

AVOIDING GREAT POWER WAR PROJECT

# The Great Military Rivalry: China vs the U.S.

Graham Allison  
Jonah Glick-Unterman



HARVARD Kennedy School  
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Belfer Center for Science and International Affairs

Harvard Kennedy School

79 JFK Street

Cambridge, MA 02138

**[www.belfercenter.org](http://www.belfercenter.org)**

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# Executive Summary

A quarter-century ago, China conducted what it called “missile tests” bracketing the island of Taiwan to deter it from a move toward independence by demonstrating that it could cut its ocean lifelines. In response, in a show of superiority that forced China to back down, the U.S. deployed two aircraft carriers to Taiwan’s adjacent waters. Were China to repeat the same missile tests today, it is highly unlikely that the U.S. would respond as it did in 1996. The reason why is that if U.S. carriers moved that close to the Chinese mainland, they could now be sunk by the DF-21 and DF-26 missiles that China has since developed and deployed.

About the military rivalry between China and the United States in this century, our three major findings are these. First, the era of U.S. military primacy is over: dead, buried, and gone—except in the minds of some political leaders and policy analysts who have not examined the hard facts.<sup>1</sup> As former Secretary of Defense General James Mattis put it starkly in his 2018 National Defense Strategy, “For decades the U.S. has enjoyed uncontested or dominant superiority in every operating domain. We could generally deploy our forces when we wanted, assemble them where we wanted, and operate how we wanted.”<sup>2</sup> But that was then.

1 Readers tempted to dismiss this as a straw man should read the Trump Administration’s “U.S. Strategic Framework for the Indo-Pacific,” which identified maintaining U.S. primacy as a “top interest”; Michael O’Hanlon’s urging to “don’t write off American dominance”; Max Boot’s insistence that “primacy may be a drag, but it beats the alternatives”; and Ashley Tellis’s assertion that maintaining primacy is “the first and perhaps most important task facing the United States today.” “U.S. Strategic Framework for the Indo-Pacific,” White House, declassified January 5, 2021, <https://trumpwhitehouse.archives.gov/wp-content/uploads/2021/01/IPS-Final-Declass.pdf>; Michael O’Hanlon, “China is definitely on the rise. But don’t write off American dominance just yet,” USA Today, October 26, 2021, <https://www.usatoday.com/story/opinion/2021/10/26/china-military-struggle-america-still-strong/6174577001?gnt-cfr=1>; Max Boot, “Abandoning American primacy will just cost us more in the long run,” Washington Post, December 17, 2018, <https://www.washingtonpost.com/opinions/2018/12/17/abandoning-american-primacy-will-just-cost-us-more-long-run/>; and Ashley Tellis, *Protecting American Primacy in the Indo-Pacific*, Committee on Armed Services, United States Senate, April 25, 2017, [https://carnegieendowment.org/files/Ashley\\_J.\\_Tellis\\_SASC\\_Testimony\\_April\\_25\\_2017.pdf](https://carnegieendowment.org/files/Ashley_J._Tellis_SASC_Testimony_April_25_2017.pdf).

2 U.S. Department of Defense, *Summary of the 2018 National Defense Strategy of the United States of America: Sharpening the American Military’s Competitive Edge* (Washington, D.C.: U.S. Department of Defense, 2018), p. 3, <https://dod.defense.gov/Portals/1/Documents/pubs/2018-National-Defense-Strategy-Summary.pdf>.

“Today,” Mattis warned, “every domain is contested—air, land, sea, space, and cyberspace.”<sup>3</sup> As a result, in the past two decades, the United States has been forced to retreat from a strategy based on primacy and dominance to one of deterrence. As President Biden’s National Security Advisor Jake Sullivan and his National Security Council (NSC) colleague Kurt Campbell acknowledged in 2019, “The United States must accept that military primacy will be difficult to restore, given the reach of China’s weapons, and instead focus on deterring China from interfering with its freedom of maneuver and from physically coercing U.S. allies and partners.”<sup>4</sup> One of the architects of the Trump Administration’s 2018 National Defense Strategy put it less diplomatically and more succinctly: “The era of untrammelled U.S. military superiority is over.”<sup>5</sup>

Second, while America’s position as a global military superpower remains unique—with power projection capabilities no one can match, more than 50 allies bound by collective defense arrangements, and a network of bases on almost every continent—both China and Russia are now serious military rivals and even peers in particular domains. Russia’s nuclear arsenal has long been recognized as essentially equivalent to America’s, and, while China’s nuclear arsenal is much smaller, Beijing has nonetheless deployed a fleet of survivable nuclear forces sufficient to ensure mutually assured destruction (MAD). The Defense Department’s designation of China and Russia as “great power competitors” recognizes that they now have the power to deny U.S. dominance along their borders and in adjacent seas.

Third, if in the near future there is a “limited war” over Taiwan or along China’s periphery, the U.S. would likely lose—or have to choose between losing and stepping up the escalation ladder to a wider war. Deputy Secretary of Defense Kathleen Hicks and her fellow members of the National Defense Strategy Commission provided a vivid scenario

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3 Ibid.

4 Kurt M. Campbell and Jake Sullivan, “Competition Without Catastrophe,” *Foreign Affairs*, September/October 2019, <https://www.foreignaffairs.com/articles/china/competition-with-china-without-catastrophe>.

5 Elbridge Colby, “How to Win America’s Next War,” *Foreign Policy*, May 5, 2019, <https://foreignpolicy.com/2019/05/05/how-to-win-americas-next-war-china-russia-military-infrastructure/>.

of a war over Taiwan that the U.S. could lose.<sup>6</sup> If in response to a provocative move by Taiwan, or in a moment of hubris, China were to launch a military attack to take control of Taiwan, it would likely succeed before the U.S. military could move enough assets into the region to matter. If the U.S. attempted to come to the defense of Taiwan with the forces now in the area or that could arrive during the Chinese assault, they would not be able to materially affect the outcome.<sup>7</sup> As former Vice Chairman of the Joint Chiefs of Staff Admiral James Winnefeld and former CIA Acting Director Michael Morell wrote last year, China has the capability to deliver a *fait accompli* to Taiwan before Washington would be able to decide how to respond.<sup>8</sup> The National Defense Strategy Commission reached a similar conclusion: the United States “might struggle to win, or perhaps lose, a war against China.”<sup>9</sup>

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6 As the Commission anticipated, “In 2024, China undertakes a surprise attack to prevent Taiwan from declaring independence. As Chinese forces launch air and missile attacks, cripple the Taiwanese Navy, and conduct amphibious landings, it becomes clear that decisive U.S. intervention will be required. Unfortunately, America can no longer mount such an intervention at an acceptable cost. China’s missile, air, surface, and undersea capabilities have continued to grow as U.S. defense spending has stagnated. Large parts of the Western Pacific have become ‘no-go’ zones for U.S. forces. The Pentagon informs the President that America could probably defeat China in a long war, if the full might of the nation was mobilized. Yet it would lose huge numbers of ships and aircraft, as well as thousands of lives, in the effort, in addition to suffering severe economic disruptions—all with no guarantee of having decisive impact before Taiwan was overrun.” Eric Edelman, et al., *Providing for the Common Defense: The Assessment and Recommendations of the National Defense Strategy Commission* (Washington, D.C.: U.S. Institute of Peace, 2018), <https://www.usip.org/sites/default/files/2018-11/providing-for-the-common-defense.pdf>.

7 Robert Blackwill and Philip Zelikow, who led a high-profile study group on the topic, concluded: “We know of no credible expert who assesses that, in those last three years [since the release of the 2018 NDS], as Chinese capabilities have advanced, U.S. defense strategy is now, on balance, more capable of performing [a conventional defense of Taiwan].” Robert D. Blackwill and Philip Zelikow, *The United States, China, and Taiwan: A Strategy to Prevent War* (New York: Council on Foreign Relations, 2021), p. 43, [https://cdn.cfr.org/sites/default/files/report\\_pdf/the-united-states-china-and-taiwan-a-strategy-to-prevent-war.pdf](https://cdn.cfr.org/sites/default/files/report_pdf/the-united-states-china-and-taiwan-a-strategy-to-prevent-war.pdf).

8 James Winnefeld and Michael Morell, “The War that Never Was?” *Proceedings*, Vol. 146, no. 8 (August 2020), <https://www.usni.org/magazines/proceedings/2020/august/war-never-was>. There has been a reluctance to state this clearly for fear of giving China a “green light,” no doubt informed by Secretary of State Dean Acheson’s statement in January 1950 that South Korea was outside the U.S. “defensive perimeter.” But as former Deputy Secretary of Defense Robert Work has noted, China’s security community has analyzed U.S. capabilities, including our war games, more carefully than have many Americans who still want to cling to facts from a world that was.

9 Edelman, et al. (2018).

Beyond these findings, we begin with three further bottom lines up front:

- In 2000, A2/AD—anti-access/area denial systems by which China could prevent U.S. military forces from operating at will—was just a PLA acronym on a briefing chart. Today, China’s A2/AD operational reach encompasses the First Island Chain, which includes Taiwan (100 miles from mainland China) and Japan’s Ryukyu Islands (400 miles from mainland China). As a result, as President Obama’s Under Secretary of Defense for Policy Michèle Flournoy put it, in this area, “the United States can no longer expect to quickly achieve air, space, or maritime superiority.”<sup>10</sup> As the former Commander of Indo-Pacific Command Admiral Philip Davidson testified to Congress in March 2021, on its current trajectory, in the next 4 years China’s A2/AD envelope will extend to the Second Island Chain, which includes America’s principal military installations on the U.S. territory of Guam (1,800 miles from mainland China).<sup>11</sup>
- No U.S. official has analyzed this issue more assiduously than Robert Work, who served as Deputy Secretary of Defense under three secretaries before stepping down in 2017. While the acid test of military forces is their performance in combat, the next best indicator is war games. As Work has stated publicly, in the most realistic war games the Pentagon has been able to design simulating war over Taiwan, the score is 18 to 0. And the 18 is not Team USA. Reporting on an Air Force war game conducted last fall documented a different outcome: the U.S. military successfully repelled a Chinese invasion of Taiwan, but doing so required fielding systems that it doesn’t yet have, that aren’t in production, and that aren’t even planned for development, in addition to undertaking major structural reforms and convincing Taiwan to multiply its defense spending.<sup>12</sup> These findings are and should be cause for alarm, since Taiwan is the

10 Michèle Flournoy, “How to Prevent a War in Asia,” *Foreign Affairs*, June 18, 2020, <https://www.foreignaffairs.com/articles/united-states/2020-06-18/how-prevent-war-asia>.

