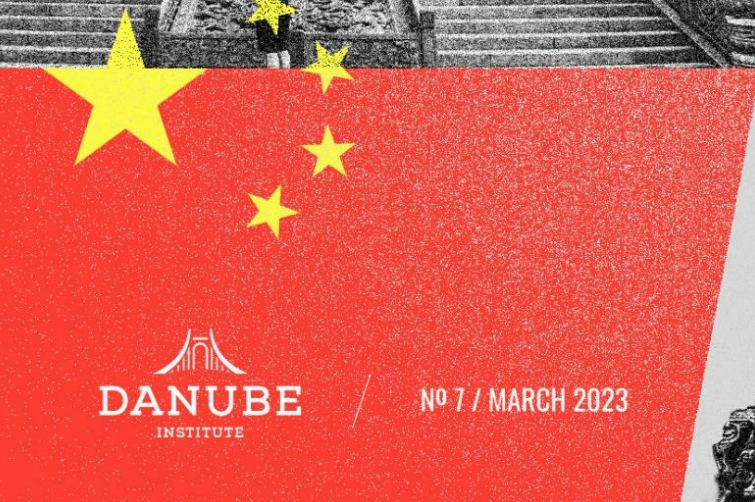
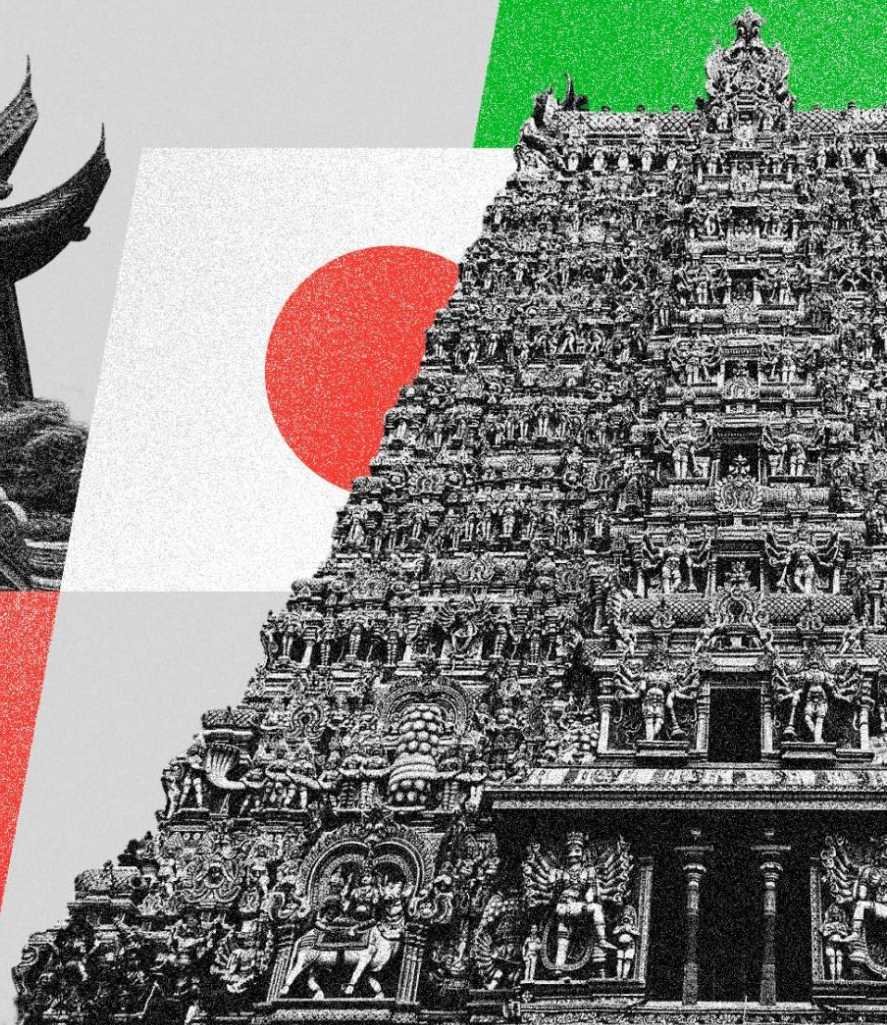


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HAS CHINA'S POWER REACHED ITS ZENITH?
THE EXTENT OF CHINA'S POWER RELATIVE TO ASIA

CSABA BARNABÁS HORVÁTH



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No 3 Has China's power reached its
zenith? The extent of China's power
relative to Asia

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This paper attempts to take an overview of the issue of how extensive China's economic and demographic weight is relative to the strategic landscape of Asia. To do so, we attempt to define which Asian countries form a group band wagoning with China (including China itself), and those countries which fall into a group of rivals that seek to balance China's rise. Using several different metrics, we compare the two groups according to demographic and economic factors. What we discover suggests that China's power relative to Asia has already peaked, and will soon be in relative decline compared to the entirety of the Asia-Pacific and Indo-Pacific.

