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The United States, China and the Dispersal of Power

Baocheng Liu and Hilton L. Root

The rivalry between the United States and China will have unforeseen consequences for global stability, prosperity and governance that differ from those of the Cold War. The peculiarities of the countries' relationship and the differences in the global context make for a unique situation involving new risks. The interconnectedness of their economies and their mutual dependence on shared global systems impose a layer of complexity not found in the US–Soviet dynamic during the Cold War.

Similarities do exist. Fearful of a global realignment that is more favourable to its rival, each of the two nations is undertaking an intensifying diplomatic offensive. However, as the world economy fragments, power too will dissipate. Peripheral players will have greater freedom to improve their positions, and both superpowers will find that their diplomatic outreach costs more and achieves less. Understanding the changing structures of global networks, in which the ability of any single actor to influence linkages within the system has been greatly reduced, is vital to understanding the limitations of any grand strategy employed.

An analogy with Greek mythology is useful here. When the gods quarrelled, they frequently intervened in mortal affairs, manipulating events and influencing human lives. This interference limited the freedom of mortals to

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shape their own destinies. For example, the dispute among the goddesses Aphrodite, Hera and Athena played a significant role in the outcome of the Trojan War. When they were at odds, gods often took sides and bestowed their protection on certain individuals or groups. Those denied this advantage faced greater challenges and limitations, and fear of divine retribution could restrict the freedom of mortals. But despite the gods' influence, Greek mythology emphasised the agency and choices of mortals, who were compelled to navigate a complex world in which they had to consider both the influence of the gods and their own desires and ambitions. Mortals still had the freedom to make decisions and pursue their own goals, and they could seek to play one god against another. Certain realms were presumptively exclusive to particular deities, and intervention in these domains by other gods could produce especially harsh reactions. The key lesson for the United States and China is that although the gods were immortal, they could severely harm one another.

Today, the processes of globalisation intertwine the actions and destinies of China and the US, revealing both their limitations and their intricate relational networks. Although the global power balance is proving to be more fluid and less predictable than either nation expected, the Chinese assessment of how mutual dependencies created by globalisation would imply changes in the political, economic and technological domains have proven more accurate than the assumptions of US policymakers.

American miscalculations

US policymakers made two erroneous assumptions about interconnectedness and mutual dependence. The first was that the US could 'own' globalisation and control how it would unfold in non-Western domains. Secondly, policymakers believed that the laws of the market would prevail over thousands of years of autocracy. These misconceptions underpinned the conditions placed on China for its entry to the World Trade Organization (WTO). The West did not appreciate that, owing to its size and internal unity, China might be able to engineer the 'sinicisation' of globalisation.

Although China explicitly stated its intentions to access the global marketplace for purposes of 'self-strengthening' in the 1990s, Western intellectuals disregarded the assertion on the view that greater interconnectedness via free

trade would irresistibly put China on the path towards liberal democracy. This outlook became a load-bearing foundation of US global-development policy. Yet it marked a stark reversal of the Western thinking on US–China relations that had prevailed throughout the 1950s and 1960s. Then, as now, China opposed the American emphasis on human rights and personal welfare. But scholars such as John King Fairbank and Jonathan Spence, as well as many policymakers, considered the idea that the Chinese population could be liberated from their beliefs, values and ingrained acceptance of authoritarian centralisation unrealistic.¹

The reversal of China's economic policies during the 1980s nurtured expectations that it was on a path towards greater alignment with Western values. But the United States failed to recognise that the Chinese approach to globalisation tracked with a view popular during the late-Qing reforms in the nineteenth century known as *zhongti xiyong*, meaning 'Chinese learning for fundamentals and Western learning for practical applications', that advocated the introduction of advanced Western technology without changing the imperial system.² The official expression addressing foreign investment is *liyong waizi* – 'taking advantage of foreign investment' – which implies expediency rather than enduring commitment.³ In retrospect, it seems clear that China never intended to completely open its market for equal access by foreign enterprises, let alone to foreign ideas about governance.