11 Demetri Sevastopulo, “Admiral warns US military losing its edge in Indo-Pacific,” *Financial Times*, March 9, 2021, <https://www.ft.com/content/61ea7ce5-7b68-459b-9a11-41cc71777de5>.

12 Valerie Insinna, “A US Air Force war game shows what the service needs to hold off—or win against—China in 2030,” *Defense News*, April 12, 2021, <https://www.defensenews.com/training-sim/2021/04/12/a-us-air-force-war-game-shows-what-the-service-needs-to-hold-off-or-win-against-china-in-2030/>.

most likely source of military conflict between China and the U.S.<sup>13</sup> As Admiral Davidson warned in March 2021, the risk of conflict over Taiwan is “manifest during this decade.”<sup>14</sup>

- In the words of Joint Chiefs of Staff Chairman General Mark Milley, when “all the cards are put on the table,” the U.S. no longer dwarfs China in defense spending.<sup>15</sup> In 1996, China’s reported defense budget was 1/30 the size of America’s. By 2020, China’s declared defense spending was 1/4 ours. Adjusted to include spending on military research and development and other underreported items, it approached 1/3 U.S. spending. And when measured by the yardstick that both CIA and the IMF judge the best single metric for comparing national economies, it is over 1/2 U.S. spending and on a path to parity.<sup>16</sup> Moreover, while the U.S. defense budget buys weapons and builds forces to sustain America’s unique global presence, which includes commitments on almost every continent, China’s defense budget is focused locally on preparing for contingencies in Northeast Asia.

Given the secrecy that surrounds some aspects of this topic, the clamor of claims by advocates seeking to persuade Congress to fund their budgets, and a press that tends to hype the China threat, it is often difficult to assess the realities. Thus, for example, this Report does not include a discussion of the China-U.S. cyber rivalry because we concluded that so many of the public claims are misleading. Nonetheless, by focusing on the hard facts that are publicly available about most of the races, and listening carefully to the best expert judgments about them, it is clear that in the military rivalry with China, the U.S. has entered a grave new world.<sup>17</sup>

<sup>13</sup> See Lara Seligman, “U.S. warns of China’s growing threat to Taiwan,” Politico, March 16, 2021, <https://www.politico.com/news/2021/03/15/china-growing-threat-taiwan-476170>.

<sup>14</sup> Quoted in Brad Lendon, “China building offensive, aggressive military, top US Pacific commander says,” CNN, March 10, 2021, <https://www.cnn.com/2021/03/10/asia/us-pacific-commander-china-threat-intl-hnk-ml/index.html>. In June 2020, retired Admiral James Stavridis estimated the chances, optimistically, to be “less than 1 in 4” that China would attack Taiwan by November 2020; in 2021, as former U.S. Ambassador to India Robert Blackwill and former State Department Counselor Philip Zelikow judge, that likelihood has only increased. Blackwill and Zelikow (2021), 2.

<sup>15</sup> Mark Milley, *Hearing to Receive Testimony on the Department of Defense Budget Posture in Review of the Defense Authorization Request for Fiscal Year 2022*, Committee on Armed Services, United States Senate, 2021, [https://www.armed-services.senate.gov/imo/media/doc/21-49\\_06-09-21021.pdf](https://www.armed-services.senate.gov/imo/media/doc/21-49_06-09-21021.pdf).

<sup>16</sup> When China’s defense spending is calculated using Purchasing Power Parity rates, China would reach America’s current level of defense spending by 2047. It would surpass the U.S. by 2058. These calculations are explained in greater detail later in this Report.

<sup>17</sup> Graham Allison, “Grave New World,” *Foreign Policy*, January 15, 2021, <https://foreignpolicy.com/2021/01/15/biden-10-challenges-foreign-policy-economy-united-states-china/>.

Should recognition of ugly military realities in this new world be cause for alarm? Yes. But the path between realistic recognition of the facts, on the one hand, and alarmist hype, on the other, is narrow. Moreover, in the current climate, with American political dynamics fueling increasing hostility toward China, some have argued that talking publicly about such inconvenient truths could reveal secrets or even encourage an adversary. But as former U.S. military and civilian Defense Department leaders have observed, China's leaders are more aware of these brute facts than are most members of the American political class and policy community. Members of Congress, political leaders, and thought leaders have not kept up with the pace of change and continue repeating claims that may have made sense in a period of American primacy but which are dangerously unrealistic today. As a number of retired senior military officers have said pointedly, ignorance of military realities has been a source of many civilians' enthusiasm for sending U.S. troops into recent winless wars.

# The Rise of a Peer

America's demonstration of overwhelming military superiority in 1996 left China no option but to back down in its own backyard. But this vivid reminder of China's "century of humiliation" also steeled Chinese leaders' determination to build up Beijing's military strength to ensure this could never happen again.

In the years since, as the Department of Defense's 2020 annual report on China described, the PRC has "marshalled the resources, technology, and political will... to strengthen and modernize the People's Liberation Army (PLA) in nearly every respect."<sup>18</sup> Indeed, the overall balance of conventional military power along China's borders has shifted dramatically in China's favor. In Admiral Davidson's careful understatement, there is "no guarantee" of victory in a conflict against China.<sup>19</sup>

This shift in the balance of power follows PLA reforms that are unprecedented in depth and scale. In November 2015, Xi Jinping directed the most extensive restructuring of the PLA in a generation in order for China to have a military that is, in his words, "able to fight and win wars."<sup>20</sup> Under a Central Military Commission chaired by Xi, the PLA created five joint theater commands and established the Joint Logistics Support Force and the Strategic Support Force, which is responsible for high-technology missions. In addressing the 19<sup>th</sup> Chinese Communist Party Congress in 2017, Xi proclaimed the PLA's objectives to become a fully "mechanized" force by 2020, a fully "modernized" force by 2035, and a "world-class" force by 2049.<sup>21</sup>

18 Office of the Secretary of Defense, *Military and Security Developments Involving the People's Republic of China 2020* (Washington, D.C.: U.S. Department of Defense, September 2020), p. i, <https://media.defense.gov/2020/Sep/01/2002488689/-1/-1/1/2020-DOD-CHINA-MILITARY-POWER-REPORT-FINAL.PDF>.

19 Philip Davidson, *Advance Policy Questions for Admiral Philip Davidson, USN, Expected Nominee for Commander, U.S. Pacific Command*, Committee on Armed Services, United States Senate, April 17, 2018, p. 11, [https://www.armed-services.senate.gov/imo/media/doc/Davidson\\_APQs\\_04-17-18.pdf](https://www.armed-services.senate.gov/imo/media/doc/Davidson_APQs_04-17-18.pdf).

20 Andrei A. Kokoshin, *2015 Military Reform in the People's Republic of China: Defense, Foreign and Domestic Policy Issues* (Cambridge: Belfer Center for Science and International Affairs, 2016), <https://www.belfercenter.org/sites/default/files/legacy/files/Military%20Reform%20China%20-%20web2.pdf>; Joel Wuthnow and Phillip C. Saunders, "Chairman Xi Remakes the PLA," in *Chairman Xi Remakes the PLA: Assessing Chinese Military Reforms* (Washington, D.C.: U.S. National Defense University, 2019), p. 3, <https://ndupress.ndu.edu/Portals/68/Documents/Books/Chairman-Xi/Chairman-Xi.pdf>; and Graham Allison, *Destined for War: Can America and China Escape Thucydides's Trap?* (New York: Houghton Mifflin Harcourt, 2017), p. 129.

21 M. Taylor Fravel, *Hearing on "A 'World-Class' Military: Assessing China's Global Military Ambitions,"* testimony before the U.S.-China Economic and Security Review Commission, 2019, [https://www.uscc.gov/sites/default/files/Fravel\\_USCC%20Testimony\\_FINAL.pdf](https://www.uscc.gov/sites/default/files/Fravel_USCC%20Testimony_FINAL.pdf); and Wuthnow and Saunders (2019), 2.

These reforms have been tailored to reinforce the PLA's loyalty to the Chinese Communist Party and specifically to Xi as its Chairman, and to align China's military power with its national ambitions. In Xi's words, achieving the "great revival of the Chinese nation" requires "unison between a prosperous country and strong military." The "Strong Army Dream" and its mandate to be able to "fight and win" are foundational to the "China Dream."<sup>22</sup>

A modernized PLA will enable Beijing to deter third-party interventions, conduct regional missions, and protect China's extra-regional interests. Deterring and defeating threats to China's sovereignty are its armed forces' highest priority missions. As Xi declared at the 19<sup>th</sup> Party Congress, "We will never allow anyone, any organization, or any political party, at any time or in any form, to separate any part of Chinese territory from China!"<sup>23</sup> Indeed, China has done everything it can to communicate unambiguously that, to prevent the loss of Taiwan, it is prepared to go to war—even though it recognizes that war with the U.S. risks escalation to nuclear war.

