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# The Longer Telegram: Toward a new American China strategy - Atlantic Council

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## Toward a new American China strategy



by **Anonymous**

### Key points

- The single most important challenge facing the United States and the democratic world in the twenty-first century is the rise of an increasingly authoritarian and aggressive China under Xi Jinping. China has long had an integrated, operational strategy for dealing with the United States. The United States has so far had no such strategy with regard to China. This is a dereliction of national

responsibility.

- US strategy and policy toward China must be laser-focused on the fault lines among Xi and his inner circle—aimed at changing their objectives and behavior and thus their strategic course. Communist Party elites are much more divided about Xi's leadership and vast ambitions than is widely appreciated.
  - The foremost goal of US strategy should be to cause China's ruling elites to conclude that it is in China's best interests to continue operating within the US-led liberal international order rather than building a rival order, and that it is in the Chinese Communist Party's best interests to not attempt to expand China's borders or export its political model beyond China's shores.
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## **Foreword**

by [Frederick Kempe](#)

Today the Atlantic Council publishes an extraordinary new strategy paper that offers one of the most insightful and rigorous examinations to date of Chinese geopolitical strategy and how an informed American strategy would address the challenges of China's own strategic ambitions.

Written by a former senior government official with deep expertise and experience dealing with China, the strategy sets out a comprehensive approach, and details the ways to execute it, in terms that will invite comparison with George Kennan's historic 1946 "long telegram" on Soviet grand strategy. We have maintained the author's preferred title for the work, "The Longer Telegram," given the author's aspiration to provide a similarly durable and actionable approach to China.

The focus of the paper is China's leader and his behavior. "The single most important challenge facing the United States in the twenty-first century is the rise of an increasingly authoritarian China under President and General Secretary Xi Jinping," it says. "US strategy must remain laser focused on Xi, his inner circle, and the Chinese political context in which they rule. Changing their decision-making will require understanding, operating within, and changing their political and strategic paradigm. All US policy aimed at altering China's behavior should revolve around this fact, or it is likely to prove ineffectual."

The author of this work has requested to remain anonymous, and the Atlantic Council has honored this for reasons we consider legitimate but that will remain confidential. The Council has not taken such a measure before, but it made the decision to do so

given the extraordinary significance of the author's insights and recommendations as the United States confronts the signature geopolitical challenge of the era. The Council will not be confirming the author's identity unless and until the author decides to take that step.

The Atlantic Council as an organization does not adopt or advocate positions on particular matters. The Council's publications always represent the views of the author(s) rather than those of the institution, and this paper is no different from any other in that sense.

Nonetheless, we stand by the importance and gravity of the issues that this paper raises and view it as one of the most important the Council has ever published. The Council is proud to serve as a platform for bold ideas, insights, and strategies as we advance our mission of shaping the global future together for a more free, prosperous, and secure world. As China rapidly increases its political and economic clout during this period of historic geopolitical crisis, this moment calls for a thorough understanding of its strategy and power structure. The perspectives set forth in this paper deserve the full attention of elected leaders in the United States and the leaders of its democratic partners and allies.

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## **Executive summary**

The single most important challenge facing the United States in the twenty-first century is the rise of an increasingly authoritarian China under President and General Secretary Xi Jinping. China's rise, because of the scale of its economy and its military, the speed

of its technological advancement, and its radically different worldview than that of the United States, now profoundly impacts every major US national interest. This is a structural challenge that, to some extent, has been gradually emerging over the last two decades. The rise to power of Xi has greatly accentuated this challenge, and accelerated its timetable.

At home, Xi has returned China to classical Marxism-Leninism and fostered a quasi-Maoist personality cult, pursuing the systematic elimination of his political opponents. China's market reforms have stalled and its private sector is now under direct forms of party control. Unapologetically nationalist, Xi has used ethnonationalism to unite his country against any challenges to his authority, internal or external. His treatment of recalcitrant ethnic minorities within China borders on genocide. Xi's China increasingly resembles a new form of totalitarian police state. In what is a fundamental departure from his risk-averse post-Mao predecessors, Xi has demonstrated that he intends to project China's authoritarian system, coercive foreign policy, and military presence well beyond his country's own borders to the world at large. China under Xi, unlike under Deng Xiaoping, Jiang Zemin, and Hu Jintao, is no longer a status quo power. It has become a revisionist power. For the United States, its allies, and the US-led liberal international order, this represents a fundamental shift in the strategic environment. Ignoring this profound change courts peril. Xi is no longer just a problem for US primacy. He now presents a serious problem for the whole of the democratic world.

**The single most important challenge facing the United States in the twenty-first century is the rise of an increasingly**

## **authoritarian China under President and General Secretary Xi Jinping.**

The fundamental strategic question for the United States, under a Republican or Democratic administration, is what to do about this challenge. It is now a matter of urgency that this country develop an integrated, operational, and bipartisan national strategy to guide the content and implementation of US policy toward Xi's China for the next three decades. Some will argue that the United States already has a China strategy, pointing to the Trump administration's declaration of "strategic competition" as the "central challenge" of US foreign and national-security policy, as enshrined in the 2017 US National Security Strategy. However, while the Trump administration did well to sound the alarm on China and its announcement of strategic competition with Beijing was important, its episodic efforts at implementation were chaotic and at times contradictory. At root, the issue is that "strategic competition" is a declaration of doctrinal attitude, not a comprehensive strategy to be operationalized.

The uncomfortable truth is that China has long had an integrated internal strategy for handling the United States, and so far this strategy has been implemented with reasonable, although not unqualified, success. By contrast, the United States, which once operationalized a unified strategy to deal with the challenge of the Soviet Union, in the form of George Kennan's containment, so far has none in relation to China. This has been a dereliction of national responsibility.

Washington's difficulty in developing an effective China strategy has been accentuated by the absence of a clearly understood

strategic objective. At present, articulated objectives range from inducing Chinese economic reform through a limited trade war to full-blown regime change. Kennan's famous 1946 "long telegram" from Moscow was primarily an analysis of the inherent structural weaknesses within the Soviet model itself, anchored by its analytical conclusion that the USSR would ultimately collapse under the weight of its own contradictions. The entire doctrine of containment was based on this critical underlying assumption. The Chinese Communist Party (CCP), however, has been much more dexterous in survival than its Soviet counterpart, aided by the fact that China has studied carefully, over more than a decade, "what went wrong" in the Soviet Union. It would therefore be extremely hazardous for US strategists to accept that an effective future US China strategy should rest on an assumption that the Chinese system is destined to inevitably collapse from within—much less to make the "overthrow of the Communist Party" the nation's declared objective. In fact, indulgence in politically appealing calls for the overthrow of the ninety-one-million-member CCP as a whole is strategically self-defeating. Such an approach only strengthens Xi's hand as it enables him to circle elite political and popular nationalist wagons in defense of both party and country. The present challenge will require a qualitatively different and more granular policy response to China than the blunt instrument of "containment with Chinese characteristics" and a dream of CCP collapse.

The wisdom in Kennan's analysis was his profound appraisal of how the Soviet Union functioned internally and the development of a US strategy that worked along the grain of that complex reality. The same needs to be done with China. The political reality is that

the CCP is significantly divided on Xi's leadership and his vast ambitions. Senior party members have been greatly troubled by Xi's policy direction and angered by his endless demands for absolute loyalty. They fear for their own lives and the future livelihoods of their families. Of particular political toxicity in this mix are the reports unearthed by international media of the wealth amassed by Xi's family and members of his political inner circle, despite the vigor with which Xi has conducted the anti-corruption campaign. It is simply unsophisticated strategy to treat the entire Communist Party as a single target when such internal fault lines should be clear to the analyst's eye—and in the intelligent policy maker's penning. A campaign to overthrow the party also ignores the fact that China, under all five of its post-Mao leaders prior to Xi, was able to work with the United States. Under them, China aimed to join the existing international order, not to remake it in China's own image. Now, however, the mission for US China strategy should be to see China return to its pre-2013 path—i.e., the pre-Xi strategic status quo. There were, of course, many challenges to US interests during Hu's second term, but they were manageable and did not represent a serious violation of the US-led international order. All US political and policy responses to China therefore should be focused through the principal lens of Xi himself.

Of all the elements commonly missing from discussions of US strategy toward China so far, this is the most critical. While US leaders often differentiate between China's Communist Party government and the Chinese people, Washington must achieve the sophistication necessary to go even further. US leaders also must differentiate between the government and the party elite, as well as between the party elite and Xi. Given the reality that



today's China is a state in which Xi has centralized nearly all decision-making power in his own hands, and used that power to substantially alter China's political, economic, and foreign-policy trajectory, US strategy must remain laser focused on Xi, his inner circle, and the Chinese political context in which they rule. Changing their decision-making will require understanding, operating within, and changing their political and strategic paradigm. All US policy aimed at altering China's behavior should revolve around this fact, or it is likely to prove ineffectual. This strategy must also be long term—able to function at the timescale that a Chinese leader like Xi sees himself ruling and influencing—as well as fully operationalized, transcending the rhetorical buzzwords that have too often substituted for genuine US strategy toward Beijing. Defending our democracies from the challenge posed by China will require no less.

Implementing such a strategy would require a firm understanding of Xi's strategic objectives, which include the following:

- leapfrog the United States as a technological power and thereby displace it as the world's dominant economic power
- undermine US dominance of the global financial system and the status of the US dollar as the global reserve currency
- achieve military preponderance sufficient to deter the United States and its allies from intervention in any conflict over Taiwan, the South China Sea, or the East China Sea
- diminish the credibility of US power and influence sufficiently to cause those states currently inclined to “balance” against China to instead join the bandwagon with China
- deepen and sustain China's relationship with its neighbor and

most valuable strategic partner, Russia, in order to head off Western pressure

- consolidate the Belt and Road Initiative (BRI) into a geopolitical and geoeconomic bloc in support of China's policy ambitions, forming the foundation for a future Sinocentric global order
- use China's growing influence within international institutions to delegitimize and overturn initiatives, standards, and norms perceived as hostile to China's interests—particularly on human rights and international maritime law—while advancing a new, hierarchical, authoritarian conception of international order under Xi's deliberately amorphous concept of a “community of common destiny for all mankind”

The Chinese Communist Party keenly understands Sun Tzu's maxim that “what is of supreme importance in war is to attack the enemy's strategy,” and the US should as well. Any US approach must seek to frustrate Xi's ambitions. That means first clarifying which US national interests are to be protected, together with those of principal partners and allies. This includes the following:

- retain collective economic and technological superiority
- protect the global status of the US dollar
- maintain overwhelming conventional military deterrence and prevent any unacceptable shift in the strategic nuclear balance
- prevent any Chinese territorial expansion, especially the forcible reunification with Taiwan
- consolidate and expand alliances and partnerships
- defend (and as necessary reform) the current rules-based liberal international order and, critically, its ideological underpinnings,

including core democratic values

- address persistent shared global threats, including preventing catastrophic climate change

Given China's significant and growing "comprehensive national power," some may question how this can realistically be achieved.

<sup>1</sup> The overriding political objective should be to cause China's elite leadership to collectively conclude that it is in the country's best interests to continue to operate within the existing US-led liberal international order rather than build a rival order, and that it is in the party's best interests, if it wishes to remain in power at home, not to attempt to expand China's borders or export its political model beyond China's shores. In other words, China can become a different type of global great power than that envisaged by Xi. The primary way in which the United States can seek to achieve these ends (while also protecting its own core advantages) is to change China's objectives and behavior. A detailed, operationalized strategy should comprise seven integrated components:

- rebuild the economic, military, technological, and human-capital underpinnings of US long-term national power
- agree on a limited set of enforceable policy "red lines" that China should be deterred from crossing under any circumstances
- agree on a larger number of "major national security interests" which are neither vital nor existential in nature but which require a range of retaliatory actions to inform future Chinese strategic behavior
- identify important but less critical areas where neither red lines nor

the delineation of major national interests may be necessary, but where the full force of strategic competition should be deployed by the United States against China

- define those areas where continued strategic cooperation with China remains in US interests—where such “megathreats” include climate disruption, global pandemics, and nuclear security
- prosecute a full-fledged, global ideological battle in defense of political, economic, and societal freedoms against China’s authoritarian state-capitalist model
- agree on the above strategy in sufficiently granular form with the United States’ major Asian and European treaty allies so that their combined critical mass (economic, military, and technological) is deployed in common defense of the US-led liberal international order

These seven components should be implemented through a fully coordinated interagency and interallied effort, under the central direction of the national security advisor, underpinned by a presidential directive with the bipartisan political support to endure across multiple administrations.

This US strategy should be developed on the basis of ten core organizing principles:

**First, US strategy must be based on the four fundamental pillars of American power:** the power of the nation’s military; the status of the US dollar as the global reserve currency and mainstay of the international financial system; global technological leadership, given that technology has become the major determinant of future national power; and the values of individual freedom, fairness, and the rule of law for which the nation

continues to stand, despite its recent political divisions and difficulties.

**Second, US strategy must begin by attending to domestic economic and institutional weaknesses.** The success of China's rise has been predicated on a meticulous strategy, executed over thirty-five years, of identifying and addressing China's structural economic weaknesses in manufacturing, trade, finance, human capital, and now technology. The United States must now do the same.

**Third, the United States' China strategy must be anchored in both national values and national interests.** This is what has long distinguished the nation from China in the eyes of the world. The defense of universal liberal values and the liberal international order, as well as the maintenance of US global power, must be the twin pillars of America's global call to arms.

**Fourth, US strategy must be fully coordinated with major allies so that action is taken in unity in response to China.** This has nothing to do with making allies feel good or better than they have. It's because the United States now needs them to win. As noted previously, China ultimately places great weight on its calculation of the evolving balance of comprehensive power between the United States and itself. The reality is that, as the gap between Chinese and US power closes during the 2020s, the most credible factor that can alter that trajectory is if US power is augmented by that of its principal allies.

**Fifth, the United States' China strategy also must address the wider political and economic needs of its principal allies and partners** rather than assuming that they will choose to adopt a

common, coordinated strategic position on China out of the goodness of their hearts. Unless the United States also deals with the fact that China has become the principal trading partner for most, if not all, of its major allies, this underlying economic reality alone will have growing influence over the willingness of traditional allies to challenge China's increasingly assertive international behavior.

**Sixth, the United States must rebalance its relationship with Russia whether it likes it or not.** Effectively reinforcing US alliances is critical. Dividing Russia from China in the future is equally so. Allowing Russia to drift fully into China's strategic embrace over the last decade will go down as the single greatest geostrategic error of successive US administrations.

**Seventh, the central focus of an effective US and allied China strategy must be directed at the internal fault lines of domestic Chinese politics in general and concerning Xi's leadership in particular.** A fundamental error of US strategy has been to attack China as a whole, thereby enabling Xi's leadership to circle the wagons within Chinese politics around the emotional pull of Chinese nationalism and civilizational pride. Just as significant an error has been to crudely attack the Chinese Communist Party itself. However, the political reality is that the party is divided on Xi's leadership where he threatens the lives, careers, and deeply held policy positions of many within its senior political echelons.

**Eighth, US strategy must never forget the innately realist nature of the Chinese strategy that it is seeking to defeat.** Chinese leaders respect strength and are contemptuous of weakness. They respect consistency and are contemptuous of

vacillation. China does not believe in strategic vacuums.

**Ninth, US strategy must understand that China remains for the time being highly anxious about military conflict with the United States**, but that this attitude will change as the military balance shifts over the next decade. If military conflict were to erupt between China and the United States, and China failed to win decisively, then—given the party’s domestic propaganda offensive over many years proclaiming China’s inevitable rise—Xi would probably fall and the regime’s overall political legitimacy would collapse.

**Tenth, for Xi, too, “It’s the economy, stupid.”** Short of defeat in any future military action, the single greatest factor that could contribute to Xi’s fall is economic failure. That would mean large-scale unemployment and falling living standards for China’s population. Full employment and rising living standards are the essential components of the unspoken social contract between the Chinese people and the CCP since the tumult of the Cultural Revolution.

