Great Power status, there is little consensus about what this new status (or return to status) entails, and some look beyond the G2 to include as a 'Great Power' any state capable of autonomously defending its core interests. The new type as proposed by Xi was not presented as a challenge but rather as a call for mutual respect and cooperation.<sup>18</sup>

Brooks and Wohlforth criticize the concept of polarity because it forces a blunt, trichotomous choice between uni-, bi- and multipolarity on the basis of crude measures of capacity.<sup>19</sup> The point is well taken, but the problems of polarity run deeper than its prefixes. Polarity elides relative power and absolute power, and it elides capacity and security. But greater power does not always prevail, and security is far more complex than a comparison of state capacity would suggest. Moreover, power matters—but does not necessarily determine outcomes—at all levels of the international matrix, creating a multinodal pattern of asymmetric relationships rather than a division between active players and passive spectators.

<sup>12</sup> Prominent examples are Fareed Zakaria, *The post-American world* (New York: Norton, 2009); Amitav Acharya, *The end of American world order* (New York: Polity, 2014); Martin Jacques, *When China rules the world* (New York: Penguin, 2009); Christopher Layne, 'This time it's real: the end of unipolarity and the Pax Americana', *International Studies Quarterly* 56: 1, March 2012, pp. 203–13.

<sup>13</sup> A thorough and comprehensive example is Stephen Brooks and William Wohlforth, 'The rise and fall of Great Powers in the twenty-first century: China's rise and the fate of America's global position', *International Security* 40: 3, Winter 2015–16, pp. 7–53. See also Joseph S. Nye, Jr., *The future of power* (New York: Perseus, 2011); Michael Beckley, 'China's century? Why America's edge will endure', *International Security* 36: 3, Winter 2011–12, pp. 41–78.

<sup>14</sup> Barry Buzan, *The United States and the Great Powers* (Cambridge: Polity, 2004), pp. 63–76.

<sup>15</sup> Brooks and Wohlforth, 'The rise and fall'.

<sup>16</sup> Vice-President Xi Jinping, speech at the National Committee on US–China Relations and US–China Business Council luncheon, Washington DC, 15 Feb. 2012, <https://www.ncuscr.org/content/video-vice-president-xi-jinping-policy-address>.

<sup>17</sup> Jinghan Zeng and Shaun Breslin, 'China's "new type of Great Power relations": a G2 with Chinese characteristics?', *International Affairs* 92: 4, July 2016, pp. 773–94.

<sup>18</sup> David M. Lampton, 'A new type of major-power relationship: seeking a durable foundation for US–China ties', *Asia Policy*, no. 16, July 2013, pp. 51–68.

<sup>19</sup> Brooks and Wohlforth, 'The rise and fall', pp. 11–15.

The problems of Cambodia between Thailand and Vietnam are not unlike those of Vietnam between China and the United States.

To become fixated on a club of presumptive powers is to miss the overall structure of located asymmetric relationships and their post-2008 dynamics.<sup>20</sup> The United States and China are now and are likely to remain the primary nodes, of major importance to all other actors. Secondary nodes such as Brazil, Germany, Russia, India and South Africa are key actors in their regions, and there are tertiary nodes as well. But the nodes function primarily as centres and sub-centres of attention and concern rather than as hierarchical levels of control. Brazil does not control Argentina, nor do the United States and/or China control Brazil. But, unless a crisis distorts normal attention patterns, Argentina is more concerned about Brazil than it is about Paraguay. And as Evelyn Goh points out, power most easily translates into influence when the interests of both parties are convergent.<sup>21</sup>

I begin with a brief consideration of the emergence of US–China asymmetric parity and its global context. Data from the past 20 years demonstrate that the United States and China have reached an era of aggregate parity but will remain asymmetric in wealth and in technological capacity. As the Chinese economy slows to a new normal, the era of asymmetric parity is likely to persist for a generation. The analysis of asymmetric parity requires a discussion of both the reality of rivalry and its constraints, leading to a contrast between sustainable rivalry in a multinodal context and theories based on polarity and power transition.

Of course, any structural analysis conveys an aura of inevitability that belies the contingencies of choice, leadership and accident that will shape the future. As I am writing during the 2016 American presidential campaign, very little seems certain. However, if there are indeed relatively solid and lasting contours of reality beneath the feet of leaders and the winds of chance, then they will influence the likely consequences of action. In any case, reality, perceived or not, is the test of action. As the French philosopher Alain put it: ‘It is the sea herself who fashions the boats, choosing those that function and destroying the others.’<sup>22</sup>

## Asymmetric parity

### *A change of gears*

The post-Cold War era was one of volatility, one in which expectations were incessantly surprised by transformations. The collapse of European communism and of the Soviet Union provided the dramatic beginning, but the end of the era in 2008 was just as topsy-turvy. The global financial crisis of 2008 pulled the economic rug from under George W. Bush’s hyperpower pretensions, and China’s continuing surge raised concerns about impending challenge.

<sup>20</sup> Womack, *Asymmetry*, pp. 174–202.

<sup>21</sup> Evelyn Goh, ed., *Rising China’s influence in developing Asia* (Oxford: Oxford University Press, 2016).

<sup>22</sup> As quoted in D. S. Rogers and P. R. Ehrlich, ‘Natural selection and cultural rates of change’, *Proceedings of the National Academy of Sciences* 105: 3416–20, March 2008, p. 3417. ‘Alain’ was the pseudonym of Emile Chartier (1868–1951), whose students included Raymond Aron, Simone Weil and Simone de Beauvoir.