As a reminder of China's willingness to go to war for what it sees as its core interests, Americans should never forget what happened in Korea. As American troops approached China's border, despite the fact that it had only a peasant army, many of whom did not even have shoes, Beijing nonetheless attacked the world's sole superpower. After the U.S. came to the rescue of South Korea when it was attacked by North Korea, as U.S. troops moved up the peninsula rapidly toward the Yalu River,

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22 Allison (2017), 129; and Cortez A. Cooper III, *PLA Military Modernization: Drivers, Force Restructuring, and Implications*, testimony before the U.S.-China Economic and Security Review Commission, 2018, [https://www.rand.org/content/dam/rand/pubs/testimonies/CT400/CT488/RAND\\_CT488.pdf](https://www.rand.org/content/dam/rand/pubs/testimonies/CT400/CT488/RAND_CT488.pdf).

23 Xi Jinping, "Secure a Decisive Victory in Building a Moderately Prosperous Society in All Respects and Strive for the Great Success of Socialism with Chinese Characteristics for a New Era" (19th National Congress of the Communist Party of China, Beijing, October 18, 2017), [http://www.xinhuanet.com/english/download/Xi\\_Jinping%27s\\_report\\_at\\_19th\\_CPC\\_National\\_Congress.pdf](http://www.xinhuanet.com/english/download/Xi_Jinping%27s_report_at_19th_CPC_National_Congress.pdf).

which marks the border between North Korea and China, they discounted warnings that China might intervene on behalf of the North. The possibility that a poor country still consolidating control of its own territory after a long civil war would attack the world's most powerful military, which had just five years earlier dropped atomic bombs on Hiroshima and Nagasaki to end World War II, seemed inconceivable. But Mao did just that. In late October 1950, MacArthur awoke to find a vanguard of 300,000 Chinese troops slamming U.S. and allied forces. In the weeks that followed, Mao's forces not only halted the allied advance but also beat UN forces back to the 38<sup>th</sup> parallel.<sup>24</sup>

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24 Allison (2017), 156-157.



Guam 1,800 miles from China. For a more vivid depiction, consider Indo-Pacific Command’s diagrams above illustrating China’s expanding A2/AD envelope since 1999 and forecasting its reach by 2025.<sup>29</sup>

### The Tyranny of Distance<sup>30</sup>

Steam times are in parentheses.



SOURCE: Heritage Foundation estimates based on data from Shirley A. Kan, “Guam: U.S. Defense Deployments,” Congressional Research Service, April 29, 2014, Table 1, <https://www.hsdl.org/?view&did=752725> (accessed January 13, 2015).

Geography matters. Military planners talk about the “tyranny of distance.” As illustrated by the chart above, to support conflict along China’s borders and in its adjacent seas, U.S. ships have to travel for multiple days and weeks. This unalterable asymmetry is a key driver behind China’s A2/AD strategy, whereby China has built capabilities on its own mainland and shifted the military balance in potential conflicts over Taiwan or in the South and East China Seas.

A critical component of these capabilities is the PLA’s arsenal of intermediate-range missiles. Having elevated the PLA Rocket Force to an independent service in 2015, Beijing has amassed what the U.S. Air Force

29 While China’s advances in A2/AD capabilities significantly impact the most likely scenarios for conflict between the U.S. and China, they don’t necessarily translate into an ability for China to project power further.

30 Dakota L. Wood, ed., *2020 Index of U.S. Military Strength* (Washington, D.C.: Heritage Foundation, 2020), p. 179, [https://www.heritage.org/sites/default/files/2019-11/2020\\_IndexOfUSMilitaryStrength\\_WEB.pdf](https://www.heritage.org/sites/default/files/2019-11/2020_IndexOfUSMilitaryStrength_WEB.pdf).

judges “the most active and diverse ballistic missile development program in the world.”<sup>31</sup> China has more than 1,250 ground-launched ballistic and cruise missiles with ranges between 500 and 5,500 kilometers, while the U.S. fields only one type of conventional ground-launched ballistic missile with a range of 70 to 300 kilometers and no ground-launched cruise missiles.<sup>32</sup> In 2020, the PLA launched more ballistic missiles for testing and training than the rest of the world combined.<sup>33</sup> Most prominently, the PLA Rocket Force developed and tested the DF-21 and DF-26 medium-range ballistic missiles, which have been dubbed “carrier-killers,” to credibly threaten America’s most prized power projection platform.<sup>34</sup>

The PLA Rocket Force’s vast stocks of conventional guided munitions underwrite what U.S. strategists have called a “projectile-centric strategy.”<sup>35</sup> Projectiles are cheaper than air forces, easier to mass in a salvo exchange than airborne-based strikes, and harder to hunt than fixed airbases. In a conflict, they can penetrate U.S. forward defenses and cripple key nodes in U.S. battle networks, while outranging reinforcements surging to the theater.<sup>36</sup> As leading RAND analyst Jim Dobbins and other RAND researchers have explained, “the range and capabilities of Chinese air and sea defenses have continued to grow, making U.S. forward-basing more vulnerable and the direct defense of U.S. interests in the region potentially more costly.”<sup>37</sup>

No longer can the United States rely on nuclear escalation dominance either. In 2000, China had a “minimum deterrent” strategy underwritten

31 Defense Intelligence Ballistic Missile Analysis Committee, *Ballistic and Cruise Missile Threat*, NASIC-1031-0985-17 (Wright-Patterson AFB, Ohio: Air Force National Air and Space Intelligence Center, 2017), p. 3, [https://www.nasic.af.mil/Portals/19/images/Fact%20Sheet%20Images/2017%20Ballistic%20and%20Cruise%20Missile%20Threat\\_Final\\_small.pdf?ver=2017-07-21-083234-343](https://www.nasic.af.mil/Portals/19/images/Fact%20Sheet%20Images/2017%20Ballistic%20and%20Cruise%20Missile%20Threat_Final_small.pdf?ver=2017-07-21-083234-343).

32 Office of the Secretary of Defense, *Military and Security Developments Involving the People’s Republic of China 2020* (Washington, D.C.: U.S. Department of Defense, September 2020), p. ii, <https://media.defense.gov/2020/Sep/01/2002488689/-1/-1/1/2020-DOD-CHINA-MILITARY-POWER-REPORT-FINAL.PDF>.

33 Office of the Secretary of Defense, *Military and Security Developments Involving the People’s Republic of China 2021* (Washington, D.C.: U.S. Department of Defense, November 2021), p. 60, <https://media.defense.gov/2021/Nov/03/2002885874/-1/-1/0/2021-CMPR-FINAL.PDF>.

34 Missile Defense Project, “DF-21 (CSS-5),” Center for Strategic and International Studies, July 31, 2021, <https://missilethreat.csis.org/missile/df-21>.

35 Robert Work and Greg Grant, *Beating Americans at Their Own Game: An Offset Strategy with Chinese Characteristics* (Washington, D.C.: Center for a New American Security, June 2019), <https://www.cnas.org/publications/reports/ beating-the-americans-at-their-own-game>.

36 Moreover, in peacetime, this strategy imposes disproportionate costs on U.S. forces relying on exquisite missile defenses and compels U.S. strategists to plan reactions to an opponent’s first move, rather than seize the initiative. Work and Grant (2019), 9-10.

37 James Dobbins, et al., *Conflict with China Revisited: Prospects, Consequences, and Strategies for Deterrence* (Santa Monica: RAND Corporation, 2017), p. 1.

by only a few hundred nuclear warheads and a handful of intercontinental ballistic missiles that could reliably reach the American homeland to destroy American cities.<sup>38</sup> Moreover, these missiles were vulnerable to a preemptive American nuclear first strike. Today, according to Pentagon estimates, China still has a modest arsenal with warhead numbers in the low 200s—less than 5% of America’s 5,500 warheads.<sup>39</sup> Nonetheless, Beijing has concluded that this force is sufficient to ensure that it would survive an American first strike and be able to retaliate with a counterstrike that destroyed enough of the U.S. to create a nuclear stalemate. Both sides’ entrenchment in a state of mutually assured destruction will only deepen if China expands its nuclear arsenal to 700 deliverable warheads by 2027 as the Pentagon anticipates.<sup>40</sup>

The U.S. has recognized this reality in sizing its own missile defense systems. As the Obama Administration’s 2010 Ballistic Missile Defense Review Report determined, “Russia and China have the capabilities to conduct a large-scale ballistic missile attack on the territory of the United States[.] While the [Ground-based Midcourse Defense] system would be employed to defend the United States against limited missile launches from any source, it does not have the capacity to cope with large scale Russian or Chinese missile attacks.”<sup>41</sup> Thus, if Ronald Reagan was right when he declared that “a nuclear war cannot be won and must never be fought,” then between these nuclear superpowers (i.e., nations with robust, reliable second-strike capabilities), the menu of viable military options cannot include nuclear attack.<sup>42</sup>

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38 Robert S. Norris and William M. Arkin, “Chinese Nuclear Forces, 2000,” *Bulletin of the Atomic Scientists*, Vol. 56, no. 6 (2000): pp. 78-79.

39 Office of the Secretary of Defense, *Military and Security Developments Involving the People’s Republic of China 2020* (Washington, D.C.: U.S. Department of Defense, September 2020), p. ix, <https://media.defense.gov/2020/Sep/01/2002488689/-1/-1/1/2020-DOD-CHINA-MILITARY-POWER-REPORT-FINAL.PDF>. For an estimate of U.S. nuclear warheads, see “Nuclear Weapons: Who Has What at a Glance,” Arms Control Association, October 2021, <https://www.armscontrol.org/factsheets/Nuclearweaponswhohaswhat>.

40 Office of the Secretary of Defense, *Military and Security Developments Involving the People’s Republic of China 2021* (Washington, D.C.: U.S. Department of Defense, November 2021), p. viii, <https://media.defense.gov/2021/Nov/03/2002885874/-1/-1/0/2021-CMPR-FINAL.PDF>.