The list of core domestic tasks which the United States must address as part of any effective strategy for dealing with Xi’s China is familiar. They are all structural, long term, and with dividends that will only be yielded over a decade or more. They include, but are not be limited to, the following:

- reversing declining investments in critical national economic infrastructure including next-generation 5G mobile systems
- reversing declining public investment in science, technology, engineering, and mathematics (STEM) education, universities, and basic scientific research

- ensuring the United States remains the global leader in the major categories of technological innovation including artificial intelligence (AI)
- developing a new political consensus on the future nature and scale of immigration to the United States in order to ensure that the US population continues to grow, remains young, and avoids the demographic implosions threatening many other developed and emerging economies including China itself, while retaining the best and brightest from around the world who come to the United States to study
- rectifying the long-term budgetary trajectory of the United States so that the national debt is ultimately kept within acceptable parameters, accommodating the new expansionary monetary policy without creating an inflation crisis and weakening the role of the US dollar
- resolving, or at least reducing, the severe divisions now endemic in the political system, institutions, and culture, which undermine the capacity to agree on, make, and stick to long-term national decisions fundamental to the consolidation of historical strengths and the exploitation of new opportunities
- addressing the critical question of future national political resolve to safeguard, build, and even expand the liberal international order, rather than accept or embrace a new wave of isolationism that will inevitably drag the United States inward rather than outward and proving China wrong in its calculation that this US resolve is waning

## **Deterring and preventing China from crossing US red**



## lines

The United States' list of red lines should be short, focused, and enforceable. China's tactic for many years has been to blur the red lines that might otherwise lead to open confrontation with the United States too early for Beijing's liking. The United States must be very clear about which Chinese actions it will seek to deter and, should deterrence fail, will prompt direct US intervention. These should be unambiguously communicated to Beijing through high-level diplomatic channels so that China is placed on notice. This list of red lines should include these elements:

- any nuclear, chemical, or biological weapons action by China against the United States or its allies, or by North Korea where China has failed to take decisive action to prevent any such North Korean action <sup>2</sup>
- any Chinese military attack against Taiwan or its offshore islands, including an economic blockade or major cyberattack against Taiwanese public infrastructure and institutions <sup>3</sup>
- any Chinese attack against Japanese forces in their defense of Japanese sovereignty over the Senkaku Islands and their surrounding exclusive economic zone (EEZ) in the East China Sea
- any major Chinese hostile action in the South China Sea to further reclaim and militarize islands, to deploy force against other claimant states, or to prevent full freedom of navigation operations by the United States and allied maritime forces <sup>4</sup>
- any Chinese attack against the sovereign territory or military assets of US treaty allies

## **Areas of major national concern**

There is a further category of major national security concerns for the United States which also will warrant a US response, but not necessarily of a military nature. These are national security interests of a nonvital, but nonetheless highly significant nature.

There are multiple tools in the US tool kit that can be deployed for these purposes that will not only send a message to the senior echelons of the Chinese leadership that a line has been crossed, but also administer real and measurable pain. Once again, these concerns should be communicated in advance through high-level private diplomacy. This list should include:

- continued refusal by China, within a defined time frame, to participate in substantive bilateral or multilateral strategic nuclear arms reduction talks, with the object of securing a cap on China's program of nuclear modernization and expansion
- any action by China that threatens the security of US space assets or global communications systems
- any major Chinese cyberattack against any US or allied governments' critical economic, social, or political infrastructure
- any act of large-scale military or economic belligerence against US treaty allies or other critical strategic partners, including India
- any act of genocide or crimes against humanity against any group within China

## **Areas of declared strategic competition**

Deterring certain Chinese strategic behaviors, particularly in the

security domain, is one thing. Punishing other behaviors where other major US national security interests are at stake is another. Allowing for a wider form of strategic competition, particularly in the diplomatic and economic domains, however, also is an important part of a fully calibrated strategy. Having all three categories within a single strategic framework is possible. The rationale for including “strategic competition” is to address those areas where the two countries have clearly conflicting policy agendas but where it is judged that these conflicts can be resolved by means other than the threat or use of force, or by other coercive or significantly punitive measures. It infers that while the interests at stake are important, they are neither existential nor critical in nature. These interests may still involve areas of policy activity that are preparatory to the eventual use of force, such as areas related to long-term military and economic preparedness. Or they may include areas which, by their nature, will never involve the use of lethal means. Nonetheless, the common characteristic for all of these areas of strategic competition must be confidence that the United States can and will prevail, with US underlying strengths and values still providing the stronger hand to play in what remains an open, competitive, international environment. These areas of strategic competition against China should include the following:

- sustaining current US force levels in the Indo-Pacific region (because to do otherwise would cause China to conclude that the United States has begun to retreat from its alliance commitments), while also modernizing military doctrine, platforms, and capabilities to ensure robust regionwide deterrence
- stabilizing relations with Russia and encouraging the same

between Russia and Japan

- concluding a fully operationalized Quadrilateral Security Dialogue (Quad) with India, Japan, and Australia by inducing India to abandon its final political and strategic reservations against such an arrangement
- facilitating the normalization of Japan-South Korea relations to prevent Korea from continuing to drift strategically in China's direction
- prioritizing trade, investment, development, diplomatic, and security relations between the United States and each of the Southeast Asian states, particularly with US allies Thailand and the Philippines, to prevent further strategic drift by Southeast Asia toward China
- protecting the global reserve currency status of the US dollar
- protecting critical new technologies, both US and allied, from Chinese acquisition
- integrating, to the greatest extent possible, the US, Canadian, and Mexican economies into a seamless market of five-hundred million in order to underpin long-term economic strength relative to China
- renegotiating the transpacific partnership agreement and then acceding to it
- negotiating a transatlantic trade and investment partnership with the European Union and acceding to it, along with other potential agreements on technology or other issues
- enforcing China's pledges on trade and investment liberalization, state subsidies, dumping, and intellectual-property protection, in partnership with friends and allies, through a reformed multilateral

## trade dispute-resolution mechanism

- reforming and reviving the World Trade Organization (WTO), its dispute-resolution machinery, and the integrity of international trade law rather than allowing further incremental drift toward global protectionism
- investing at scale, alongside US allies, in the World Bank and the regional development banks, in order to provide emerging economies with an effective means of funding the development of their national infrastructure, thus encouraging use of the World Bank (including its transparent governance standards) as a credible alternative to the BRI
- revitalizing the UN and other multilateral and international institutions as the cornerstones of global political governance
- rebuilding the State Department including its operational budgets and staffing levels to be able to diplomatically compete with China globally
- increasing US overseas development aid through the US Agency for International Development (USAID) and established United Nations (UN) humanitarian agencies in order to, together with US allies, sustain donor dominance over China through coordinated global aid delivery
- strengthening, consistent with existing international treaties, multilateral human rights institutional arrangements to maintain multilateral pressure on both China's domestic human rights practices as well as the Communist Party's international political legitimacy

## **Areas of continued strategic cooperation**

There is a further set of policy challenges where it is in US interests, together with those of allies, to continue to engage in bilateral or multilateral strategic cooperation with China. This is not to make Americans feel better or to be nice to the Chinese. It is because in these areas US interests are best advanced by working with Beijing rather than against it. Under current circumstances, areas for strategic cooperation with China would include the following:

- negotiating a nuclear arms control agreement with China to bring China within the global arms control regime for the first time and to prevent a new nuclear arms race
- collaborating on the actual denuclearization of North Korea
- negotiating bilateral agreements on cyber warfare and cyber espionage
- negotiating bilateral agreements on the peaceful use of space
- negotiating protocols on future limitations on AI-controlled autonomous weapons systems
- cooperating in the Group of Twenty (G20) on global macroeconomic and financial stability to prevent future global crises and recessions
- cooperating multilaterally through the G20 and the UN Framework Convention on Climate Change, bilaterally on global greenhouse gas reductions, and trilaterally with India, the world's third-largest emitter
- collaborating on a global research project on breakthrough climate technologies including long-term solar-energy storage, as part of a global research consortium

- cooperating on future AI-based medical and pharmaceutical research to develop new responses to major disease categories affecting both countries including cancer
- cooperating on the development of effective future global pandemic notification and management, as well as vaccine development

## **And may the best side win in the global battle for ideas**

Ideas still matter in politics and international relations. It is not just a question of the balance of power, critical though that is. How a people think about themselves, the types of societies being built, the economies under development, and the polities that evolve to resolve differences all profoundly shape world views. This contest of ideas will continue. Xi has already thrown down the ideological challenge to the United States and the West with his concept of an authoritarian-capitalist model and his so-called community with a shared future for mankind. For North Americans, Europeans, and others who believe in open economies, just societies, and competitive political systems, the challenge is to have continuing confidence in the inherent efficacy of the ideas upon which they rest.

## **Implementation: The critical role of allies**

This seven-part strategy must be implemented nationally, bilaterally, regionally, multilaterally, and globally. This has been China's approach for decades. Again, this is where allies are no longer optional but crucial, given that they can often achieve what

the United States cannot, whether in particular countries, regions, or institutions. The United States should always bear in mind that China has no allies other than North Korea, Pakistan, and Russia, placing Beijing at a considerable strategic disadvantage globally relative to the United States. Allies are a great advantage. Such an approach will require an unprecedented level of US national and international policy coordination. It will require the rebuilding of the US Foreign Service and USAID. It will require the complete integration of the efforts of the Departments of State, Defense, Treasury, and Commerce, the Office of the US Trade Representative, USAID, and the intelligence community. This will mean that future national security advisors (augmented with the best and brightest high-level support staff) will need to be individually responsible for full coordination and final execution of the United States' long-term China strategy.

## **Conclusion**

There is no reason to believe it impossible, if such a strategy is successfully followed, that Xi will in time be replaced by the more traditional form of Communist Party leadership. Xi, as noted previously, is already provoking significant reactions against himself and his current strategic course. Over the longer term the Chinese people themselves may well come to question and challenge the party's century-long proposition that China's ancient civilization is forever destined to an authoritarian future. The latter, however, is ultimately a matter for the Chinese people themselves, rather than US strategy. Instead, the ambition of US strategy for the decades ahead should be to cause China's Communist Party leadership to change strategic course—with or without Xi at the



helm.

In the final analysis, the major problem facing the United States in confronting Xi's China is not one of military, economic, or technological capabilities. It is one of self-belief. There is a subtle yet corrosive force that has been at work in the United States' national psychology for some time now, raising doubt about the nation's future and encouraging a sense that, as a country, America's best days may now be in the past. Adversaries and allies sense this as well. Objectively, there is no basis for any such despair. The United States, as a country, is young, and the capacity for innovation is unsurpassed. The values for which it stands have stood the test of time. This is where the nation's leadership must once again step up to the challenge—not just to provide the nation with vision, mission, and purpose; not just to frame the strategy and give it effect; but to cause the American people to once again believe in the nation and its capacity to provide effective global leadership for the century ahead. In doing so, the nation must also lead its friends and allies to once again believe in the United States as well.

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## **FULL REPORT**

### **Toward a new national China strategy**





The 2019 National Day parade featured performers and a float with a portrait of Chinese President Xi Jinping, as part of the seventieth anniversary of the founding of the People's Republic of China, in Beijing, China, October 1, 2019.



## **The significance of the China challenge**

The single most important challenge facing the United States in the twenty-first century is the rise of an increasingly authoritarian China under Xi Jinping. Communist China, because of the scale of its military, the size of its economy, and its radically different worldview, now profoundly impacts every single major US national interest. This extends across national security, foreign policy, trade, investment, capital markets, and the dollar's status as the global reserve currency, as well as the future of technology, human rights, global planetary sustainability, and the future of the international rules-based order. China's growing national power across all these domains now challenges US

global and regional dominance in a manner that the Soviet Union never did. To some extent, this is a structural challenge that has been gradually emerging over the last two decades. The rise of Xi, however, has accentuated this challenge and accelerated its timetable in a manner that his post-Mao predecessors had always been reluctant to embrace.

In a further departure from the past, Xi, after eight years in office, also has demonstrated that he intends to take China's authoritarian values, foreign-policy influence, and military presence well beyond its own borders to the world at large. In other words, Xi is no longer just a problem for China's neighbors and the United States. He now presents a serious problem for the whole of the democratic world. In short, China under Xi, unlike under Deng Xiaoping, Jiang Zemin and Hu Jintao, is no longer a status quo power. For the United States, its allies, and the US-led liberal international order, this represents a fundamental strategic change.

The equally fundamental strategic question for the United States, under either a Republican or Democratic administration, is what to do about this challenge. It is now a matter of urgency that this country develop an integrated, bipartisan national China strategy and operational plan to guide the content and implementation of US policy toward Xi's China for the next three decades. There are three main reasons why such a long-term strategy is needed:

## 1

The rise of China represents the most significant postwar challenge to US leadership of the global political, economic, and

security order—a challenge that is already causing many European, Asian, and even Middle Eastern allies to hedge their strategic bets between the United States and China.

## 2

The postwar strategic primacy of the United States in the Asia-Pacific region—which has already become the greatest source of global economic growth, climate change, and unresolved security tensions in the twenty-first century—is now under significant challenge by the emergence of China as a military peer-competitor and preeminent economic power.

## 3

The unfolding attitude, policy, and posture of China’s party-state toward a future international rules-based order, and the often equivocal responses by the past Trump administration, has increasingly brought into question the continued validity of the universal values of liberal democracy, free markets, and open societies that were established by previous US administrations over the last three-quarters of a century.

“Cold warriors” may challenge this proposition concerning the singularity of the China challenge, given the existential nature of the decades-long nuclear confrontation between the United States and the Soviet Union. There are numerous cogent arguments, however, that substantiate the greater significance of the China trial today.

First, China, like the old Soviet Union and now modern Russia, also possesses a credible, growing, and modernizing nuclear

force. It is much smaller than either the US or Russian arsenal, but it is of sufficient size and sophistication to give China the second-strike capability its leaders have sought to deter any future nuclear threat.

Second, China, unlike the Soviet Union, now has genuine global economic capacity, reach, and impact. Both in reality and perception, China is in the process of superseding the United States as the world's largest economy over the coming decade, although there will still be differing strengths and weaknesses between them in trade, investment, capital, technology, and talent.

Third, Moscow never effectively challenged the United States' post-war domination of the Asia-Pacific or the wider Indo-Pacific region. China does.

Fourth, Xi's China, while not yet engaging in a full-fledged ideological war against the United States, has nonetheless made plain that it has no intention of accepting, passively or actively, the values the United States has asserted as central to its national and international ethos. Instead, China now champions its own version of authoritarian capitalism, at home, and now abroad.

Fifth, despite much US skepticism even five years ago, China and Russia have now achieved a level of strategic condominium with each other in countering US regional and global interests that has upended the strategic map first laid out in 1972, when Beijing and Washington joined in common cause against Moscow. That world is long gone—possibly forever.

Finally, China has long had an integrated internal strategy governing its policy toward the United States. So far this strategy has been implemented with reasonable, although not unqualified,

success.

While the United States operationalized a unified national strategy for dealing with the Soviet Union in the form of containment, Washington so far has none in relation to China. The United States has a new declared strategy toward China which is termed “strategic competition.” However, Washington does not yet have a comprehensive operationalized strategy to give it effect. This has been a dereliction of national responsibility.

From a wider perspective, there is an additional reason why the United States’ core objective must be the retention of US global and regional strategic primacy for the century ahead. It is not just in the national interest. Whether this nation likes it or not, US leadership remains the only credible foundation for sustaining, enhancing, and, where necessary, creatively reinventing the liberal international order. An authoritarian state in a position of global leadership will not only lead to the demise of the current order, but will, in the process, curtail US interests as well. Ultimately, it would degrade the American soul, including the innate understanding of who Americans are as a people and what the nation stands for in the world. To abandon this mission would mean “the city upon a hill” would fade from view as the United States became just another nation-state in narrow pursuit of its national self-interest.

The basic principles of political, economic, and social freedom must remain central to the cause. While these ideals are recent innovations when seen across the spread of human history, they have now become timeless values and the bane of dictators in every corner of the world. The institutional expression of these universal values in the structure and shape of the international system will necessarily evolve according to the changing policy

circumstances of the future. For the liberal international order to indeed survive, it must be a dynamic rather than static representation of these values, as the world itself, driven by profound technological disruption, changes rapidly around us. Yet these underlying values of freedom must remain the true north of US strategy. In the absence of the United States, no other country stands ready or able to become the global standard bearer for these values. Ceding that role would mean conceding the future order, and its underlying ideational construct, to varying forms of dictatorship.

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## **US response: Political inertia or strategic vision**

For these reasons, the United States can quietly yield to the challenging realities now unfolding around it through a lethal cocktail of political inertia and strategic drift, or it can choose to act in a strategically coherent way to defend and advance its core interests as it did through both Republican and Democratic administrations against the Soviet Union. A new US national China strategy must be anchored, however, in clear recognition that the United States now faces a radically changed and more constrained strategic environment than it did during the Cold War against the Soviet Union. These circumstances require a qualitatively different, more granular policy response to China than the blunt instrument of containment. A simple replication of “containment with Chinese characteristics,” or comprehensive decoupling from China as a precursor to it, is unlikely to be

effective in realizing US policy objectives with China. Such an approach could be extremely harmful to the United States' own interests. One should bear in mind that Kennan's famous "long telegram" from Moscow was primarily an analysis of the inherent structural weaknesses within the Soviet model itself, and anchored in its analytical conclusion that the Soviet Union would ultimately collapse under the weight of its own internal contradictions. The entire doctrine of containment was based on this underlying critical assumption.

It would, however, require a brave analyst to reach a similar conclusion about China. Certainly there are irresolvable structural fault lines within the Chinese system—most spectacularly those between the ideological strictures of a Leninist political party on the one hand and the market imperatives of a greatly unbridled private sector on the other. China's domestic strategy since 1978 has, however, been one of a continuous, almost cyclical, rebalancing between the competing tensions of the party and the market, periodically oscillating between "left" and "right" in order to keep the country and the economy broadly on a path toward a sustainable equilibrium. It would be hazardous, therefore, for US strategists to assume that an effective future US China strategy should rest primarily on a Kennan-like extrapolation that the Chinese system is inevitably destined to collapse from within. The CCP has been much more dexterous in its approach to policy and ideology than its Soviet counterpart, aided by the party's careful study over more than a decade of "what went wrong" for the USSR during the critical events of 1989-1991. Xi is personally obsessed with the need for the Chinese party to learn from the example of the Soviet Union's demise, telling his Politburo colleagues in a



2012 speech that the event offered “a profound lesson for us.” That lesson was that “their ideals and beliefs had been shaken,” while the “military was depoliticized, separated from the party and nationalized, [and] the party was disarmed.” He warned that even though “proportionally, the Soviet Communist Party had more members than we do,” they perished because “nobody was man enough to stand up and resist.”<sup>5</sup>

**Whether this nation likes it or not, US leadership remains the only credible foundation for sustaining, enhancing, and, where necessary, creatively reinventing the liberal international order.**

Of course, with a perfect combination of internal and external pressures, triggered by a series of acute systemic crises, the CCP may indeed collapse. It would, however, be foolhardy for US strategists to bet the bank on it. Far better to analyze carefully those Chinese policy behaviors that the United States wants to see change and to apply whatever policy levers are available to help bring about those changes. Such leverage, intelligently applied, may also contribute to leadership change in China in a more pro-market, less authoritarian, and less nationalist direction. Over time it may also result in long-term regime change.