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Introduction

The following paper attempts to take an overview of the issue of how extensive China's economic and demographic weight is relative to the strategic landscape of Asia. To do so, we attempt to define which Asian countries band wagon with China (including China itself), and which countries fall into a group of rivals that seeks to balance China's rise. Using different metrics, we compare the two groups according to demographic and economic factors. What we discover suggests that China's power relative to Asia has already peaked, and could soon be in relative decline compared to the entirety of the Indo-Pacific and Asia-Pacific.

Northeast Asia

Alignment is perhaps clearest regarding countries that have mutual defense agreements with either the US or China. The US has bilateral agreements with Japan, South Korea, and the Philippines, and with Australia and New Zealand through the ANZUS treaty. China, due to its policy of not engaging in military alliances, has such an agreement with one single country only- North Korea.

These agreements, however, define alignment in Northeast Asia, by putting North Korea in the Chinese camp, and Japan, and South Korea in the US camp. Taiwan, via the Taiwan Relations Act (1979), is also pretty clearly US-leaning, especially under DPP (Democratic Progressive Party) governments. Japan, Taiwan, and the Philippines also form the well-known First Island Chain, cutting off coastal China from the open ocean, and representing a capability to deprive the Chinese navy of access to the Pacific, as well as the potential to block maritime imports to China. This cold war pattern of alignment in Northeast Asia has proved to be surprisingly resilient.

During the heyday of triangular diplomacy during the 1980s, and after that, lasting well into the 1990s as well, there was a significant détente in Sino-Japanese relations. So much was this the case that in his famous, *The Clash of Civilizations* (1996) Samuel P. Huntington envisaged a prospective scenario for a Sino-US war in the 2010s, where Japan opts for neutrality.¹

By 2023, however, Huntington's scenario seems most unlikely given Japan's increasingly assertive stance towards China and as a result, increasingly close US ties. In the early 2000s South Korea, too practiced détente and South Korean public opinion viewed China more favorably than Japan, and at times even more favourably, than the US.² At this time, many envisaged a scenario, where China consented to one Korea unification dominated by the South with the condition that a unified Korea would be neutral. However, since 2015, relations between

China and South Korea have also gradually deteriorated along with South Korean public opinion.³ Regarding Taiwan, there was notable détente when it was Hu Jintao who led the PRC and President Ma from the KMT represented Taiwan. Relations deteriorated dramatically after Xi Jinping assumed the leadership of China, and Tsai Ing-wen (coming from the pro-independence DPP) that of Taiwan. To sum up, the pattern that we can see is that the assertive turn in China's foreign policy under president Xi alienated Japan, South Korea, and Taiwan, annulled the détente of the 1990s and early 2000s, and solidified the positions of Japan, South Korea, and Taiwan as US allies a balance not seen to be this rigid since the Cold War.

India and Pakistan

Post-colonial Sino-Indian relations led to a border war in 1962, and despite periods of détente, have remained, by and large, difficult ever since. India's post-independence relations with China were notably naïve. This culminated in a lesson that determines the geostrategic environment of India up until today. The British Raj had built a geostrategic buffer zone around itself, that mostly disintegrated with the partition of India and Pakistan, but its last piece was lost when China annexed Tibet in the 1950s. Naively, the Congress Party government of Nehru approved the annexation that, eventually, led to a border war with China in 1962. It placed India in a much worse geostrategic position than it would have been if Tibet still existed as a buffer state between the two. While the British Raj included Pakistan and Bangladesh alongside contemporary India, its buffer zone consisted of three buffer states around it: Afghanistan in the northwest, where Britain focused on keeping the Russians out during the Anglo-Afghan wars, Burma in the east, that became a British colony, and Tibet in the north which, according to the Simla convention (1914), also formed a buffer state against China. The Indo-Pakistani partition in 1947 completely cut India's strategic access to Afghanistan and greatly hampered its links with Burma. Instead of the mountains of Afghanistan and Burma forming India's strategic frontiers, the plains of Punjab and Bengal were now well inside the Subcontinent. Tibet in the north under the Dalai Lama on the other hand, still constituted a sparsely populated, mountainous strategic buffer against China, with a width of several hundreds of kilometers. At the turn of the 1940s and 1950s, however, Nehru's government viewed China through the lens of an idealized anti-colonialist, third-world, Bandung spirit and didn't raise objections when, after their victory in the Chinese civil war, Chinese communist troops marched into Tibet.