In 2015 world opinion moved from seven years of alarm at China's growth to alarm at China's non-growth. Both were excessive. China's growth after 2008 continued earlier trends with the artificial help of stimulus spending. China appeared to be leaping forward because of the dramatic contrast between the economic woes of the rest of the world and China's seeming imperviousness to the crisis.<sup>23</sup> Similarly, the alarm of 2015 expressed a sobering adjustment to the prospects of China's non-meteoric growth rather than a reasonable expectation of its meteoric plunge to earth.<sup>24</sup> I argue that the general failure to anticipate the volatility of the last era can lead to an unwarranted nervousness about the structural resilience of the next.

The empirical premises of my argument are first, that China has already entered a situation of comparable gross economic mass with the United States; second, that the two states' political economies are profoundly asymmetric; and third, that the bilateral relationship between them will be the centre stage of the world economy. These premises provide the foundation for an analysis of an era of asymmetric parity.

China's approach to the American gross national income (GNI) has been a long time coming, and its arrival has been masked by the recent decrease in China's growth rate. In 1994 China's economy grew roughly twice as fast as the American economy, but its increment in production (1994 GNI minus 1993 GNI) was only 15 per cent of the American increment.<sup>25</sup> China was already a *Wunderkind*, but by global standards still a child. However, China's economy is now massive. By 2014 its increment in production was equal to its entire economy in 1992. Although its growth rate is slowing, it needs to have only 60 per cent faster growth than the United States in order to register an equal increment of value in its economy. For example, if the American economy grew at 3 per cent, growth in the Chinese economy of 4.8 per cent would keep pace in value added. On the other hand, a resumption of spectacular growth is even less likely than collapse.

However, the United States and China are running different economic races with different strengths and challenges. One is powered by wealth and technology, the other by population. The US has the advantage in high-value and syncretic innovation, while China's business model, in the words of Arthur Kroeber, is '80 per cent of the quality for 60 per cent of the price'.<sup>26</sup> American services, technology and capital are intrinsically more global, and they enjoy direct, two-ocean access from a deferential neighbourhood. China's manufactures displace those of other developing countries while driving up resource prices,

<sup>23</sup> Alastair Iain Johnston, 'How new and assertive is China's new assertiveness?', *International Security* 37: 4, Spring 2013, pp. 7–48; Brantly Womack, 'China and the future status quo', *Chinese Journal of International Politics* 8: 2, Summer 2015, pp. 115–37.

<sup>24</sup> 'Is George Soros right that China's headed for a hard landing? A ChinaFile conversation', *ChinaFile*, 26 Jan. 2016, <https://www.chinafile.com/conversation/george-soros-right-chinas-headed-hard-landing>.

<sup>25</sup> Calculated from World Bank, *World Development Indicators*, using Atlas-adjusted tradeable dollars. Using PPP estimates, the 1994 Chinese increment was 61% of the American increment. The World Bank's Atlas method uses a three-year moving average of exchange rates as well as an inflation estimator to estimate productivity in tradeable terms rather than, as the PPP estimate does, in terms of domestic consumption.

<sup>26</sup> Arthur Kroeber, *China's economy: what everyone needs to know* (Oxford: Oxford University Press, 2016), p. 58.

and these effects are most intense in its own crowded, nervous neighbourhood. Neither the US nor China is capable of competing in the other's race, and neither is threatened by the continued moderate growth of the other. In the long term the US faces the challenge of continuing its leadership in innovation, while China must deal with a rapidly ageing population.

The third premise is the most obvious but also the most interesting. Twenty years ago the US represented one-fifth of the world's economy and China only 6 per cent. In 2014 they each accounted for 16 per cent in PPP terms, or 23 per cent and 13 per cent in Atlas terms. Thus by both measures they constitute together one-third of the world's economy, and their combined share is likely to remain stable. But the rise of China's demographic power is only the most striking example of the general emergence of middle-income countries on the world stage. Roughly half the world's market basket is now produced outside the developed world, up from one-third in 1994. In general, the developing world shares China's advantages of technological diffusion and urbanization.<sup>27</sup> Thus the rank ordering of the world's largest economies is likely to be quite different in 2050, with China, India, United States, Indonesia and Brazil in the top five positions, while the five wealthiest major countries will be from among the usual suspects: the United States, Australia, Germany, South Korea and Canada.<sup>28</sup> The developing world wants a 'resilient status quo', new places at the table, as the emergence of the G20 suggests, but not a new table.<sup>29</sup>

The great divide that formerly defined the modern world between wealth/production on the one side and population on the other—between the West and the rest—has become a narrowing divide between wealth on the one side and population/production on the other. In this new juxtaposition of the power of wealth and the power of demography, the United States and China stand out as the avatars of their respective sides. Ironically, they have their special standing because the US is not small and China is not backward. In this situation, imagining global order becomes a challenge.

### *The era of asymmetric parity*

The idea of China reaching parity with the United States presents the spectre of the 'Thucydides trap', an inevitable conflict between the incumbent hegemon and a rising challenger. But what of asymmetric parity? Where is the threshold? Certainly the US and China will be one another's major concerns, but the US will not achieve China's population, and China will not achieve American wealth. Moreover, their rivalry takes place in a world not likely to become divided into exclusive camps of allies.

All realist International Relations theorists would be gloomy about the prospects for world peace as parity approaches. Power transition theory, originating in A.

<sup>27</sup> National Intelligence Council, *Global trends 2030: alternate worlds* (Washington DC, Dec. 2012).