In the interim, however, the realistic objective, at least for the critical decade ahead, must be to bring about measurable policy changes in Beijing that force the regime to conform to the principles of the current liberal international order. This aim contrasts with Beijing’s current practice of notionally adhering to the rules of the existing international system while operationally

ignoring those rules whenever they prove to be inconvenient. At the same time, Beijing also is busy creating its own new spheres of geopolitical and geoeconomic influence across the world, leveraging its growing global support to begin quietly changing the international system from within to be more compatible with China's own national interests and values.

For the United States, therefore, being clear about the objectives of China's national strategy, as well as what it will take to bring about substantive changes in Chinese policy behaviors that impact both US core interests and the current liberal international order, is the essential precondition for the development of an effective national strategy for the difficult decades that lie ahead.



## **Political declarations do not equal a strategy**

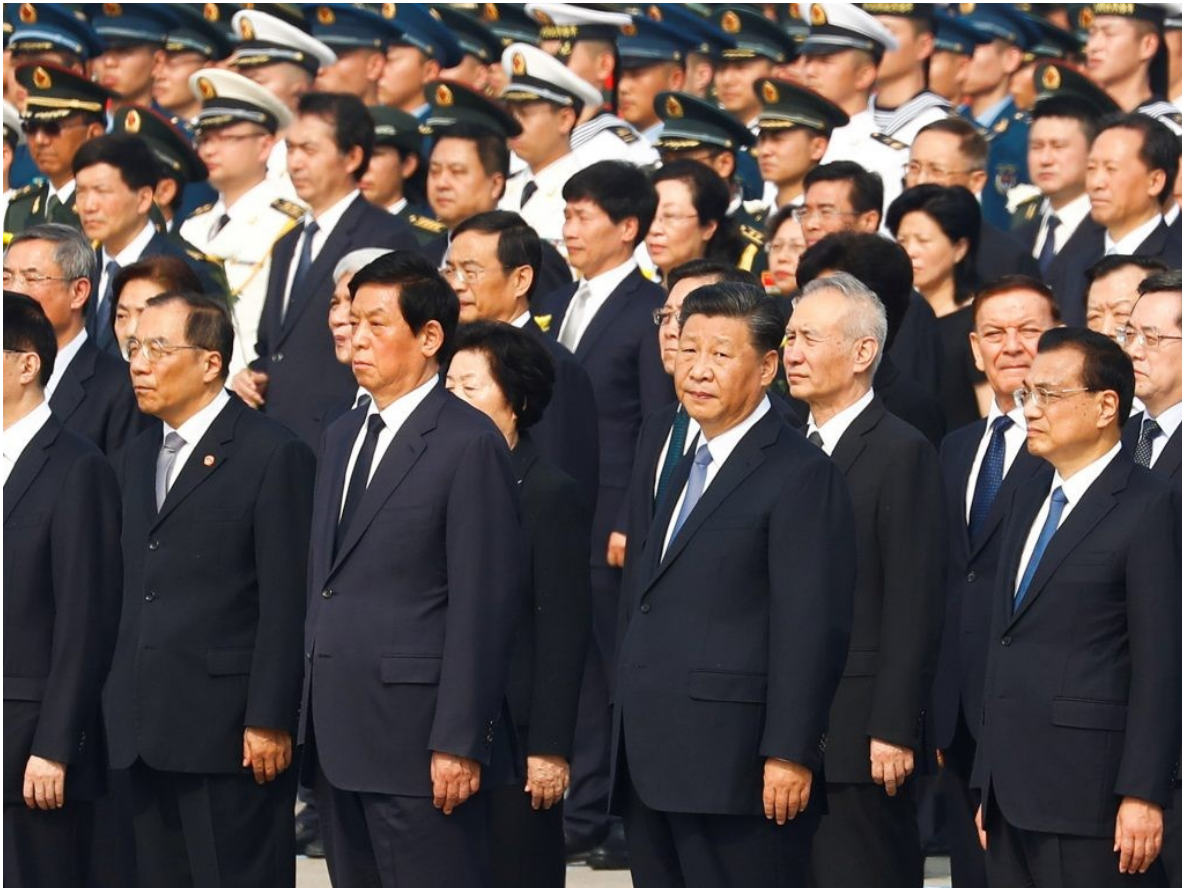
The purpose of this paper is to outline what such a strategy should look like. It is not to detail the final, granular form that a fully developed and operationalized strategy would take. That should be the preserve of a focused, confidential interagency process, followed by intimate policy collaboration with the United States' closest and most important allies. In preparing such a detailed strategy, a concerted systematic approach on the part of the new administration will be essential. It must examine every policy domain in the US-China relationship from the ground up, measuring each against a single benchmark: which individual policy measures will generate maximum leverage to bring about substantive changes in Chinese strategic decision-making and

behavior.

Such an approach contrasts with the current political and intellectual obsession in the United States with what a new strategy should be called, rather than what its operationalized content should be. Far too much effort has gone into coining the next doctrinal zinger, the single word or phrase that will be seen by history as the worthy intellectual successor to Kennan's masterpiece on containment crafted nearly three-quarters of a century ago. This obsession confuses form with substance. It also confuses declared doctrine with a fully operationalized strategy, another long-standing problem with much of what purports to be US grand strategy. Dramatic proclamations can often undermine what operationalized strategy is seeking to achieve by simply revealing too much. China, the master of strategic opacity, never makes that mistake. Bold, declared doctrines also run the risk of giving the propaganda machinery of the CCP a field day in maligning the United States' most recently published perfidious plan in the eyes of the party's ever-captive Chinese domestic political audience.

By contrast, the hard men of the Politburo in Beijing always look at what the United States does, rather than what it says, because that is how China itself approaches the world. The highly unglamorous work of an effective China strategy will lie in its detailed policy content: a careful analysis of what US policies are capable of substantively constraining and, if possible, changing particular Chinese behaviors; and then the even harder task of coordinated implementation over the long term. The poetry can come later, if at all, once the dull business of policy and administrative prose has been dealt with. That's why this

document simply goes under the workmanlike title of “The Longer Telegram: Toward a New American China Strategy.” The name of such a strategy, i.e., its declared form, is of secondary concern. The primary concern is for the new US administration to have a fully developed and operationalized strategy in place as quickly as possible.



Chinese President Xi Jinping and Politburo Standing Committee members Wang Huning, Li Zhanshu and Li Keqiang attend a wreath laying ceremony at the Monument to the People’s Heroes in Tiananmen Square, marking the 70th anniversary of the founding of the People’s Republic of China, in Beijing, China September 30, 2019. REUTERS/Thomas Peter

The unhappy truth is that, despite the gravity of the challenge it faces, the United States at present has no such strategy. Washington has at best a posture toward China, but it still has no

strategy, let alone an operationalized one. The purpose of grand strategy is not to provide an intellectual, ideological, or emotional vent for the vast array of pent-up American frustrations with where the nation finds itself in relation to China; to make Americans feel better having got the “China thing” off their chest because Americans are all “as mad as heck” with Beijing; or even to have the best one-liner that helps seal a debate for one candidate over the other. That may work for a political season or two, but only until realities eventually catch up and the global balance of power continues to slip away even faster. Instead, the responsible thing to do today is to craft a substantive way forward.

Some may point to the publication of the US National Security Strategy (NSS) of December 2017, which defined China for the first time as a “strategic competitor,” as evidence that the United States now has such a national China strategy in place.<sup>6</sup> Yet even those who support the NSS would be hard pressed to prove that this document alone, or those published in its wake, can be equated with a detailed, operationalized strategy that now guides every aspect of US policy toward China, let alone one endorsed and embraced by both sides of the political aisle at home and by major allies abroad. Even within the Trump administration, the internal disagreements on China strategy were apparent from almost the first day in office. There was uncertainty as to which faction would prevail in this debate on any given day: those focused only on trade; those who wished to see a wider economic decoupling with China; those who sought to roll back Chinese power across the board; and those who sought the overthrow of the CCP altogether. That list leaves aside a president who continued to flirt with dictators, Chinese or otherwise, wherever he

could interact with them, possibly believing this was the best way to secure the United States' enduring national interests in an increasingly complex world.

The United States and its allies need a consistent, comprehensive, operationalized strategy for dealing with the greatest challenge of this age, rather than a series of disjointed and often unintelligible tweets. Apart from anything else, it makes the United States the object of mockery around the world, in a bit-by-bit erosion of the nation's hard-earned political capital. Meanwhile, authoritarian competitors pursue a serious and systematic statecraft in pursuit of their own carefully defined national interests, which, in the absence of an analytically driven and sustained counterstrategy on the United States' part, have more than a reasonable chance of success.



### **The missing link in US strategy: Understanding the fault lines of internal Chinese politics**

The continuing failure in the United States' efforts to develop an effective China strategy has been accentuated by its inability to understand the fundamental domestic political drivers of China's international policy behavior. Even worse, there has often been a predisposition in Washington to project onto China various US assumptions as to how Beijing could or should behave under given circumstances—a type of strategic mirror-imaging in analysis of what Chinese counterparts would do based on how your own government would behave. <sup>7</sup> Worse again has been an

indifference in Washington to what Beijing actually thinks, why it thinks that way, and what US actions might change its mind.

Instead, the principal US interest has often been how a particular announcement might sound to the US domestic body politic, rather than the effectiveness of that announcement in changing Beijing's political mindset and associated policy behavior.

The core wisdom of Kennan's 1946 analysis was his appraisal of how the Soviet Union worked internally and the insight to develop a US strategy that worked along the grain of that complex political reality. The same needs be done to address China. What links both of these cases is that the CCP, like the former CPSU, is an avowedly Leninist party with a profoundly Marxist worldview. This has often been forgotten over the last forty years as the world became accustomed to Deng, Jiang, and Hu offering a form of "Leninism lite" (or at least communism lite) in their efforts to reform, modernize, and above all strengthen the Chinese economy and state. While the 1989 bloodshed at Tiananmen Square should have caused us to question that assumption, the rise of Xi has now returned China to an older form of Marxist-Leninist orthodoxy that is different from not only Deng, but also Mao. Xi seeks to straddle both of these traditions. He is a variation of Mao on domestic and international politics and a further variation of Deng on the economy: not as "left" as Mao, but by no means as "right" as Deng. Xi should under no circumstances be seen as a simple reincarnation of Mao. He has a more complex persona than that, particularly given that his father, Xi Zhongxun, was badly treated by both Mao and Deng at different times over his long career. Moreover, in Xi's deepest psychology, he would wish to surpass both Mao and Deng in the Chinese political pantheon. Xi sees

himself as a man of destiny.<sup>8</sup>

Xi has sought to take Chinese politics sharply to the left: that is, to place a greater emphasis on Marxist orthodoxy, political discipline, and central party control. On the economy, he has attempted a center-left stance by reining in the capitalist excesses of China's rising entrepreneurial class, reviving the prospects of the state-owned enterprise sector, and reminding China's rich and famous that they too are ultimately subject to party discipline. Xi also has become more overtly nationalistic than his recent predecessors, using ethnic Chinese nationalism to generate popular support and further entrench his leadership against a growing number of internal party critics— although this also has had the effect of making China's international posture significantly more assertive than before. Within Chinese domestic politics, however, the most controversial change of all has been Xi's concentration of political power in his own hands, his use and abuse of the anti-corruption campaign to eliminate his political opponents, his disavowal of the post-Mao convention of collective party leadership, and his decision to change the party constitution to allow him to remain in the presidency for more than two terms. When added to an emerging personality cult that is second only to Mao's in modern Chinese history, Xi's leadership style has, as a result, bred a seething resentment among large parts of China's Communist Party elite.

**Xi has sought to take Chinese politics sharply to the left: that is, to place a greater emphasis on Marxist orthodoxy, political discipline, and central party control.**



Beyond elite politics, however, Xi's critical vulnerability remains the economy. Specifically, the question is whether he can sustain the party's long-standing, unofficial social contract with the Chinese people on economic growth, employment, and living standards. Over the last several decades, the tacit understanding between the party and the people has been that so long as the party could continue to guarantee rising living standards, the public would (albeit grudgingly) consent to the party's continued refusal to embrace substantive political reform. However, if economic growth were to falter, for example through a combination of bad policy settings, the impact of a US-China trade war, or an epidemic-induced recession, then the fragile fabric of this social contract would soon begin to tear. Under these circumstances, the party could rely more and more on coercive instruments of state power through the intelligence and security apparatus to remain in power. With formidable new technologies now available to China's rapidly evolving surveillance state, and increased use of physical coercion to maintain political control, the systematic shrinking of the private space previously permitted in people's personal lives has begun to generate widespread reaction. Yes, there is fear. Despite this, however, a much more intense resentment of the current regime has begun to emerge, particularly among China's educated classes.

What is unknown is the extent to which these various sources of popular and elite discontent are capable of cohering to the extent necessary to prevent Xi from continuing in office beyond the Twentieth Party Congress in 2022. What also is unclear is what exactly would follow the replacement of Xi: a return to a more moderate Dengist past, or a plunge into an even more stridently

nationalist future. The balance of the argument outlined in this paper is that if leadership change were to occur, it would be more likely to move in the direction of a more moderate collective leadership, given that the burden of the internal critique of Xi so far has been that he has been too leftist at home and too assertive abroad. This emerging domestic critique is not driven by foreign sensibilities on either count. Rather, it is shaped by a view—not yet in the ascendancy—that has three core arguments: that Xi has eroded China’s economic strength by undermining Chinese private-sector confidence; that he has made China’s national security more vulnerable by accumulating too many international adversaries in an outward push that was too fast and too early; and, most particularly, that the timing and intensity of his aggravation of the United States was not only in large part unnecessary, but is potentially dangerous to the regime’s future. On this score, US strategists should be aware that in Beijing there remains a great, abiding respect for US power, particularly among Chinese strategic pragmatists of the old school.

Beyond the internal political sensitivities surrounding Xi himself, there also is a wider institutional interest on the part of the Communist Party itself to remain in power at all costs. The party is determined to survive. As noted previously, the party has studied carefully the reasons for the collapse of the Soviet Union and has sought to apply a number of lessons learned to its own strategy to solidify its position. Despite this, the party remains extremely anxious about its own claim to long-term political legitimacy, notwithstanding its formidable economic achievements and its assiduous cultivation of Chinese national pride through China’s growing international image and propaganda opportunities such as

the Beijing Olympics, the Chinese space program, and the hosting of major international summits. The party is aware that many ordinary Chinese people, not simply confined to academic or business elites, remain highly skeptical of the party's history, integrity, and relevance to their most basic interests and aspirations. They have seen the privileged grow remote and self-interested. This skepticism is particularly acute among young people, whose access to the internet and international travel have caused them to question why they cannot enjoy the same political and social freedoms as others in Asia including other Confucian cultures such as South Korea, Japan, and particularly Taiwan, all of which have successfully democratized. Religion also has filled the gaping spiritual hole felt by hundreds of millions of ordinary Chinese families as they confront the empty mythologies of Marxism and the soullessness of capitalist materialism.

Many ordinary Chinese have historically had a positive view of the United States, though with some notable shifts in those views during the Trump administration. Bear in mind that millions of mainland families have long sent their children to the United States to study and many more still want to come and live in America because of the freedoms this nation continues to offer. Freedom in all its forms continues to have genuine political potency in China as the basis of a cutting and continuing assault on the party's claim to absolute power. It continues to have great resonance among the Chinese people, particularly among China's rising middle class. That potency is why the party spends so much of its time and effort denigrating Western democracy in its own domestic media, particularly the failures of the United States in dealing effectively with the COVID-19 crisis. A dysfunctional America is manna from

heaven for the Chinese Communist Party narrative on the home front as the party seeks to consolidate its own tattered political legitimacy. In summary, the party's ideological vulnerability on multiple fronts remains real.

Understanding the granularity of these internal political dynamics would enable US policy makers to identify the optimal points of leverage to bring about real change in individual Chinese policy behaviors. By contrast, ignoring these complexities and treating China instead as some sort of monochrome political monolith is more likely to have the opposite effect: enabling China's leadership to circle the nationalist wagons in response to generic US rhetorical offensives against China as a whole. By extension, these are easily reinterpreted as attacks against the Chinese people, civilization, and nation. The CCP is a longtime master of playing both the so-called race card and the nationalism card in deflecting any international criticism of Chinese official policy. For example, the Trump administration's political mismanagement of the 2018-2020 trade war enabled Xi to deflect mounting internal criticism over his mismanagement of the Chinese private sector, blaming China's slowing growth rate instead on US hostility rather than his own economic policy shortcomings. Similarly, the failure of the United States to express solidarity with the Chinese people when COVID-19 first erupted in Wuhan—then-Secretary of Commerce Wilbur Ross instead publicly gloated over China's misfortune in late January 2020, saying it would “help to accelerate the return of jobs to North America”—once again enabled the regime to reconsolidate its position among the Chinese people, who at that time were angry over the party's mismanagement of the crisis.<sup>9</sup>In effect, Trump gave the Chinese regime yet another

get-out-of-jail-free card.