The result, however, was not the Sino-Indian brotherhood that Nehru anticipated. In 1962, only a mere 3 years after 1959, when the Dalai Lama went into exile, China started a border war along the former Indo-Tibetan, now Sino-Indian border, defined by the British Raj and Tibet in the Simla convention in 1914, but never recognized by China. This section of the border has been disputed by China ever since, with border incidents occurring periodically up until today. There remained no second line of natural defense for India behind the main range of the Himalayas, as those directly descend into the Ganges Plains, the demographic and agricultural heartland of India. Thus due to Nehru's naivety in the 1950s, India has to deal with China from a much less advantageous strategic position. To further complicate the situation, China and Pakistan began a de facto alliance against India as early as 1962. This made India's strategic environment even more disadvantageous, whilst increasingly cementing Pakistan's position as China's de facto ally, as it can depend on no other major power against India as reliably, as China, because the latter also has its direct border dispute with India.⁴ From 1963 until the end of the Cold War, India relied on the Soviet Union as its key ally against China, especially during the era of triangular diplomacy in the 1970s and 1980s when the Sino-US de facto alliance encouraged hostile relations between the Soviets and China. After the end of the cold war, with the Sino-US rivalry and Sino-Russian rapprochement on the rise, India gradually replaced Russia with the USA as its key ally against China. This culminated in the formation of the Quadrilateral Security Dialogue in 2007, where India formed an alliance with the US, Japan, and Australia. While the Quad was initially dissolved in 2008, it was re-established again in 2017, and has been active ever since.⁵ Strategic cooperation has seen growing bilateral ties between the four countries. As part of this, India also built strong bilateral ties with Japan, China's other Asian arch-rival, and in 2014, the two countries upgraded their bilateral relations to a "Special Strategic and Global Partnership".⁶ In 2021, the Quad Plus was formed, where South Korea, Vietnam, and New Zealand joined the Quad.

Of course, India shares membership with China in the BRICS (Brazil, Russia, India, China South Africa) economic arrangement. But the fact that despite this, India refused to join the Belt and Road Initiative, and, in 2020, restricted Chinese investments in the country, and even banned several Chinese apps.⁷ This shows that despite BRICS, even economic cooperation is pretty much limited between China and India. In economic terms, this makes India more hawkish towards China, than several EU member states.

Southeast Asia

Regarding Southeast Asia, it is somewhat difficult to categorize countries into pro-China, and anti-China groups. It has been a consistent strategy of ASEAN (Association of South East Asian States) member states to avoid having to choose between China and the US (or between China and India, and China and Japan for that matter). We will nevertheless try to distinguish ASEAN member states into three categories: China-leaning, Quad-leaning, and non-aligned.

ASEAN member states hedge. They seek to avoid having to openly choose between China and the Quad, therefore most of them have a multitude of agreements with China and all Quad countries as well. Agreements cover all kinds of issues from military to free trade cooperation. The sole exception is perhaps the US-Philippines Mutual Defense Agreement, the only mutual defense agreement, that any ASEAN country has with any other state, which makes the Philippines a US ally. These countries fall into three groups, based on three factors: the extent of Chinese FDI, relative to the size of their economies, the inflow of Chinese, or Quad-related military equipment relative to their total arms imports, and their stance on the South China sea debate, the main security issue involving China and the ASEAN member state countries.

Regarding supplies of military equipment, between 1999-2019, Cambodia received 45,2% of its imports in military equipment from China, while Myanmar received 44,2%, and Laos 37% from China, and, combined with deliveries from Russia, and its ally Serbia, the number gets to well over 50% in all three. In Thailand and Indonesia, the Chinese share is 11% and 4,8% respectively, but the share of the US and its allies is well over 50%. In the rest of the ASEAN member states, the Chinese share is well below 1%.⁸

	Chinese share in imported military equipment 1999-2019 ⁹
Cambodia	45,20%
Myanmar	44,20%
Laos	37%
Thailand	11%
Indonesia	4,80%
Malaysia	0,10%
Brunei	0%

Singapore	0%
Vietnam	0%
Philippines	0%

Regarding Chinese FDI, we rank countries according to the share of Chinese FDI in their GDP from 2013, the date the Belt and Road initiative started, to 2022, combining data from China Global Investment Tracker regarding Chinese FDI,¹⁰ and data from the October 2022 assessment of the IMF regarding GDP.¹¹ As we can see, Chinese FDI is the highest in Laos, Cambodia, and Brunei, medium in Singapore, Myanmar, and Malaysia, and low in Indonesia, Vietnam, the Philippines, and Thailand. It is striking to see that throughout this period, Chinese FDI inflow constituted close to 8% of the GDP of Laos.

	cumulative Chinese FDI 2013-2022 (billion USD) ¹²	cumulative GDP 2013-2022 (billion USD) ¹³	Share
Laos	12,85	162,858	7,89%
Cambodia	6,25	223,78	2,79%
Brunei	3,44	143,162	2,40%
Singapore	32,57	3510,829	0,93%
Myanmar	3,56	649,516	0,55%
Malaysia	18,67	3462,671	0,54%
Indonesia	29,97	10317,07	0,29%
Vietnam	7,92	2965,542	0,27%
Philippines	5,25	3416,105	0,15%
Thailand	4,78	4689,883	0,10%