41 U.S. Department of Defense, *Ballistic Missile Defense Review Report* (Washington, D.C.: U.S. Department of Defense, February 2010), pp. 4, 13, [https://dod.defense.gov/Portals/1/features/defenseReviews/BMDR/BMDR\\_as\\_of\\_26JAN10\\_0630\\_for\\_web.pdf](https://dod.defense.gov/Portals/1/features/defenseReviews/BMDR/BMDR_as_of_26JAN10_0630_for_web.pdf).

42 “Joint Statement by Reagan, Gorbachev,” *Washington Post*, December 11, 1987, <https://www.washingtonpost.com/archive/politics/1987/12/11/joint-statement-by-reagan-gorbachev/cd990a8d-87a1-4d74-88f8-704f93c80cd3/>.

# War Games: A Perfect Record

The acid test of military forces is how they perform in combat. Short of that, war games provide the next best indicator. U.S.-China war games in plausible conflict scenarios offer a discouraging operational picture of the local balance of power. Most of these war games are classified, and the most significant the most highly so. Particularly when the results are not favorable for Blue (Team USA), they are rarely publicized. Yet, one of the features of the American system is that former officials sometimes speak candidly after they leave government. As Senator John McCain's former Senate Armed Services Committee Staff Director Christian Brose has stated bluntly: "Over the past decade, in U.S. war games against China, the United States has a nearly perfect record: We have lost almost every single time."<sup>43</sup>

American strategists have been stunned by this scorecard and its operational implications. Summarizing a recent series of war games, former defense planner David Ochmanek observed that, when we fight China, "Blue gets its ass handed to it."<sup>44</sup> Ochmanek noted that "For years the Blue Team has been in shock because they didn't realize how badly off they were in a confrontation with China."<sup>45</sup> Former Deputy Secretary of Defense Robert Work similarly found that "whenever we have an exercise, and when the Red Force really kind of destroys our command and control, we stop the exercise and say, 'Okay, let's restart. And, Red, don't be so bad.'"<sup>46</sup>

In the war games, U.S. forces struggle to achieve superiority in key operating domains early in a conflict. According to Ochmanek, "all five domains of warfare are contested from the outset of hostilities."<sup>47</sup>

43 Christian Brose, *The Kill Chain: Defending America in the Future of High-Tech Warfare* (New York: Hachette Books, 2020), p. xii.

44 "How the U.S. Military Fights Wars Today and in the Future," event transcript (Washington, D.C.: Center for a New American Security, March 7, 2019), <https://s3.amazonaws.com/files.cnas.org/documents/ANAWOW-Transcript-07MAR19.pdf?mtime=20190408162617>.

45 David Ochmanek, quoted in Richard Bernstein, "The Scary War Game Over Taiwan That the U.S. Loses Again and Again," Real Clear Investigations, August 17, 2020, [https://www.realclearinvestigations.com/articles/2020/08/17/the\\_scary\\_war\\_game\\_over\\_taiwan\\_that\\_the\\_us\\_loses\\_again\\_and\\_again\\_124836.html](https://www.realclearinvestigations.com/articles/2020/08/17/the_scary_war_game_over_taiwan_that_the_us_loses_again_and_again_124836.html).

46 "How the U.S. Military Fights Wars Today and in the Future," event transcript (Washington, D.C.: Center for a New American Security, March 7, 2019), <https://s3.amazonaws.com/files.cnas.org/documents/ANAWOW-Transcript-07MAR19.pdf?mtime=20190408162617>.

47 Ibid.

Likewise, as Work observed, “In the first five days of the campaign, we are looking good. After the second five days, it’s not looking so hot. That is what the war games show over and over and over.”<sup>48</sup> Moreover, U.S. forces incur substantial losses of platforms and personnel. “We lose a lot of people,” Ochmanek acknowledged. “We lose a lot of equipment.”<sup>49</sup> U.S. forward deployed forces, including airbases in Okinawa and Guam, surface ships, non-stealthy aircraft, and other exposed U.S. assets proximate to the battlespace, suffer early and persistent salvos of conventional precision munitions.<sup>50</sup> In Brose’s summary: “The command and control networks that manage the flow of critical information to US forces in combat would be broken apart and shattered by electronic attacks, cyberattacks, and missiles. Many US forces in combat would be rendered deaf, dumb, and blind.”<sup>51</sup>

The U.S. military has had extensive recent combat experience, but much of it not that helpful for preparing to meet a peer competitor. As Work has explained, in those campaigns, the local balance of power at the outset of conflict “didn’t really matter... We would’ve crushed them like cockroaches once we assembled the might of America.”<sup>52</sup> But a conflict with China today would be different. As Brose concluded, a war over Taiwan “could be lost in a matter of hours or days even as the United States planned to spend weeks and months moving into position to fight.”<sup>53</sup>

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48 Ibid.

49 Ibid.

50 See Michael Peck, “Slaughter in the East China Sea,” *Foreign Policy*, August 7, 2020, <https://foreignpolicy.com/2020/08/07/slaughter-in-the-east-china-sea/>.

51 Brose (2020), xiii.

52 “How the U.S. Military Fights Wars Today and in the Future,” event transcript (Washington, D.C.: Center for a New American Security, March 7, 2019), <https://s3.amazonaws.com/files.cnas.org/documents/ANAWOW-Transcript-07MAR19.pdf?mtime=20190408162617>.

53 Brose (2020), xv-xvi.

## RAND Scorecard: Nine Operational Dimensions

Scorecard	Taiwan Conflict				Spratly Islands Conflict			
	1996	2003	2010	2017	1996	2003	2010	2017
1. Chinese attacks on air bases	Dark Green	Dark Green	Yellow	Orange	Dark Green	Dark Green	Dark Green	Yellow
2. U.S. vs. Chinese air superiority	Dark Green	Light Green	Light Green	Yellow	Dark Green	Dark Green	Light Green	Light Green
3. U.S. airspace penetration	Light Green	Yellow	Yellow	Yellow	Dark Green	Dark Green	Dark Green	Light Green
4. U.S. attacks on air bases	Yellow	Dark Green	Light Green	Light Green	Dark Green	Dark Green	Dark Green	Dark Green
5. Chinese anti-surface warfare	Dark Green	Light Green	Yellow	Orange	Dark Green	Dark Green	Light Green	Yellow
6. U.S. anti-surface warfare	Dark Green	Dark Green	Light Green	Light Green	Dark Green	Dark Green	Dark Green	Dark Green
7. U.S. counterspace	Orange	Orange	Yellow	Yellow	Orange	Orange	Yellow	Yellow
8. Chinese counterspace	Dark Green	Light Green	Yellow	Yellow	Dark Green	Light Green	Yellow	Yellow
9. U.S. vs. China cyberwar	Dark Green	Dark Green	Light Green	Light Green	Dark Green	Dark Green	Light Green	Light Green

10. Nuclear stability (confidence in secure second-strike capability)	Country	1996, 2003, and 2010	2017
		China	Low confidence
	U.S.	High confidence	

NOTES: To prevail in either Taiwan or the Spratly Islands, China's offensive goals would require it to hold advantages in nearly all operational categories simultaneously. U.S. defensive goals could be achieved by holding the advantage in only a few areas. Nevertheless, China's improved performance could raise costs, lengthen the conflict, and increase risks to the United States.

Key for Scorecards 1–9		
U.S. Capabilities		Chinese Capabilities
Major advantage	Dark Green	Major disadvantage
Advantage	Light Green	Disadvantage
Approximate parity	Yellow	Approximate parity
Disadvantage	Orange	Advantage
Major disadvantage	Red	Major advantage

These uncomfortable findings are supported by the most authoritative public assessment of the operational balance, the RAND Corporation’s “U.S.-China Military Scorecard.” It determined that, in a conflict over Taiwan, China would enjoy the advantage in U.S. airbase attack and anti-surface warfare. It would have approximate parity in establishing air superiority, penetrating U.S. airspace, and conducting and defending against counterspace operations. As the report concluded, with the U.S. no longer enjoying major advantages in nine key operational dimensions, “Asia will witness a progressively receding frontier of U.S. dominance.”<sup>54</sup>

Of course, there are choices the U.S. could make that would lead to changes on this scorecard in the years ahead. One that has been highlighted by former Joint Chiefs of Staff Vice Chairman Admiral James Winnefeld would be to develop new high-power microwave weapons for disrupting electronics using electromagnetic energy.<sup>55</sup> But these choices are not the topic of this Report.

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54 Eric Heginbotham, et al., *The U.S.-China Military Scorecard: Forces, Geography, and the Evolving Balance of Power 1996-2017* (Santa Monica: RAND Corporation, 2015), [https://www.rand.org/content/dam/rand/pubs/research\\_reports/RR300/RR392/RAND\\_RR392.pdf](https://www.rand.org/content/dam/rand/pubs/research_reports/RR300/RR392/RAND_RR392.pdf).

55 James Winnefeld, “Don’t Miss the Boat on High-Power Microwave Defense,” Proceedings, May 2021, <https://www.usni.org/magazines/proceedings/2021/may/dont-miss-boat-high-power-microwave-defense>.