Harnessing globalisation's inexorable logic

China and the United States started out with very different notions of how to approach globalisation. For the US, it was a way to showcase the welfare gains from the ideals of individualism and natural rights. For China, it was a vindication of austerity, collective effort and a philosophy of self-limitation. China consistently underlined that its cultural differences would not allow it to align its institutions with those of the West, and never intended to allow the West full access to the Chinese market and society. While conceding its deficiencies in science and technology, China has been determined to keep the locks and keys in its own hands to prevent a repeat of the forced opening that started with the Opium Wars in the mid-1800s. This constraint is evident in the slogan of the Westernization Movement (1861–95) of 'learning foreign skills for self-renewal', repurposed in Mao Zedong's 'turning foreign things

to China's service' in 1964, Deng Xiaoping's open-door policy in 1978, and now Chinese President Xi Jinping's China-centric notion of 'dual circulations' intended to separate the domestic economy from the export economy.⁴

Chinese participation in the global economy never meant the renunciation of state planning as the paradigm for economic modernisation. On the contrary, Chinese leaders continue to believe that top-down execution is essential for China to surpass the West in the growth and distribution of national wealth. To this end, the state retains ownership of all land, and leasing it for real estate and industrial development is the main revenue stream for local governments. China endorses hybrid ownership among market participants, a blend of state-owned enterprises (SOEs), foreign-invested enterprises and private enterprises.

To emphasise the socialist nature of the market economy, private firms are deemed people-operated enterprises (*minyíng qīyè*) and SOEs people-owned enterprises (*quánmín suǒyǒu qīyè*). Special Economic Zones, High-tech Development Zones and Free-trade Zones are all mechanisms for ensuring that foreign investment creates a 'bird-cage economy' that can bring in advanced technology and generate foreign-exchange earnings while remaining in a state-controlled system.⁵ Every year, China's top national-planning agency, the National Development and Reform Commission, publishes guidelines for foreign investment that specify the priorities for different sectors and regions. 'Effective state combined with efficient market' is the reigning catchphrase. This approach blends elements of state-led planning and control with market-oriented reforms. Its source can be traced back to the economic reforms initiated by Deng in the late 1970s and early 1980s, and is deeply rooted in China's unique political and ideological framework. The domains in which state and market can find their respective competitive advantages is left to the state's freewheeling interpretation.

Sinicisation of globalisation

After the fall of the Berlin Wall, Western policymakers apprehended globalisation and capitalism as parallel, interconnected processes and assumed that a more open China would acquiesce to a more privately invested, market-oriented, liberal Western standard. In theory, this would render the centrally planned Chinese model unsustainable, and the resulting adaptations would transform

China's authoritarian political regime. The US expected to be the mentor and China to be the pupil, but it was caught flat-footed when US and European manufacturing jobs vanished as China's GDP and manufacturing exports surged.⁶ Western policymakers simply hadn't anticipated how effectively China would manage the prevailing trends of competitive globalisation.

The demise of the Soviet Union as a self-reliant fortress demonstrated to China that rejecting global trade was a losing strategy. But in the Chinese political vocabulary, 'westernisation' connotes alienation, and China has never accepted the idea of global social and political norms. China also attributes the fall of the Soviet Union and other autocratic governments in part to the United States' instigation of colour revolutions and views the West's control of global media as an instrument for destabilising Chinese Communist Party (CCP) rule. At a critical inflection point in geopolitics, China decided to avoid the fate of the Soviet Union by fully participating in global value chains, but only in measured steps rather than by following prescriptions for rapid privatisation and dramatic liberalisation. Chinese economic reforms were precisely calibrated to avert ideological contamination by the West, which it viewed and continues to view as the primary threat to its national security. In fact, Chinese spokespersons have often promoted the view, diametric to the prevailing Western outlook, that globalisation will intensify divergent world views.

When Jiang Zemin, handpicked by Deng to head the CCP, made clear his commitment to join the world economy in March 1998, he also stated that China approached globalisation as an inexorable force whose stages, pathways and consequences could not be anticipated, and whose management must be determined by national interest: 'Economic globalisation is an objective trend of world economic development, from which none can escape and in which everyone has to participate.'⁷ This sentiment was widely shared in a country that had experienced a century of violent change bringing foreign merchants, diplomats and eventually armies to its shores. Jiang consistently described globalisation as 'an objective tendency independent of man's will' and as a fierce race in which building comprehensive national strength was the goal. China, he said, was determined not to allow economic globalisation to become a conduit for the proliferation of Western values and further tip the balance of power in the West's favour.⁸

China's 2001 accession to the WTO thus required deft political manoeuvring by Chinese reformers, led by Jiang. In 1997, he clarified the economic role of the state and the long-term goals of SOE reform during the 15th Party Congress, noting that, as paraphrased by Paul Heytens,

the introduction of market mechanisms (stock markets and institutions of corporate governance such as shareholders' meetings) were consistent with a socialist market economy, and the state did not have to dominate every sector or have majority ownership in every enterprise in order to maintain broad control of the economy.⁹

