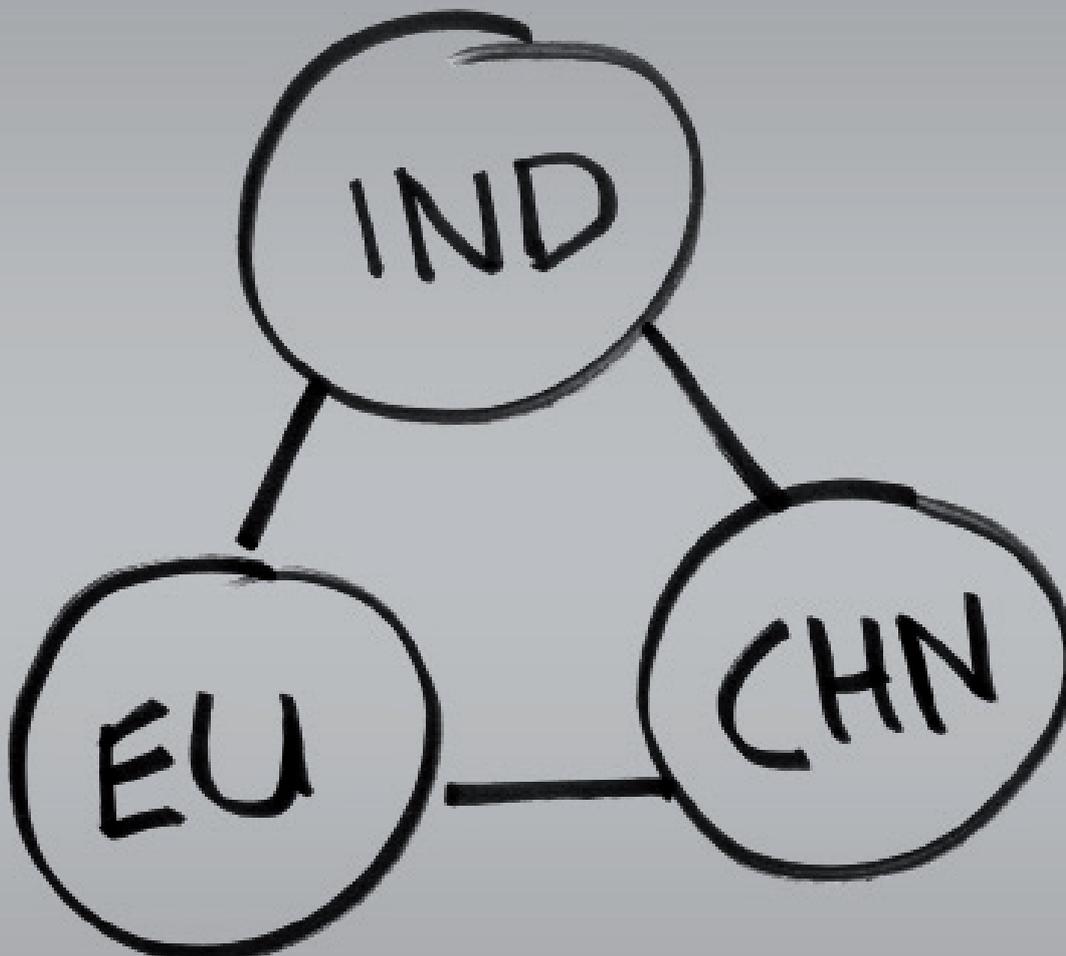


# POWER CYCLE THEORY RECONSIDERED

Is China going to destabilize the Global Order?

Sarah Hülser

NFG Working Paper No. 6/2013



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Layout and Design: David Neubauer

Hülser, Sarah, 2013: Power Cycle Theory Reconsidered: Is China going to destabilize the Global Order?  
NFG Working Paper Series, No. 06, July 2013, NFG Research Group „Asian Perceptions of the EU“, Freie Universität Berlin.

ISSN (Print) 2194-184x

ISSN (Internet) 2194-1858

This publication has been funded by the Federal Ministry of Education and Research.

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# POWER CYCLE THEORY RECONSIDERED

## Is China going to destabilize the Global Order?

Sarah Hülser

### Abstract

Based on the power cycle theory this paper assesses the theory's explanatory power for China's international rise, shifts in international power relations as well as the stability of the international system. First, the paper explores whether Lahneman's finding from 2003 of a "metastable" world is still valid today and which role China plays for this stability. Secondly, the paper discusses recent extensions to power cycle theory. Based on this discussion, the paper argues that these extensions do not properly account for the interaction of domestic and foreign policy but that a supra-national as well as a sub-national level of analysis should be incorporated into power cycle theory. Although all global actors must accommodate to new power relations, the world no longer appears "metastable" or destabilized by China's rise when these new power determinants are included in the assessment.

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### Key Words

China's Rise, Power Cycle Theory, Concepts of power, global public goals, domestic-international dynamics

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## List of Abbreviations

CCP	Chinese Communist Party
EU	European Union
GDP	Gross Domestic Product
PCT	Power Cycle Theory
PPP	Purchasing Power Parity
PRC	People's Republic of China
SCO	Shanghai Cooperation Organization
SIPRI	Stockholm International Peace Research Institute
US	United States of America

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## 1. Introduction

The rise of China<sup>1</sup> in the economic sphere and increasingly also in political institutions has fueled discussions in the West and among China's neighbors about where China might be heading. In general, there seems to be consent among Western as well as Chinese academics that the world order has moved from bi- to multipolarity. Especially in the 21<sup>st</sup> century, this development can be seen in the context of a power shift from the Atlantic to the Pacific, from west to east and from industrialized countries to emerging markets. The questions which approach China will take towards international institutions, which goals it will pursue and which stand it will take towards cross-border issues and international threats are all closely intertwined. Underlying all these questions is the notion of power. China's rise originally began with an increase in economic power and now step by step expands into political spheres. The demand for more participation in international institutions such as the IMF is only one example for this tendency<sup>2</sup>. Thus, the question arises which state holds how much power in which sphere because only with sufficient power a state will be able to pursue its interest.