# Technologies of the Future

China is laser-focused on military applications of emerging technologies, including AI, quantum computing, hypersonic missiles, and space assets. As former Vice Chairman of the Joint Chiefs of Staff General Paul Selva warned in 2018, on the current path, the United States would lose its technological superiority around 2020, and China will surpass the U.S. by the 2030s.<sup>56</sup>

In the decades since the shock and awe demonstrated by U.S. guided munitions warfare in Operation Desert Storm, China has pursued what Work has aptly called an “offset strategy with Chinese characteristics.” As he describes it, Beijing has undertaken a “patient, exquisitely targeted, and robustly resourced technologically driven offset strategy” to achieve technological parity and, ultimately, superiority.<sup>57</sup>

Chinese strategists believe AI may be decisive in Beijing’s campaign to surpass the U.S. as the world’s premier military power.<sup>58</sup> Former Chairman of the Joint Chiefs of Staff General Joseph Dunford concurred: “Whoever has the competitive advantage in artificial intelligence and can field systems informed by artificial intelligence, could very well have an overall competitive advantage.”<sup>59</sup> AI functions as a force multiplier by improving vision and targeting, mitigating manpower issues, hardening cyber defenses, and accelerating decision-making. Its advantages were plain to see in the Defense Advanced Research Projects Agency’s August 2020 AlphaDogfight Trials, when an AI algorithm swept a human F-16 pilot 5 to 0. In the past decade, the Department of Defense stood up new organizations like the Defense Innovation Unit and Strategic Capabilities Office and announced its Third Offset Strategy, an initiative to preserve the U.S. military’s technological

56 Paul Selva, quoted in Jim Garamone, “U.S. Must Act Now to Maintain Military Technological Advantage, Vice Chairman Says,” U.S. Department of Defense, June 21, 2018, <https://www.defense.gov/Explore/News/Article/Article/1557052/us-must-act-now-to-maintain-military-technological-advantage-vice-chairman-says/>.

57 Robert Work, “So, This Is What It Feels Like To Be Offset” (Washington, D.C.: Center for a New American Security, June 27, 2018), <https://www.youtube.com/watch?v=U9iZyDE2dZI>.

58 Work and Grant (2019), 14. See also Elsa B. Kania, “AI Weapons’ in China’s Military Innovation,” Brookings Institution, April 2020, <https://www.brookings.edu/research/ai-weapons-in-chinas-military-innovation/>.

59 Joseph F. Dunford, Jr., quoted in David Ignatius, “Gen. Joseph Dunford on artificial intelligence and the future of the U.S. military,” Washington Post, December 6, 2018, [https://www.washingtonpost.com/video/postlive/gen-joseph-dunford-on-artificial-intelligence-and-the-future-of-the-us-military/2018/12/06/fbc507d0-ddb1-4f45-b8b6-54d501265846\\_video.html](https://www.washingtonpost.com/video/postlive/gen-joseph-dunford-on-artificial-intelligence-and-the-future-of-the-us-military/2018/12/06/fbc507d0-ddb1-4f45-b8b6-54d501265846_video.html).

edge against rising peer competitors.<sup>60</sup> Similarly, reflecting an acute appreciation of AI's disruptive potential, Beijing launched a strategy to achieve AI dominance by 2030 and introduced the concept of "intelligentization" of warfare to operationalize AI and its enabling technologies, including cloud computing and unmanned systems.<sup>61</sup>

As described in the Belfer Center's recent report on the U.S.-China Technology Rivalry, China is ahead in some sectors of quantum technology, a game-changing asset that could guarantee secure communications, expose stealth aircraft, complicate submarine navigation, and disrupt battlefield communications.<sup>62</sup> In 2016, China introduced a quantum technology strategy to achieve major breakthroughs by 2030 and launched the world's first quantum satellite. That year, Chinese company China Electronics Technology Group Corporation reportedly developed the first quantum radar that could detect stealth aircraft and resist jamming and spoofing, leaving Lockheed Martin, which had been experimenting with this technology for nearly a decade, in its rearview mirror.<sup>63</sup> And in June 2016, the Shanghai Institute of Microsystem and Information Technology announced that it had built what could be the world's longest-range submarine detector using a cryogenic liquid-nitrogen-cooled Superconducting Quantum Interference Device magnetometer.<sup>64</sup> As NSC Senior

60 Chuck Hagel, *Reagan National Defense Forum Keynote* (Simi Valley, CA: Ronald Reagan Presidential Library, November 15, 2014), <https://www.defense.gov/Newsroom/Speeches/Speech/Article/606635/>.

61 Office of the Secretary of Defense, *Military and Security Developments Involving the People's Republic of China 2020* (Washington, D.C.: U.S. Department of Defense, September 2020), p. 161, <https://media.defense.gov/2020/Sep/01/2002488689/-1/-1/1/2020-DOD-CHINA-MILITARY-POWER-REPORT-FINAL.PDF>.

62 Graham Allison, et al., *The Great Tech Rivalry: China vs the U.S.* (Cambridge: Belfer Center, 2021), [https://www.belfercenter.org/sites/default/files/GreatTechRivalry\\_ChinavsUS\\_211207.pdf](https://www.belfercenter.org/sites/default/files/GreatTechRivalry_ChinavsUS_211207.pdf); Martin Giles, "The US and China are in a quantum arms race that will transform warfare," MIT Technology Review, January 3, 2019, <https://www.technologyreview.com/2019/01/03/137969/us-china-quantum-arms-race/>; and "Quantum computing and defence," International Institute for Strategic Studies, February 2019, <https://www.iiss.org/publications/the-military-balance/the-military-balance-2019/quantum-computing-and-defence>.

63 The announcement sent shockwaves throughout the U.S. defense community. Chinese researchers not associated with the project expressed concerns, and the author of the paper that laid the theoretical foundation for such a radar said the company did not supply any details that would support its claim. See Nick Stockton, "Quantum Radar: Can quantum entangled photons reveal the shape and location of cloaked military fighter jets? Maybe, but probably not yet," SPIE, November 18, 2019, <https://www.iiss.org/publications/the-military-balance/the-military-balance-2019/quantum-computing-and-defence>.

64 It is estimated that such a SQUID magnetometer could detect a submarine from a distance of 6 kilometers. No Western navies are known to have SQUID detectors. Interestingly, the announcement vanished after the South China Morning Post reported that such a device could help China secure the South China Sea. See David Hambling, "China's quantum submarine detector could seal South China Sea," New Scientist, August 22, 2017, <https://www.newscientist.com/article/2144721-chinas-quantum-submarine-detector-could-seal-south-china-sea/#ixzz6WunQ99BC>.

Director for Technology and National Security Tarun Chhabra has written, although the U.S. has an overall edge in quantum computing, Beijing is on pace to overtake this advantage if the U.S. idles.<sup>65</sup>

China also leads the U.S. in developing hypersonic weapons, which exceed Mach 5 and maneuver to their target.<sup>66</sup> According to the Defense Intelligence Agency, hypersonic weapons will “revolutionize warfare by providing the ability to strike targets more quickly, at greater distances, and with greater firepower.”<sup>67</sup> While Beijing has successfully tested its DF-17 hypersonic missile on multiple occasions, as well as a nuclear-capable Fractional Orbital Bombardment System equipped with a hypersonic glide vehicle, it will be years until the U.S. has a similar platform.<sup>68</sup>

Meanwhile, Xi Jinping has extended his “China Dream” into a “space dream.” Beijing operates over 120 intelligence, surveillance, and reconnaissance and remote sensing satellites—second only to the U.S.—while expanding its BeiDou precision, navigation, and timing system as an alternative to GPS.<sup>69</sup> In 2019, the BeiDou constellation surpassed GPS in size and visibility.<sup>70</sup> In April 2021, China launched the core module of its first long-term space station, achieving in 20 years what took the U.S. 40.<sup>71</sup> As the U.S.-China Economic and Security Review Commission concluded, “China’s single-minded focus and national-level commitment to establishing itself as a global space leader... threatens to undermine many of the advantages the United States has worked so long to establish.”<sup>72</sup>

65 Tarun Chhabra, Scott Moore, and Dominic Tierney, “The Left Should Play the China Card,” *Foreign Affairs*, February 13, 2020, <https://www.foreignaffairs.com/articles/china/2020-02-13/left-should-play-china-card>.

66 Kelley M. Saylor, *Hypersonic Weapons: Background and Issues for Congress*, R45811 (Washington, D.C.: Congressional Research Service, October 19, 2021), <https://fas.org/sgp/crs/weapons/R45811.pdf>.

67 Robert P. Ashley, Jr., *Statement for the Record: Worldwide Threat Assessment*, Committee on Armed Services, United States Senate, March 6, 2018, [https://www.armed-services.senate.gov/imo/media/doc/Ashley\\_03-06-18.pdf](https://www.armed-services.senate.gov/imo/media/doc/Ashley_03-06-18.pdf).

68 Saylor (2021), 14; and John A. Tirpak, “The U.S. Is Playing Catch-Up on Hypersonics. Here’s How,” *Air Force Magazine*, March 25, 2021, <https://www.airforcemag.com/the-u-s-is-playing-catch-up-on-hypersonics-heres-how/>.

69 Frank Rose, “Managing China’s Rise in Outer Space,” Brookings Institution, April 2020, [https://www.brookings.edu/wp-content/uploads/2020/04/FP\\_20200427\\_china\\_outer\\_space\\_rose\\_v3.pdf](https://www.brookings.edu/wp-content/uploads/2020/04/FP_20200427_china_outer_space_rose_v3.pdf).

70 Kazuhiro Kida and Shinichi Hashimoto, “China’s version of GPS now has more satellites than US original,” *Nikkei*, August 19, 2019, <https://asia.nikkei.com/Business/China-tech/China-s-version-of-GPS-now-has-more-satellites-than-US-original>.

71 U.S.-China Economic and Security Review Commission, *2019 Report to Congress* (Washington, D.C.: U.S.-China Economic and Security Review Commission, November 2019), p. 16, <https://www.uscc.gov/annual-report/2019-annual-report-congress>.

72 *Ibid.*, 15.