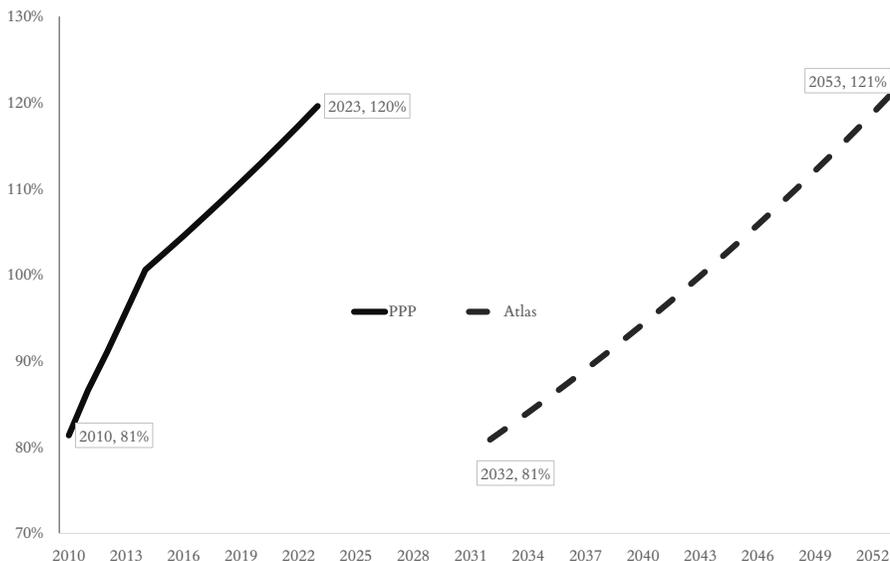
<sup>28</sup> PWC, *The world in 2050*, Feb. 2015, <https://www.pwc.com/gx/en/issues/economy/future-economy.html>.

<sup>29</sup> Miles Kahler, 'Rising powers and global governance: negotiating a resilient status quo', *International Affairs* 89: 3, May 2013, pp. 711–29.

F. K. Organski’s general theory of world politics, has devoted itself to the study of such transitions.<sup>30</sup> If the window of power parity is defined as equal economic mass plus or minus 20 per cent, war is not necessary at power transition but parity does present the most likely point of major conflict.<sup>31</sup> But the parity window for the United States and China presents an odd panorama.

As figure 1 illustrates, China has already entered a 40-year parity era with the US. Using World Bank estimates of PPP, China reached 80 per cent of American GNI in 2010 and 100 per cent in 2014. On the basis of conservative projections of China’s continued relative growth (5 per cent per year for China and 3 per cent for the United States), China would pass beyond market basket parity at 120 per cent in 2023.<sup>32</sup> Using the World Bank’s Atlas method and the same growth projections, China does not reach the 80 per cent threshold until 2032 and would not reach 120 per cent of American GNI until 2053. Needless to say, a 22-year gap between the estimates—highlighted by the nine-year chasm between their respective 40 per cent windows of parity!—raises questions about what to believe. Neither estimate is perfect, and extrapolation into the future magnifies their imperfections into hypotheticals. However, the magnitude of the gap, current and projected, is due to asymmetry rather than to inaccuracy.

**Figure 1: The parity era**



Source: Calculated and extrapolated from World Bank, *World Development Indicators 2015* (Washington DC, 2015).

<sup>30</sup> Organski, *World politics*.

<sup>31</sup> Ronald Tammen and Jacek Kugler, ‘Power transition and China–US conflicts’, *Chinese Journal of International Politics* 1: 1, 2006, pp. 35–55 at p. 43.

<sup>32</sup> Needless to say, these are not predictions, but rather illustrative extrapolations of a continuing, more modest than heretofore, differential in growth rates—a ‘new normal’.

Combining the estimates of the relative economies of the United States and China, we can conclude that they have already entered an era of asymmetric parity and that the situation is likely to last for the next generation. The reality of asymmetry is underlined if we add differences in population and geopolitical location. In per capita terms, by our assumptions, Chinese citizens would not reach market basket (PPP) equality with their American counterparts until 2071, or in Atlas terms until 2101. The United States and China are not about to trade places. Symmetry implies transposability, and the relationship is not symmetric.<sup>33</sup>

However, even ambiguous parity is important. The bilateral relationship is for each the one of greatest exposure and complexity. As China's PPP productivity exceeds that of the United States and approaches Atlas parity, the constraints on American policy options will grow. In areas that presuppose capital concentration and technology, China will not be able to do to the United States what the United States can do to China; but the reverse is also true in other areas, such as markets and large-scale production. Their interaction will have a sort of disjunctive reflexivity. Each will be able to help or hurt the other, but not quite in the same manner. They cannot exchange an eye for an eye; but an eye for a hand is also painful to each. This is not power transition, however. China will be a confronter but not a global challenger. In any case, as will be discussed below, there is no mace of ultimate power to fight over, and the option of decisively defeating the other entails the risk of mutual destruction.

In sum, asymmetric parity implies a long-term relationship rather than a climax of hegemonic confrontation. If China cannot become the United States, then its relative gain may be inconvenient and distressing to the United States, but not threatening. Similarly, American prosperity will not cause the US to re-cross some threshold back to hyperpower status, so continued American growth should not bother China. With the prospect of victory or defeat removed, win-win becomes possible. With no looming moment of symmetric parity, each should help itself, even if the other gains as well. And in the course of an era as long as a generation, a tangible gain is worth more than a remote and ambiguous risk.

## **Rivalry real and constrained**

### *The reality of rivalry*

International rivalry is usually conceptualized as a zero-sum relationship of mutual hostility and the ground for armed conflict, with the Middle East providing many prominent examples.<sup>34</sup> Clearly the US–China relationship is more complex. While a war would be asymmetric, no one would consider it a 'small war'. In economics, politics and security, China's options are more extensive than mere resistance. The

<sup>33</sup> Hermann Weyl, *Symmetry* (Princeton: Princeton University Press, 1952), p. 4. Weyl quotes Leibnitz to the effect that symmetry exists when two things are indiscernible if considered by themselves (p. 127). While mathematical mirror-imaging is not assumed in international relations, interaction is often modelled as similar players plus or minus quantitative differences—transposable players, different cards.