The power cycle theory (PCT) by Doran<sup>3</sup> is often drawn upon to predict the future development of the international power distribution as it proves well to explain power trajectories observed in the past two centuries. 'Power cycle' in this context means the "cycle of power and foreign policy role"<sup>4</sup>. The theory especially focuses on explaining the outbreak of war as it identifies war as the result of changed threat perceptions<sup>5</sup>. According to Lahneman, the world in 2003 was only "metastable" from the American point of view, because China could potentially realign its actual power and its attributed role on the international stage and thereby challenge the US hegemonic position<sup>6</sup>. Kissane<sup>7</sup> has broadened this original concept to account for modern economies and has reassessed China's future development. Based on this 'new' power cycle theory, he predicts that China will overtake the US in 2014. In contrast, Doran himself analyzed China's ascendance under the auspices of the PCT and predicted that even though there will be important changes in the distribution of power among the major international players, there will not be an immediate risk of war or open confrontation between China and the US because China still benefits from the US-led international system. Thus,

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1 China is used as equivalent for the PRC.

2 Singh (2012, March 29<sup>th</sup>).

3 Doran (2000).

4 Doran (2000).

5 See Section 2 for a detailed explanation of the connection between war and changing power structures.

6 Lahneman (2003).

7 Kissane (2005a).

according to Doran the international system is stable for the time being. Central to and uncontested by all these positions is the notion that China has increasingly more influence in international affairs. However, the question arises where these different assessments of future developments stem from and which role the PCT plays in predicting China's future path.

The study at hand will take the original PCT and its components of power suggested by Lahneman as starting point to analyze China's current and possible future position in the international system. Lahneman's findings from 2003 will be reconsidered for their validity today; subsequently PCT-extensions by Kissane as well as new aspects brought up by Doran provide the input as to how the original PCT can be adjusted to analyze modern power distribution. However, these extensions do not, in my view, reach far enough to account for the elements influencing a nation's power. Especially two features of the modern, globalized international community will be at the center of the discussion: First, the interaction of internal factors and foreign policy determinants and second the role of global issues such as environmental protection, energy supply or terrorism. So far, foreign policy has been considered detached from domestic circumstances and policies in the framework of PCT. This paper, however, argues that these two domains of policy making are closely intertwined and that therefore, foreign policy, a nation's own power perception as well as its power exertion can only be analyzed when domestic factors are taken into account as well. With this argument, the paper at hand takes the PCT one step above and one below the original analysis level by arguing that sub-national as well as supra-national factors may significantly influence power. Assessing future prospects for China's development while taking into account internal factors may yield different predictions about its future power trajectory.

The remainder of the paper is organized as follows: Section 2 presents the original power cycle theory and its four central pillars -- namely a nation's ascribed role, its declaratory role, its operations power and its structural power -- as well as its implications for role-power misalignments. Section 3 presents a reassessment of Lahneman's findings for today. Section 4 presents and discusses extensions to the original PCT brought forward by Kissane and Doran. Section 5 discusses the importance of domestic issues for a nation's international policy role as well as the role international issues play in shaping international power distribution as further extensions to the PCT. Section 6 concludes.

## 2. The Power Cycle Theory (PCT)

The Power Cycle Theory states that “a principle cause of major war lies in the dynamic of state capability and role”<sup>8</sup>. As this statement already shows, the original PCT is concerned with nation states as main actors on the international stage. Each state has a share of the total power in the system and any increase in power in one state will, as in any zero-sum game, necessarily lead to a decrease in another state’s power. This hints at the second feature already: The PCT aims at explaining foreign and not domestic policy. More specifically, it aims at explaining a state’s foreign policy and power position in relation to other nations. Thus, power is measured in relative not in absolute terms. In the framework of the PCT, power is considered to have four dimensions namely its ascribed role, its declaratory role, its operational power and its structural power<sup>9</sup>. Each dimension is calculated as global share for each state. Total power is then obtained as equally weighted average of these factors. Over time, a power cycle curve plots a nation’s power trajectory and allows predictions about its future development. PCT has particularly often been used to analyze the incidence of war. Along the power trajectory, a state passes through various critical points. These are the peak and trough of the cycle, but also the inflection points where relative power growth or decline slow down. It is at these points that states feel most insecure and thus are most likely to wage war because a country that conceives others as increasingly dangerous to its own interests, security and position in the international system is more likely to wage war to defend its position and interests<sup>10</sup>. Thus, changes in power structure - or its perception - are closely linked to the occurrence of war. However, war is not the necessary result. The collapse of the former Soviet Union is the best example<sup>11</sup>. Chui argues, that passage of critical points much rather increases the probability of alliances among nations as they feel the need to stabilize the international environment<sup>12</sup>. This result, he suggests might be due to the fact that the decision to join an alliance may be much easier to reach than the decision to engage in war. With his results Chui also supports PCT as the passage through critical points increases the need for security and stability which in turn indicates that these phases are associated with higher instability and security threats. In the following each of the power determinants as applied by Lahneman will be presented.

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8 Doran (1971).