Beijing’s acquisition of frontier technologies has been guided by key organizing concepts, including what it calls “civil-military fusion” and “leapfrog development.”<sup>73</sup> As part of China’s extensive military reforms inaugurated in 2016, civil-military fusion facilitates technological transfers between the defense and civilian sectors, builds cohesion among researchers in support of military objectives, and drives innovation.<sup>74</sup> Simultaneously, the PLA has sought to achieve advantages in what it calls “strategic front-line” technologies that the U.S. has not mastered or may not be capable of mastering.<sup>75</sup>

China may also be ahead in aligning frontier technologies with warfighting concepts that exploit them. Beijing’s warfighting concept of “system destruction warfare” envisions future warfare as a contest of operational systems. PLA planners prioritize achieving information superiority by crippling an opponent’s battle networks at the outset of conflict using a suite of capabilities, including anti-satellite and electromagnetic pulse weapons. In 2015, China took a crucial step toward preparing for system destruction warfare by establishing its Strategic Support Force, which centrally coordinates the PLA’s space, cyber, and electronic warfare capabilities. China’s doctrinal innovations may give it an edge in a potential conflict with the U.S. As Work cautioned, “The side that finds the better ‘fit’ between technology and operational concepts likely will come out on top.”<sup>76</sup>

While the PLA has focused on the future fight, the U.S. military has optimized for low-intensity operations, doubled down on legacy platforms, and left innovating startups struggling to survive the Pentagon’s acquisitions process.<sup>77</sup> For 20 years, the Pentagon prioritized counterinsurgency and counterterrorism—in Admiral Winnefeld’s

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73 Elsa B. Kania, *Battlefield Singularity: Artificial Intelligence, Military Revolution, and China’s Future Military Power* (Washington, D.C.: Center for a New American Security, November 2017), <https://s3.amazonaws.com/files.cnas.org/documents/Battlefield-Singularity-November-2017.pdf?mtime=20171129235805>.

74 U.S.-China Economic and Security Review Commission (2019), 136.

75 See Kania (2017).

76 Work and Grant (2019).

77 Certainly, America’s wars in Iraq and Afghanistan incurred severe political and financial opportunity costs. But as Lieutenant General Douglas Lute, who served as President Obama’s Deputy National Security Advisor with responsibility for Afghanistan and Iraq, reminds us, there is no denying that the past 20 years also have been for the U.S. a “laboratory” for improving large-scale operations, joint force employment, and coordination with allies and partners—experiences the Chinese do not have. Indeed, while the PLA’s forces have extensive programs and plans, they have not had actual experience in combat in a long time. Douglas Lute, correspondence with Graham Allison, July 8, 2021.

words, “sticking its head in the sand.”<sup>78</sup> Meanwhile, as General Milley put it, China “went to school” on the U.S. military’s strategy and capabilities: the PLA “watched us very closely in the First Gulf War, Second Gulf War, watched our capabilities and in many, many ways they have mimicked those and they have adopted many of the doctrines and the organizations, et cetera.”<sup>79</sup> Likewise, the Chairman of the Senate Armed Services Committee Jack Reed has noted: “For the past several decades, China has studied the United States’ way of war and focused its efforts on offsetting our advantages. This strategy has been successful, largely because China began without any significant legacy systems.”<sup>80</sup> As a result, as defense analyst Andrew Krepinevich, Jr., warned, the U.S. today is at risk of “having the wrong kind of military, conducting the wrong kinds of operations, with the wrong equipment.”<sup>81</sup>

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78 James Winnefeld, correspondence with Graham Allison, July 13, 2021.

79 Mark Milley, quoted in Tom Porter, “Milley says China will be the biggest military threat for 100 years and warns it is improving ‘very, very rapidly,’” *Task and Purpose*, July 14, 2019, <https://taskandpurpose.com/news/milley-china-rise/>.

80 Jack Reed, *Defense Priorities* (Washington, D.C.: Ronald Reagan Institute, May 11, 2021), <https://www.reed.senate.gov/news/releases/defense-priorities-with-senator-jack-reed>.

81 Andrew F. Krepinevich, Jr., “Finding Strength in Decline,” *Foreign Affairs*, December 10, 2020, <https://www.foreignaffairs.com/articles/united-states/2020-12-10/finding-strength-decline>.

# The Curious Question of Defense Spending

Skeptics who find it hard to believe claims about a dramatic shift in the military balance underway often ask: “But doesn’t U.S. defense spending dwarf that of China?” The answer is “yes,” but the reality is more complicated. Measured by the traditional yardstick, market exchange rate (MER), in 1996, China’s reported defense budget was 1/30 the size of America’s. By 2020, it was 1/4.<sup>82</sup> When spending that appears in other budgets—for example, on military research and development—is included, its actual defense budget is 1/3 America’s.<sup>83</sup> And if measured by the best yardstick of economic and military potential (purchasing power parity), Beijing’s defense budget is over 2 times its *stated* budget—which brings it to over half America’s and on a path to parity.

In 2020, the U.S. defense budget was \$738 billion, while China’s reported budget was \$178 billion at the prevailing market exchange rate.<sup>84</sup> But when items that China excludes from its official reports that appear in the U.S. defense budget, including research and development (on which the U.S. spends over \$100 billion), veterans’ retirement payments, and construction expenses, are included, as SIPRI found, since 1996, the gap in spending narrowed from 19:1 to 3:1.<sup>85</sup>

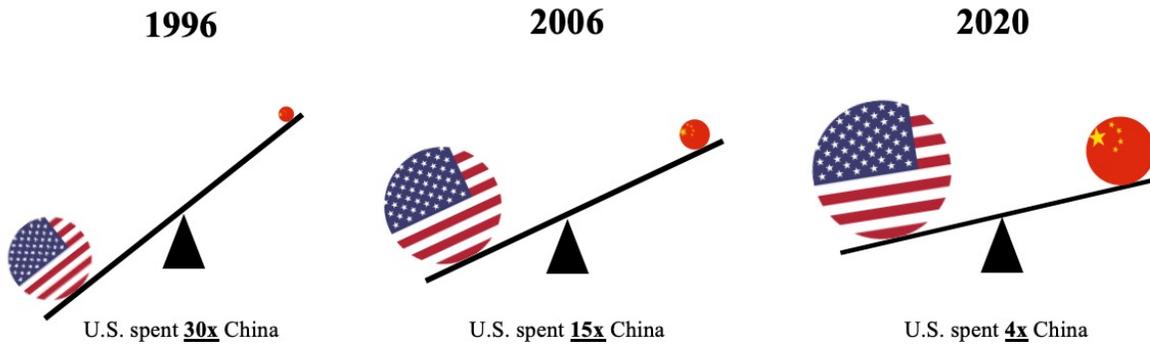
82 This calculation uses official defense outlays as reported in Chinese government white papers and by Chinese state media and, for the U.S., as reported by the Office of Management and Budget or allocated by the National Defense Authorization Act. The \$178 billion figure is China’s declared defense budget for 2020 when converted from Yuan to Dollars using the prevailing market exchange rate. “U.S. defense budget” refers to the budget allocated by the National Defense Authorization Act for FY20. Mike Yeo, “China announces \$178.2 billion military budget,” Defense News, May 22, 2020, <https://www.defensenews.com/global/asia-pacific/2020/05/22/china-announces-1782-billion-military-budget/>; and Amanda Macias, “Trump signs \$738 billion defense bill. Here’s what the Pentagon is poised to get,” CNBC, December 20, 2019, <https://www.cnbc.com/2019/12/21/trump-signs-738-billion-defense-bill.html>.

83 The Stockholm International Peace Research Institute estimates that, when items like military construction and retirement payments are included in China’s defense spending, China’s actual outlays are 1.4 times Beijing’s official defense budget. “Sources and methods,” Stockholm International Peace Research Institute, accessed May 12, 2021, <https://www.sipri.org/databases/milex/sources-and-methods#sipri-estimates-for-china>. Frederico Bartels provides another estimate of Beijing’s actual spending, which he calculates is 45% higher than reported. Frederico Bartels, *China’s Defense Budget in Context: How Under-Reporting and Differing Standards and Economies Distort the Picture* (Washington, D.C.: Heritage Foundation, March 2020), <https://www.heritage.org/asia/report/chinas-defense-budget-context-how-under-reporting-and-differing-standards-and-economies>.

84 The \$738 billion figure is the topline of NDAA FY20 that President Trump signed in December 2019. Macias (2019).

85 This calculation draws on SIPRI’s calculations of U.S. and Chinese military spending. “SIPRI Military Expenditure Database,” Stockholm International Peace Research Institute, accessed May 6, 2021, <https://www.sipri.org/databases/milex>. See also Office of the Secretary of Defense, *Military and Security Developments Involving the People’s Republic of China 2020* (Washington, D.C.: U.S. Department of Defense, September 2020), p. xi, <https://media.defense.gov/2020/Sep/01/2002488689/-1/-1/2020-DOD-CHINA-MILITARY-POWER-REPORT-FINAL.PDF>; and John F. Sargent Jr., *Defense Primer: RDT&E* (Washington, D.C.: Congressional Research Service, October 21, 2021), <https://crsreports.congress.gov/product/pdf/IF/IF10553>.

