William Overholt, Harvard Kennedy School of Government

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William Overholt, Senior Research Fellow at the Harvard Kennedy School, refuted the applicability of the Thucydides Trap in U.S.-China relations. For millennia, the path to leadership dominance was military encroachment on one’s neighbors. Since World War II, prioritizing economic growth has become a more auspicious path to strategic leadership, and military technology has become too destructive to reward most traditional aggression. The U.S. and China are more than 8,000 miles apart, with no direct territorial conflict. This is a new game.

In the post-World War II period, Overholt argued countries have gained and sustained leadership by focusing primarily on economic strategy while maintaining a strong military instead of a predominantly political-military strategy. The U.S. achieved victory in the Cold War over the Soviet Union by building and supporting institutions [the Bretton Woods system based around the World Bank, International Monetary Fund (IMF) and World Trade Organization (WTO)] that created a broad network of prosperous allies and friends while the U.S.S.R. poured its resources into its military and essentially went bankrupt. Japan’s transformation from a defeated country in World War II to a major power, South Korea’s surpassing of North Korea, Indonesia’s leadership of Southeast Asia, and Germany’s leadership in Europe all resulted from their prioritizing economic development. Importantly, China’s new global leadership role is largely attributable to Chinese economic success after Deng Xiaoping imposed economic priorities while curtailing a huge military budget.

Having won the Cold War with a predominantly economic strategy, Washington D.C. allowed the institutions behind its successful strategy to atrophy. It constrained the modernization of the World Bank, IMF, and WTO, dismantled most of its aid and institution building programs, abolished the U.S. Information Agency, and gutted the State Department budget. What survived this drastic change was a vast military—not a result of a grand strategic calculation but rather of the military’s industrial lobbying network in Congress that the other institutions lacked. The U.S. military did not support the crippling of the other institutions.

China, on the other hand, learned the lessons of the Bretton Woods system and U.S. success and seeks to emulate it through its Belt and Road Initiative (BRI). Development banks, following the path of the World Bank, fund infrastructure constructions. Other institutions follow the road of the IMF and the WTO, attempting to knit the world economy together through common
standards from railroad gauges to Customs procedures. Overholt characterized the BRI as a constructive theft of U.S. intellectual property. He said that the BRI is still evolving so quickly that one cannot forecast its outcome, but China is playing the right game, the post-World War II game, whereas the U.S. has no coherent strategy for the new game.

On the territorial dispute in the South China Sea, Overholt characterized China’s behavior as predatory and destabilizing, but clarified that China’s behavior is not fundamentally different from what some U.S. allies did before, for example, building islands out of rocks near Japan. He advised the U.S. not to break its even-handed approach to regional territorial disputes and not to provoke Chinese sensitivity for their national security through persistent U.S. surveillance near China’s borders.

He deemed that the U.S. needs China’s cooperation to meet the world’s pressing challenges, including environmental degradation and climate change. Sino-American economic dynamism has, for the first time in human history, created a global surplus of basic goods like clothing. China’s economic success has positive spillover effects as well. As China moved up on the production value chain, some garment and textile productions moved out of China to Bangladesh, where many young women from the countryside found new a livelihood in industrialization. Stabilization of countries like Bangladesh and Ethiopia potentially saves trillions of dollars in future U.S. military costs.

Looking to the future, Overholt affirmed that China’s growth will slow down but did not anticipate its economy to collapse. Since the U.S. cannot change or dominate China and China cannot dominate the U.S., the two powers must co-exist or otherwise risk nuclear war. He rejected the idea that the existence of a big power with a different system inherently creates an overwhelming security threat to the U.S. Overholt assuaged some Americans’ fear of China becoming a hegemon by pointing out that China does not try to impose its own system onto others and, unlike Russia, does not attempt to destabilize democracies.