9 Lahneman (2003).

10 Tessman (2004).

11 Doran (2012).

12 Chui (2003).

## 2.1 The Ascribed Role

The ascribed power indicates a nation's reputation and other nation's perceptions of this state as well as of its behavior. This also includes, for example, whether this state's prestige and council are valued internationally. However, an ascribed role can only evolve, when other states can observe a state's actions and accept its ascribed role. If the US had not been accepted as world leader after World War II, this role would not have been ascribed to it. In order to incorporate the ascribed role into the model, Lahneman reviewed FBIS<sup>13</sup> documents with regard to how frequent the word "foreign policy" was used and how often any term concerning the US was mentioned.<sup>14</sup>

## 2.2 Declaratory Role

In contrast, to the ascribed role, the declaratory role describes how a state wants to be seen by others and which role it sees for itself in the international environment. However, according to Lahneman the declaratory role is also reactive in the sense that it is mainly set by, for example, a state's first reaction to changes in the roles of other actors. Thus, the declaratory role becomes apparent via the state's focus of foreign policy and its declared goals. The more coherent this self-drawn picture is the easier it becomes for other nations to predict the state's behavior and decision in international affairs. In his study, Lahneman reviewed speeches, addresses and press releases of the US government in order to detect whether partnership or leadership was emphasized more and how this emphasis evolved over time.

## 2.3 Operational Power

As the declaratory role - and the ascribed role -- are ideational, whether it is credible depends on the hard power of a state and thus on whether or not a state can actually implement its pursuits and its foreign policy. Thus, operational power determines whether and if yes, to which degree, a country can influence international decisions. This power concept includes military power, a state's geography, the skill of its diplomats and the ability of intelligence services to correctly evaluate other nation's capabilities and intentions. As military power is the most expensive foreign policy tool, it can be considered the most important one for operational power. Therefore, Lahneman uses military spending to proxy a country's operational power and finds for the US that it increased since the end of the cold war but has decreased relative to the operational

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<sup>13</sup> The Foreign Broadcast Information Service (FBIS). In 2005 it was incorporated into the Open Source Center and it observes and translates foreign media news.

<sup>14</sup> Lahneman (2003).

power of its allies as they increased their military spending and thus their military capabilities.

## 2.4 Structural Power

Structural power determines a country's economic capacity which is the foundation for any form of power display. Also, a country's long-term growth prospects play an important role for its structural power because if a country was following an unsustainable growth path, its economic strength would sooner or later collapse. According to Lahneman, aligning a state's role concepts with its structural power implies that resources are allocated optimally to domestic and foreign policy goals. In order to measure structural power, Lahneman uses nominal exchange rate-based as well as purchasing power parity adjusted GDP as the latter takes better into account a country's productivity and its people's actual wealth.

While the first two elements are ideational and can be attributed to constructivism, the last two elements are rather realist in the sense that they mirror hard power concepts. In this regard, PCT combines elements from two main schools of thought in political science. If, according to these four elements, a state's role and its power are aligned, it presents a credible, coherent foreign policy towards other international players and on the international stage it indicates a dynamic equilibrium as states neither over- or underestimate their own roles or power nor are they being over- or underestimated<sup>15</sup>. Thereby, international stability is enhanced as other nations may fairly well predict a state's behavior or decisions. However, if a state's role and its power are not in equilibrium, there exists a misalignment or a gap. The following discussion will focus on the situation in which states with increasing power have too little of an ascribed role. This is the situation Lahneman attests to China. He considers this situation "metastable" because China already has the structural and operational power necessary to credibly demand a stronger declaratory role. In doing that, however, China will automatically challenge other states' power and mainly the leading position of the US.

## 3. Reassessment of Lahneman's Findings for China Today

With regard to China's ascribed role, one could argue that China is ascribed an increasingly important role in international politics. Examples for these demands is the North Korean peninsula where China was asked to act as kind of spokesman which the international community perceived to be heard by the North Korean regime<sup>16</sup>. Since

<sup>15</sup> Doran (2000).

<sup>16</sup> See Nanto (2010) and Bajoria (2010).

China provides North Korea with food, oil and arms, it has fairly strong leverage over the North Korean government. As much as these shipments may contribute to maintain the current dictatorship in North Korea, it also enables China to threaten the North Korean system by stopping its support. In the case of Myanmar, China has been asked by ASEAN<sup>17</sup> countries to enhance reform in Myanmar prior to the 2010 elections<sup>18</sup>. Due to their close economic ties, China was perceived to have more leverage in Myanmar than other international actors. Also, as global economic and financial imbalances prevail, China is called upon to bear part of the adjustment burden. The most prominent example is the frequent demand for China to appreciate its (allegedly) undervalued currency<sup>19</sup>. These examples are certainly not comprehensive but representative as they show that China is increasingly engaged in international issues and considered an important global player by other nations. China's permanent seat in the UN Security Council is only further proof of its importance. Hence, in terms of power elements, China has a more important and continuously growing ascribed role.

As for the declaratory role, the phrase coming to one's mind immediately is China's continuous declaration of its "peaceful rise". Thereby, China wants to eradicate fears of neighbors and the international community at large that it might aim at geographical expansion, might pursue its interests with force if necessary and that it will respect other state's sovereignty<sup>20</sup>. With this aim, China claims a rather defensive and modest role in foreign politics as it seems to be mainly focused on its internal development. When looking at statements by Chinese government officials, spokesmen with regard to international affairs, China continues this rather humble approach. For example, in the case of Syria, it justified its veto among other reasons because the "Syrian question should be resolved by the Syrian people"<sup>21</sup>. This statement can be interpreted as result of the Chinese non-intervention policy. However, a stable and secure global environment is of vital interest for China to pursue its developmental goals. Thus, according to its accounts, China stands ready to support peace missions in the Arab world and elsewhere. It supports, for example, the peace plan put forward by Kofi Annan for Syria but refrains from military interventions. Hence, one can draw the conclusion that China on the one hand is ascribed an increasingly important role by other states but that it does not claim that role for itself (yet). Hence, in terms of PCT, there exists a role-role misalignment.