<sup>34</sup> Zeev Maoz and Ben Mor, *Bound by struggle: the strategic evolution of enduring international rivalries* (Ann Arbor: University of Michigan Press, 2002).

two also have different but significant interests and capabilities with regard to third-party problems. But they have many interests in common, many that are in oblique relation, and only a few in direct conflict. Thus we need a thicker and more complex idea of rivalry if we are to use the term for the United States and China.

China's ambitions as a regional power are in oblique conflict with American claims as a global power. Since any region is a subsystem of global politics, there is an inherent antinomy between the situation of a global power and that of a regional power.<sup>35</sup> While China is not likely to challenge American 'command of the commons', it has been in confrontation since the EP-3 incident in 2001<sup>36</sup> over the extent of the 'littoral', the edge of the air, space and maritime global commons where logistics and more limited weaponry create a 'contested zone' of mutual vulnerability.<sup>37</sup> Given China's claims to Taiwan and other islands, the zones it aims to contest extend well into American notions of the commons and also conflict with the security interests of American allies.

China's neighbourhoods are diverse. It has been most careful in central Asia, in part because the region abuts Xinjiang, its most problematic province. The creation of the Shanghai Five in 1996 and its evolution into the Shanghai Cooperation Organization reassured the newly created 'stans', and the promise of a 'New Silk Road' of infrastructural development has enriched the relationships. While Russia has its concerns about China's growing role in central Asia, China (in contrast to NATO) has been inclusive and respectful in its diplomacy with Russia. Meanwhile the American debacle in Afghanistan has dampened its interest in further involvement in the region.

The views to the east and south are quite different. In north-east Asia, the complementarity of China's economy with those of South Korea and Japan is balanced by its commitment to the stability of the DPRK regime in North Korea and nuclear brinkmanship that China's underwriting enables. In maritime matters, the strategic dispositions of China and the US are more directly juxtaposed. China's century of humiliation began with its maritime weakness, and naval strength is the prerequisite for claims to the contested islands in the South China Sea. For the US, naval and air superiority was key to victory in the Pacific War between 1941 and 1945, and it continues to undergird the credibility of its alliance system. During the Cold War, America's European allies wondered if the US would actually use nuclear weapons against Soviet armoured superiority. But in Asia, American naval and air protection had been sufficient from the time the Seventh Fleet sailed into the Taiwan Strait in 1950. China's development of area denial capability near its shores now undermines the credibility of American deterrence for its allies.<sup>38</sup> South-east Asia's overall relationship with China is more

<sup>35</sup> Womack, *Asymmetry*, ch. 4, pp. 125–46.

<sup>36</sup> On 1 April 2001 a Chinese fighter collided with an American EP-3 intelligence-gathering airplane near Hainan island. The Chinese pilot was killed, and the American crew landed their damaged airplane at Hainan. The tense diplomatic stand-off over the return of the crew and the aircraft was part of a larger dispute over intelligence gathering in coastal air and water. The US claimed that it was 'innocent passage'; China thought otherwise.

<sup>37</sup> Barry Posen, 'Command of the commons: the military foundation of US hegemony', *International Security* 28: 1, Summer 2003, pp. 5–46.

<sup>38</sup> Michael Swaine, *America's challenge: engaging a rising China in the twenty-first century* (Washington DC: Carnegie

complex than the mostly symbolic stand-off in the South China Sea, but all are concerned about the ambiguous frontiers of Chinese ambition.<sup>39</sup>

Of course, China and the United States have many shared interests in good governance, both global and regional. But to the extent that their interests differ, the overarching concerns of the global power are pitted against the autonomous leadership of the regional power.<sup>40</sup> If a regional power is of decisive importance in its region, the global power is no longer completely global. Moreover, smaller regional states have the option of either global or regional alignment. In part because of the rapidity of China's rise since 2008, American concerns about China's regional rise resonate with the concerns of China's neighbours, and to some extent with their ambitions. While they have benefited from having China as a 'good neighbour', they are anxious about becoming China's backyard. The dilemma faced by American strategy can be illustrated by counterposing US Defense Secretary Ashton Carter's claim that east Asian peace is undergirded by 'the pivotal role of the American military in the region'<sup>41</sup> with President Obama's opinion that 'what I think is not smart is the idea that every time there is a problem, we send in our military to impose order'.<sup>42</sup>

China's global presence and activities outside its region are also unsettling for the American global status quo. China's advances beyond Asia mean a proportional decrease in American presence and they hold no direct advantage for the US. If China's development efforts such as 'one belt, one road' or the Asian Infrastructure Investment Bank (AIIB) succeed, the model and institutions of the Washington Consensus are diminished, if not challenged. If they fail, then early American criticism will appear far-sighted. These new initiatives are complementary to existing institutions and responsive to shortages of development funding, but Xi Jinping clearly intends to participate in the reform of existing political and economic structures.<sup>43</sup> As Kevin Rudd points out, Xi does not intend an antagonistic challenge.<sup>44</sup> In any case, China's presence in Africa, South America, central Asia and Europe is adding a new dimension to global changes.

Finally, the difference in regimes and values creates a gulf of otherness that provides fertile soil for suspicions and misinterpretations. On the American side, there is the axiom that democracy and limited government are the only legitimate goals of political development and that a communist party-state suppresses its people and is bound to fail.<sup>45</sup> Moreover, there is the conviction articulated by democratic peace theory that war is the product of authoritarianism. Of course,

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Endowment, 2011).