By contrast, China long ago learned the difference between Washington and the rest of the United States. The CCP has developed separate and often sophisticated strategies for dealing with different US constituencies, separately targeting US corporations, state governments, and the Congress, as well as individual electoral districts, universities, think tanks, and cultural institutions. China's strategic objective in each case is the same, however: to maximize its leverage across the United States over time, rather than assuming that the nation begins and ends at 1600 Pennsylvania Avenue. The United States needs to learn from Beijing's institutional discipline and do the same in its dealings with China.

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Military vehicles carrying hypersonic cruise missiles drive past

Tiananmen Square during the military parade marking the 70th founding anniversary of People's Republic of China, on its National Day in Beijing, China October 1, 2019. REUTERS/Thomas Peter



## **Analyzing Chinese political priorities**

It is important, therefore, to understand the domestic political terrain within which China frames its international decisions and where Xi and the Communist Party are politically vulnerable. A working understanding of the overall priorities of Xi's regime—or the party's political equivalent of psychologist Abraham Maslow's so-called hierarchy of needs—should inform any US strategy seeking to shape China's future behavior.

The following represent Xi's top ten priorities in ascending order of importance, derived from public statements, private conversations, and straightforward strategic logic, rather than any official statement on the part of the Communist Party. Each of these ten, in various forms, predate Xi's appointment to the leadership in 2012. Under Xi, each has acquired a new urgency, much greater investment of financial resources, and in many cases a more aggressive timetable. <sup>10</sup>

**1**

**Keeping the Chinese Communist Party in power**, including by drawing on all the nationalist, economic, and ideological tools available to the leadership to build political legitimacy over time,

together with the full coercive powers of the party, state, military, and intelligence and security apparatus to sustain the CCP's position as China's ruling party in perpetuity.

## 2

**Maintaining and securing the unity of the motherland,** including the political subordination of Tibet, Xinjiang, Hong Kong, and Taiwan, as well as the eventual consolidation of territorial claims in the South China Sea, the East China Sea, and along its common frontier with India.

## 3

**Maintaining average economic growth of around 5 percent or more through 2035** (notwithstanding the COVID-19 crisis). By which time Xi aims to achieve his promise to make China a “moderately developed” country (by raising per-capita gross domestic product to between \$20,000 and \$30,000) double or triple the size of the Chinese economy; and surpass that of the United States. He must do so while regaining and maintaining full employment, fighting poverty, and preserving social stability. This growth also would provide the economic basis for China's continuing expansion of its military and technological capacities, and would allow its global economic footprint to set the global standard for new products, services, and technologies around the world.

## 4

**Balancing economic objectives with a new national doctrine**

**of environmentally sustainable development**, which is considered necessary to deal with growing public concerns about air pollution, water quality, soil contamination, food-quality standards, water scarcity, and climate change.

## 5

**Expanding, reforming, and modernizing China's military** to make it a world-class force capable of complex joint operations and able to fight and win wars in the Asia-Pacific region and secure China's territorial claims in the South China Sea, East China Sea, and Taiwan by force if necessary; simultaneously develop the anti-access/area denial strategy out to the first and eventually the second island chains; and where possible, leapfrog the United States across the range of military technologies that will determine outcomes in the future battlespace.

## 6

**Transforming China's neighboring states into benign and ultimately compliant strategic partners** by deploying a combination of political influence, economic pull, foreign-policy perceptions, and growing Chinese military capability (together with the prospects of long-term US regional withdrawal) across China's fourteen neighboring countries and eight contested maritime boundaries.

## 7

**Securing China's maritime periphery to its east**, out to the second island chain, by ultimately decoupling US alliances with



Japan, South Korea, Thailand, the Philippines, and possibly even Australia, while also undermining US sub-treaty military cooperation with other South-East Asian and South Pacific island states.

**8**

**Securing China's wider continental periphery to its west** by ensuring a strategically compliant and supportive Russia, deploying the BRI (complemented by other bilateral and subregional economic and security arrangements) to expand China's strategic influence and economic and technological footprint across Central Asia, South Asia, the Middle East, and Eastern and—in time—Western Europe.

**9**

**Expanding China's overall political and economic influence in the developing world** including in Africa and Latin America. Both regions are significant emerging markets and sources of energy and raw materials as well as important sources of multilateral support across the United Nations system, with the ability to facilitate future personnel appointments and institutional change.

**10**

**Gradually transforming the global order into a form more compatible with Chinese interests and values**, making it more multipolar and less US-centric; enhancing China's presence and influence within the existing multilateral system, while also creating new institutions outside the current UN-Bretton Woods system;

and deploying Xi's emerging idea of a "community of common destiny for mankind" as a conceptual vehicle to underpin all the above. <sup>11</sup>

If this is an accurate account of Xi's core interests, then it is a separate exercise to determine which of them are compatible with US interests, which potentially overlap, and which are now in fundamental conflict. Prima facie, most of these core interests of Xi's Communist Party would now fall in the "conflict" category. Still, it is the rigor of this analysis that should form the basis of US policy responses to each.



Riot police fire tear gas into the crowds to disperse protesters opposed to the national security law, at a march on the anniversary of the British handover of Hong Kong to China, in Hong Kong, China, July 1, 2020.





## **Being clear about China's strategic strengths**

China's ability to secure its national priorities will be determined by many factors. These include China's aggregate strengths and weaknesses, the effectiveness of its national strategy, as well as the potency of the forces arrayed against it. Whereas in recent years the temperament in Beijing has bordered on an irrational self-confidence that China's time has arrived, in Washington the mood has sometimes reflected an equally irrational pessimism that US decline is now irreversible. Such sentiments in both capitals are potentially dangerous, as they fail to reflect the reality of each country's objective strategic capacity and political predispositions. Even a brief overview of China's current strengths and weaknesses, quite apart from a formal net assessment of Chinese and US comparative capabilities, suggests a much more complex picture than may generally be assumed by political elites in either capital.

The CCP leadership sees many strengths in China's principal political, economic, military, foreign-policy, and cultural spheres, relative to the United States, its partners, and its allies:

1. **A clear-cut national strategy for realizing its national objectives**, and a political system capable of marshaling resources to give that strategy effect without significant internal dissent, stand in contrast to the United States, Western nations in general, and India, which China views as structurally immobilized by cumbersome democratic, federal, and other deliberative processes

2. **An institutional ability to anticipate and respond to challenges and opportunities** that lie ahead enables the party to adjust its strategic or tactical course
3. **A revolution in the technology of the surveillance state** radically enhances the capacity of the party to remain in absolute control for the long term
4. **Success so far in reconsolidating party legitimacy through economic policy** after the implosions of the Cultural Revolution (1966 to 1976) and the Great Leap Forward (1958 to early 1960) is a marker
5. **Continued room for long-term domestic economic growth**, given incomplete urbanization and the still early-stage development of the Chinese middle class and consumer society, offers significant potential for domestic demand to drive future growth even if external circumstances become more problematic. Furthermore, there is the untapped potential of China's digital-commerce revolution, which Beijing also hopes to extend to its new economic partners across the developing world
6. **The accumulation over the last twenty years of modern economic infrastructure** includes nationwide high-speed broadband, national highway and high-speed rail networks, and the bridging of the gap between energy supply and demand that has historically impeded China's economic-development potential
7. **The emergence of significant domestic innovation capacity** over the last decade includes high technology and AI sectors, which are no longer predominantly dependent on foreign sources and are backed by a well-funded and increasingly sophisticated national scientific research establishment

8. **The absence of any significant US dollar-denominated public or private debt**, combined with continuing controls on its capital account and a nonconvertible currency, underscores China's ability to withstand externally caused or induced financial crises
9. **The success of China's military modernization program** in achieving regional military parity with the United States in East Asia and the Western Pacific is visible in its expanded conventional rocketry, naval, and air forces, as well as its growing power-projection capabilities that include an expanding capacity for "far seas" deployments in the Indian Ocean, the Middle East, and the wider world
10. **The rapid acquisition of offensive and defensive cyber-warfare capabilities**, of both civilian and military varieties, places China at least on par with the United States in this vital domain
11. **The establishment of space systems** includes a global satellite communications system independent of the United States' GPS and offensive anti-satellite capabilities that can be deployed against critical US space assets in any major conflict
12. **The progressive modernization and hardening of China's nuclear triad** of intercontinental ballistic missiles, nuclear-powered submarine missiles, and strategic bombers provide a credible second-strike capability against the United States
13. **A belief in declining US political will to act militarily in defense of Taiwan** is based on the potential cost to American lives, as well as a declining US military capability to act decisively, even if the political will to intervene still exists, given the vulnerability of traditional US power projection assets to Chinese land-based missiles in any future battle for air and sea control

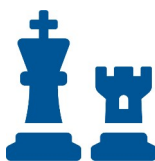
14. **The success of China's island reclamation strategy in the South China Sea** can be seen in the lack of significant military pushback from the United States. In addition, Beijing has restored a diplomatic resolution process with the other South China Sea claimant states, reducing overall military tensions with members of the Association of Southeast Asian Nations.
15. **The decline of North Korea as an urgent national security concern** followed the Trump administration's decision to reduce military and political pressure on Pyongyang as part of a protracted US diplomatic process launched in 2018
16. **The normalization and deepening of relations with Russia** removed a major long-standing strategic threat from China's immediate borders and replaced it with an increasing source of defense, technological, energy, and financial collaboration, thereby enhancing China's global strategic and foreign-policy leverage
17. **A growing economic footprint across East Asia** is enabling China to replace the United States as the region's dominant trading partner (although not yet in terms of foreign direct investment [FDI] or overall capital flows)
18. **The consolidation of China's influence in South Korea and across Southeast Asia**, particularly in the Philippines, Thailand, Myanmar, Malaysia, and Singapore, comes at the expense of the United States
19. **Growing Chinese economic and political influence in Europe**, which Beijing sees as a key "swing state," given its economic size, technological sophistication, and relative disinterest in Chinese security policy in the Indo-Pacific region, is part of China's strategic competition with the United States over the future of the global

order

20. **The lack of any significant US diplomatic, economic, or foreign aid counterstrategy** to China's political, economic, and diplomatic successes in the developing world leaves the path open
21. **The consolidation of Chinese diplomatic leverage across the institutions of multilateral and global governance**, as the United States progressively withdraws from the United Nations and major elements of the Bretton Woods system, is reinforced by a parallel system of global governance anchored in the BRI, as well as a network of "plus one" engagements between China and regional organizations of states across the world, all centered on Beijing
22. **International perceptions of the "inevitability" of China's rise**—produced by China's overall national economic success so far—create a growing sense of fait accompli that China will inevitably replace the United States as the next economic superpower in the decade ahead. This sense is reinforced by a firmly held, although not universally shared, view that the United States has been fatally wounded by a combination of overstretch in Iraq and Afghanistan, the 2008 global financial crisis, COVID-19, and the nation's irreconcilable internal political and social divisions
23. **A profound sense of China's civilizational, cultural, and national resilience** in dealing with anything the United States can throw at it contrasts with perceived US fragility
24. **A view within the highest levels of the party-state holds that history is on China's side**, with the mantle of progress passing from the United States and the West to China and the East

generally, as dictated by a Marxist, dialectical-materialist worldview

25. **A belief within the party sees liberal-democratic capitalism entering its end stage**, as evidenced by the rise of populism, nationalism, and anti-globalization sentiment across the West, reflecting the irreconcilable contradictions which lie at the heart of the liberal-capitalist project, and giving rise to a new era of “benign authoritarian” forms of government across the world



## **Understanding China’s strategic vulnerabilities**

China’s strategic weaknesses are as significant as its strengths, though some are less readily recognized by its leadership than others. A sober reflection on Chinese vulnerabilities should dissuade US strategists from any premature conclusion that China has become some sort of unstoppable juggernaut. There are many things that could still go wrong for China’s political, economic, and military trajectory, notwithstanding its resolute national strategy and the absolute determination of its current leader. China’s vulnerabilities are numerous:

1. **Instability is inherent in the party’s senior leadership transition processes.** Four of six major CCP leadership changes since Mao have resulted in large-scale political purges, although these have happened without the mass violence seen in the Cultural Revolution. The brittleness of intraparty tensions therefore remains a major political preoccupation of Chinese administrations, including Xi’s. Of most immediate concern are the tensions within the Chinese elite ahead of the Twentieth Party



Congress in 2022 when a decision will be made on the extension of Xi's reign beyond the normal two-term limit, which effectively would make Xi leader for life. <sup>12</sup> This has heightened the sense of personal and political vulnerability on the part of those who do not subscribe fully to the Xi project

2. **China has a long-standing “bad emperor” problem**, whereby the system cannot easily self-correct if all-powerful leaders fail to understand the nature of major internal or external threats. This remains a critical vulnerability of the Chinese system. In the case of Xi, who has become the “chairman of everything” and now potentially chairman for life, the major problem has been the creation of a political and bureaucratic culture of frightened sycophants. This isolates the emperor from objective information and advice
3. **Substantive belief in Marxism-Leninism remains problematic** among the Chinese people, including members of the Communist Party itself, having never recovered from the self-inflicted wounds of the Anti-Rightist Campaign (1957-1959), the Great Leap Forward, and the Cultural Revolution. This has been compounded by generations of privilege and corruption on the part of party elites, and reinforced by the international experience and internet access of the country's educated classes, leading to an intensifying crisis of faith in the system
4. **More recent challenges to party legitimacy come from a growing entrepreneurial class**, whose members feel increasingly stifled in efforts to build large, profitable private businesses, both at home and abroad, by new political and policy constraints imposed under Xi's leadership

5. **Emerging religious challenges to the party's claims to ideological legitimacy** arise from an explosion of interest in spirituality, particularly the resurgence of Buddhism and the exponential growth of Protestant Christianity, both of which undermine the underlying values of a monolithic, atheistic party and its demand for absolute political and personal loyalty
6. **The continued local and international standing of the Dalai Lama** undermines Chinese claims to territorial unity over Tibet
7. **A debilitating separatist movement in Xinjiang** has intensified as a result of China's crackdown against the local Uighur population
8. **The imposition of national security legislation and the political crackdown in Hong Kong come with costs**, as the democratic protest movement was interpreted within China as yet a further challenge to the party's long-term legitimacy. Beijing's heavy-handed intervention has had a profoundly negative effect on China's global standing, including inspiring Western financial sanctions
9. **The long-term dilemma of China's political-economic model** now boils down to either: an intensification of party control over the economy, which would result in declining private-sector confidence, investment, and overall economic growth; or else greater market liberalization, including a lesser role for the party, state planning, and state-owned enterprises (SOEs), which would result in more sustainable long-term economic growth but also a politically dangerous marginalization of the party in Chinese national life
10. **Static or declining productivity growth, a rapidly aging**

**population, and a shrinking of the national workforce** weigh on long-term sustainable growth, with these three core factors presenting new challenges for China's future development model, something which Xi's predecessors did not have to address

11. **The growing political problem of income inequality** in China has been compounded by the economic fallout of the COVID-19 crisis on average incomes, employment, and small business. With at least one-hundred million people in China suffering from unemployment or reduced wages due to the coronavirus, and a disproportionate impact falling on lower income groups, the pandemic is likely to only amplify what has already rapidly become one of the most unequal societies on earth <sup>13</sup>
12. **A continuing expansion of China's debt-to-GDP level** (currently 310 percent of GDP, according to the Institute of International Finance) is largely funded by China's state banking and shadow banking sectors. This means that, in a growth-challenged economy, corporate defaults, if collapse is allowed, could impact the long term stability of the financial system<sup>14</sup>
13. **Structural problems of Chinese public finance** include the central government's ability to manage future demands on its budget for health care, aged care, and retirement benefits as a result of China's rapidly aging population, and are compounded by provincial and local governments' lack of an adequate tax base to support local community needs
14. **The poor quality of the nation's universities**, reinforced by growing party controls on academic freedom, result in a continuing brain drain to the West, with negative impacts on innovative dynamism and the effective training and retention of talent

15. **The threat of comprehensive economic decoupling** constrains growth. Decoupling with the United States, and potentially with Europe and other US allies as well, in trade, investment, technology, and capital markets may create further challenges for long-term Chinese growth. These include the inability of China's domestic demand to fully compensate for shrinking external demand and real uncertainties around the prospects for China's national technology strategy, which now calls for domestic sourcing of China's future technology needs, particularly in critical domains like semiconductors, where China has failed for decades to become self-reliant
16. **China continues to be vulnerable in the international financial system**, which remains dominated by the US dollar. This reality persists despite China's sustained efforts to reduce its dependency by avoiding dollar intermediation in foreign trade, launching its own digital currency to underpin its growing role in international digital commerce, and the gradual internationalization of the yuan. These measures stop well short of the full liberalization of the currency and the comprehensive opening of China's capital account. The party's fear of surrendering political control of the economy to the vicissitudes of global capital markets remains paramount, sacrificing China's ability to develop global financial centers rivaling New York or London
17. **China faces the growing social, economic, and political cost of pollution** including air and water pollution, land degradation, water scarcity, and climate change. This is particularly the case in China's breadbasket of the North China Plain. It also impacts the future of its major river systems as a result of the melting of Himalayan glaciers, as well as China's greater exposure to

extreme weather events, with greater drought in the north of the country and unprecedented flooding in the south