Regarding the South China Sea debate, Indonesia, the Philippines, and Vietnam represent a hard stance, as they are direct participants in the dispute, and have a lot at stake. The rest of the ASEAN countries assume a softer stance.¹⁴ While earlier Indonesia was not as assertive on the matter as the Philippines and Vietnam, the premiership of Joko Widodo brought a change. Jokowi announced a plan to make Indonesia a maritime power,¹⁵ in 2016 he held a cabinet meeting on a warship off the coast of the Natuna islands in the South China Sea, sending a strong message to China,¹⁶ and in 2023 Indonesia and Vietnam reached an agreement on the limit of their exclusive economic zones, excluding Chinese claims.¹⁷ Cambodia, by

contrast, even refused to join the ASEAN's joint declaration on the matter in 2012 and 2016,¹⁸ Laos rejected the ruling of the International Court in The Hague that ruled against China, thus by doing so, implicitly supported China,¹⁹ while Brunei also assumed an appeasing stance.²⁰

To sum up all three factors, we get the categorization below:

	Share of Chinese FDI in GDP 2013-2022	Chinese share in imports of military equipment	stance in the South China Sea dispute	conclusion
Brunei	high	low	soft	unaligned
Cambodia	high	high	soft	China-leaning
Indonesia	low	medium	hard	Quad-leaning
Laos	high	high	soft	China-leaning
Malaysia	medium	low	soft	unaligned
Myanmar	medium	high	soft	China-leaning
Philippines	low	low	hard	Quad-leaning
Singapore	medium	low	soft	unaligned
Thailand	low	medium	soft	unaligned
Vietnam	low	low	hard	Quad-leaning

The result of these metrics is in accordance with historical trends and geopolitical patterns in the region that are well established. For Myanmar, the pariah state of ASEAN, China represents its only reliable ally, especially since the military coup of 2021. For Cambodia and Laos, having spent most of their modern and early modern history as the buffer zone between Thailand and Vietnam, a deal with China that contains these two may still be the lesser evil, akin to the treaties that they made with the French back in the 19th century. The Philippines and Vietnam, on the other hand, are active participants in the South China Sea dispute. The Philippines is the ASEAN country having the closest historical and cultural ties with the United States, and the identity of Vietnam, despite its Confucian cultural kinship with China, was formed by a history of successfully resisting Chinese invasions. Indonesia as the most populous Muslim-majority country on the planet, also with strong cultural links to India as well, has the power base to aspire to the status of a regional power on its own, and relatively few cultural ties with China compared to the rest of ASEAN.

South Asia beyond India and Pakistan

In South Asia, while India is a member of the Quad, and also in a “Special Strategic and Global Partnership” with Japan, Pakistan is a de facto ally of China. Regarding the rest of the SAARC member states we can observe the following:

Bangladesh, Bhutan, and Nepal are seen as India's allies. Bangladesh gained its independence in 1971 from Pakistan through Indian military intervention, while Bhutan and Nepal function as India's allies along the Himalayas in its conflict with China. Bhutan's alliance with India against China seems to be firm. Bangladesh and Nepal, on the other hand, can also be seen as hedging, as they both have built relations with China while maintaining good relations with India. In the case of Bangladesh, relations with China started to blossom after the military coups of 1975,²¹ while in the case of Nepal, relations improved after the fall of the monarchy in 2008. Since then, both countries maintain amicable relations with both China and India simultaneously. Both participate in the Belt and Road Initiative, Bangladesh also conducts a joint development project in Chittagong with China, while in Nepal, the Maoist party pursued a pro-Chinese policy,²² but both countries also maintained amicable relations with India.