<sup>39</sup> Brantly Womack, 'The Spratlys: from dangerous ground to apple of discord', *Contemporary South East Asia* 33: 3, 2011, pp. 370–87.

<sup>40</sup> Hugh White, *The China choice* (Oxford: Oxford University Press, 2012).

<sup>41</sup> Max Fisher, 'Full transcript: Vox interviews Defense Secretary Ash Carter', 13 April 2016, <http://www.vox.com/2016/4/13/11333276/ash-carter-transcript>.

<sup>42</sup> Jeffrey Goldberg, 'The Obama Doctrine', *The Atlantic*, 16 April 2016.

<sup>43</sup> Michael Swaine, 'Xi Jinping on Chinese foreign relations', *China Leadership Monitor*, no. 48, Fall 2015.

<sup>44</sup> Kevin Rudd, *US–China 21: the future of US–China relations under Xi Jinping, summary report* (Cambridge, MA: Belfer Center, Harvard University, April 2015).

<sup>45</sup> Barack Obama, Remarks by President Obama to the Australian parliament, 17 Nov. 2011, <https://www.whitehouse.gov/the-press-office/2011/11/17/remarks-president-obama-australian-parliament>.

Americans wish the Chinese people long life and happiness, but they don't expect this from the communist regime despite its accomplishments thus far. On the Chinese side, a special Great Power relationship based on mutual respect is desired but not expected.<sup>46</sup> Rather, China sees American strategic interest as to isolate, contain, diminish and divide China, and to sabotage the Chinese leadership.<sup>47</sup> The often-cited 'strategic distrust' between the two is founded on a real juxtaposition of roles and expectations.<sup>48</sup>

### *The limits of rivalry*

US–China rivalry is limited in both incentives and confrontational options. Most basically, the grand strategy of neither requires the removal of the other. Neither controls a resource that the other requires. Both compete for external resources, but so does the rest of the world, and neither is resource-poor. Both depend on commerce and therefore on trade routes, but only for pirates is deliberate interference with trade an end in itself. As the largest developing and developed countries respectively, China and the United States are on opposite sides of the intellectual property fence; but the theft of intellectual property discourages both voluntary transfer and indigenous innovation. Both have incentives for cooperation and collaboration in many areas. Even in areas where interests are competitive, both have incentives to reduce uncertainty by respecting structures of competition. Both have interests and commitments related to third parties that might entangle them in confrontation, but both have reasons to limit the extent of entanglement. While China would like to revise the global order, it appreciates the advantages it has gained from the current order, it is not in a position to implement an alternative, and it has become too big to be a free-rider.

Asymmetry has important implications for rivalry. Although China is becoming more innovative, technological diffusion is still China's best hope for progress, and a hostile relationship with the world's leading technological power would be a handicap. Innovation is by its nature difficult to predict. In 2006 the RAND Corporation prepared a research report for the US National Intelligence Council entitled *The global technology revolution 2020*.<sup>49</sup> They evaluated 56 likely technology applications, selected the 'top 16' and evaluated the likely global effects, as well as the accessibility of the applications to various states. Unfortunately the list did not include shale petroleum extraction, which quickly became the most significant technology application, so far, of the twenty-first century, adding one-third to estimated global petroleum reserves and transforming patterns of energy trade, exploration and pricing. While innovation is unpredictable and can happen anywhere, developed economies have the deployable resources to develop and exploit new opportunities.

<sup>46</sup> Michael Swaine, 'Xi Jinping's address to the Central Conference on Work Relating to Foreign Affairs', *China Leadership Monitor*, no. 46, Spring 2015.

<sup>47</sup> As summarized in a 2014 Chinese internal document cited in Kevin Rudd, *US–China 21*, p. 14.

<sup>48</sup> Kenneth Lieberthal and Wang Jisi, *Addressing US–China strategic distrust* (Washington DC: Brookings Institution, 2012).

<sup>49</sup> Richard Silbergliitt, Philip Anton, David Howell and Anny Wong, *The global technology revolution 2020: bio/nano/materials/information trends, drivers, barriers and social implications* (Santa Monica, CA: RAND, 2006).

Just as American technology and global order have been good for China, China's prosperity has been good for the United States. Considering China's share of global production and markets, an American strategy designed to limit China's growth would have serious negative repercussions—even if it was effective, and its effectiveness would be limited. There are few goods in the exclusive possession of the US, and efforts to constrain other states' dealings with China are increasingly difficult. Attempts to embargo technological innovation have a historical record of failure, and the attempt to restrict the current global architecture of scientific innovation would have costs for American progress. If Fortress America digs a moat it will isolate itself.

Beyond bilateral interdependence—and perhaps more important in terms of policy alternatives—is the diffuse economic linkage created by global value chains (GVCs). Trade in products is increasingly displaced by trade in parts, often organized by vertically integrated multinational firms. To take a famous example, each iPhone assembled in China adds US\$179 to China's total exports but includes US\$172 in imported components—and it is assembled in China by a Taiwanese firm for an American brand.<sup>50</sup> Domestic producers who are dependent on imported inputs are less likely to be protectionist,<sup>51</sup> and despite the increase in economic anxieties since 2008 GVCs have not been domesticated.<sup>52</sup> Besides removing some of the teeth of domestic protectionism, GVCs make the protectionist bite less country-specific. If the United States decided to restrict iPhones because they are 'made in China', the biggest losers would be in Taiwan, Japan and the United States. The rapidity of the trend away from final product trade and towards GVCs since the 1990s renders the usual ideas of trade interdependence obsolete. The reality now is economic enmeshment.