18. **There is long-term vulnerability in China's energy dependence** on the Middle East, Russia, and Australia in the event of any significant geopolitical disruption of international energy supplies
19. **The absence of any battlefield experience on the part of China's armed forces** over the last seventy years contrasts with the United States' extensive experience. This is particularly the case for its naval forces, given that China has no modern naval tradition to draw on, despite the centrality of the maritime domain in any future conflict with the United States
20. **The likely impossibility of any political settlement now being achievable with Taiwan**, under either a Democratic Progressive Party or Kuomintang administration in Taipei, means efforts will be focused on much riskier military or other coercive options, including the threat or actual use of force
21. **The financial and foreign-policy cost of the BRI** is mounting. China is confronting the sheer scale of the investments necessary to meet even a portion of the expectations it has created abroad, the lack of sustainable financial returns on these investments due to their lack of market efficiency or even necessity, and the growing international backlash due to poor environmental standards for Chinese-constructed projects, inadequate financial transparency, and excessive debt-servicing obligations on the part of recipient countries
22. **The reputational damage to China's international image is growing amid human rights violations** in Tibet, Xinjiang, and Hong Kong, as well as the arrest of mainland Han Chinese

dissidents, lawyers, and Christian activists. This damage is reinforced by the growing international recognition of the scale of China's emerging surveillance state and its capacity to reach well beyond China's borders

23. **Problems for China's political reputation in Africa are emerging amid widespread racism** toward Africans in China and racial tensions between Chinese corporations and local employees in Africa, resulting in an opinion gap between the African elites who most stand to gain materially, and the broader African public, on China's growing presence on the continent
24. **The growing brittleness of Chinese "wolf warrior" diplomacy**, with the domestic political imperative of pleasing party leadership by aggressively "getting the message out" to troublesome countries, is becoming increasingly counterproductive, turning international public opinion against China
25. **The long-standing problem of China's limited soft power persists**, with the impact of popular music, movies, and other entertainment and cultural production constrained by the country's growing authoritarian politics. This continues to impede the development of China's broader international standing, and is a problem not just in the West but also across modernizing Asia, Africa, and Latin America

This list underscores the fear, anxiety, and insecurity felt by China's Communist Party elites. At the heart of this anxiety lies the party's concern for its own political legitimacy in the eyes of the Chinese people and its inability to remain in power in the absence of coercive control. The ideological bankruptcy of Marxism-Leninism is widely acknowledged across the party and country. To

undo the party's ideological moorings or to allow any critique of the party's policy failures (including on COVID-19), has, however, been judged by Xi to be too dangerous, given the fate of the Soviets in 1991. That is why Xi has resolved to unswervingly defend party legitimacy on ideological grounds, to double down on his advocacy of Marxism-Leninism, and to intensify his campaign to delegitimize Western liberal democracy.

**A sober reflection on Chinese vulnerabilities should dissuade US strategists from any premature conclusion that China has become some sort of unstoppable juggernaut.**

It also explains why Xi has sought to build a new pillar of legitimacy for the party beyond ideology, through more assertive forms of Chinese nationalism, projecting the party as the true defender of traditional Chinese civilization against the United States, the West, and the rest. It is important, therefore, for US policy makers to understand that while the CCP is an immensely powerful party that lies at the center of the formidable apparatus that is the Chinese state, economy, and military, it also is a remarkably fearful party, frightened about its collective future—as well as the individual political careers and personal fortunes that have been nurtured by it.

This judgement about the underlying fragility of Chinese politics, including ongoing party concerns about its long-term legitimacy, should lie at the heart of all future deliberation on US China strategy. In short, China's strategic strengths are no greater than its many weaknesses, and both are relevant to any considered analysis on how the United States should respond to the China challenge.

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## **China's evolving strategy toward the United States**

China's operational strategy toward the United States does not go by any particular descriptor within the Chinese official system. This contrasts with the vast array of names variously used in the United States to describe its own latest approach to China: from strategic engagement to competition to decoupling to containment and to most points in between. In Beijing, it is simply referred to as China's "America Strategy." This strategy is located within a wider Chinese official worldview that looks at the current state of China's economic development, the overall strategic environment in which China now finds itself, the extent to which that environment is amenable to Chinese interests, and where the United States, as China's major international relationship, now fits into all the above. This is refined through a disciplined analytical process coordinated through the Foreign Affairs Office of the party's Central Committee, the Central Military Commission, and the National Security Commission of the party center, which was established by Xi in 2014. Xi sits at the center of all three of these institutions.

Chinese strategy, informed by its own classical tradition, is fundamentally realist. It is grounded in doctrines of the balance of power which predate Carl von Clausewitz, the Prussian general and strategist, by two millennia. It also is a tradition which has long placed a premium on winning wars without accepting the risk of fighting battles with the enemy unless and until one's own side has



an overwhelming advantage of force. The tactics of deception also play an important role in all Chinese political, diplomatic, and military strategy. To these long-standing traditions of Chinese statecraft were added more modern Soviet concepts of the “correlation of forces,” which sought to aggregate the various dimensions of state power from across various political, economic, technological, energy, natural-resource, population, and military components. From this there emerged an emphasis on an indigenous Chinese concept of “comprehensive national power,” or *zonghe guoli*, which the party began calculating for China and other major powers from about 2000 onward, including developing comparative tables of national strength between China and its principal competitors. These ceased to be released publicly about a decade ago, as the rapid rise of China’s comparative standing in these semiofficial power ratings led the party to fear that continued publication would alarm neighboring states and undermine the country’s long-established political mantra of China’s “peaceful rise.”

The fundamental determinant of Chinese strategy toward the United States has long been Beijing’s rolling calculation of the relative bilateral balance of military, economic, and technological power. The foundation of Deng’s revolution was that until it modernized its economy, China could never compete with the United States in any domain—hence the subordination of all other Chinese policy objectives to this one overriding national purpose over the three decades before Xi took control. During this period, when China believed the balance of power continued to be disadvantageous to itself, its leadership generally preferred quiet diplomacy and opposed open confrontation in the resolution of the

various international problems it faced. However, as a greater equilibrium began to develop between Beijing and Washington across the various measures of comparative national power, China has felt greater latitude in exercising more assertive and even aggressive leverage across all of its international relations.

At first, this leverage manifested with smaller countries such as Norway, Sweden, Singapore, and the Philippines. Then it arose with middle powers such as Canada and Australia. More recently, we have seen China begin to experiment with such an approach toward the United States itself. The principle, however, remains the same: Beijing only exercises coercive diplomatic, economic, or military power against another state when Beijing has concluded that it is in a dominant position in relation to that state, and when there is a negligible prospect of any effective retaliation against Beijing's interests. The classical Chinese concept of "killing one to warn the many," or *shayi jingbai*, has long been a fixture of China's historical strategic and political culture; it has now been crudely applied to Beijing's management of its less-compliant international relationships, administered through the application of a range of political and commercial punishments to the offending state. This becomes particularly applicable if China concludes that the United States will not intervene to defend the interests of its friends and allies if Chinese pressure is applied—or, even worse, if the leadership observes that the United States is happy to benefit commercially in its own trade with China as a result of another country being punished by Beijing.

Much of Beijing's current strategy toward the United States was first laid down around 2002, when the party leadership concluded that China faced an unprecedented twenty-year "period of

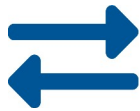
strategic opportunity.” During this time, because of the 9/11 terrorist attacks, China would have a long period when the “war on terror” would distract US leaders from China’s rise. September 11 enabled Chinese strategists to breathe a sigh of relief as the Bush administration, in a shift from the 2000 Bush presidential campaign plans for a new hard-line strategy against Beijing, focused on changing strategic priorities that were accelerated by the invasions of Afghanistan and then Iraq. This shift enabled China to quietly collaborate with the United States in the global campaign against terrorism and, as a result, largely remove itself from Washington’s strategic firing line. The Bush administration then supported China’s accession to the WTO, despite the fact it had been negotiated by the Clinton administration in what Republicans had earlier described as little more than appeasement of the CCP.

WTO accession soon became the single most critical policy measure in support of China’s economic transformation, rapid growth, and increased wealth. It enabled China to become the world’s largest trading power and manufacturer in little more than a decade. The Chinese leadership concluded that this “period of strategic opportunity” would continue through to around 2020. In China’s view, this would be driven by economic globalization, which would continue to underpin China’s long-term growth through the further opening of international markets to Chinese exports and investment. China’s strategic opportunity also would be assisted, over time, by the relative weakening of US strategic, economic, and budgetary power as a consequence of the nation’s deepening Middle Eastern quagmires, the 2008 Great Recession, and the slow emergence of a new form of American isolationism as a domestic political reaction to US strategic overreach. Beijing

also believed, correctly, that China itself would be spared any involvement in a major regional armed conflict that would otherwise divert Beijing from its primary economic mission. Taken together, China concluded that these various factors would produce a more multipolar world, where China's relative power would be enhanced, the United States' power reduced, and China granted greater freedom to openly pursue its own strategic objectives.

The central organizing principle of Chinese strategy during this period was (in Deng's famous words) to "hide its strength and bide its time." This was designed to steadily grow China's economic, military, and technological power, and gradually change the correlation of forces with the United States in China's favor, but all without attracting early, adverse attention from Washington that would cause American political leaders to change the policy course that had helped accommodate China's rise. China's more immediate strategic objective during this period was largely limited to enhancing its diplomatic and military preparedness over Taiwan. This focus flowed from a need to avoid a repeat of the 1996 Taiwan Strait Crisis, when China was politically humiliated by the deployment of US carriers just off its coast, and the discovery by Beijing that it had no effective military means to respond. A burning political desire to secure reunification with Taiwan as early as possible, the jewel in the crown of each generation of Chinese leaders, also shaped this drive. Beyond Taiwan, however, the leadership's general strategy during this "period of strategic opportunity" focused primarily on building China's overall national economic, military, and technological capacity, thereby enhancing China's aggregate national means to be directed at some point in

the future toward Beijing's still vague and opaque national ends.



## **How Xi Jinping changed China's US strategy**

This strategy lasted for a decade, until Xi emerged in 2012 as China's paramount leader. While the "period of strategic opportunity" remained in place in Chinese official thinking until 2019 (including the key underlying assumption of a relatively benign external environment that would continue to accommodate China's rise), after 2013 Xi set about changing China's strategic policy direction in a number of critical respects. First, he formally abandoned the deliberate gradualism of Deng's "hide and bide" orthodoxy that had been followed by Xi's predecessors for the previous three decades. Xi instead decreed a new, confident, assertive international policy activism in prosecution of China's strategic interests.

Second, Xi began to define, albeit broadly, a number of the "strategic end points," about which his predecessors had been either silent, coy, or unclear. This took the form of island reclamation in the South China Sea; BRI; the Made in China 2025 Strategy, a plan for Chinese innovation, technology, and AI; the development of its first overseas military bases; the pace of military expansion, modernization, and reorganization to enable the multiple service arms of the People's Liberation Army (PLA) to engage in joint operations to "fight and win wars"; a marked strategic realignment with Russia; the development of new Chinese diplomatic initiatives to take the lead on global issues where China didn't necessarily have any direct national interest at

stake; and the beginnings of the articulation of a new conceptual framework for a post-US global order. Xi also has accelerated the timetable for a number of major preexisting national policy missions. The Two Centenary goals, with 2021 as the centenary of the CCP's founding and 2049 the centenary of the establishment of the People's Republic of China (PRC), would remain China's principal targets for achieving middle income status and advanced economy status, respectively. To them, however, Xi added a new intermediate goal of 2035—likely to fall within Xi's own period in office if in 2022 he succeeds in being reappointed—when China will already have become, in Xi's phraseology, “a global leader in terms of composite national strength and international influence” and a “proud and active member of the international community.”

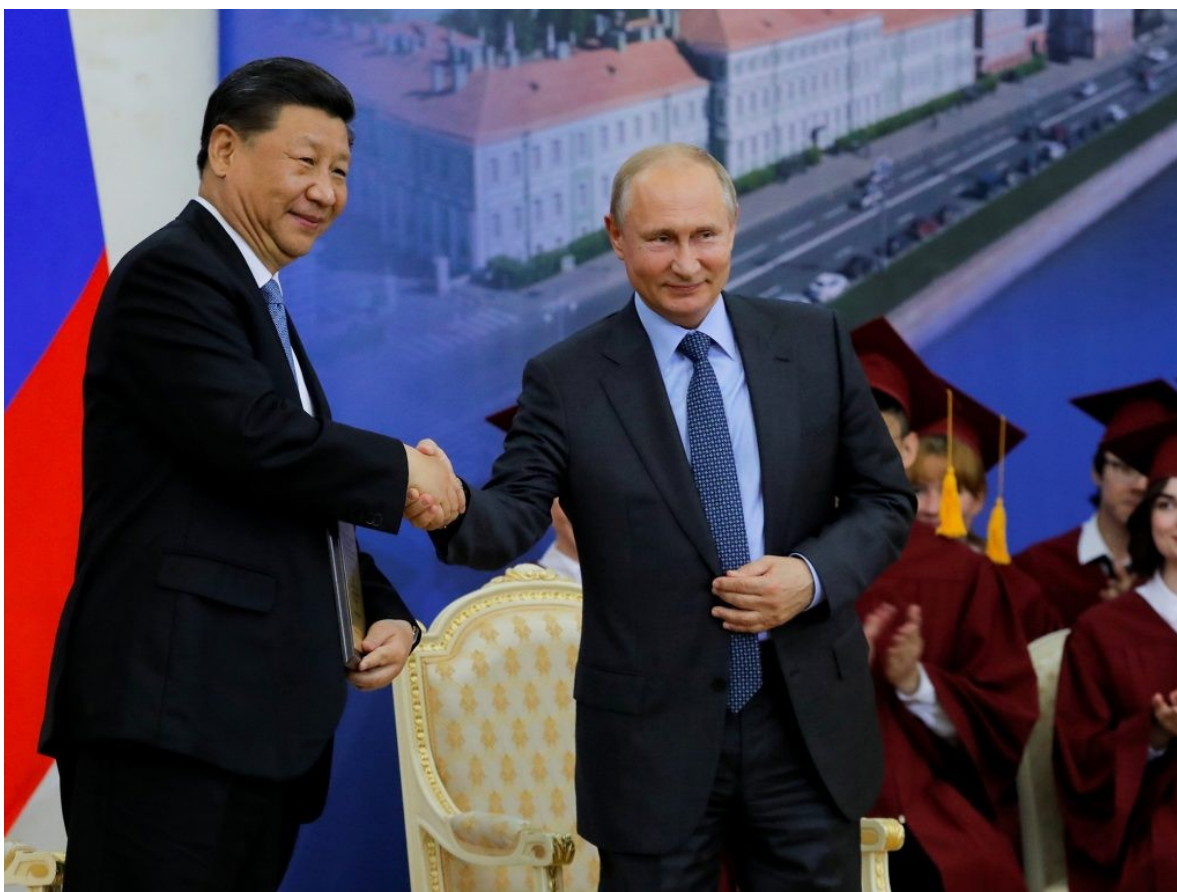
Finally, anticipating potential international reaction to his more assertive national strategy, Xi also has sought to reduce China's international economic vulnerabilities to any rapid deterioration in relations with the United States and the West. He has aimed to accentuate the role of domestic consumption, rather than the traditional reliance on international trade, as the country's major future driver of economic growth. He has begun diversifying China's national and international sources of energy supply, including signing new long-term contracts with Russia. Indigenous technological innovation has been prioritized to prevent China remaining dependent on foreign supply for critical components such as semiconductors. Furthermore, Xi has sought to reduce, to the greatest extent possible, the country's dependency on the US dollar for its international economic transactions, including to reduce Beijing's vulnerability to the future imposition of US financial sanctions.



People wearing face masks (during the global pandemic) stand near a robot while attending the World Artificial Intelligence Conference in Shanghai, China, July 9, 2020.

One further strategic change under Xi has been a new willingness to take much greater political risks in order to force certain strategic outcomes. Xi has been positively surprised—at least until recently—by the absence of any substantive US pushback to his more assertive prosecution of Chinese interests, such as to island reclamations in the South China Sea. While Xi, like his predecessors, would not risk any premature military conflict with the United States for fear that China could lose and thereby put at risk his own political position as well as the ultimate legitimacy of the regime, he has nonetheless been prepared to move well beyond the traditional cautionary, consensus politics of China's central leadership in order to force a much faster pace in China's achievement of a wide array of international policy objectives.

Again, as noted above, this willingness has left Xi politically exposed to an internal charge of overreach should particular maneuvers fail, especially those perceived to be triggering a major adverse strategic reaction from the United States at a time when China's comprehensive national power is still far from predominant.



Chinese President Xi Jinping and Russian President Vladimir Putin shake hands during a ceremony at which Xi received an honorary degree from St. Petersburg State University, in St. Petersburg, Russia, June 6, 2019.