These changes were essential to align China with international business norms, as stipulated in the agreement, and had to be accomplished within a one-year time frame. To win over the hardliners, Jiang bargained with the WTO for concessions and transitional periods that included provisions related to tariffs, non-tariff measures and intellectual-property rights. These provisions were designed to gradually bring China's trade and economic policies in line with WTO standards. Central planning did not disappear after China joined the WTO, but was redirected to setting out pragmatic blueprints for domestic growth and preparing the population for the impending globalisation shocks. Jiang insisted that these were not harbingers of democratic-governance reforms. China was willing to accept the scientific and technological imperatives of globalisation, as well the inevitability of universal consumerism, but not the prophecy of democratic and social convergence. He repeatedly stated his belief that no one country could drive the outcome of the economic forces at work, but that an open and integrated China would constrain US hegemony and have a powerful voice in global rule-setting.¹⁰

He had his reasons. Since the 1970s, a variety of factors have prompted the massive relocation of production from the developed world to emerging economies that are open to globalisation. They include environmental and labour movements, market saturation in high-income countries, and reductions in transportation and communication costs. Abundant low-cost labour, lax environmental standards and weak unions in emerging

economies have also played a role. Firms recognised that they could compartmentalise production processes and relocate them to the most cost-competitive areas. Those who mastered the required transitions could build or join global value chains, leveraging extensive resources and financing to enhance their competitive edge. Consequently, trade flows and global payment patterns have produced changes in the product life cycle.¹¹

The global integration of China's economy followed a different logic than that of Japan's or Korea's in the 1960s and 1970s. Their industrial restructuring meant establishing entire indigenous industries such as steel production and shipbuilding. The architects of Chinese market reforms saw that the key players at the emerging stage of globalisation were the multinational corporations (MNCs) that needed and oversaw vast commodity chains or production networks. Chinese policymakers viewed China's own economic challenges within the larger context of global industrial restructuring and focused on integrating their economy into transnational production and financial structures. Thus, they permitted foreign companies to link their entire global production lines to China as a part of their international sales networks. A key part of the strategy was to draw MNCs into joint ventures with Chinese partners as a means of gaining a shortcut to capital, technology, management skills and export channels. 'Technology for market access' was China's implicit *quid pro quo*. Most MNCs were happy to swap what they considered soft assets for equity positions in joint ventures or bundle their manufacturing knowledge with equipment in packaged transactions. But the MNCs' amenability enabled Chinese companies to quickly reach competitive levels of advanced technology and brand recognition. Furthermore, local employees who had come to understand the technologies and market channels started their own enterprises, cooperating or competing with their previous MNC employers.

Reconciling Chinese ethical relativism with Western universalism

The rise of China was based on its ability to absorb Western technology without absorbing Western idealism, individualism, market liberalism or democracy. Globalisation presents nations with four basic paths: absorption, accommodation, marginalisation or alienation.

Absorption implies a full embrace of globalisation and deep integration into the global economic, political and cultural systems. This would mean adopting international norms, practices and policies, potentially at the expense of some traditional or local practices. In economic terms, it could mean fully opening up to international trade and investment, leading to a more interconnected and interdependent relationship with the global economy.

Accommodation is a more selective approach to globalisation whereby a country adopts aspects of globalisation that align with its interests and values, while maintaining more control over certain sectors or cultural aspects. This path would involve a balancing act, with the country actively participating in global trade and investment, but on its own terms. For China, this could mean engaging in global trade and cooperation but also protecting certain strategic industries or maintaining controls over capital flows and information.

Marginalisation is a risk faced by countries that fail to effectively engage with the global system. For China, this risk could arise from global shifts in trade, such as moves towards regional trade agreements from which it is excluded, or from an inability to move up the value chain in global production. This path could lead to reduced international influence, limited access to global markets, and a potential loss of economic and technological progress.

Alienation refers to a country's path of active resistance or rejection of aspects of globalisation, perhaps due to perceived threats to its political system, culture or sovereignty. This might involve retreating from international agreements, reducing participation in global markets or promoting alternative systems and alliances. It could also produce policies that limit foreign investment, restrict the flow of information or prioritise domestic considerations over international ones in policymaking. This path could lead to increased tensions with other countries and result in a more isolated and self-reliant China.

So far, China has been willing to avoid either marginalisation or alienation. Xi's belief, however, is that China has travelled far enough in the direction of accommodation and paid its admission price. Having made many concessions to global norms, China will not succumb to absorption.