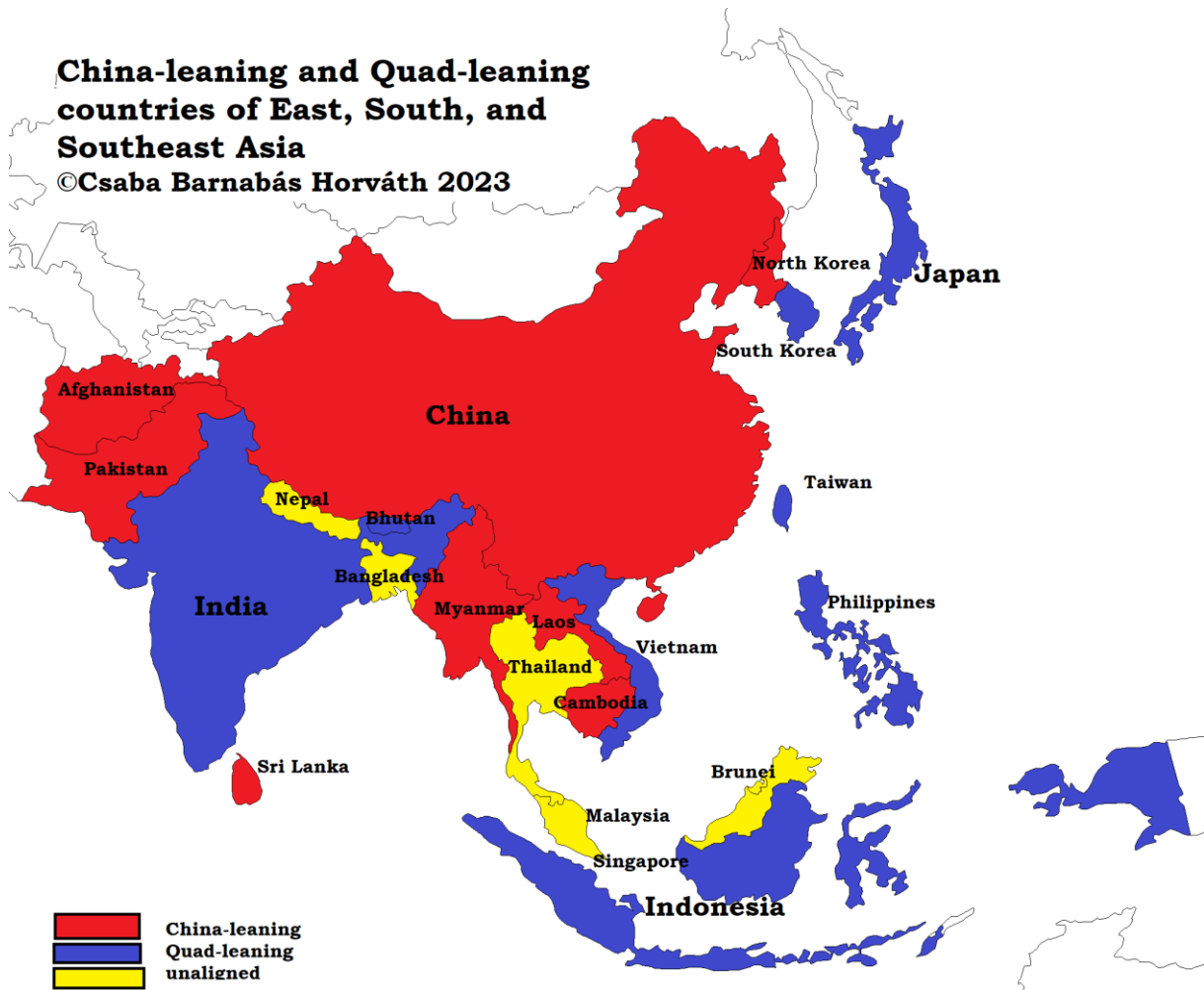
In Afghanistan, the Taliban have strong ties with Pakistan²³ and given their de facto alliance, it is not surprising, that relations between China and Taliban-lead Afghanistan have developed amicably, culminating in an oil deal in January 2023, the first such agreement that the Taliban reached with a foreign firm since they came to power.²⁴ Given the otherwise isolated status of the Taliban, these relations with Pakistan and China put them in the China camp.

Sri Lanka, due to its close cooperation with China, its participation in the Belt and Road Initiative, and its naval agreements with China, also falls into the China-aligned group.^{25,26} However as Sri Lanka also maintains close relations with India, this could change in the future.

The small island nation of the Maldives can also mostly be categorized as unaligned. It receives significant investment from both China and India. While the opposition parties, the People's National Congress, and the Progressive Party of the Maldives started an India out campaign in 2020, the campaign was banned by President Ibrahim Solih in 2022.²⁷

Mapping alignments

By categorizing, East Asian, Southeast Asian, (defined by membership of ASEAN), and South Asian (defined by membership of SAARC) nations as either China-leaning, China-rival, or unaligned hedgers, we arrive at the following map:



China and China-leaning:

- China
- Afghanistan
- Cambodia
- Laos
- North Korea
- Myanmar
- Pakistan
- Sri Lanka

China rival:

- Bhutan
- India
- Indonesia
- South Korea
- Japan
- Philippines
- Taiwan
- Vietnam

Unaligned:

- Bangladesh
- Brunei
- Malaysia
- Maldives
- Nepal
- Singapore
- Thailand

This strikingly coincides with the area defined as the sphere of influence of “a Regionally Dominant Greater China” as defined by Zbigniew Brzezinski in 1997 in his book “The Grand Chessboard”.²⁸

Measuring the two camps

What does this all mean in terms of China dominance in Asia? It is difficult to measure the relative weight of countries, but in order to do so we apply two useful universal metrics: GDP and population to measure the relative weight of China, its allies, and China-leaning nations, versus potential rival groupings. For demographic data and forecasts, we use data published by the United Nations Population Division, while for GDP data and forecasting we use the long-term forecast by Goldman Sachs published in 2022 that covers a period until 2075.²⁹ It is perhaps the most recently published long-term forecast, already taking into account factors such as the Russian invasion of Ukraine, the economic slowdown in China, and the impact of the Covid-19 pandemic. Regarding alignment, we view present systems of alignment. Of course, we cannot know, if this may change in the future. In the 1990s, Huntington posited that by the 2010s Russia would align with the West, while Japan, South Korea, and Taiwan would turn to a policy of appeasement regarding Greater China.