Differences in culture and political systems create distance between the United States and China, but there are also complementary premises of their ideologies and practices that limit the scope of rivalry. Both are internationalist, though they have different attitudes towards ad hoc intervention, the role of the UN and state autonomy.<sup>53</sup> Most importantly, the American commitment to free markets and access comports well with China's commitment to reform and openness since 1980. While neither commitment is total, each is fundamental to the states' respective external postures. More generally, the US sees itself as the inclusive leader of global modernity and prosperity, while China pursues peaceful rise and is a seeker of modernity that will benefit all.<sup>54</sup> At a more practical level, despite differences in system the two share a whole range of common problems of governance. Both

<sup>50</sup> Claire Jones and Chris Giles, 'WTO and OECD add value to trade debate', *Financial Times*, 16 Jan. 2013.

<sup>51</sup> Yildirim Aydin, 'Value added trade, global value chains, and trade policy: renewed push for trade liberalization', background paper for WTO 'Made in the world initiative', 19 Jan. 2015, [https://www.wto.org/english/res\\_e/statis\\_e/miwi\\_e/paper\\_january15\\_e.htm](https://www.wto.org/english/res_e/statis_e/miwi_e/paper_january15_e.htm).

<sup>52</sup> Marcel P. Timmer, Erik Dietzenbacher, Bart Los, Robert Stehrer and Gaaitzen J. de Vries, 'An illustrated user guide to the World Input–Output Database: the case of global automotive production', *Review of International Economics* 23: 3, 2015, pp. 575–605.

<sup>53</sup> Yongjin Zhang, 'China and international hierarchies in global international society: power and negotiation for normative change', *International Affairs* 92: 4, July 2016, pp. 795–816.

<sup>54</sup> Qin Yaqing, 'Wei guoji zhixu biange gongxian zhongguo fang'an' [For the contribution of the 'China model' to the reform of the international system], *Zhongguo kexue bao* [China social sciences weekly], 17 Dec. 2014.

see themselves as instinctively open and cooperative though each is sensitive to the defects of the other.

While there are inherent tensions between China as a regional Asian power and the United States as a global power, the tensions would be much greater if China could reasonably aspire to American global presence or if the US were located in Asia. As it is, China's global ambitions—economic, political and security—are inhibited by both the domestic pressures of a large, middle-income population and by the vivid risks and opportunities of a diverse and complicated neighbourhood. Meanwhile the US is faced with an expanding contested zone around China but not with a general challenge to the commons.

The military limits to rivalry are complex. Most obviously, the United States and China are both nuclear powers, making each especially reluctant to approach full-scale war.<sup>55</sup> This symmetric balance of deterrence is amplified by asymmetric capabilities. China's sheer size has made an American invasion of the Chinese mainland unthinkable for the last 60 years, and its new economic mass makes comprehensive economic sanctions impractical. Meanwhile, the general American advantages of wealth and technology translate into superiority in military sophistication and projection,<sup>56</sup> amplified by the country's position on the high ground of the world political economy. While the American advantage might look vulnerable to China's continued relative growth, China's diffuse security environment as a continental power with 14 neighbours and an exposed coast diverts its military priorities away from global challenge.<sup>57</sup>

The summary of China's strategic situation that John Frankenstein and Bates Gill penned in 1995 holds true today:

Even if China sees its adversaries as the United States now and Japan in the future, it is not preparing for immediate superpower conflict. Rather, China's concerns are, as they always have been, about internal security, borders, and peripheral territory and, perhaps more important, influence. Immediate loci of conflict are not with the US or Japan, they are with the claimants to sovereignty and territory in the South China Sea, and with Taiwan. With these players, China's sheer weight—cultural and historical as much as numbers of men under arms—is overwhelming.<sup>58</sup>

The frontier of security rivalry is likely to remain the contest for influence with China's neighbours and a stalemate in China's coastal waters.<sup>59</sup> While most of the neighbours welcome the renewal of American interest in Asia and the opportunities for balancing and leverage that it presents, only Japan and the Philippines could imagine that increasing hostility could be in their interest. In its near waters China

<sup>55</sup> Hugh White discusses the scenario of a Chinese nuclear strike on Guam in retaliation for American preemptive strikes. While no future scenario is impossible, I think that a Chinese first use of nuclear weapons would be extremely unlikely: White, *The China choice*, pp. 75–7, 124.

<sup>56</sup> Brooks and Wohlforth, 'The rise and fall', pp. 17–22.

<sup>57</sup> Zhou Fangyin, 'Between assertiveness and self-restraint: understanding China's South China Sea policy', *International Affairs* 92: 4, July 2016, pp. 869–90.

<sup>58</sup> John Frankenstein and Bates Gill, 'Current and future challenges facing Chinese defense industries', in David Shambaugh and Richard Yang, eds, *China's military in transition* (Oxford: Clarendon Press, 1997), pp. 130–63 at p. 162.

<sup>59</sup> Goh, ed., *Rising China's influence*.

can achieve the goal of making American forces vulnerable, but it cannot make its own navy invulnerable. At best, China can create a zone of stalemate, a 'no man's sea' in which no navy would be safe.<sup>60</sup> This does create a new reality of vulnerability for the United States in the western Pacific, but the area is not a stepping-stone to a feasible land war for either side, and it does not pose a threat to the United States.