Xi's aim to promote Chinese civilisation is also driven by a desire to protect China from what his tutor on Western civilisation, Wang Huning, considers to be the West's Achilles heel: the sanctity of individual rights. This, Wang believes, will make it impossible for the US to create and sustain a value-unified nation, and speed political discord and the paralysing loss of a moral core that will spell Western decline. China too, he warns, is at risk of moral crisis caused by the dramatic impact of the country's environmental, technological and material advances.¹² Thus, at the 2016 celebration of the CCP's 95th anniversary, Xi asserted a doctrine of 'four confidences' in China's path, theory, system and culture. He unambiguously advocated exploiting market economics to bolster socialism under single-party leadership while following the four principles of China's constitution of 1982: socialist road, proletarian dictatorship, CCP leadership, and Marxist–Leninist and Maoist thought. In subsequent issuances of doctrine, Xi has repeated the view that cultural values that are not shared with the West underlie China's rise.

As an alternative to the 'end of history' narrative, which asserts that Western technology and science are embedded in Western values and social norms, Xi emphasises a 'community of shared future for mankind'. This concept, rooted in the Confucian notion that 'all under heaven is one family', is a world view under which each civilisation has its own unique contribution to make to the future of humanity. As such, economic globalisation should be inclusive, fostering a balanced relationship between East and West.¹³ Conversely, though, economic globalisation will not be allowed to unshackle the Chinese population from its 3,000-year political traditions. As John Fairbank observed in 1966, some form of centralised Chinese authoritarianism is 'going to be with us for the foreseeable future and we are going to have to live with it'.¹⁴

Freedom of action in a fragmented world

China's self-strengthening has created a more complex international environment with multifaceted conflict dynamics. The most important of these are the ongoing tensions between China and the US, which have created opportunities for peripheral countries and secondary powers to redefine their strategic interests and alignments, recalibrate their foreign relations and exploit economic openings. They may foster stronger ties with their neighbours and

other regional powers to collectively manage the repercussions of great-power competition. Smaller states might forge collective-security arrangements or regional dialogues to address shared security concerns stemming from the US–China conflict. A good example is how Southeast Asia – the region most vulnerable to superpower rivalry – is strengthening its existing multinational institutions and creating new ones, from the Association of Southeast Asian Nations to the Regional Comprehensive Economic Partnership and the Comprehensive and Progressive Agreement for Trans-Pacific Partnership.

Rather than cleave sharply towards one superpower or another, some states may choose not to align completely with either while maintaining relationships with both, maximising benefits and avoiding dependency. Smaller countries might strengthen their military capabilities or form new alliances and partnerships to balance against China. Secondary powers could explore alternative supply chains and trade partnerships, or strengthen existing ties with regional powers such as India, Russia or the European Union. Some small countries can leverage their strategic locations, resources or market access to extract trade concessions or foreign aid from both China and the US. For instance, US ‘friend-shoring’ – moving supply chains to aligned nations – would give developing countries opportunities they would not enjoy if the US continued to depend mostly on China for manufactured goods.

The wrinkle is that countries like Vietnam and India have national interests that do not always align with those of the US. Peripheral powers will not necessarily stay on the United States’ side even if they are convinced that it will persist as the dominant power. The structure of the global political economy is becoming more densely connected, giving both the East and the West less leverage to exercise top-down control. Preventing China’s rise will not perforce preserve the US-led international system, nor will Beijing’s short-term goal of weakening the US automatically provide it with alternative bilateral ties. The world is pulling apart; it is not defecting to Beijing. Countries worry less about China overtaking the US and more about becoming autonomous strategic actors themselves so as to challenge the putative but weakened great powers. And as more countries gain strategic parity, each will have a greater incentive to seek the best outcome for itself, even at the expense of others and of system stability.¹⁵ Athens and Sparta believed

that the demise of one would be the triumph of the other. Instead, conflict made both weaker, and ultimately led to their decline. The tears of Athens were not the joys of Sparta.

* * *

During the Cold War, the US and the Soviet Union operated largely within different economic spheres, with minimal economic interaction and dependency. The Soviet Union was largely excluded from Western-led institutions. China and the United States are parts of a deeply integrated global financial system, with cross-border supply chains, investments, holdings and financial products. China is now a key member of international institutions such as the WTO, the International Monetary Fund and the World Bank. The United States relies on Chinese manufacturing for various goods, while China holds a substantial amount of US debt. Decoupling could trigger financial instability, affect currency values and have cascading effects on global financial markets, potentially leading to a global crisis. Even prolonged trade tensions could produce disruptions in supply chains, higher costs for consumers and producers, and reduced economic growth in China, the US and elsewhere. US–China friction can also obstruct international cooperation on global issues like climate change, public health and poverty reduction.