## Defense Spending: U.S. vs. China (Reported)

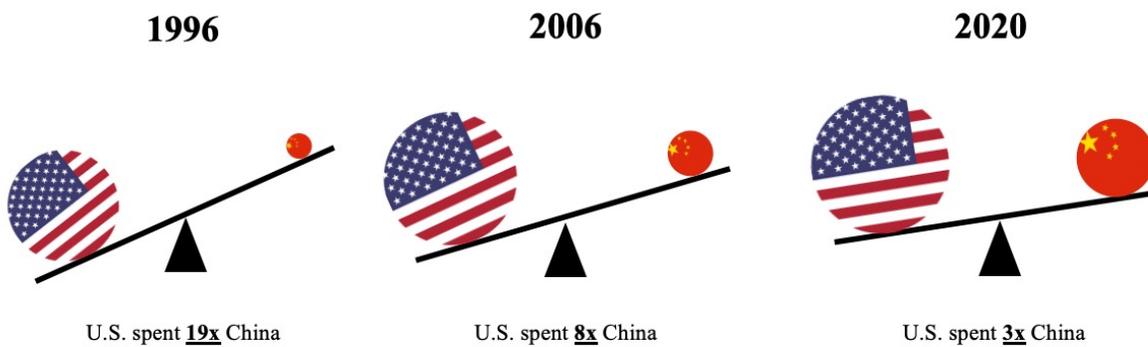


**Defense Spending: Reported Amounts**  
(billions USD at current prices [MER])

	1996	2006	2020
China (Reported)	9	35	178
U.S. (NDAA)	266	522	738

Sources: Chinese documents (white papers, state media), U.S. government documents (NDAA, OMB tables).

## Defense Spending: U.S. vs. China (SIPRI)



**Defense Spending: SIPRI Calculations**  
(billions constant 2019 USD)

	1996	2006	2020
China (SIPRI)	26.8	84.5	245
U.S. (SIPRI)	496	708	767

Source: SIPRI

Moreover, in comparing defense budgets, it is essential to consider not just how much each pays for items but what each gets at the prices they pay. Both the CIA and the IMF have concluded that the best single metric for comparing national expenditures is Purchasing Power Parity (PPP). As the *Economist* has illustrated vividly in its “Big Mac index,” for the \$5.65 a consumer pays for 1 Big Mac in the U.S., one

gets 1 1/2 Big Macs in Beijing. Similarly, when the PLA buys bases or ships or DF-21 missiles, it pays for them in RMB and at prices substantially below the cost of equivalent products in the U.S.<sup>86</sup>

The most vexing issue in comparing defense spending is personnel costs. Because of the complexity, the differences are often relegated to a footnote. But as Joint Chiefs of Staff Chairman Mark Milley noted pointedly in his testimony to Congress in 2018, when he was Chief of Staff of the Army: “What is not often [accounted for] is the cost of labor, and anyone who takes Econ 101 knows cost of labor is the biggest factor of production... we’re the best paid military in the world by a long shot... Chinese soldiers [cost] a tiny fraction.”<sup>87</sup>

Milley is certainly correct. The average PLA active duty soldier costs China 1/4 what the U.S. pays. The Department of Defense currently spends on average over \$100,000 per active duty service member annually, including salary, benefits, and contributions to retirement programs.<sup>88</sup> In contrast, the PLA’s budget for each of its 2.035 million active duty personnel is on average \$28,000.<sup>89</sup>

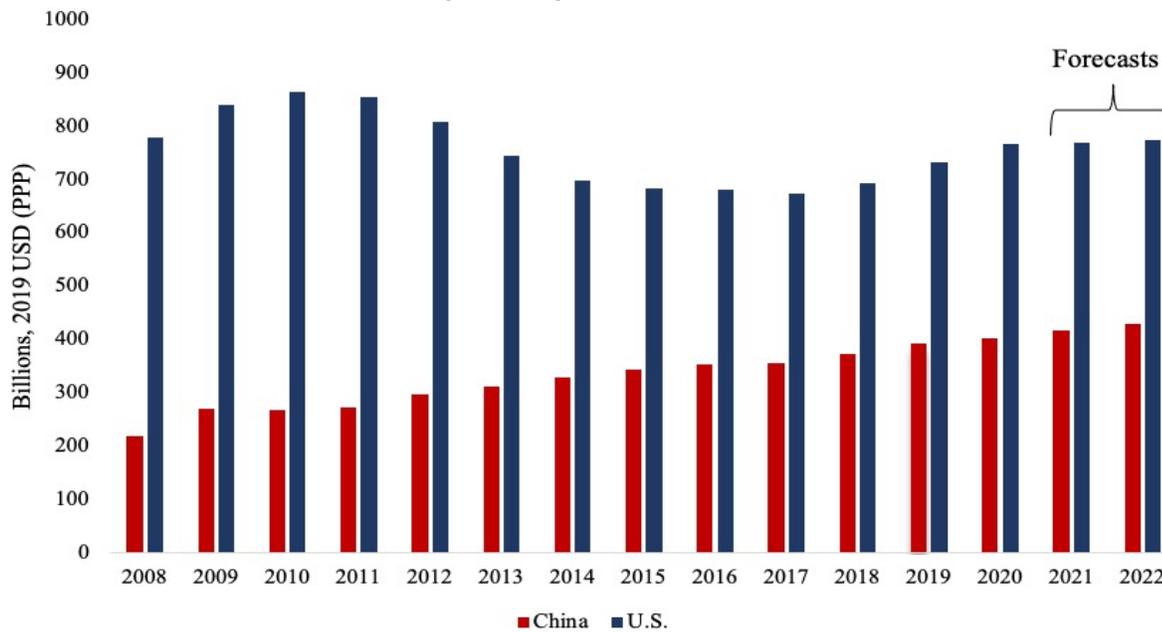
86 “The Big Mac index,” *Economist*, July 24, 2021, <https://www.economist.com/big-mac-index>.

87 Mark Milley, *Review of the FY2019 Budget Request for the U.S. Army*, Committee on Appropriations, United States Senate, 2018, <https://www.appropriations.senate.gov/hearings/review-of-the-fy2019-budget-request-for-the-us-army>. Consider that as the number of active duty military personnel fell by 64% from a post-World War II peak in FY1952 to its lowest point in FY2016, total personnel costs grew 110% in real terms. Seamus Daniels, “Assessing Trends in Military Personnel Costs,” Center for Strategic and International Studies, September 9, 2021, <https://www.csis.org/analysis/assessing-trends-military-personnel-costs>.

88 Lawrence Kapp and Barbara Salazar Torreon, *Military Pay: Key Questions and Answers* (Washington, D.C.: Congressional Research Service, July 17, 2020), <https://fas.org/sgp/crs/natsec/RL33446.pdf>.

89 For China, the most recent data available are the PLA’s reported \$47.5 billion in personnel costs in 2017 as cataloged by China’s 2019 national defense white paper (when converted from Yuan to Dollars using MER). The white paper defines personnel expenses as covering mainly “the salaries, allowances, food, bedding, clothing, insurance, subsidies and pensions for officers, non-ranking officers, soldiers and contracted civilians, as well as retirees supported from the defense budget.” As SIPRI notes, however, this figure does not include another \$17.5 billion spent on demobilization and retirement (when converted from Yuan to Dollars using MER). Together, these accounts add up to approximately \$65 billion spent on personnel in 2017. That year, according to the International Institute for Strategic Studies, the PLA had 2.183 million active duty troops. The PLA’s personnel costs presumably also paid for 510,000 reservists. While the cost of a PLA reservist is unknown, in the case of the U.S., reservists can cost up to 1/5 the price of active duty soldiers by base salary. Thus, for a generous estimate, we calculate that the PLA spends around \$28,000 per active duty servicemember per year—1/4 what the U.S. spends. On the other hand, an American soldier who has experienced several tours of combat is obviously different from his or her Chinese counterpart. This is the subject of one of our ongoing studies. *China’s National Defense in the New Era* (Beijing: State Council Information Office of the People’s Republic of China, 2019), [http://www.xinhuanet.com/english/2019-07/24/c\\_138253389.htm](http://www.xinhuanet.com/english/2019-07/24/c_138253389.htm); Nan Tian and Fei Su, “A New Estimate of China’s Military Expenditure,” Stockholm International Peace Research Institute, January 2021, p. 11, [https://www.sipri.org/sites/default/files/2021-01/2101\\_sipri\\_report\\_a\\_new\\_estimate\\_of\\_chinas\\_military\\_expenditure.pdf](https://www.sipri.org/sites/default/files/2021-01/2101_sipri_report_a_new_estimate_of_chinas_military_expenditure.pdf); *The Military Balance, Volume 117, Issue 1* (London: International Institute for Strategic Studies, 2017), p. 555; “Army Reserve Salaries,” U.S. Army, n.d., accessed May 18, 2021, <https://www.goarmy.com/reserve/benefits/money.html>; and Kapp and Salazar Torreon (2020).

## Defense Spending: U.S. vs. China (PPP)<sup>90</sup>



In sum, measured by PPP, in 2020, Chinese defense spending stood at nearly 53% of U.S. spending, and on a path to parity in the foreseeable future.<sup>91</sup>

Three further differences are worthy of note. First, the U.S. defense budget pays for bases and forces to meet global commitments in Europe, the Middle East, South America, and Asia. The U.S. currently maintains 750 overseas bases around the world.<sup>92</sup> Thus, while the U.S. Indo-Pacific Command’s “area of responsibility” includes half the world’s population and two of its three largest economies, its commander must compete for funding with other commanders responsible for the United States’ many other commitments.<sup>93</sup> China’s defense budget, by contrast, is focused on Northeast Asia.

90 This calculation uses SIPRI’s data on U.S. and Chinese military spending. Chinese spending is then converted to PPP using the OECD’s conversion rates. “SIPRI Military Expenditure Database,” Stockholm International Peace Research Institute, accessed May 6, 2021, <https://www.sipri.org/databases/milex>; and “Purchasing power parities (PPP),” Organisation for Economic Co-operation and Development, accessed May 6, 2021, <https://data.oecd.org/conversion/purchasing-power-parities-ppp.htm>.