In contrast to this modest picture from the analysis of role, China's operational power

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17 Association of Southeast Asian Nations (ASEAN).

18 Budiarto (2009).

19 Chan (2010).

20 Zheng (2005).

21 Bradsher (2012), also the following.

seems to have increased immensely over the past years as total military spending rose sharply (see figure 1).

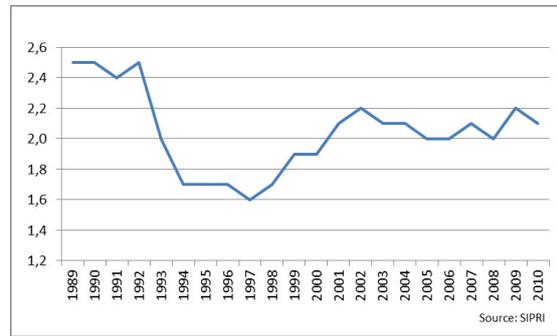
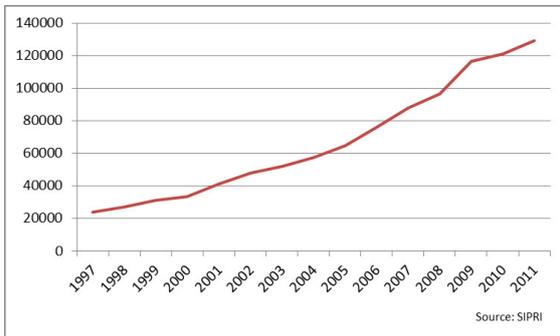


FIGURE 1 (China's Military Spending in \$US (mil))

FIGURE 2 (China's Military Spending as % of GDP)

This increase has caused the international community to carefully eye Chinese military activities and has triggered many discussions about possible use of this newly created military power. Especially strategically important improvements such as the submarine program and new air crafts have drawn much attention and indicate that China is closing the military technology gap to Western powers<sup>22</sup>. In the framework of the PCT, this increased military spending indicates a stronger operational power. This can be interpreted as being in line with the previous finding of a larger ascribed role as other states respond to the growing operational power by ascribing China a larger foreign policy role. However, if considered relative to GDP, military spending is in line with its historical mean (see figure 2) and when comparing China's military spending with that of other major military powers, it does neither seem frightening in total nor in relative terms (see figure 3 and figure 4).

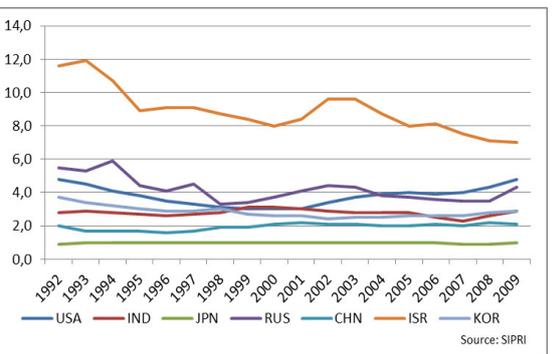
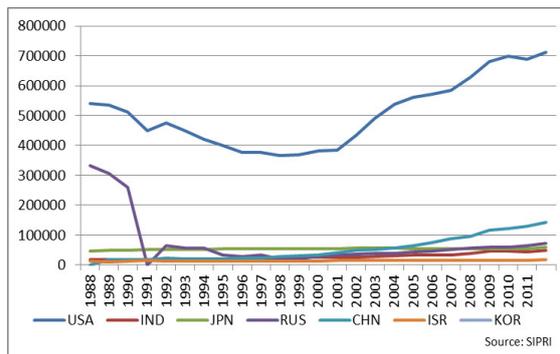


FIGURE 3 (Total Military Spending in \$US (mil))

FIGURE 4 (Military Spending as % of GDP)

22 International Institute for Strategic Studies (2011).

Contrary to the absolute results, this relative spending rather complies with China's moderate declaratory role and suggests that China may increase its military spending but that therein it stays within the range of other military powers and in good company with other major Asian powers such as Korea. Even though military spending increases in absolute terms, one could argue that other players in the power system do not need to feel threatened because GDP and military spending grow with approximately the same rate. However, the disputes in the South China Sea and the ongoing struggles with India and Pakistan prove that especially Asian nations do feel threatened by China's military rise. Even though the US is involved in the disputes in South East Asia, they are not directly affected in geographical terms. The American feel of unease about China's rise must thus stem mainly from other sources -- the economic rise. This leads to Lahneman's fourth indicator: structural power.

In terms of structural power, recent numbers of China's GDP show that in nominal as well as in purchasing-power adjusted terms China has realized considerable achievements since its reform and opening at the end of the 1970s (see figure 5 and figure 6).