As the prospective damage consequent on conflict rises, presumably the likelihood of conflict—or at least of its escalation—diminishes. If, for example, we imagine a military crisis over Taiwan, China would face the risk of US involvement and the certainty of lingering US hostility as well as the alienation of neighbours and the probable militarization of Japan. The US would be faced with the unwelcome choice of either backing off from the commitment of the Taiwan Relations Act or risking significant losses. If conflict escalated along the lines of the 'air–sea battle' concept,<sup>61</sup> the United States could easily become involved in a comprehensive war with China, and the only obstacle to the war going nuclear would be China's commitment to no first use of nuclear weapons.<sup>62</sup> Neither side can be decisively eliminated without eliminating both—and probably at least some of the neighbours as well. Stopping short of the hell of Armageddon, any level of military conflict will start a long purgatory of embedded hostility.

Presumably any government on either side would find these limits sobering. When sobriety prevails, differences will be negotiated, competition will be peaceful and collaboration will be pursued for mutual benefit. Even when leaders are not fully sober, the prospect of the increasing costs of confrontation should act as a brake on escalation. To the extent that confrontation is not avoided or restrained, adding up the lose–lose outcomes afterwards should lead to more prudence in the future (assuming an outcome short of thermonuclear war). Thus interactions within the rivalry are in neither a virtuous circle of constant improvement nor a vicious circle of escalating conflict; rather, they are in a bowl in which increasing escalation raises costs and thus encourages leaders to slide back into negotiation. Moreover, the security bowl sits on the policy shelf next to the economic rice bowl, and shaking one disturbs the other. The reality of rivalry will keep the bowls lively, but the reality of limits will increasingly discourage climbing over the edge.

### *Rivalry in a post-hegemonic context*

Besides the long window of US–China parity, the second major problem with anticipating a power transition rather than sustained rivalry is that a post-hegemonic situation is fundamentally new. This is recognized, to some extent, by power transition theorists. Tammen and Kugler write: 'The United States, though the single largest military superpower, is not a global hegemon. It maintains dominance only by assembling and managing a coalition of nations with congruent

<sup>60</sup> Brooks and Wohlforth, 'The rise and fall', p. 51.

<sup>61</sup> General Norton Schwartz and Jonathan W. Greenert, 'Air–sea battle: promoting stability in an era of uncertainty', *American Interest*, 12 Feb. 2012, <http://www.the-american-interest.com/2012/02/20/air-sea-battle/>.

<sup>62</sup> White, *China choice*, pp. 71–8.

preferences.<sup>63</sup> The key word here is ‘dominance’, and that requires a dominator. While parity defines the capacity to challenge, hegemony gives it rationale: one controls, the other is controlled; one controls, the other wants to. To quote Tammen and Kugler again: ‘Global peace is maintained when there is one overwhelmingly powerful dominant country . . . The basic argument of power parity is that key contenders in the international system challenge one another for dominance when they anticipate that the prospects of overtaking the regime leader are credible.’<sup>64</sup> Hence, ‘the United States and China are locked in a long-term competition for economic primacy’, and the question deciding war or peace will be whether China considers itself a ‘satisfied nation’ in the current status quo.<sup>65</sup>

But the global financial crisis of 2008 marked a transition to an era in which globalization has created a situation of inequality but not dominance, a multinodal world rather than a multipolar one.<sup>66</sup> The diversification and overlap of each country’s significant relationships means that there are no natural camps of followers. Moreover, China’s role in global development is not that of replacement for the United States but rather that of first among the unequals of the developing world, in asymmetric parity with the US.

Uncertainty, rather than domination, is the key characteristic of international life since 2008. Each state is more exposed in its external relationships, and the connectivity revolution has amplified the public’s awareness of and anxiety about external events. The general growth in nationalist sentiment is due not to some primordial upwelling of tribal identity but rather to the greater challenge to identity and interests presented by a more pressing world. Publics tend to absolutize national interests and to demand resolution of crises, but their governments face tangled situations in which compromise is necessary and closure is impossible. Enmeshment prevents radical, clean-cut solutions, so the multinodal matrix tends to be one of noisy but stable disorder. In their attempts to reduce uncertainty, governments diversify their relationships and try to buffer their exposure by commitments to regional and global regimes.

For a third party, deciding between being in an American camp or in a Chinese camp would limit options and increase uncertainty. As the primary nodes compete for influence, smaller states enjoy increased bargaining leverage, but if one or the other primary node demands an exclusive relationship then the smaller state faces a loss of some of its current options and a new dependence on its patron. A diplomatic romance can be rewarding, but marriage is not. Even if the suitor provides enough concessions to induce commitment there is the possibility of post-nuptial remorse. Thus if one primary node demanded exclusivity from allies, the main effect would probably be self-isolation.

If the United States and China attempt a replay of the Cold War and both demand exclusive partners, the situation becomes more tense for other states. However, a decisive conflict is unlikely, and therefore it would be foolish for a

<sup>63</sup> Tammen and Kugler, ‘Power transition’, p. 36.

<sup>64</sup> Tammen and Kugler, ‘Power transition’, pp. 39–40.

<sup>65</sup> Tammen and Kugler, ‘Power transition’, pp. 45–6.

<sup>66</sup> Womack, ‘China’s future in a multi-nodal world order’, *Pacific Affairs* 87: 2, June 2014, pp. 265–84.

bystander state to guess which side might prevail and to bandwagon with that side. It would be more prudent for the bystanders to maintain neutrality to the extent possible.<sup>67</sup> Moreover, given the costs to the primary nodes of zero-sum conflict, it would be increasingly advantageous for others to expand their relationships with fellow non-primary states, who after all comprise two-thirds of the global economy. Thus if both primary nodes issue calls for camps they are likely to be unsuccessful, and the hedging of other states might reduce the general global significance of the primary nodes.