91 China would reach America’s current level of defense spending by 2047. It would surpass the U.S. by 2058. See also Mark Milley, *Hearing to Receive Testimony on the Department of Defense Budget Posture in Review of the Defense Authorization Request for Fiscal Year 2022*, Committee on Armed Services, United States Senate, 2021, [https://www.armed-services.senate.gov/imo/media/doc/21-49\\_06-09-21021.pdf](https://www.armed-services.senate.gov/imo/media/doc/21-49_06-09-21021.pdf); James Inhofe, “Combined China and Russian Defense Spending Exceeds U.S. Defense Budget,” Real Clear Defense, May 3, 2021, [https://www.realcleardefense.com/articles/2021/05/03/combined\\_china\\_and\\_russian\\_defense\\_spending\\_exceeds\\_us\\_defense\\_budget\\_775323.html](https://www.realcleardefense.com/articles/2021/05/03/combined_china_and_russian_defense_spending_exceeds_us_defense_budget_775323.html); and Frederico Bartels, “The Known Unknowns of China’s Defense Budget,” Heritage Foundation, April 15, 2020, <https://www.heritage.org/defense/commentary/the-known-unknowns-chinas-defense-budget>.

92 Katrina Manson, “Has America had enough of war?” *Financial Times*, May 7, 2021, <https://www.ft.com/content/edfc3da2-1bdb-44c6-88ff-1458ef634a14>.

93 “USINDOPACOM Area of Responsibility,” U.S. Indo-Pacific Command, n.d., accessed May 11, 2021, <https://www.pacom.mil/About-USINDOPACOM/USPACOM-Area-of-Responsibility/>.

Second, much of the U.S. acquisition budget is consumed by exquisite and expensive legacy systems dear to each of the military services but not well designed for a potential conflict with China. The escalation in costs of these systems was captured by one of the wisest leaders of America's defense world, Norman Augustine, in the early 1980s when he coined what has become known as "Augustine's Law." According to this Law, the cost of American weapons doubles every five years. To be even more provocative, he quipped that, on the trajectory at the time, by 2054, "the entire defense budget will purchase just one aircraft. This aircraft will have to be shared by the Air Force and Navy three and a half days each per week except for leap year, when it will be made available to the Marines for the extra day."<sup>94</sup> In 2010, the *Economist* reviewed what had happened in previous decades, compared it to the trajectory forecast by Augustine's Law, and concluded that "we are right on target."<sup>95</sup>

As a result, as Christian Brose has argued, in the competition with China, the U.S. is "playing a losing game." While the U.S. has built "small numbers of large, expensive, exquisite, heavily manned, and hard-to-replace platforms," China has developed "large numbers of multi-million-dollar weapons to find and attack America's small numbers of exponentially more expensive military platforms."<sup>96</sup> As National Security Advisor Jake Sullivan put it, "for every \$10,000 we spend on an aircraft carrier, they spend \$1 on a missile that can destroy that aircraft carrier."<sup>97</sup>

Third, for the past two decades, much of U.S. spending has gone to wars in the Middle East and been handicapped by paralysis in Congress. As Chairman of the Joint Chiefs of Staff General Joseph Dunford told Congress in 2019, "seventeen years of continuous combat and fiscal instability have affected our readiness and eroded our competitive advantage."<sup>98</sup>

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94 "Defence spending in a time of austerity," *Economist*, August 26, 2010, <https://www.economist.com/briefing/2010/08/26/defence-spending-in-a-time-of-austerity>.

95 Ibid.

96 Brose (2020), xxv.

97 Jake Sullivan, "Recent US Policy Towards China Is Productive," event transcript (Aspen: Intelligence Squared, August 2, 2019), <https://www.intelligencesquaredus.org/debates/recent-us-policy-towards-china-productive>.

98 Joseph F. Dunford, Jr., *Hearing to Receive Testimony On The Department Of Defense Budget Posture In Review Of The Defense Authorization Request For Fiscal Year 2020 And The Future Years Defense Program*, Committee on Armed Services, United States Senate, 2019, p. 16, <https://www.armed-services.senate.gov/imo/media/doc/19-25-03-14-19.pdf>.

The cost of the War on Terror now exceeds \$6.4 trillion, including \$2 trillion in Afghanistan.<sup>99</sup> At the height of U.S. troop presence in Afghanistan and Iraq in 2010, defense spending reached almost \$820 billion and 4.7% of GDP.<sup>100</sup> After the 2011 Budget Control Act introduced cuts, partisan jockeying led to delayed budgets and a government shutdown in 2013, followed by declining defense outlays for two years. Although spending has risen slightly since 2016, by 2020, defense expenditures constituted the lowest percentage of GDP and federal discretionary spending since 1962.<sup>101</sup> These figures are markedly below the bottom line of 3% annual growth above inflation that General Dunford told Congress is the floor necessary to preserve America’s “competitive advantage.”<sup>102</sup>

In sum, emerging from what Mattis has called a period of “strategic atrophy,” serious American strategists have increasingly recognized the demise of U.S. military dominance and are now struggling to understand what that means for our national security and defense.<sup>103</sup> All agree that to restore strategic solvency in a deteriorating security landscape, the U.S. must find more imaginative ways to adapt.

99 Neta C. Crawford, “United States Budgetary Costs and Obligations of Post-9/11 Wars through FY2020: \$6.4 Trillion,” Brown University, November 13, 2019, <https://watson.brown.edu/costsofwar/files/cow/imce/papers/2019/US%20Budgetary%20Costs%20of%20Wars%20November%202019.pdf>; and “Human and Budgetary Costs to Date of the U.S. War in Afghanistan, 2001-2021,” Brown University, April 2021, <https://watson.brown.edu/costsofwar/files/cow/imce/figures/2021/Human%20and%20Budgetary%20Costs%20of%20Afghan%20War%2C%202001-2021.pdf>.

100 Kathleen Hicks, “Getting to Less: The Truth About Defense Spending,” *Foreign Affairs*, March/April 2020, <https://www.foreignaffairs.com/articles/2020-02-10/getting-less>.

101 Ibid.

102 Jim Garamone, “Mattis, Dunford: 2018 Budget Will Continue Readiness Recovery,” U.S. Department of Defense, June 14, 2017, <https://www.defense.gov/Explore/News/Article/Article/1214704/>.

103 U.S. Department of Defense, *Summary of the 2018 National Defense Strategy of the United States of America: Sharpening the American Military’s Competitive Edge* (Washington, D.C.: U.S. Department of Defense, 2018), p. 1, <https://dod.defense.gov/Portals/1/Documents/pubs/2018-National-Defense-Strategy-Summary.pdf>.

## Conclusion: Where Do We Go from Here?

Our assignment in this transition Report to the new Administration and Congress is just to report the facts about where the U.S. and China currently stand in key races. We hope our summary of what has happened can inform their strategic reviews—not anticipate their conclusions. Choices the Administration and Congress will make in 2022 can significantly impact the current trajectories. And the decisions likely to have the greatest positive impact are the hardest to make and execute. For example, as Admiral Winnefeld, former CIA Acting Director Michael Morell, and Graham Allison explained in their *Foreign Affairs* piece “Why American Strategy Fails,” the legacy platforms we have, to which core groups within the military services are committed and which are supported by congressional subcommittees and industry lobbyists, are mostly not what the nation needs if China is the defining military challenge for the decades ahead.<sup>104</sup> As Winnefeld put it, the U.S. military is on a “non-virtuous flywheel... maintained by powerful incentives for Congress (money in Members’ districts), identity metrics for the services (ship numbers), and a lack of imagination on the part of the combatant commands.” As a result, the military is too often “merely trying harder to do the same things, and demanding more resources to chase the same increasingly moribund concept (decisive mano-a-mano power projection).”<sup>105</sup>

While members of Harvard’s China Working Group have views about the strategic choices the U.S. is now facing, we have made our best effort to stay within the guidelines of our assignment, which, like the tagline of the old television show *Dragnet*, is: “just the facts.”

104 James Winnefeld, Michael Morell, and Graham Allison, “Why American Strategy Fails,” *Foreign Affairs*, October 28, 2020, <https://www.foreignaffairs.com/articles/united-states/2020-10-28/why-american-strategy-fails>.

105 James Winnefeld, correspondence with Graham Allison, June 29, 2021.

# Authors

## **Graham Allison**

Graham Allison is the Douglas Dillon Professor of Government at the Harvard Kennedy School, where he was the founding dean. He is a former U.S. assistant defense secretary, former director of Harvard's Belfer Center for Science and International Affairs, and the author most recently of the international bestseller *Destined for War: Can America and China Escape Thucydides's Trap?*

## **Jonah Glick-Unterman**

Jonah Glick-Unterman is a Research Assistant at the Harvard Kennedy School's Belfer Center for Science and International Affairs, where he focuses on defense strategy, nuclear policy, and Asia-Pacific security. Prior to joining the Belfer Center, Jonah worked at the United Nations, the Council on Foreign Relations, the U.S. House of Representatives, and Stanford's Center for International Security and Cooperation.

# Acknowledgments

- **Lieutenant General Douglas Lute** served as U.S. Ambassador to NATO and Deputy National Security Advisor for Iraq and Afghanistan, and he is currently a Senior Fellow at the Belfer Center for Science and International Affairs.
- **Elbridge Colby** is co-founder of The Marathon Initiative and served as Deputy Assistant Secretary of Defense for Strategy and Force Development.
- **Admiral James Winnefeld** served as the 9<sup>th</sup> Vice Chairman of the Joint Chiefs of Staff.
- **General Joseph Dunford** served as the 19<sup>th</sup> Chairman of the Joint Chiefs of Staff and is currently a Senior Fellow at the Belfer Center for Science and International Affairs.
- **Miles Neumann** is an investor at Insight Partners and a former Research Assistant at the Belfer Center for Science and International Affairs.
- **Yashar Parsie** is a former Research Assistant at the Belfer Center for Science and International Affairs.







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Belfer Center for Science and International Affairs  
Harvard Kennedy School  
79 JFK Street  
Cambridge, MA 02138

**[www.belfercenter.org](http://www.belfercenter.org)**