However, in comparison with other countries, the result is similar to that from military

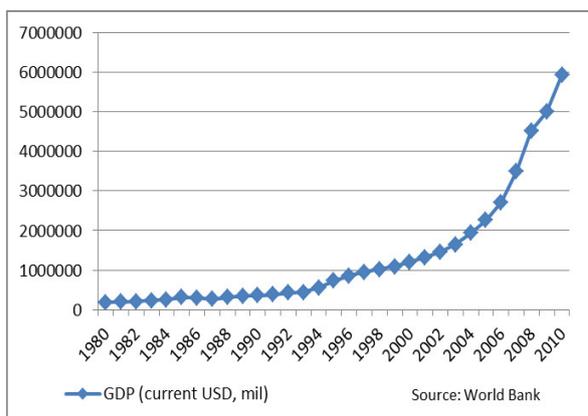


FIGURE 5 (China's nominal GDP)

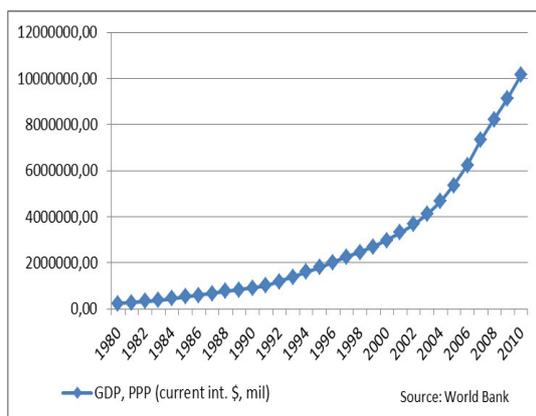


FIGURE 6 (China's PPP-adjusted GDP)

spending because China still has to go a considerably long way until it reaches the level of the US. Figure 7 shows that particularly in terms of per capita GDP, China still ranks far below other industrialized countries such as the US, Germany or Japan. When adjusting GDP for purchasing power, China actually ranks second only to the US and the measure is increasing (see figure 8).

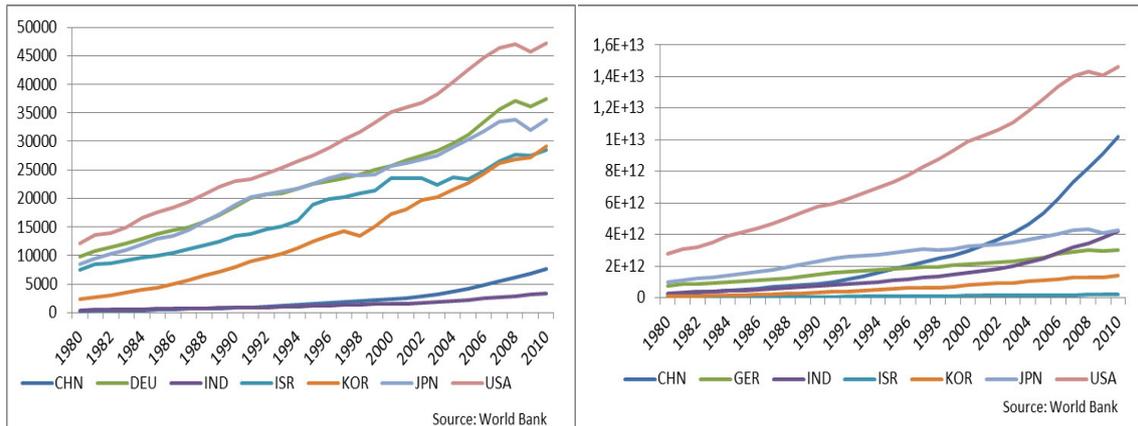


FIGURE 7 (GDP per capita in current international \$)      FIGURE 8 (PPP-adjusted GDP in current international \$)

This could be interpreted as “threat” to the American position as world’s richest economy. For the analysis of power cycles, however, GDP can only be a proxy for economic performance, especially since the financial sector becomes more and more important for the international position of an economy. Taking the results from these four power elements together, one can conclude that China does not seem to be on the brink of taking over global leadership but that it certainly has to be considered rising. Hence, Lahneman’s assessment of a “metastable” global situation does only seem to hold in the sense that China is catching up, but not in the sense that global leadership in economic and military terms is about to be taken over by China in the near future. Lahneman argues that China could and would threaten the American position as soon as it would declare itself a larger foreign policy role. The numbers above, however, do not support this view as only in the case of PPP-adjusted GDP does China seem to come close to the US position. As Doran indicates, China will in the course of its rise face limitations of the power system which will slow its relative power growth<sup>23</sup>. That will be the point when it will show whether the “metastability” detected by Lahneman might actually be stable. As China’s rise is considered to go along with a declining international position of the US, two major players will pass through critical points simultaneously. But as China’s main ‘opponent’ in terms of relative power is not the US but rather other rising states such as India, possible conflict escalations are more likely to be expected among rising states and not between China and the US<sup>24</sup>. The following will, starting from the broadened concept of PCT, discuss prospects of such conflict escalation.

<sup>23</sup> Doran (2012).

<sup>24</sup> Doran (2012).

#### 4. Extensions to the original PCT

Kissane broadened this original PCT in several respects. From the technical point of view, he measures the power indicators on a yearly basis instead of only every five years in order to accurately mirror global developments. More importantly, he introduces “globally significant non-state actors, such as the European Union” as actors in the power system and balances military and economic capability measurements<sup>25</sup>.

Including the EU as an important player has gained importance over the past decade and will, given that the European states manage to solve the current Euro crisis, also play a key role in the future for several reasons. Exposure and interdependence between Asia and Europe have intensified over the past years. Firstly, while China is one of Europe’s largest trading partners, East Asia in general receives much foreign direct investment from the EU<sup>26</sup>. Hence, any economic turbulence in Asia will have direct socio-economic welfare effects on Europe and vice versa. The fact that China is actively engaged in stabilizing the Eurozone by buying up Greek government bonds and investing in the Eurozone<sup>27</sup> shows that the stability of Europe must be of crucial interest for China in order to prevent its exports markets from collapsing. Even though critics might argue that China reorganizes its economic structure, tries to boost domestic demand and to thereby reduce export dependency, this process takes a long time and even once it is completed, China will still depend on export markets for its products. Feng emphasizes that China, despite its growing technological capabilities, is still dependent on European money and technological transfer<sup>28</sup>. Casarini also argues that resolving global challenges such as the Sino-American trade imbalance will not be possible without the EU<sup>29</sup>. Therefore, when analyzing China’s future role in global politics it seems very reasonable to include all of its major trading partners as actors in the PCT.