The intensity of the US reaction to Xi's new policy direction has resulted in a formal review by the Chinese system of whether China's twenty-year period of strategic opportunity remains in effect—and if not, what this means for the overall direction of Chinese grand strategy. This flows from the growing impact of the



US trade and “technology war,” the prospect of the United States initiating a wider economic decoupling from China, and the possibility of the United States embarking on an even broader strategic policy offensive against Beijing in the wake of the pandemic. China also has concluded that there is now a significant bipartisan change in fundamental US attitudes toward Beijing. They have noted carefully the bipartisan votes in the House of Representatives and the Senate on legislation critical of China. They have seen the same sentiment emerge across a range of congressional committee processes and broader political messaging. That era of strategic opportunity for China, publicly proclaimed back in 2002 at the Sixteenth Party Congress, may now be drawing to a close. It should, however, give US analysts pause to consider that Chinese strategists originally predicted that this era of opportunity, capitalizing on US foreign policy and military distractions, would last twenty years. It turns out that they were right.

What is unclear, however, is what will come of the strategic review currently underway in Beijing, and what substantive changes will result in China’s overall US strategy. Will China retreat from previous assertive policy positions, even tactically capitulating to the application of US pressure in certain domains? Or will there be a doubling down against the United States across the board as Xi plays the nationalist card? Will there be a recalibration of domestic economic reform, as originally envisaged in the party’s 2013 economic-reform blueprint? Will this be accompanied by greater economic opening to the rest of the world, including Japan, Europe, India, and Southeast Asia, to mitigate against the impact of impending US actions? Or will there instead be an even harder

turn to the left domestically, both economically and politically, combined with a more mercantilist, nationalist, and aggressive Chinese posture internationally? Perhaps there will be an untidy combination of the above. The reality is that we are now in uncertain policy terrain in terms of China's own strategy toward the United States, not least because China's review processes will not reach a conclusion until they have determined the extent of real policy change toward Beijing under the Biden administration.

Nonetheless, based on the realistic assumption that the Biden administration will not repudiate the fundamentals of the Trump administration's doctrine of strategic competition against China, and that Xi's strategic objectives will remain essentially unchanged, it is reasonable to assume that Xi's America Strategy for the decade ahead will remain broadly consistent with that of the last several years. Under Xi, there will always be room for tactical adjustments aimed at taking the overall political temperature of the relationship down when this is deemed to be necessary. In the absence of leadership change in Beijing, Chinese strategy is unlikely to see any fundamental alteration. Xi's strategy is grounded in a realistic appreciation that the overall hardening in US approaches to China has been largely bipartisan, is likely to be enduring in nature, and that the opportunities for any "reset" under a Biden administration will be limited. For example, in April of 2019, after the Chinese Politburo rejected an early draft of a proposed trade agreement with the Trump administration, Xi is reported to have said that "China should now prepare itself for thirty years of American provocations," but that this should not cause China to abandon its strategic course.

Xi also carries with him the reasonable (although by no means

inevitable) expectation of continuing in active political office well into the 2030s, and, health permitting, to remain highly influential behind the scenes after that. Therefore, given the almost unprecedented level of authority which Xi carries personally within the Chinese political system, how Xi himself thinks about these questions of US grand strategy will remain central to China's overall national approach to the United States for the decades ahead.

Xi's calculus is likely to remain broadly consistent with the long-term, underlying strategic logic of the Chinese system in the past: China should continue to accumulate military, economic, and technological power as rapidly as possible, but do so without risking outright economic or military conflict with the United States until such time as the balance of power has swung more decisively toward Beijing. In this calculus, that shift would most likely occur by the end of the current decade or the beginning of the next. By that time, it is widely assumed in Beijing that China's ascendancy will be accepted in Washington and other capitals as a fait accompli; and if that proves not to be the case, the thinking goes, China's strength by then would allow it to meet any economic or military conflict with the United States without significant risk of failure.

In accordance with the pragmatic traditions of Chinese strategic thought, Xi's deepest political aspiration is for China to achieve its principal ambitions before 2035 without firing a shot, or at least without significant damage from US retaliation. By the end of this decade, the Chinese economy will, in Xi's likely calculus, be that much larger and therefore more resilient to external political leverage or economic, financial, or technology sanctions. The

moment when the Chinese economy surpasses that of the United States will be a major event in China's self-perception of its ability to act unilaterally. It will be a cause for major national celebration and seen as a nationalist validation of the wisdom of CCP leadership over the decades. This is one reason why the 2020s will be one of the most dangerous decades in the history of US-China relations. It is the decade when a broad equilibrium of economic and regional military power, both in reality and perception, is likely to emerge. It is precisely under these circumstances that Graham Allison's Thucydidean logic suggests that great power relations will become most unstable as both the established power (in this case the United States) and the emerging power (in this case China) seek to test one another more than ever before, either through unilateral action, disproportionate reaction, or even armed preemption.<sup>15</sup>

In summary, the difference in Xi's approach to the United States, when compared with his three most recent predecessors, is twofold: First, the gap between Chinese and US power, both in reality and perception, is now much smaller; and second, Xi's political nature is to force the pace wherever possible in areas where more traditional Chinese strategists would have preferred to see evolution over time. In short, Xi is a man in a hurry; his predecessors were not. Xi's critics contend that this "forcing of the pace" has resulted in Beijing taking unnecessary risks by bringing about a fundamental change in US strategy toward China much earlier than was either necessary or desirable. Xi's critics also argue that he has accelerated the normal pace of China's strategy to conform to the near-term time frame of Xi's own political career.





Hong Kong protesters rally in support of Xinjiang Uighurs' human rights in Hong Kong, China, December 22, 2019.

That is why Xi has attracted criticism within China from conservative, establishment nationalists for unnecessarily provoking a US-led reaction against China as a result of having unwisely launched a broad-based, overt assault against US interests.<sup>16</sup> At the same time, Xi has been criticized by liberal internationalist reformers within the Chinese system for having abandoned any possibility of China playing a greater role within the parameters of the existing international order, as opposed to China now seeking to replace that order altogether, thereby generating an even broader coalition of opposing forces from around the world. While Xi may now seek certain tactical adjustments to reduce his domestic political exposure to both these factions, it is unlikely that any major changes in China's overall strategic direction will emerge as long as Xi remains in

office. Nonetheless, these emerging fault lines within the Chinese leadership elite over the intensity and direction of China's current international strategy are important factors to be noted carefully in the development of the United States' future strategic response to Xi under the new US administration.



### **Xi's strategy for the 2020's**

Based on these assumptions, Xi's grand strategy for the decade ahead is likely to remain broadly consistent with what we have seen over the last seven years. It is a strategy driven by three sets of interests which Xi judges to be ultimately irreconcilable with those of the United States: that the United States will never concede to a smooth "passing of the baton" to a more powerful China as the preeminent global power, as occurred a century ago between Britain and the United States after World War I; that the US and Chinese political systems are fundamentally ideologically irreconcilable, meaning that the United States will never regard China's one-party state as legitimate; and that Washington will continue to frustrate Chinese efforts to secure reunification with Taiwan. For these reasons, Xi sees the United States and China as being on a collision course. While Xi, a pragmatist, would prefer to secure China's ascendancy without open conflict with the United States, Xi, the realist, likely sees one form of conflict or another as unavoidable. For a leader like Xi, the fundamental strategic question is one of when and under what circumstances.

For Xi's China, the 2020s are therefore likely to be a deeply

challenging decade. With enough prodding, Xi has finally roused the American bear from its long slumber. Chinese nationalist assertiveness also has begun to mobilize a growing number of US allies in Europe, Asia, and the Americas (who until recently sought to remain relatively neutral amid growing US-China tensions) to begin developing a common strategy in response to the global China challenge. This effort includes several openly delivered proposals by the European Union (EU) in late 2020 to establish a united front with the United States on trade, technology, security, human rights, and other issues.<sup>17</sup> The open question remains, however, whether any of this will translate into a coherent, effective, long-term strategy capable of thwarting China's global and regional objectives. China is betting, on balance, that it won't—not least because it believes the world's democracies are no longer capable of sustained strategic focus.



Soldiers of China's People's Liberation Army march during the Victory Day Parade in Red Square in Moscow, Russia, June 24, 2020. The military parade, marking the seventy-fifth anniversary of the victory over Nazi Germany in World War II, was scheduled for May 9 but postponed due to the outbreak of the coronavirus disease (COVID-19).

China is nonetheless hedging its bets by seeking to insulate itself from real economic damage in the coming decade, given the potential impact of accelerated economic decoupling, Western technology restrictions and financial sanctions, or even a full-blown new Cold War.

The horror scenario for Xi and his strategy would be any permutations or combinations of five factors:

- domestic political unrest driven by large-scale unemployment, possibly brought about by a postpandemic global recession that Chinese domestic measures cannot effectively offset, or other major errors in the direction of central economic policy
- a series of natural disasters including floods, food insecurity, or further pandemics that undermine general public confidence in the regime and the sense of a mandate to rule
- the coherence of a coordinated global strategic response to China's threat to the collective interests and values of the world's democracies, brought about by Xi's failure to sufficiently moderate his 2013 decision to adopt a newly assertive foreign and security policy and by his post-2015 decisions to adopt a more mercantilist economic strategy<sup>18</sup>
- a strategic miscalculation by Xi that results in a premature open



military conflict with the United States that fails to produce a clear-cut Chinese victory, thereby fundamentally delegitimizing his leadership and the party's overall credibility

- a combination of the above culminating in an organized political putsch within the party against Xi on the grounds of having mismanaged the impact of the pandemic on China's global reputation and strategic standing, allowing enemies to be created on multiple fronts, of failing to capitalize on the deficits of the Trump administration to win important friends abroad and drive a wedge between the US and its allies, and of having planted the seeds of long-term economic stagnation

Xi will be seeking to manage and minimize each of these risks where possible, although some lie well beyond his powers of control. Within these constraints, Chinese international strategy for the decade ahead is thus likely to include the following:

1. **China will reject all forms of international human rights pressure** concerning Xinjiang, Tibet, Hong Kong, as well as other forms of domestic political and religious dissent within China proper, as the regime doubles down through its repressive control systems in defense of the Leninist state. The party believes the West's interest in human rights is driven by episodic political fads, which have been successfully undermined in the past by economic inducements and diplomatic pressure. Because China is now much stronger in its ability to withstand any sustained external sanctions, it now cares much less than before.
2. **Beijing will accelerate its military preparedness for Taiwan Strait scenarios**, with a view to achieving absolute military supremacy over Taiwan and the United States out to the second

island chain by decade's end. The objective would be to cause the United States to choose not to go to war in support of Taiwan out of fear that it may well lose. This would then leave Taiwan with little option other than to comply politically with Beijing's reunification formula.

3. **China also will continue to strengthen its military capabilities**

including expanding its conventional forces and modernizing, expanding, and hardening its strategic nuclear force. In part this push is driven by US advances in ballistic missile defense technology and the increased deployment of US anti-ballistic missile platforms in East Asia to counter North Korean contingencies.

4. **Its power projection into the Indian Ocean region will**

**accelerate**, supported by a growing range of dual-use port and air facilities across South and Southeast Asia, East Africa, and the Middle East. Strategic competition between China and the United States over the Gulf States will become more acute given relative US energy self-sufficiency and China's replacement of the United States as the Gulf's largest energy market.

5. **Beijing will accelerate its push for greater economic self-**

**reliance** that is designed, as noted previously, to reduce the dependence of China's economic growth on exports, as well as to achieve complete technological independence from the West and, additionally, to use these new Chinese technology products, services, and platforms to supplant the United States in setting global industry standards. Moreover, Beijing will strive to liberalize China's exchange rate and capital account before the end of the decade, by which time Chinese financial markets will be large enough to offset the risks of foreign economic pressure on China's

domestic political autonomy.

6. **China will renew its collaboration with the United States on mitigating climate change**, which is a higher-profile topic in Washington following the inauguration of President Joe Biden. China's recognition of the need for action on this front is grounded in its domestic concerns over air pollution, water scarcity, and extreme weather events. China also sees renewed climate change activism as critical for its future international reputation, particularly in Europe. More importantly, it sees this as one possible platform for restabilizing the US-China relationship, given the high priority the Democratic Party now attaches to climate change.
7. **The next step in the BRI is for consolidation as a geopolitical and geoeconomic bloc** in support of China's ambitions, making the initiative the foundation for a future Sinocentric global order. However, given the scale of China's competing financial demands from its military, aging population, and the fiscal impact of the 2020 pandemic and recession, the scope of the BRI may be scaled back somewhat from its original, gargantuan ambitions.
8. **Beijing is likely to double down on its economic and diplomatic offensive across Southeast Asia** to consolidate the gains already made in Cambodia, Laos, the Philippines, Malaysia, Singapore, and Myanmar, while making Indonesia the central focus for the decade ahead.
9. **China will aim to draw Seoul into China's economic and strategic sphere of influence**, including by causing South Korea to conclude that Beijing is its best bet to manage any future threat from a nuclear-armed North Korea.
10. **Beijing will seek to preempt any possible US initiative to**

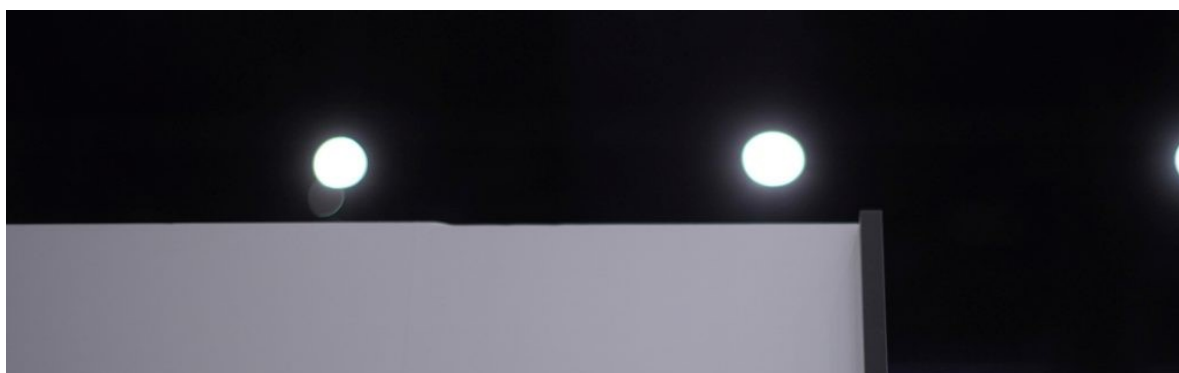
**separate Moscow from Beijing**, including any attempt to deescalate tensions or even to normalize relations with Russia in order to place new strategic pressure on China.

11. **Europe will become a decisive battleground for US-China strategic competition**, with Beijing seeing EU member states as alternative markets for Chinese goods, alternative sources of capital and technology, and a less strident condemner of Chinese human rights abuses and security provocations in Asia.
12. **Chinese strategy toward Japan and India will be uncertain**, with past strategies to deescalate tensions with Tokyo and New Delhi having stalled as traditional border tensions have resumed their previous role in dominating both of these relationships.
13. **China will accelerate its successful efforts to date in cultivating Africa and Latin America** as zones of economic and foreign-policy influence. China sees both as major emerging markets, as well as major sources of votes to support China's ambitions in multilateral and international institutions.
14. **China will seek to sway more states to jump on its bandwagon**, rather than continue to work with the United States to "balance" against China, by leveraging the real or perceived eclipse of US power to do so. Overall, China sees all of the above regions in increasingly binary terms as arenas of competition for influence with the United States, and will by decade's end seek to shift the political and foreign-policy balance significantly in China's favor.
15. **China will become more activist in advancing global diplomatic initiatives** within the UN and Bretton Woods institutions, including well beyond its own region, in order to

demonstrate its credentials for global leadership.

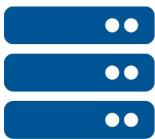
16. **China will use its growing influence within international institutions** to delegitimize and overturn initiatives, standards, and norms perceived as hostile to China's values and interests, particularly on human rights and maritime law. China also will seek to use the normative processes of these institutions to legitimize Chinese concepts and large-scale initiatives including the BRI.
17. **Ultimately, China will seek to advance a new, hierarchical conception of international order and development** under Xi's deliberately amorphous concept of a "community of common destiny for all mankind."

In all these initiatives, China will seek to become more sophisticated in its diplomacy and in its international media strategy, learning from the failures of its "wolf warrior" diplomats of recent times, and continuing to grow its global diplomatic cadre, intelligence network, and foreign aid budget. While many will criticize Chinese statecraft as wooden, crude, and often counterproductive, progress measured against a decade ago is significant. China has observed carefully the success of other states' international influence in recent history, studied them systematically, and sought to emulate their success. Don't underestimate China's ability to learn and adapt tradecraft. In this critical respect, they are more nimble than the Soviets ever were.





