

China's military might

Now, it seems obvious that China is the country that poses the greatest threat to the U.S., but as recently as 2012, this point was far from obvious. During the 2012 presidential debate, Mitt Romney even said that Russia, not China, was the main U.S. rival. So what changed? In a previous column, I argued that China became a military threat because of its rapidly increasing Gross Domestic Product (GDP).

GDP measures the value of a country's output. It captures the production capacity a country (or geographic area) can harness to reach its goals. A country with a large GDP can build a large military and use it to exert influence on the world stage. In my previous article, I noted that China's GDP was only 6.1 percent of the U.S.'s GDP in 1990. So in 1990, China didn't have the production capacity to outfit a military that could challenge the U.S.'s military. As I also noted, by 2018, China's GDP was about $\frac{2}{3}$ of the U.S.'s GDP. With an economy of this size, China could build a formidable military.

But economic growth isn't the only way that China can increase its production capacity to give itself more resources that can ultimately be used to build a

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stronger military. China has already taken a first step down this path. Not too long ago, Hong Kong enjoyed considerable economic freedom. Recently, the Chinese government clamped down on this freedom and largely brought Hong Kong under its control. Hong Kong is one of the most important cities in Southeast Asia. It has a GDP that is roughly equivalent to the GDP of Wisconsin. Remember, Milwaukee is in Wisconsin, so China's recent addition is significant.

Many experts worry that China will continue to add to the production capacity available to its military by resorting to conquest. These experts worry that China may invade Taiwan and begin to rule over the conquered land. Taiwan would be quite a prize. Taiwan has a powerful economy with the productive capacity of Washington or New Jersey. Think about this. China is trying to conquer an area that

is as productive as a state in the U.S. that includes Seattle.

China's GDP did not increase when it began to exert greater control over Hong Kong since this city was already part of China. But because Hong Kong still enjoyed many of the freedoms granted to its citizens during over 100 years of British rule, China had not been able to direct Hong Kong's output. Now, with Hong Kong more firmly under its control, China can harness a significant portion of the city's output to help build its military.

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If China successfully conquers Taiwan, the GDP of this island will be added to China's GDP. The gap between the U.S.'s GDP and China's GDP will close yet again. The near future may hold a China, whose economy grows faster than our economy, and a China that feels powerful enough to expand its borders. Both events will increase China's GDP and make it an even more formidable adversary than it is now. If you want to keep track of how China's GDP changes over time, you can find all of the data that I discussed in this article, as well as future data updates, on the web sites provided by the Federal Reserve Bank of St. Louis and by the Bureau of Economic Analysis.