Secondly, the EU and China have already established cooperation in various fields such as illegal migration as well as annual summits since 1998.<sup>30</sup> There certainly is broad scope for future cooperation in new fields such as the future global monetary order and the revaluation of the Chinese Yuan because, despite its current challenges and doomed outlook, the EU has achieved unprecedented regional integration and therefore may assist other regions in integration negotiations. From the Chinese side, there is a strong interest in a stable international environment in order to maintain its economic growth;

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25 Kissane (2005a).

26 Casarini (2011a).

27 Casarini (2011b).

28 Feng (2008).

29 Casarini (2011).

30 Godement (2008).

hence China backs the European calls for reform of the international financial system that have arisen since the global financial crisis<sup>31</sup>. Godement suggests that fields as proliferation, development aid to Africa or the effectiveness of UN resolutions may provide further cooperation opportunities<sup>32</sup>. Especially in the light of China's interest to balance US influence it may consider the EU an even more important partner and enhance their strategic partnership. While the first argument in favor of increasing importance of the EU was based on economic ties, this second argument rather has its origins in the political realm. Including non-state actors accounts for the fact that especially in the past three decades many regional organizations have been established that are increasingly perceived as important global actors.

Kissane's second innovation to PCT was to balance military and economic power elements. As especially after the collapse of the Soviet Union military power decreased while economic power gained importance, weighing these two parts equally seems only reasonable. Hence, Kissane includes military expenditure, military personnel and military expenditure per soldier for the military capability and iron and steel production, energy consumption and urban population as percentage of the total population as proxies for the economic capability<sup>33</sup>.

With these adjustments to the original PCT, Kissane predicts China's power to be on par with the US in 2014<sup>34</sup> and that China will overtake the US as predominant international actor in 2015<sup>35</sup>. As his approach balances military and economic power, he states, "it may not even be possible to claim that US military dominance will continue". When translating this assessment back into Lahneman's categories, it implies that China has the operational and structural power to take on a more important foreign policy role. Also, it implies that China demands this new role and thereby aligns its declaratory role with its structural and operational power. Eventually, this will lead to a change in China's ascribed role as the other nations will realize and accept - according to Kissane they do not have any other choice - China's new foreign policy role. Such a structural change, however, can only take place if the other states accept and adjust to the new power distribution and whether the currently most powerful states, i.e. the US, will consent to diminishing their power uncontested is more than doubtful. Thus, as is predicted by PCT, China as well as the US and other major powers will face critical points in their power trajectory. Such a scenario carries a higher probability for the outbreak of war

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<sup>31</sup> Noesselt (2012).

<sup>32</sup> Godement (2008).

<sup>33</sup> Kissane (2005).

<sup>34</sup> Kissane (2008a).

<sup>35</sup> Kissane (2005a).

than normal times do. Hence, if one follows Kissane's prediction, a war between China and the US may be likely.

In his most recent analysis of China Doran, however, predicts that just that will not happen in the near future<sup>36</sup>. Boundaries of the power system, he argues, will force China to have a much slower relative power growth in the upcoming years which will be due to the fact that no state is immune against structural change of the power system. Historically, all rising states have faced the inflection point when their relative power growth begins to slow down. Therefore, China will not continue to realize the power growth from the past decades<sup>37</sup>. His second argument that the increasing power of a rising state has to be acknowledged by other states to actually change the existing power distribution is in line with PCT as it implies that the declaratory and the ascribed role of a state are aligned.

One very important change in the newer approaches to China with the PCT is to include India among the major global powers<sup>38</sup>. Looking back, Kumar notes that China's rise in relative power in the 1960s was only possible at the expense of India<sup>39</sup>. With regard to the future, Doran argues that the power struggle of these two nations will shape future world politics as they may increasingly challenge each other's power. China's support of Pakistan is the most prominent example. The fact that both countries display similar features of rising states as suggested by PCT - namely rising GDP per capita, rising military spending and increasing urbanization rates - they also have crucial differences such as their population structure and economic orientation. These assessments show that China's rise is not thinkable without India. Including India and the EU as important global actors accounts for the changed power distribution especially in the past decades.

Another broadly discussed issue with regard to 'modernizing' the PCT is the role of soft power. As noticed by many scholars such as Keohane and Nye, Tessman and Chan<sup>40</sup> as well as Kissane, soft power seems to play an increasingly important role - especially since the information revolution. Keohane and Nye observe that with the spreading of information technology, material hard power becomes less important but that soft power gains prominence<sup>41</sup>. The problem that soft power is very hard to measure is the reason it has not been incorporated into PCT so far. As the PCT and its predictive power rest on the measurement of power elements, it would require soft power to be framed in

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36 Doran (2012).

