

# CHINA BALANCE SHEET

## OVERVIEW

### MEETING THE CHINA CHALLENGE

American strategy can--and must--respond to China's rise in a way that assures regional security, realizes the greatest possible economic benefit, averts worst-case outcomes from China's remarkable social transformation, and increasingly integrates the country as a partner--or at least not an active opponent--in achieving a prosperous and stable world order for future generations. All this can be done--if the United States asks the right questions, understands China's complexities, and reinforces America's strengths. *China: The Balance Sheet*, a joint publication by the Center for Strategic and International Studies and the Peterson Institute for International Economics, provides the foundation for an informed and effective response to the China challenge in four critical areas.

### DOMESTIC ECONOMY

*China: The Balance Sheet* examines the sources of China's spectacular economic growth, as well as its most troubling economic weaknesses. The book assesses whether China can continue to grow at such a pace, or whether it will overheat and collapse in the next spectacular case of failed development and financial mismanagement. (Chapter 2)

### DOMESTIC TRANSFORMATION

The book explores whether China's remarkable domestic transformation will lead to more pluralistic and even democratic forms of government, or instead to widespread upheaval and unrest. It analyzes the Chinese leadership's strategy for maintaining political control while orchestrating even greater prosperity, and addresses the implications of various outcomes for U.S. interests. (Chapter 3)

### Project Overview

*China is becoming one of the most powerful countries in the world: too big to disregard and too critical to misread. As the 21st century unfolds, the stakes have never been higher nor the need greater to get U.S. policy toward China right, and yet there is often more heat than light in the U.S. debate about China.*

*To address this pivotal issue, the Center for Strategic and International Studies (CSIS) and the Peterson Institute for International Economics have launched a joint multi-year project that brings together leading specialists to examine the key questions, uncover the pertinent facts, and analyze the dynamics underpinning China's domestic transformation and emergence as an international power--as well as its implications for the United States and the world.*

*China: The Balance Sheet, the project's initial publication, provides the public and policymakers alike with comprehensive, authoritative and accessible analysis to have an informed debate and intelligent policy response to the challenge of a rising China--the world's emerging superpower.*

*China: The Balance Sheet: What the World Needs to Know Now about the Emerging Superpower*

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## WORLD ECONOMY

*China: The Balance Sheet* explores whether China represents a major threat to American jobs, living standards, and access to energy and other vital commodities--or whether it is predominantly a beneficial driver of global economic prosperity, offering opportunities that outweigh the risks for businesses, workers, and consumers. The book assesses whether China's large holdings of U.S. financial assets endanger U.S. stability, and recommends what the United States should do to encourage China's emergence as a positive force in the global economy. (Chapter 4)

## FOREIGN AND SECURITY POLICY

The book analyzes China's foreign and security policy and explore its strategic intentions. Is China another pre-1914 or pre-1939 Germany? Imperial Japan? Soviet Russia? The book assesses whether China and the United States are destined to become enemies, or whether Beijing and Washington can realize, as they have in the past, a new strategic and mutually beneficial *modus vivendi*. (Chapter 5)

### Quick Facts

- *China's economic modernization has lifted almost 400 million citizens out of poverty since 1990, but 415 million Chinese still live on less than \$2 per day.*
- *China has one of the most open economies, but the country consistently rates as one of the most politically least free countries in the world.*
- *China is the world's fourth largest economy, but its per capita income is ranked around 100th in the world--the first "poor" global economic superpower in history.*
- *China has increased its military budget by double digits each year since 1991, but says it pursues a "path of peaceful development to greater power."*

## CONCLUSIONS: TOWARD A NEW U.S.-CHINA RELATIONSHIP

Four fundamental conclusions for U.S. policy emerge in the book (Chapter 6):

- China clearly represents both an opportunity and a threat to the U.S. in economic and security terms.
- The extent to which China becomes either a challenge or an opportunity is not predetermined and will depend greatly on the policy choices and internal dynamics of China and the U.S. in coming years.
- While U.S. influence over China should not be overstated, U.S. policy can play a role, for good or ill, in shaping the decisions China makes about its future.
- While a responsible strategic approach toward China must include preparation in U.S. domestic, foreign, and defense policies to deter and deflect Chinese actions that are contrary to U.S. interests, the United States has an overriding stake in effectively integrating China into the global economic and security systems in a way that reinforces the American people's long-term security, prosperity, and peace.