As we now know, what happened falsified Huntington's prospective scenario. Brzezinski, by contrast, seems to have been more prescient regarding the sphere of influence of “a Regionally Dominant Greater China”. Despite becoming the global player it is now, the expansion of China's hegemony seems to have stopped at its current contested level, instead of reaching the much broader zone that Brzezinski defined as the sphere of influence of a “Greater China as a Global power”, that would have included Taiwan, all of Korea, and all member states of ASEAN as well.³⁰ This demonstrates how difficult it is to predict the course of international alignment, but the best we can do is still to apply the present categories.

First, in the demographic case, using data from the United Nations Population Division forecast of 2022,³¹ we can see the combined population of the China-balancing countries of Asia is already larger than the combined population of China and China-band wagoning countries and will continue to grow even larger. 2023 is the year when India's population will surpass that of China, and also the year when China's population starts to decline.

population (in millions) ³²	2023	2030	2040	2050	2075
China	1426	1416	1378	1313	1029
Afghanistan	42	50	62	74	99
Cambodia	17	18	19	20	21
Laos	8	8	9	10	10
Korea/North	26	27	26	26	23
Myanmar	55	57	59	60	58
Pakistan	240	275	323	368	453
Sri Lanka	22	22	22	22	19
China and allies combined	1836	1873	1898	1893	1712
Bhutan	1	1	1	1	1
India	1429	1515	1612	1670	1676
Indonesia	278	292	308	317	316
Japan	123	119	111	104	86
Korea/South	52	51	49	46	34
Philippines	117	129	145	158	178
Taiwan	24	24	24	23	18
Vietnam	99	103	106	107	101
China rival Asia combined	2123	2234	2356	2426	2410

Regarding GDP, we can compare China to several groups of competitors. First, we can see how China's GDP performs relative to the most significant coalition of its competitors, the Quad:

GDP (nominal) in trillion USD ³³	2000	2010	2020	2030	2040	2050	2075
China	1,8	7,4	15,5	24,5	34,1	41,9	57
US	15,6	18,5	21,8	27	32	37,2	51,5
Japan	7,5	7,1	5,2	4,4	5,2	6	7,5
India	0,7	2,1	2,8	6,6	13,2	22,2	52,5
Australia	0,6	1,5	1,4	1,8	2,3	2,8	4,3
Quad combined	24,4	29,2	31,2	39,8	52,7	68,2	115,8
China/Quad ratio	7,38%	25,34%	49,68%	61,56%	64,71%	61,44%	49,22%

Here we can identify four main trends: First, China alone will not be able to surpass the combined economic weight of the Quad. Second, -out of the round years dated by Goldman Sachs- China's relative weight compared to the Quad will peak in 2040, and decline from then on. Fourth, among all these economies, India is

predicted to have the fastest growth rate, and by 2040, its economy will reach a size close to half of either the US or China, gradually turning the Quad into a partnership of the US and India as two increasingly equal great power instead of simply a US-dominated coalition. Fourth, as the peak ratio relative to the Quad is 64,71%, and the 61,71% predicted for 2030 is more than 90% of that. This means that 90% of that peak will already be reached in the current decade of the 2020s. This means that China's economy will not only never exceed that of the Quad combined but also won't get much stronger relative to the Quad than it already is currently. While in contrast to that, the weight of China's economy relative to the Quad doubled throughout the decade of the 2010s. Thus it seems that the period of the dramatic expansion of Chinese economic power relative to the Quad is already past.

In a further table, we can also compare China with the China-rival countries in Asia. As the forecast of Goldman Sachs lists not all countries of the world, but only a selected circle of major economies, we can only list those on both sides. Out of the China-aligning countries, this limited circle only contains Pakistan (which is indeed the largest economy in the pro-China camp, and probably indeed the only one that can be listed among major economies) while on the other side only India, Indonesia, Japan, South Korea, and the Philippines, are included whilst excluding Taiwan and Vietnam. Comparing these two groups, we get the following results:

GDP (nominal), trillion USD ³⁴	2000	2010	2020	2030	2040	2050	2075
China	1,8	7,4	15,5	24,5	34,1	41,9	57
Pakistan	0,1	0,2	0,3	0,6	1,6	3,3	12,3
China and Pakistan combined	1,9	7,6	15,8	25,1	35,7	45,2	69,3
Japan	7,5	7,1	5,2	4,4	5,2	6	7,5
India	0,7	2,1	2,8	6,6	13,2	22,2	52,5
Indonesia	0,3	0,9	1,1	2,2	4	6,3	13,7
South Korea	0,9	1,4	1,7	2	2,6	3,1	3,4
Philippines	0,1	0,3	0,4	0,7	1,4	2,5	6,6
China rival Asian countries combined	9,5	11,8	11,2	15,9	26,4	40,1	83,7
China-Pakistan duo/China rival Asia ratio	20,00%	64,41 %	141,07 %	157,86 %	135,23 %	112,72 %	82,80 %