37 This view is also backed from the economic point of view. See Mueller (2009) and Dixon (2011).

38 See for example Kumar (2003) and Doran (2012).

39 Kumar (2003).

40 Tessman (2004).

41 Keohane (1998).

one or several measurable indicators in order to take it into account for the role-power alignment. As finding an appropriate measure for soft power is beyond the scope of this paper, it still raises the question of measurability of power elements. With regard to the necessity of making assumptions in order to predict a power trajectory, it still seems striking why all authors who have applied PCT measures in order to predict any countries future foreign policy role, all authors have assumed constant coefficients for the single power elements. A very good example why such an assumption is problematic is the use of coal and steel production as proxy for national income. As important as these sectors may have been for many powerful economies in the past, they are certainly no longer an appropriate proxy for national income as they include neither services nor financial transactions. Kissane discusses this issue at quite some length but comes to the conclusion to stick with coal and steel production because PCT requires data over long periods of time. However, as econometric analysis well allows for time-varying elements, most likely lead to more accurate predictions could be obtained when allowing for time-varying coefficients. Steel and coal production would most likely have fairly large coefficients in the 19<sup>th</sup> and early 20<sup>th</sup> century but lost importance towards the end of the 20<sup>th</sup> century. The coefficients of other power elements, for example GDP per capita, very likely have become larger in the past decades. For China, especially military spending would probably be weighted much stronger in recent years compared to the beginning of the 20<sup>th</sup> century. As PCT calculates shares for each power element relative to the total power of this element in the whole system, not including time-varying effects may lead to over- or underestimation of a country's power. The Chinese GDP has increased rapidly since the reform and opening policies in 1978, thus it should be awarded a higher weight than the GDP in 1900. An average from these two would underestimate the economic power element of China and would thus lead to understated predictions about the Chinese power trajectory.

Kissane's prediction that there will be power-parity between China and the US in 2014<sup>42</sup> and that China will overtake the US in 2015 as leading power implies, according to PCT, that China will declare a stronger foreign policy role while the US have passed the peak of their power. When also taking Doran's assessment into account that China will face a slower relative power growth in the future, both nations, the US and China, will be facing a critical point in their power trajectory and are thus more likely to engage in war than in normal times. However, as the graphs in the previous chapter show, China has not reached that point yet as it is well below the US level of military spending and per capita GDP. Consideration of new aspects to include in PCT will further underline the argument that China is very unlikely to acquire global hegemony in the upcoming years.

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42 Kissane (2008a).

## 5. Further extensions to PCT

Additional to the extensions made so far, two more determinants, namely sub-national as well as supra-national factors, significantly influence a country's foreign policy role and its power in the international system.

As indicated in the opening chapter, PCT aims at assessing and predicting foreign policy, not domestic policy. However, it seems unrealistic to assume that domestic and foreign policy are completely detached from each other. Much rather, domestic circumstances are likely to influence foreign policy and with that the four power and role elements identified by PCT. In the case of China, the demographic development as well as the growing regional disparity are two factors that will most certainly among the most important factors influencing future Chinese politics. The argument here is that Chinese leaders cannot act on the international stage without taking domestic developments into account. Opponents to this view might argue that China is not democratically governed and thus the Chinese government does not need to pay attention to the people's needs but may exploit the population to finance its international policies. Some others may argue that foreign policy is often used to trump domestic policy in the sense that foreign policy successes are heavily emphasized in order to divert attention from unsolved domestic issues. Even though this might work in the short-term, a government will have much trouble maintaining domestic public support despite disregarding domestic problems. Even if a government is not subject to electoral terms and is not dependent on electoral support, it is in one way or the other dependent on public support; otherwise public order and social unrest might result.

The Chinese government's legitimacy is strongly based on economic performance and continued economic growth. Along with that comes an implicit promise to increase the living standards of the broad population. Even though the Chinese government has achieved unprecedented results in this respect by lifting 440 million Chinese out of poverty<sup>43</sup>, there are still considerable and growing income inequalities between the coastal and landlocked areas. In order to guarantee future economic growth, the Chinese government also has to take into account the increasing dependency ratio. These issues are only two of the most prominent and pressing domestic challenges for the Chinese government in the upcoming future. Furthermore, there are the continuing separatist movements in Tibet and Xinjiang as well as challenges by inefficient state-owned enterprises and a corrupt bureaucracy<sup>44</sup>. These issues point to the rising threat of social instability within China. Shirk has identified exactly social stability as the crucial factor

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43 The Economist (Jan 28, 2012). Measured by the World Bank's poverty line of 1\$ per day.

44 Forte (2000).

to understand Chinese policy making<sup>45</sup>. The crucial difference to democratic regimes, according to Shirk, is that the survival of the Chinese regime and not only an upcoming election depends on successful domestic policies. This in turn implies that domestic considerations will always have greater weight for Chinese leaders than foreign relations as long as it is faced with daily reports on violent protests. On the international level, this manifests itself in what is widely referred to as China's grand strategy in foreign policy and what some call the doctrine of Deng Xiaoping: Keep a low profile and bide your time<sup>46</sup>. Despite the difficulty of predicting future Chinese foreign policy, Fravel points out that analyzing the latest report on policy suggestions for the new Chinese leadership under Xi Jinping shows that only about 10% of the report addressed foreign policy while the remainder was devoted to domestic policy issues<sup>47</sup>.

Coping with all of the above mentioned issues -- demographics, a widening income inequality, ethnic riots to name only a few -- is crucial to continuous future economic growth and will demand quite a large amount of financial, personnel and material resources to be dealt with. Hence, when pursuing its international interests, the Chinese government cannot ignore these challenges in order not to undermine its own legitimacy but must rather align its foreign interest to the domestic challenges. As an example one could point to a certain necessity in the balance of military to social spending. If China was to disproportionately increase its military spending but disregard social demands for education and, increasingly, for social security, the growing disparities will lead to social unrest. Thus, domestic policies will be the main driving force of Chinese foreign policy and, following from that, Chinese foreign policy will be 'bounded' by domestic policy. Hence, sub-national elements should be included to the power factors in PCT. In order to include such factors to PCT they are, as discussed above, subject to measurability. An example for such a factor would be the GINI index as measurement of national income inequality. The GINI index is defined between one and zero, with a value of 0 indicating a perfectly equal distribution and a value of 1 indicating a perfectly unequal distribution. As this measurement is commonly used and available for the major states, it could well be incorporated into the power elements entering the PCT.

