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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.


- Less visibly, the Chinese government has been [aggressively extending its control over lower-level UN bodies](#). Largely by leveraging economic carrots and sticks to gain the support of other UN member countries, Beijing has been able to install Chinese representatives to lead four of the 15 specialized bodies that make up the UN system, including the International Telecommunication Union and the Food and Agriculture Organization. By pushing its own civil servants and those of its allies into positions of power at the UN, the Chinese government has been able to [stifle or deflect international criticism of its behavior](#). Going forward, it will also be able to influence global standards to its advantage in areas like air travel and telecom equipment. It will also be able to [insert its ideological perspectives into more UN communications](#).
- Outside the UN system, China has also been working to boost its heft in international relations and take advantage of the U.S. pullback from its traditional role as global hegemon. [At the World Trade Organization, China already seems to be enjoying success by winning more dispute cases](#). China has also made [headway against the U.S. and its allies in major international financial institutions like the International Monetary Fund and the World Bank](#). But it hasn't stopped at that. Rather, China has now started to create its own international institutions, which it can then dominate. A good example of this is [the Asian Infrastructure Investment Bank that China spearheaded in 2015](#).
- 🇺🇸 ***Diplomatic Infrastructure and Operations.*** China [currently has approximately 270 foreign diplomatic missions around the world](#), including embassies, consulates-general, trade offices, and the like. That means China now has the world's most extensive diplomatic presence. Just as important, some of the country's diplomats (known as the "[wolf warriors](#)") have begun to act much more aggressively in defending China's reputation and criticizing its opponents. For example, after the Australian government angered Beijing by calling for an international probe into China's role in the coronavirus pandemic in mid-2020, the wolf warriors retaliated by [tweeting fake photographs purporting to show Australian soldiers threatening to kill Afghan children](#). By late 2020, the wolf warriors were widely seen as having over-played their hand, and Beijing [reined them in](#). All the same, there is a good chance that China will remain much more aggressive diplomatically than it was in the past. China is also trying to bolster its public image in more subtle ways, [such as the controversial "Confucius Institutes" it has established to promote Chinese culture at more than 500 colleges and universities across the globe, including more than 100 in the U.S.](#)
- 🇺🇸 ***"Soft Power."*** In the realm of soft power, China continues to struggle with its reputation for heavy-handedness against pro-democracy demonstrators at Tiananmen Square in 1989, its intense [internet censorship and surveillance](#), its [repression of ethnic minorities](#), and its [anti-democratic crackdown in Hong Kong](#), not to mention its territorial aggressions in the Himalaya mountains and the South China Sea. China's reputational vulnerability was probably a key reason why anti-China hawks in the

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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