## **Conclusion: sustainable rivalry**

Black swans are not an endangered species in international affairs.<sup>68</sup> It is not likely that diplomatic interaction will be consciously steered by the empirical factors discussed here: parity, asymmetry, global context and a long era of ambiguity in mutual capabilities. Nevertheless, these are important dimensions of the global terrain; they will influence perceptions of what is feasible. Moreover, the balance of capabilities is not likely to change as rapidly as in the recent past, and the asymmetric disjunction of capabilities will persist into the indefinite future. Thus there is room for a learning curve. Rather than preparing for a Thucydidean moment of power transition, both the United States and China should think in terms of sustainable rivalry.

In a sustainable rivalry, each side maximizes its long-term absolute gain rather than its gain relative to the other. Granted, if eventual confrontation is posited then relative advantage is more important than absolute gain. In symmetric mortal combat it is smart to shoot yourself in the foot if you can shoot your opponent in both feet.<sup>69</sup> But without the premise of eventual confrontation each would want to be as well off as possible, assuming that current gain does not put at risk future welfare. In any case, if the United States and China are running different economic races each will find it difficult to trip up the other contestant, and relative gain will be determined more by its own progress than by disadvantaging the other. If a generation provides the framing for strategic thinking, then the strategic objective of each should be long-term welfare rather than victory. To the extent that cooperation can more efficiently advance the interests of both it should be encouraged. To the extent that interests are not identical, cooperation has limits. To the extent that both are arriving at asymmetric parity on different trajectories, each has a different perspective.

It might seem that prestige and face are inherently competitive, and therefore the mutual perception of rivalry will be symmetric and win-lose regardless of

<sup>67</sup> A good example of this logic from Vietnam is Dang Cam Tu, 'Regional strategic challenges and east Asia summit', *PacNet*, no. 42, 11 May 2016, <https://www.csis.org/analysis/pacnet-42-regional-strategic-challenges-and-east-asia-summit>.

<sup>68</sup> Nicolas Taleb, *Black swan*, 2nd edn (New York: Penguin, 2010). A 'black swan' is an unanticipated event capable of disrupting an expected train of development. The term itself was a 'black swan' in its day. Until the discovery of black swans in western Australia it was assumed that all swans were white, and 'black swan' was a metaphor for an impossibility.

<sup>69</sup> Symmetry counts. The calculus might be different if your opponent is a spider.

reality. But in a situation of shared global leadership the situation is more complex. To take a prominent example, the joint announcement on climate change made by Presidents Xi and Obama in November 2014 increased the global reputation of both, and it helped set the stage for their cooperative role in the successes of the United Nations Climate Change Conference held in Paris in November and December 2015.<sup>70</sup> And even competitive facemanship need not be a zero-sum matter. In 2002 China became the first non-south-east Asian state to accede to ASEAN's 1976 Treaty of Amity and Cooperation, followed immediately by India and somewhat later by Japan. In 2009 the United States became the 15th external signatory. While China's initiative could be described as a 'charm offensive', it began a race that benefited ASEAN and arguably the other contestants as well. Similarly, the long-time American leadership in global disaster relief encourages China to expand its profile in emergency assistance. Of course, national self-esteem can become a zero-sum contest to the extent that both primary nodes engage in a public face-off or measure their prestige by the diminishment of the other. While this seems to be a low-cost tactic, it is a strategic error.

In any case, the management of uncertainty through negotiation has become the primary diplomatic task of all states. The United States is and will remain the only global military power, but it is no longer the omnipotent 'hyperpower' enforcing world order. There is an instructive contrast between the 'coalition of the willing' dragged along in the invasion of Iraq and the role of the five powers involved in negotiating the joint comprehensive plan of action on nuclear weapons with Iran. The members of the 'coalition of the willing' were not significant and most were not willing. In the Iran negotiations, China, France, Germany, Russia and the United Kingdom were not only important players, but their agreement meant that if the United States backed out, American sanctions would not be effective. This coalition was both willing and able.

The world is thus beyond hegemony, but not beyond power. The general exposure of peoples to each other is greater than it has ever been. Capabilities differ, and they matter. The United States and China, in their own ways, are the most powerful states, but neither controls the world; thus there is no need for a hegemonic struggle. Together they do not control the world, but they are in the default position of leadership for addressing common challenges, including the construction of regional and global regimes based on consent rather than on imposition.

The implications of the new normal era are different for the United States and for China, and for the rest of the world. For the United States, China is a challenge, but it is not the challenger to an otherwise unproblematic American hegemony. Re-fighting the last Cold War would be a mistake, not because China is a friend, but because the context and structure of global power have changed. However, the United States remains the strongest political and military power, and it can use its advantages to exercise constructive leadership.

<sup>70</sup> 'US–China joint announcement on climate change', 12 Nov. 2014, <https://www.whitehouse.gov/the-press-office/2014/11/11/us-china-joint-announcement-climate-change>.

For China, too, a change of perspective is necessary. Because the United States was the hegemonic global power and remains the pre-eminent technological power, it appears to be the primary obstacle to China's wealth and power. But self-isolation is a greater threat than American containment. If other states see reassurance and mutual benefit in their relationships with China they will not take sides against it. If China's regional and global initiatives, such as the AIIB, are inclusive, then the United States would be foolish to oppose them.

For the rest of the world, the United States and China, individually and in their bilateral relationship, will be at the centre of world attention for the foreseeable future. They are already the primary nodes of a post-hegemonic world order. Thanks to globalization, interdependence is more vivid. But it is a post-hegemonic world order: the US and China are the biggest players, but they are not in control. Again thanks to globalization, states have choices. If China and the US compete for control, the rest will hedge against the global centre. If one tries to contain or force out the other, other states will avoid the risk of conflict and the state issuing the ultimatum will end up isolating itself. The US and China will be centre stage, but the rest of the world will vote either with their hands or with their feet.