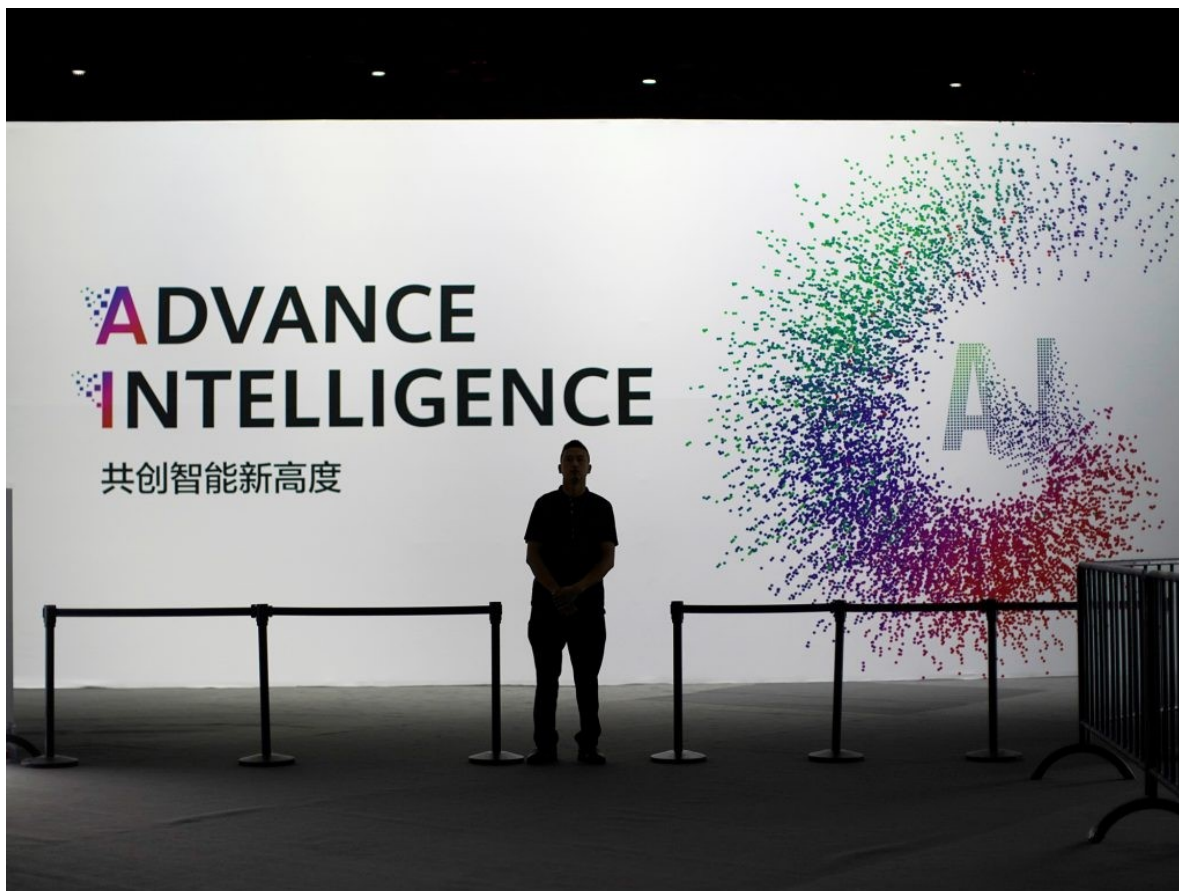
The Huawei logo is seen at Huawei Connect in Shanghai, China, September 23, 2020.



## **The centrality of the technology war**

Amid all these considerations, Xi is likely to maintain a razor-sharp focus on the potentially game-changing strategic potential of China's unfolding technology war with the United States. This interest applies most particularly to China's rapidly evolving strengths and vulnerabilities in AI. Xi sees AI as China's most important strategic industry. At present, when comparing national strengths across the AI sector (in the critical domains of talent, research, development, hardware, data, and application), the United States remains the industry leader, with China second, and the EU a distant third. Looking specifically at the US-China competitive dynamic, each country's AI strengths and weaknesses are spread unevenly across different elements of what the industry calls the integrated "AI stack" necessary to be a global leader in the field. This "stack" is made up of curated big data, algorithmic

development for the effective manipulation of that data, advanced microchips for the computing power needed to support data manipulation, and machine learning (including neural learning systems for the replication of the most complex analytical functions), as well as the fifth-generation (5G) wireless technology necessary for the digital cellular networks to handle sufficient data transmission.<sup>19</sup>



A security officer keeps watch in front of an artificial intelligence sign at the annual Huawei Connect event in Shanghai, China, September 18, 2019.

By these measures, China's major strengths have to date consisted of the domestic accessibility of huge amounts of data, its de minimis legal constraints on data access, its large numbers of low-paid college graduates willing and able to categorize primary data for subsequent algorithmic application, and dynamic firms

such as Alibaba and Baidu capable of rapidly developing commercial applications from technical AI innovations. China's Huawei Technologies has become the global leader in 5G technology, systems, and networks globally, as well as having its own significant AI subsidiary. However, many of China's strengths have been built on the basis of a permissive international trade and investment environment where Beijing was able to import semiconductors to meet its needs without any significant restrictions from the world's most advanced suppliers in the United States, South Korea, and Taiwan. Because of this, China's AI industry focused on the rapid development of AI commercial applications, successfully monetizing the hard-won research and development (R&D) of its foreign suppliers, rather than prioritizing its own indigenous AI primary research program. This trend was reinforced further by a Chinese mergers, acquisitions, and equities market culture that rewarded immediate profitability rather than the significant long-term sunk costs and R&D investment ratio regarded as normal for successful technology firms in the United States. The overall outcome of these trends is that China's dependency on international primary R&D in microchips has resulted in China remaining some three to seven years behind US industry leaders, depending on the category of chip.

This approach, however, has come rapidly unstuck since the United States began adjusting its export and foreign investment rules to restrict Chinese access to the US semiconductor industry and other advanced technologies. Since 2018, the US policy landscape on AI has shifted 180 degrees with the inclusion of Chinese AI firms on the Commerce Department's control list of entities posing a national security risk. This list effectively bans the



export of semiconductors with any significant US content to Chinese firms in the absence of explicit US government waivers. Moreover, the Foreign Investment Risk Review Management Act (FIRRMA) of 2018 gives greater powers to the Committee on Foreign Investment in the United States (CFIUS) to block deals, and the Export Controls Act of 2018 further restricts sensitive US technology exports.<sup>20</sup>

In addition to these measures, the Trump administration launched a global campaign with its allies and partners around the world to prevent the global rollout of Huawei's 5G network, which, despite initial resistance from many governments, has since gained greater international traction. Of greater concern to China has been the US decision to enforce its national ban on the export of semiconductors to Huawei by imposing the same bans on any other foreign third-party chip manufacturer that relies on any US software or technology for the development of their product. Together, these various measures have created an unprecedented dilemma for Xi's regime as to how to fill their gaping shortfall in semiconductors. Either China must accept less advanced, domestically produced chips as their new industry standard, or it must find different international sources of advanced chips. Alternatively, Beijing can pour state resources into a Herculean effort to rapidly produce a fully integrated "AI stack" within China itself, attempting to rival and surpass the United States. Despite the obstacles, Xi has opted for the latter strategy.

The open question is thus whether Xi can succeed with this approach—not only in leapfrogging the US AI industry, but also in securing the quantum advantages that would likely flow to China's overall national economic competitiveness and advanced military

capabilities. This would require the development of a Chinese AI ecosystem with an intimate, informal, and mutually beneficial collaboration between state-run research institutions, the PLA, and private-sector firms. Such a culture has been singularly lacking in the past. China also would need a revolutionary new approach to incentivizing AI research and development, intellectual-property protection, and market valuation. If, instead, China applies the blunt instrument of its much touted “mixed economy” model, whereby major private-sector players like Huawei, Alibaba, and Baidu are invited to take equity to “fix” state-owned enterprises in the sector—or, even worse, have SOEs invest in them—the results are likely to be negative. Nonetheless, given the strategic significance of AI, the Chinese system is already allocating large-scale fiscal resources to the task. China recognizes that much of this capital will be misallocated, but Beijing considers this as the price to be paid in the Chinese system to generate partial progress.





US military forces aboard amphibious assault vehicles maneuver near the South China Sea shore during the annual Philippines-US amphibious landing exercise in San Antonio, Zambales province, Philippines, October 7, 2016.

Surpassing the United States in AI therefore looms as a decade-long undertaking, rather than something realizable in the nearer term. China's strategic resolve, however, is now clear. China also is acutely aware of the consequences for the US semiconductor industry if Washington's export bans are implemented in full. The US technology industry is itself chronically dependent on the China market for its own historical profitability levels. Moreover, it is the industry's export earnings that fund reinvestment in its own world-leading R&D in semiconductors, keeping US firms as global leaders in the field. If this export revenue is cut off, the US government is unlikely to step in to subsidize these firms, which is why China has some confidence that there will continue to be significant "leakage" of product and technology from a number of US semiconductor suppliers for some years to come.

For these complex reasons, the competitive race between China and the United States for AI dominance over the decade ahead—across R&D, innovation, commercial applications, and military deployment—remains evenly poised. In the overall context of the broader strategic competition now underway between Beijing and Washington, the outcome of this particular technology race is uniquely important.

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A statue of George Washington stands as Federal Hall across Wall Street from the New York Stock Exchange in New York City, New York, U.S., October 26, 2020.



## **Establishing a long-term US national China strategy**

In determining an effective national China strategy capable of protecting and advancing its national interests, the United States must adopt the same disciplined approach it applied to the defeat of the Soviet Union. The strategy, however, must be tailored to a different adversary and to radically different national and international circumstances. This pursuit can only be accomplished by understanding the vital US national interests to be protected, together with those of the United States' principal

friends, partners, and, most critically, formal allies. Just as important will be clarity about the organizing principles that will govern the strategy over time, and developing, determining, and implementing the detailed content of this strategy within the first six months of the Biden administration. The time for political whims, focus group-driven tropes, and executive government chaos has passed. The Trump administration did well to sound the China alarm. Its annunciation of a new strategy of “strategic competition” was important. The administration’s execution of this strategy, however, has been chaotic. What is now at stake is the postwar liberal international order that the United States built and, by and large, upheld for the last seventy years.



## **Defining US core national interests**

The cornerstone of US strategy must be a definition of core national interests. This should be the product of a disciplined, time-limited, interagency process. It should also be subject to approval by the leadership of all relevant congressional committees, although this will inevitably be controversial. These bipartisan conclusions should then be incorporated in a presidential directive that is able to win continuing acceptance across administrations.

This codification of core US interests should include the following:

- **protecting the United States from the threat of nuclear attack, or the threat or use of other weapons of mass destruction, including any such threats from nonstate actors**
- **ensuring the US nuclear umbrella is credibly extended to**

**treaty allies**, as well as honoring other US security obligations to allies as outlined in individual treaty arrangements

- **sustaining the operational effectiveness of the United States' global network of forty-seven treaty allies**, and the political support necessary at home and abroad to sustain that network
- **maintaining US global conventional military dominance over any other adversary**, in all theaters and in all current and emerging military technologies, platforms, and domains including AI, space, and cyberspace, thereby preventing strategic leapfrogging by any other state
- **maintaining regional conventional US military predominance in the Indo-Pacific region** so that the United States can prevail in the event of armed conflict, thereby deterring China from any such military challenge
- **arming Taiwan to enable it, alongside the United States, to deter any future armed attack, cyberattack, or naval blockade** by the PRC, and in the event of any such Chinese action, to be equipped militarily to defeat it, recognizing that a failure to do so will cause a collapse of the credibility of US security assurances, including among treaty allies
- **resisting Beijing's efforts to erode Japanese sovereignty over the Senkaku Islands** and its associated EEZ, recognizing that a failure to do so will undermine the US-Japan Security Treaty of 1951
- **preventing any further advancement of China's territorial claims in the South China Sea**, recognizing that a failure to do so would render invalid US global interest in maintaining the norm of freedom of navigation and further erode the credibility of the

## United States in the minds of Indo-Pacific allies

- **maintaining the United States' status as the largest national economy globally** as measured by GDP at market exchange rates, or, if that proves to be unachievable, to establish an effective economic condominium with major democratic allies that collectively remains, on balance, larger than China, recognizing that a failure to maintain economic dominance will result in a further acceleration in China's assertive international strategic behavior
- **retaining US global leadership in all major categories of critical emerging technology**, including AI, or do so through joint leadership with close US allies
- **maintaining the US dollar's global reserve currency status** including in digital currency markets and other emerging financial-technology platforms
- **preventing catastrophic global climate change** by ensuring that all countries take necessary national action, consistent with the size of their historic and prospective greenhouse emission footprints, to keep global temperature increases within 1.5° centigrade in this century
- **defending, extending, and as necessary reforming the current rules-based liberal international order** and associated multilateral system built by the United States since 1945, as well as its ideological underpinnings, including the international political and security system anchored in the United Nations; the global economic system anchored in the Bretton Woods institutions and based on the principles of open trade, investment, technology, and talent markets; as well as the international legal, humanitarian, and

human-rights order anchored in three principle multi-lateral human rights covenants



## **Agreeing on the basic organizing principles for a long-term national strategy**

A new US China strategy must be founded on central organizing principles capable of enduring for the decades ahead. Bear in mind that it took forty years to defeat the Soviet Union between the adoption of the doctrine of containment in 1948 and the terminal events of 1989-1991. Recall as well that 2049 is Xi's final target date for China to achieve economic and military superpower status and become the center of a new global order. The principles adopted by the United States must therefore remain constant for the long term, while recognizing that their precise policy articulation will necessarily evolve with the changing circumstances of the times. This paper recommends ten core principles to guide future US strategy.

**First, US strategy must be based on the four fundamental pillars of American power:** the power of the nation's military; the status of the US dollar as the global reserve currency and mainstay of the international financial system; global technological leadership, given that technology has become the major determinant of future national power; and the values of individual freedom, fairness, and the rule of law for which the nation continues to stand, despite its recent political divisions and difficulties. While there will be much debate about the details of strategy, anything that weakens one or the other of these four



pillars will do great damage to the whole. A precondition for the success of the wider strategy against China is that each of these pillars is actively nurtured and strengthened. Without that, the strategy will fail.

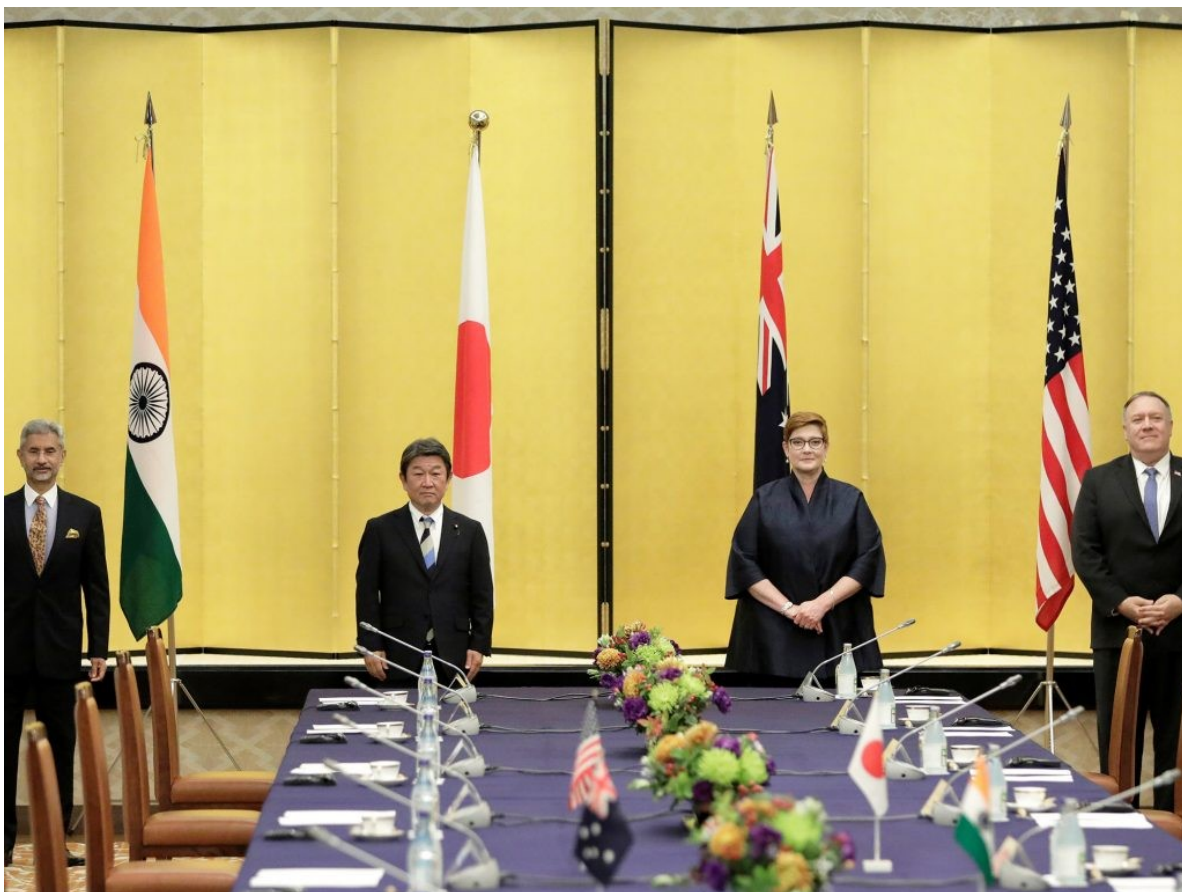
**Second, US strategy must begin by attending to domestic economic and institutional weaknesses.** The success of China's rise has been predicated on a meticulous strategy, executed over thirty-five years, of identifying and addressing China's structural economic weaknesses in manufacturing, trade, finance, human capital, and now technology. China has made great strides in all of these areas, though it is still plagued with the weaknesses endemic to its political and economic structure. The United States' great strength is that it does not run a planned economy. Yet the list of what needs to be overcome is long: crumbling US infrastructure; the failures of schools in teaching science, technology, engineering, and math; an inability to agree on a balanced, long-term immigration strategy; and an institutional incapacity to resolve basic domestic political disagreements. Without addressing these weaknesses, China will win.