Comparing this with the table of the demographics of the China-aligned and China-balancing halves of Asia, we can see that while, in terms of population, China-balancing Asia is already slightly larger than the pro-China group, in terms of economy, the pro-China group is roughly one and a half times larger than China-balancing Asia, due to the fact that much of the major China-rival Asian countries, such as India, Indonesia, and the Philippines are less developed than China. On the other hand, comparing this table with the Quad table, we can see, that the economic weight of the China-led group will peak earlier compared to China-balancing Asia, than compared with the Quad. While according to Goldman Sachs, China's economy will peak relative to the Quad only in 2040, the economic weight of the China-aligned group relative to China-balancing Asia is predicted to peak already in 2030. And as the 2020 ratio of 141,07% is already above 90% of the 157,86% peak ratio of 2030, this means that 90% of that ratio had already been reached in the decade of the 2010s. India's rise is also a key factor in this development, but so too is that of Indonesia. As we can see, by 2030, the size of Indonesia's economy will reach half that of Japan, thus gradually becoming a player in the region increasingly equal in strength to Japan. This means that it is even more likely that China's economic weight relative to Asia will not get much larger than it already is now, and that the period of rapid expansion of Chinese power in Asia is already over. To sum up, the 2030s will see the decline of China's economic power relative to Asia, and even before then, it won't get significantly stronger than it already is now.

As we see in the previous two tables, the growth of the China-balancing group is mostly fuelled by the rapid growth of India and Indonesia, surpassing that of China, and scheduled to do so in the upcoming decades. This draws our attention to this group. And if we also take Bangladesh, an unaligned, but also rapidly growing major economy in the region, we can see that these three countries, Bangladesh, India, and Indonesia are showing the outline of a new growth belt of Tropical Asia, that may become a new growth engine of the world economy, and thus gradually facilitating emerging India as a player equal to China and the US, and Indonesia as a player equal to Japan in the US-China rivalry, thus making the game itself a much more complex one.

To weigh the global significance of this trend, in the table below we compare the economic growth of the Bangladesh-India-Indonesia trio compared to the three main economic heartlands of the world. One of the three is China for obvious reasons, and another is the Euro Area. As a third one, we selected the combined GDP of the five member states of the UKUSA Agreement, Australia, Canada, New Zealand, the UK, and the US. While the UKUSA Agreement is de jure a military

agreement, de facto it represents the closest circle of allies of the US, and thus we found it necessary to also take it into account as a block (however as New Zealand is not included among the economies listed by Goldman Sachs, we can only include the other four).

GDP (nominal) trillion USD ³⁵	2000	2010	2020	2030	2040	2050	2075
China	1,8	7,4	15,5	24,5	34,1	41,9	57
Euro Area	9,8	15,5	13,5	15,8	19,6	22,9	30,3
US	15,6	18,5	21,8	27	32	37,2	51,5
UK	2,5	3,1	2,9	3,3	4,3	5,2	7,6
Canada	1,1	2	1,7	2,3	2,8	3,4	5,2
Australia	0,6	1,5	1,4	1,8	2,3	2,8	4,3
UKUSA bloc combined	19,8	25,1	27,8	34,4	41,4	48,6	68,6
India	0,7	2,1	2,8	6,6	13,2	22,2	52,5
Indonesia	0,3	0,9	1,1	2,2	4	6,3	13,7
Bangladesh	0,1	0,2	0,4	0,8	1,7	2,8	6,3
In+Id+Bg combined	1,1	3,2	4,3	9,6	18,9	31,3	72,5
China/IN+Id+Bd ratio	163,64 %	231,25 %	360,47 %	255,21 %	180,42 %	133,87 %	78,62%
China/UKUS ratio	9,09%	29,48%	55,76%	71,22%	82,37%	86,21%	83,09%
In+Id+Bd/UKUS ratio	5,56%	12,75%	15,47%	27,91%	45,65%	64,40%	105,69 %

Analysing the table, we can see, how the Bangladesh-India-Indonesia belt of Tropical Asia will gradually become one of the economic centres of the world. By the mid-century, its GDP will be almost equal to that of the US or China, and in the second half of the century, India is even predicted to surpass the US as the second largest economy after China. Another key point that we can see here is that, out of the years covered by the Goldman Sachs forecast, China's relative economic weight compared to the Bangladesh-India-Indonesia trio had already peaked in 2020 and is already declining compared to them obviously raising major obstacles for China in expanding its influence southwards. This also underlines how India and Indonesia are becoming major players on their own in the US-China rivalry.

