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The U.S.-China Balance of Power: Part IV

(Note: Due to the Presidents' Day holiday, our next WGR will be published on February 22.)

This multi-part report aims to assess the current balance of power between the U.S. and China and what that implies for how the competition may play out in the coming years. [Part I](#) gave a comprehensive overview of each side's key interests and goals. In [Part II](#), we provided a head-to-head comparison of the Chinese and U.S. armed forces. [Part III](#) compared Chinese and U.S. economic power, mostly in terms of the leverage that China and the U.S. gain from importing enormous amounts of goods and services from other countries and providing investment capital abroad. This week, in Part IV, we describe the two countries' relative diplomatic positions around the world. We'll wrap up this series two weeks from now with a deep dive into the associated opportunities and threats for U.S. investors.

Chinese Diplomatic Power

What is diplomatic power? And how does it relate to a country's economic and military power? We see "diplomacy" as the effort to advance a country's national interests by *influencing foreign governments and organizations using the tactics of communication, dialogue, or negotiations*. Those tactics can be enhanced in multiple ways. For example, as we discussed in Part III, a country can offer economic "carrots" like access to its markets or increased

foreign investment. The country can also threaten military "sticks" backed up by its armed forces, as we described in Part II (indeed, this is the idea captured by von Clausewitz's famous dictum that "War is a mere continuation of politics by other means").

The bulk of diplomatic communication probably revolves around economic or military leverage, but since we've already dealt with those sources of power in Parts II and III of this report, our approach here is to concentrate on the non-economic and non-military sources of diplomatic influence that China and the U.S. bring to bear in their foreign relations. Those sources of influence are partly institutional and bureaucratic. However, they also include "soft power," such as the countries' reputation as a force for good in the world, the attractiveness of their values and culture, and their success in managing their society.

★ **Institutional Power.** By "institutional" diplomatic power, we mean membership or leadership in international bodies and the size and quality of the country's diplomatic establishment.


- China derives enormous power at the United Nations by virtue of its seat on the UN Security Council. As one of the council's five permanent members, China has the right to veto council decisions that go against Chinese interests or the interests of its allies. In other words, it has a great degree of influence over one of the main sources of international law.

Trump administration were so keen to [hammer on China for its communist authoritarianism](#).


- All the same, China’s decades-long history of fast, stable growth has enhanced its reputation for economic competence. Its success in minimizing the damage from the coronavirus and quickly reigniting growth has given it even more bragging rights. Indeed, Chinese leaders increasingly point to its economic growth, political stability, and foreign aid programs as evidence that its system is superior to the decadent Western democracies.
- China’s economic and political successes clearly bolster its public image abroad. Just as important, China also signals to the world’s authoritarian leaders that it will stand by them. For example, after the military coup in Myanmar on February 1, the Chinese foreign ministry downplayed the crisis and [simply noted that “China is Myanmar’s friendly neighbor”](#) and wouldn’t intervene.


U.S. Diplomatic Power

As with the previous parts of this report, we assume our readers are familiar with the broad contours of U.S. diplomacy, so we won’t describe them in great detail here. We instead simply provide a summary of how the U.S. stacks up on the indicators described above for China.

 **Institutional Power.** Like China, the U.S. derives significant influence and power by virtue of its permanent seat on the UN Security Council and its longstanding leadership position in other UN agencies (before pulling back from that role in recent years). The U.S. also

has advantages based on the fact that it spearheaded the original formation of the UN and other major international institutions after World War II. For decades, the U.S. has been a major donor and key leader in organizations like the IMF and the World Bank. Working to establish these institutions, the U.S. made sure that its values, such as national sovereignty and transparency, were “baked into” their charters, so that even today these institutions symbolize those values and incentivize other countries to follow them. Finally, the U.S. has institutional diplomatic power based on its leadership in many formal alliances, like the North Atlantic Treaty Organization and the newly updated U.S.-Mexico-Canada trade agreement.

 **Diplomatic Infrastructure and Operations.** The U.S. [currently has almost 270 foreign diplomatic missions around the world](#), including embassies, consulates-general, and similar offices. Moreover, because of its multi-decade role as a global hegemon, the U.S. diplomatic service is considered highly capable and professional. The U.S. also retains many Cold War offices and capabilities that could be useful in conducting foreign policy at a time when China appears to be ascendant. For example, the [U.S. Agency for Global Media](#), housed in the State Department, still oversees an international network of broadcast stations, such as the Voice of America and Radio Free Europe/Radio Liberty, that provide news and services to people around the world.

 **“Soft Power.”** At least until recently, U.S. diplomatic power has come in large part from the moral authority it earned as one of the world’s longest lasting, most successful democracies and the largest, most advanced economy. Even before

President Reagan’s description of America as a “shining city on a hill,” the country has been an inspiration for people around the world seeking freedom, justice, prosperity, and opportunity. Although the events following the U.S. presidential election of 2020 have undermined the country’s reputation for democratic processes and the peaceful transition of power, its long history of success in those areas and its consistent calls for clean elections and democratic transitions abroad still enhance its influence in public communication, diplomacy, and international negotiations. Perhaps just as important, U.S. popular culture from rock music to social media apps remain dominant in much of the world, making the world’s public more amenable to U.S. policy positions.

Putting It All Together

To reiterate, much of a country’s diplomatic power actually derives from its economic and military strength. Access to its markets, the provision of investment capital, sanctions against using its currency, opportunities for military alliances, and threats of force are all examples of the carrots and sticks offered in diplomatic

dialogue and international negotiations. What we’re emphasizing here is that there are also aspects of diplomatic power apart from economics and armed force.

China’s rapid economic growth and political stability in recent decades have certainly given it bragging rights and a certain amount of swagger in its diplomacy, while its aggressive efforts to increase its control over global institutions have also improved its ability to influence international affairs. At the same time, China’s [longstanding authoritarianism and more recent geopolitical aggressiveness in places like the Himalaya mountains and the South China Sea have made other countries more wary of it](#). We assess that, on balance, the U.S. retains its massive advantage in diplomacy on the world stage and could even increase that advantage if it can overcome some of its internal political and economic cleavages. In Part V of this report in two weeks, we’ll summarize the overall balance of military, economic, and diplomatic power between China and the U.S. and explore the ramifications for investors.

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