In Greek mythology, fate bound the gods in a mutual understanding of the limitations of their powers. Mortals too understood the boundaries of divine influence and manipulation. The binding and pervasive nature of globalisation will have an analogously complicated influence on the world's political economy, as well as the relationship between China and the United States.

Notes

- ¹ See, for example, John King Fairbank, *The United States and China* (Cambridge, MA: Harvard University Press, 1948); and Jonathan D. Spence, *To Change China: Western Advisers in China 1620–1960* (New York: Little, Brown and Co., 1969).
- ² See Junyu Shao, *Chinese Learning for Fundamental Structure, Western Learning for Practical Use? The*

- Development of Late Nineteenth Century Chinese Steam Navy Revisited*, PhD dissertation, King's College London, August 2015, https://kclpure.kcl.ac.uk/portal/files/46323975/2015_Shao_Junyu_11380711_thesis.pdf.
- ³ See Sheng Zhang, 'Protection of Foreign Investment in China: The Foreign Investment Law and the Changing Landscape', *European Business Organisation Law Review*, vol. 23, no. 4, April 2022, pp. 1,049–76.
 - ⁴ See Shin Oya, 'What China's "Dual Circulation" Strategy Means for the World', *Japan Times*, 3 November 2020, <https://www.japantimes.co.jp/opinion/2020/11/03/commentary/world-commentary/china-dual-circulation-strategy/>.
 - ⁵ The reconciliation of socialist planning with market economics was elucidated as early as 1957, by Chinese economic planner Chen Yun by way of the concept of 'cage economics': the bird of the market is free to fly, but only within the cage of planning. See David M. Bachman, *Chen Yun and the Chinese Political System* (Berkeley, CA: University of California Press, 1985), p. 152.
 - ⁶ See David H. Autor, David Dorn and Gordon H. Hanson, 'The China Shock: Learning from Labor Market Adjustment to Large Changes in Trade', National Bureau of Economic Research (NBER) Working Paper 21906, January 2016, <https://www.nber.org/papers/w21906>.
 - ⁷ Quoted in Joseph Fewsmith, 'China and the WTO: The Politics Behind the Agreement', *NBR Analysis*, vol. 10, no. 5, 1 December 1999, <https://www.nbr.org/publication/china-and-the-wto-the-politics-behind-the-agreement/>.
 - ⁸ See Thomas G. Moore, 'China and Globalization', *Asian Perspective*, vol. 23, no. 4, 1999, pp. 65–95.
 - ⁹ Paul J. Heytens, '9 State Enterprise Reforms', in Wanda Tseng and Markus Rodlauer (eds), *China: Competing in the Global Economy* (Washington DC: International Monetary Fund, 2003), pp. 124–48.
 - ¹⁰ See Permanent Mission of the People's Republic of China to the UN, 'Statement by H.E. Jiang Zemin, President of the People's Republic of China, at the Millenium Summit of the United Nations', 6 September 2000, http://un.china-mission.gov.cn/eng/zt/qiannianfenghui/200009/t20000906_8414140.htm.
 - ¹¹ The product-life-cycle theory developed by Raymond Vernon suggests that early in a product's life cycle all the parts and labour associated with that product come from the area where it was invented. After the product becomes adopted in world markets, production gradually moves away from the point of origin. In some situations, the product is imported by its original country of invention. See Charles W.L. Hill, *International Business: Competing in the Global Marketplace* (New York: McGraw Hill, 2011).
 - ¹² See, for example, N.S. Lyons, 'The Triumph and Terror of Wang Huning', *Palladium*, 11 October 2021, <https://www.palladiummag.com/2021/10/11/the-triumph-and-terror-of-wang-huning/>; and 'Wang Huning's Career Reveals Much About Political Change in China', *The Economist*, 12 February 2022, <https://www.economist.com/china/2022/02/12/wang-hunings-career-reveals-much-about-political-change-in-china>.

- ¹³ See Xi Jinping, 'Speech: Work Together to Build a Community of Shared Future for Mankind', Xinhua.net, 18 January 2017, http://www.xinhuanet.com/english/2017-01/19/c_135994707.htm.
- ¹⁴ John King Fairbank, 'Reflections on "The China Problem"', *Diplomat Magazine*, vol. 17, 1966, pp. 37–9.
- ¹⁵ On the network properties of power in international networks, see Hilton L. Root, *Network Origins of the Global Economy: East vs. West in a Complex Systems Perspective* (Cambridge: Cambridge University Press, 2020), pp. 227–52. In computing closeness (how tightly connected a node is to the network) and betweenness (the degree to which a node is a boundary-spanner) over time, both the US and China show signs of diminishing centrality, affording peripheral players more freedom.