Of course, these figures are all nominal GDP, and not PPP (Purchase Power Parity). Many criticize the nominal measurement of GDP, as domestic market prices in less developed countries are usually cheaper, thus the same amount of money has stronger purchase power in such countries. As a result, the GDP-PPP of less developed countries is usually higher than more developed countries. In PPP terms, China had already surpassed the US in the late 2010s. Countries like India on the other hand, have a higher GDP-PPP relative to China, than their nominal GDP, as their domestic prices are even lower than those of China. On the other hand, however, on the global market, from crude oil to weapons, one can only buy goods at their global price, where nominal GDP becomes the measure that

GDP-PPP (trillion USD) ³⁶	2000	2005	2010	2015	2020	2021	2022	2025	2027
United States	10,25	13,04	15,05	18,21	20,89	23,00	25,04	28,05	30,28
China	3,66	6,54	12,28	17,88	24,17	27,21	30,07	36,99	42,05
Cambodia	0,01	0,02	0,03	0,05	0,07	0,08	0,09	0,12	0,14
Laos	0,01	0,02	0,02	0,04	0,06	0,06	0,07	0,08	0,09
Myanmar	0,04	0,09	0,15	0,22	0,28	0,24	0,26	0,31	0,34
Pakistan	0,41	0,59	0,78	0,98	1,21	1,33	1,51	1,84	2,10
Sri Lanka	0,08	0,11	0,17	0,26	0,30	0,33	0,32	0,35	0,38
China and China-leaning countries	4,22	7,37	13,45	19,43	26,09	29,24	32,32	39,68	45,11
Bhutan	0,00	0,00	0,00	0,01	0,01	0,01	0,01	0,01	0,01
India	2,02	3,15	5,16	7,16	9,01	10,19	11,67	15,20	17,85
Indonesia	0,99	1,39	2,06	2,65	3,30	3,57	4,02	5,05	5,80
Japan	3,48	4,14	4,53	5,20	5,30	5,61	6,11	6,84	7,17
Korea	0,79	1,13	1,54	1,93	2,32	2,52	2,77	3,20	3,49
Philippines	0,27	0,38	0,53	0,73	0,92	1,01	1,15	1,47	1,71
Taiwan	0,48	0,66	0,89	1,10	1,32	1,47	1,62	1,87	2,02
Vietnam	0,20	0,32	0,47	0,70	1,06	1,13	1,30	1,69	2,00
China-rival Asia	8,22	11,16	15,18	19,49	23,23	25,50	28,65	35,33	40,06
China and allies / China rival Asia ratio	51,28%	66,07%	88,56%	99,71%	112,31%	114,66%	112,82%	112,31%	112,60%

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matters, and PPP becomes meaningless. To show both sides of the GDP coin, however, we also give an overview of PPP figures in the table below, based on the October 2022 forecast of the International Monetary Fund. As the IMF forecast does not go further than 2027, we cannot either in these metrics:

As we can see, using these metrics, not only China's GDP-PPP is larger than that of the US. Yet, ironically, China's relative weight in Asia decreases considerably according to this measure. As domestic prices in countries like India, Indonesia, and Vietnam are lower than in China, PPP increases their GDP relative to China. This way, the combined GDP-PPP of China and China-aligned countries is only slightly larger than that of the China-balancing Asian countries. As we can see, according to all these metrics China had peaked relative to the rest of Asia in 2021 and is already on a path of slow decline.

Conclusion

To summarize the findings of this overview. China's aspiration to hegemony in Asia is undermined by the fact that the group of Asian countries in rivalry with China has a larger combined population, than China and China-aligned Asian countries together. In nominal GDP terms, China is one and a half times larger than its Asian rivals combined. However, its GDP is only slightly larger than half of that of the Quad combined, and as of now, it seems that it will never be able to surpass the Quad, and never even reach two-thirds of its combined GDP. China is already close to its peak relative to its rivals according to all metrics applied here. It has passed its peak in nominal GDP relative to the Bangladesh-India-Indonesia belt in 2020. It will pass its peak compared to its Asian rivals in 2030, and will pass its peak compared to the Quad in 2040. In terms of GDP-PPP, it has already passed its peak relative to the sum of its Asian rivals in 2021. Yet, even in those categories where it hasn't passed its zenith yet, it will, within the current decade, reach 90% of the ratio of its predicted peak relative to rival groupings. While between 2000 and 2020 China's weight doubled compared to all its rival US Asia grouping in terms of GDP and GDP-PPP. Essentially, the rapid expansion of China's power in Asia has peaked, and even in metrics and relations where it hasn't reached its peak yet, it won't get significantly stronger than it is now. On the other hand, we can see an increasingly complete role played by China's rivals in Asia, especially that posed by the Bangladesh-India-Indonesia grouping. Their growth for the upcoming decades is predicted to continue to be more dynamic than that of China, and, while China and the US are rivals, they can also expect support from the US, as India and Indonesia are among those countries, upon which the US relies to counterbalance China. As we could see, based on their predicted GDP, in the next decades, India

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will gradually become a player equal to the US and China, while Indonesia will gradually become a player equal to Japan. This means that from a US-led alliance perspective, we can expect the Quad to gradually transform into a partnership where India plays a greater role. China's weight on the other hand is still predicted to increase compared to the US on a one-on-one level. With its economic weight still decreasing relative to China, but that of its Asian allies increasing relative to it, this trend will also most likely encourage the US to increasingly depend on them as military partners.



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