The second extension to the original PCT regards international issues and each state's engagement therein. Cross-border issues such as terrorism, ensuring energy supply and environmental issues increasingly demand states to cooperate because no state can solve these issues on its own. As Pawlak argues, even though the US and China cannot tackle these issues among the two of them, there is no solution whatsoever without

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45 Shirk (2007), p.9 ff.

46 Chen (2011).

47 Fravel (2012).

these two states<sup>48</sup>. Hence, there exists an increasing number of issues that inherently demand cooperation of several states in order to reach a solution. This constraint has crucial implications for the realist elements in the PCT as a state can no longer merely pursue its own interest in a devil-may-care attitude. Instead, new interdependencies -- not just in economic but also in political terms -- arise in the sense that a state may give its consent to an international agreement or mission because it needs international support on another issue. Here, the “trade” of support originally familiar from inter-party talks in a democracy is carried to the international level. As for the incorporation of such supra-national elements to PCT, one could for example include a measure for engagement in international organizations or the number of international agreements signed. Additionally, it might be useful to include a measure for how ‘foreign-oriented’ a country is. For that, one could take a similar approach as Lahneman to obtain a relative measure of domestic to foreign policy: He counted how often the phrase “foreign policy” was used in government documents to determine a country’s ascribed role. Counting, for instance, the occurrence of these two phrases in government documents, speeches and press releases and then calculating a ratio would provide such a measure. An alternative, if also more complicated to quantify, would be measuring whether domestic or foreign policy receive higher emphasis from the central government. This could also be determined by searching government documents for these expressions. However, such emphasis might be formulated indirectly which would render this measure rather unrepresentative and subject to politicians’ formulations. Therefore, including the first measure suggested here seems more practicable and is hence recommended.

In terms of PCT elements, such a measure could be attributed to structural power as well as to ideational elements. If, for example, a trade agreement is signed, it may positively influence the state’s economic power. Hence, states that have signed more agreements would tend to have a higher structural power. However, one could also argue that by signing international agreements, for example joining the Shanghai Cooperation Organization (SCO), countries indicate that they are willing to take on responsibility on the international level. As they are enrolled in the decision making process within the institution, they will tend to have a stronger declaratory role. Depending on how much a state’s council is valued within the cooperation, signing such an agreement may also bring along a stronger ascribed role. This shows that it is fairly difficult to exclusively attribute the new measures into Lahneman’s four categories. But is that really problematic? Kissane’s argument that the factors entering PCT should be balanced in order to prevent overemphasizing military strength seems very reasonable. However, all new elements for PCT suggested here are attributed to either ideational elements

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48 Pawlak (2011).

or to structural power such that Kissane's worry that there might be too much of a bias towards military strength can be no longer sustained.

By including the sub-national and the supra-national elements to PCT, one may be better equipped to properly assess future power trajectories. In the case of China, domestic constraints such as its aging society, demographic challenges such as the excess surplus of males over females, ever increasing rural-urban and east-west disparities as well as separatist movements will contribute to the future foreign policy of the Chinese government. In order to minimize social unrest stemming from distribution inequality, the Chinese government must provide energy, water and food supply for the large share of the population. Disregarding certain segments or regions will backfire and lead to higher domestic instability. This in turn would undermine the CCP's legitimacy and maybe even threaten its rule. The connection to foreign policy is most obvious in China's trade relations. As it is still highly dependent on exports in order to provide employment for its population and to generate income from which to finance the import of new technology, the Chinese government cannot act freely in its negotiations with the US or Europe but must much rather make concessions itself in order to receive new or continued access to foreign markets. Thus, it cannot unilaterally push through its own ideas but must, as Godement argues, learn to accommodate to mutual concession making<sup>49</sup>. Due to these observations, it seems unlikely that a China-dominated future global scenario as predicted by Kissane will emerge. Lahneman's finding of metastability is in so far correct as that the US and Europe will also have to accommodate to a new power distribution as China.

However, following from the arguments presented here it does not seem likely that China will unilaterally challenge the US position but will much rather have to deal with its domestic issues first. This conclusion can be contributed to the liberal faction of political scientists who argue that globalization and growing economic interdependence will strengthen cooperation.<sup>50</sup> It is also in line with Chinese research which predicts that while power will shift towards Asian nations, existing great powers will continue to play a central role in global politics and will continue to be key shapers of the international system. Chen describes exactly this behavior when he predicts China to follow a "soft balancing" strategy towards the US and the international system in general.<sup>51</sup>

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49 Godement (2008).

50 Noesselt (2012), also the following.

51 Chen (2005).

## 6. Conclusion

Taking Lahneman's application of Power Cycle Theory to China as a starting point, this paper assessed the validity of Lahneman's findings today and discussed the extensions to PCT brought forward by Kissane and Doran in light of their meaning for China. All power elements proposed before disregard the domestic situation of a country as well as the international dimension. However, domestic circumstances and international agreements may, and most likely do, strongly influence foreign policy. Hence, this paper argues that sub-national and supra-national elements should be included into PCT. Suggestions for these measurements are given and also discussed with regard to their applicability. Testing these elements empirically would contribute much to the understanding of determinants of foreign policy and thus, the power trajectory. The discussion of the 'old' as well as the new power measures introduced here suggests that Lahneman's finding that China may challenge the US global leadership by simply declaring a stronger foreign policy role cannot be confirmed. Hence, even though all actors involved must accommodate to new power distribution, the current situation does not appear "metastable" in Lahneman's sense.

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