**Third, the US China strategy must be anchored in both national values and national interests.** This is what has long distinguished the United States from China in the eyes of the world. The defense of universal liberal values and the liberal international order, as well as the maintenance of US global power, must be the twin pillars of America's global call to arms. The United States must argue the simple proposition that the maintenance of the latter (US power) remains essential for the preservation of the former (the liberal international order). This rationale strikes at the heart of Chinese strategy, which seeks

explicitly to destroy liberal values because Beijing has long seen these as the greatest threat to the longevity of the Communist regime at home. However, if US-China strategic competition simply becomes a contest between US power and Chinese power, where the objective is to protect each state's core national interests against the other, ultimately it will be seen by the rest of the world for what it is: an atavistic national, cultural, racial, and even civilizational contest for global supremacy. Mindful of the political perils of engaging in a broad values-based debate around universal concepts of freedom, Xi has already embraced a civilizational argument in his domestic and international rhetoric, in which he wraps China into a bold new world of the "East," juxtaposed against the decaying, old order of the "West." This approach skillfully deploys the language of cultural nationalism to mask the underlying ideational nature of Xi's Marxist-Leninist enterprise, which is to replace democratic capitalism with authoritarian capitalism as the accepted norm in the developing world.

More broadly, the United States will not be able to build an international coalition of the willing, so to speak, against China if the appeal is purely grounded in the defense of US interests and power. There may be a debate in a number of third countries about which country is likely to be more benign as the preferred superpower of the future (the United States or China), and this may well be a debate in which America still prevails. Yet a broader appeal to defend the ideas and the ideals of the liberal international order, and the multilateral system on which it is based, is much more likely to garner the political support of the major Asian, European, and other democracies, as well as broader

international public opinion, compared with a simple, primitive narrative about US power and interests. For these reasons, the declared title of this new China strategy could simply be *Defending Our Democracies*. There is a logic to this: “Defense” connotes the active agency of the state through the exercise of both hard and soft power; “democracy” connotes the entire body of ideals that unites a large number of states in common cause around open politics, open economies, open societies, and the rule of law, including international law; and “our” connotes that this is not just a US enterprise.



Indian Foreign Minister Subrahmanyam Jaishankar, Japan’s Foreign Minister Toshimitsu Motegi, Australia’s Foreign Minister Marise Payne and then-U.S. Secretary of State Mike Pompeo pose for a picture prior the Quad ministerial meeting in Tokyo, Japan October 6, 2020.

**Fourth, US strategy must be fully coordinated with major allies so that action is taken in unity in response to China.**

This has nothing to do with making allies feel good or better than they have. It's because the United States now needs them to win. As noted previously, China ultimately places great weight on its calculation of the evolving balance of comprehensive power between the United States and itself. The reality is that, as the gap between Chinese and US power closes during the 2020s, the most credible factor that can alter that trajectory is if US power is augmented by that of its principal allies. If, for example, US military and economic power in Asia were enhanced by the inclusion of the militaries and economies of three other G20 democracies, such as Japan, South Korea, and Australia, the strategic balance would change significantly. If, globally, US GDP and military strength were augmented by including Germany, the United Kingdom, France, the Netherlands, and Canada, then the strategic equation also would change radically. A US-led coalition also could ultimately include other significant strategic partners, such as India, Mexico, Nigeria, Indonesia, and Singapore, in a broader, second layer of strategic collaboration. What would be required for such a shift in the global calculus to become meaningful, rather than notional, is an unprecedented level of strategic collaboration between these countries through a comprehensive, integrated, panallied China strategy. This level of collaboration has never happened before across the differing historical missions and geographic focuses of the United States' existing alliance structures in Asia, Europe, and elsewhere. The multilateral alliance between the United States and its European allies has focused on the Soviet Union and, upon its disintegration, Russia. US alliances in Asia have, by and large, been bilateral in nature, and only

recently have become primarily focused against China.

The degree of difficulty the United States will face in achieving common purpose with its allies on China policy will therefore be great, but by no means impossible. There already is considerable movement in this direction, accelerated by China's aggressive response to any criticism of its responsibility for the origin and spread of COVID-19 around the world, approaching in some respects a new kind of psychological warfare, given the regime's fear that this issue goes to the absolute heart of the Communist Party's domestic and international political legitimacy. The 2020 pandemic created a unique strategic opportunity for the United States to reconsolidate its leadership position across the world—an opportunity that Washington has so far squandered. However, given the depth of continuing global anger about China's role in the pandemic, this opportunity has not yet been lost altogether. The difficulties in developing a panallied China strategy will be formidable. In particular, the economic pull of China's market is a significant and growing incentive for third countries to maintain positive ties with Beijing, as highlighted by the recent signing of the Regional Comprehensive Economic Partnership between China and fourteen other Asia-Pacific nations. Hence, the effort should initially be limited to a smaller number of larger states whose collective strategic weight would be significant. Doing this detailed work with major allies will be essential to leverage any fundamental change in China's future international behavior, and this can only be done by causing Beijing to conclude that the balance of power is not inexorably moving in its direction.

**Fifth, the United States' China strategy also must address the wider political and economic needs of its principal allies and**

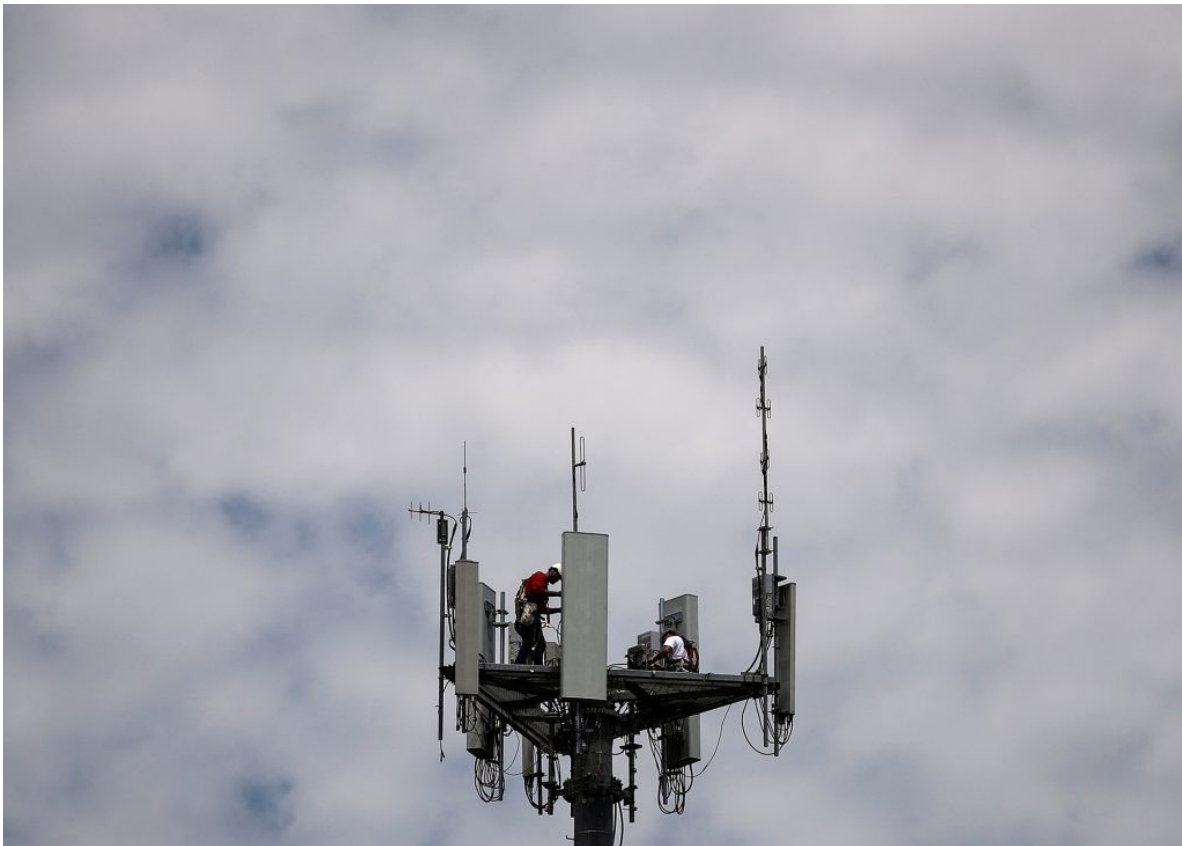
**partners** rather than assuming that they will choose to adopt a common, coordinated strategic position on China out of the goodness of their hearts. Values-based goodwill does still exist. These allies also know they benefit from the United States' ultimate security guarantee. However, unless the United States also deals with the fact that China has become the principal trading partner for most, if not all, of its major allies, this underlying economic reality alone will have growing influence over the willingness of traditional allies to challenge China's increasingly assertive international behavior. For example, in the case of Australia, a close US ally, the reality is that China in 2019 took 30 percent of that country's exports. If China were to close its markets to Australian exports as a result of a geopolitical crisis, it would result in a contraction in the Australian economy of a staggering 8.5 percent, thereby throwing it into recession, with major domestic political consequences for the government of the time. While the Australian example might be extreme, China is either the largest or second-largest trading partner of every country in the Asia-Pacific region. The uncomfortable geopolitical truth is that China has become a massive economic magnet for the rest of the world. This is not just the case for global exports, where China now represents 16.2 percent of the world total (while the United States comes second with 10.6 percent of the total). A similar pattern emerges in global merchandise imports, where China represents 11 percent of the world's total, meaning that most major firms cannot easily ignore the China market in any credible corporate growth strategy. The same pattern has yet to develop with global foreign direct investment flows, with China representing 9 percent of global inbound FDI, behind the United States at 16 percent. However, China already rivals the United States in outbound FDI flows,

representing 8.9 percent of the global total compared with the United States' 9.5 percent in 2019. A similar pattern is likely to emerge over time with global capital markets more generally, technological innovation, and product standards. It is uncertain to what extent the pandemic-induced global recession will accelerate these trends even further. In other words, the centripetal force being generated by the sheer scale of China's economic weight in the world is of itself the greatest structural challenge to future alliance solidarity in dealing with the China challenge. This has been a central objective of China's global strategy: to become the world's indispensable economy.


For these reasons, the only coherent option for the United States is to open its own economy to free trade and, if possible, open investment agreements with its democratic allies and the rest of the free world. This must be based on the principles of complete reciprocity. That is why the Obama administration's efforts to secure a transpacific partnership in Asia and its transatlantic equivalent represented the single most critical element of its geopolitical strategy toward China. It provided the missing essential economic component to US global geopolitical strategy. That is why China was so adamantly opposed to both these initiatives. Its senior leadership immediately grasped their significance. Beijing recognized that such trade blocs would become a major strategic counterweight to its own global strategy, which is based on ever-greater international economic dependency on China, generating foreign-policy compliance over time, and eventually the fracturing of US alliances. Of parallel importance to US grand strategy is turning the US, Canadian, and Mexican economies into a single integrated North American

economic entity.<sup>21</sup>

This is not only critical to the future economic growth of the United States itself; its importance also lies in progressively unlocking this massive and growing combined market of five-hundred million people to the rest of the democratic world. Once again, this should and could only occur on the principle of fully reciprocal access to all participating markets. This profound change in US economic strategy would require Washington to resume its historical leadership of the global trade-liberalization agenda, thereby reversing its more recent protectionist course. Therefore, a core principle for the Biden administration's China strategy should be an economic policy that does not simply seek to constrain China's own economic opportunities, but one which recognizes that the United States must use its global leverage to open major new economic opportunities for itself as well as for its major democratic allies.







Workers install 5G telecommunications equipment on a T-Mobile US Inc tower in Seabrook, Texas, U.S. May 6, 2020.

In other words: creating not just an alliance of major democracies, but also an alliance of free economies. If this economic dimension of a future US China strategy is not addressed, the rest of the strategy recommended in this paper will not work. Globally, the national political axiom of the 1990s remains entirely valid: “It’s the economy, stupid.”

**Sixth, the United States must rebalance its relationship with Russia whether it likes it or not.** Effectively reinforcing US alliances is critical. Dividing Russia from China in the future is equally so. Allowing Russia to drift fully into China’s strategic embrace over the last decade will go down as the single greatest geostrategic error of successive US administrations. That is not to argue for any singular virtue on the part of Russian leader Vladimir Putin. It is simply to argue that it has been clear for the better part of two decades that China, not Russia, is the United States’ central strategic challenge for the century ahead. While modern Russia is a strategic irritant to US interests, it is no longer by itself a great strategic threat. However, the importance of Russia for future US strategy can be seen in the extraordinary level of strategic condominium that has now been achieved between Putin and Xi over a relatively short period of time and the significant additional strategic leverage this has provided China. Their bilateral collaboration now covers their militaries; intelligence and domestic-security services; energy, trade, and investment; and foreign-policy coordination including in the UN Security Council and other forms of multilateral coordination. Most importantly, this alignment has

meant that China no longer has to be concerned with the long northern border it shares with its Russian neighbor, a country with which it has had an adversarial relationship for most of the last four hundred years. The normalization of Sino-Russian relations has freed up significant Chinese military, diplomatic, and leadership capital that Beijing now has been able to deploy elsewhere. This is gravely injurious to US global interests.

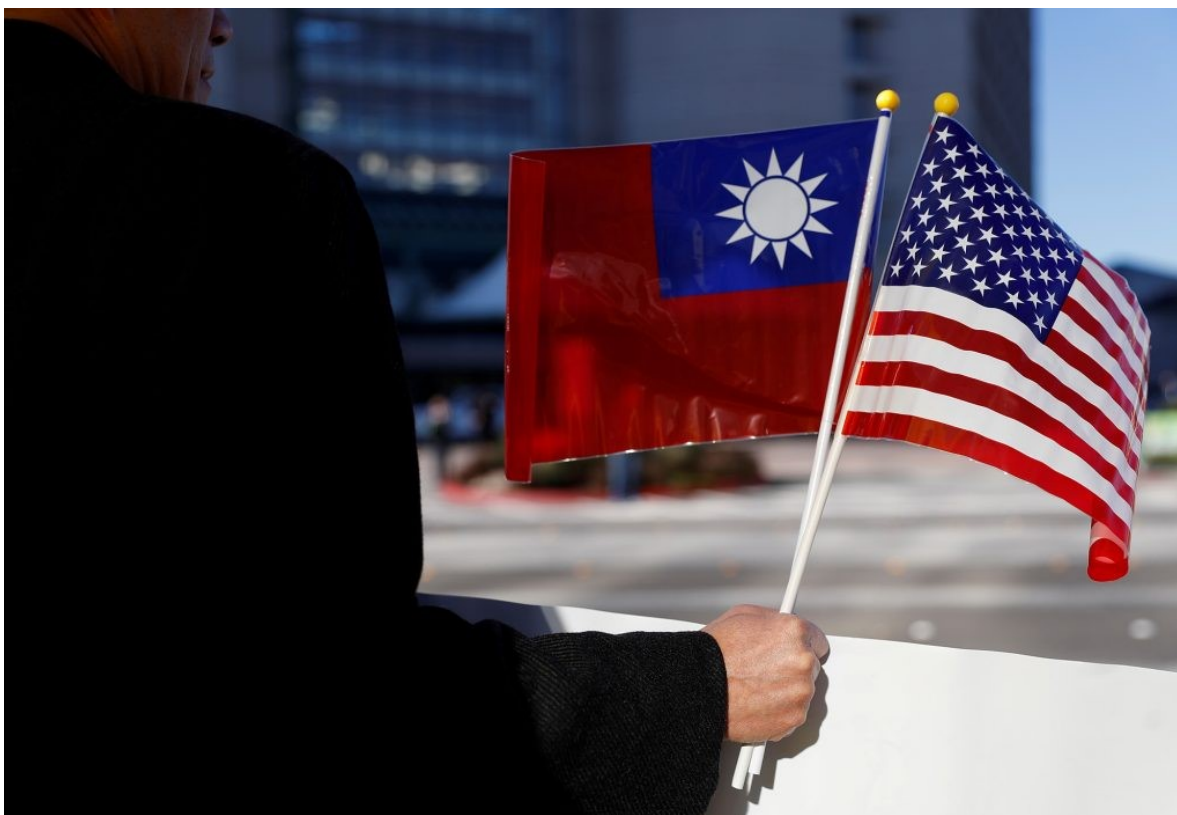
However, Moscow and Beijing still have significant, persistent areas of tension. They arise from Russian concerns over long-term Chinese revanchism concerning the vast areas of China's territory ceded to Moscow over the centuries, including Manchuria; long-standing Russian concerns produced by its small and declining population in the Russian Far East, compared with the vast Chinese population lying to its south, which are reinforced by Russian populist anxiety over the levels of Chinese official and unofficial migration; China's growing economic and strategic presence in the Central Asian republics, traditionally a Russian sphere of influence; Beijing's aggressive pursuit of its interests in the Arctic, another Russian sphere of influence, as a self-proclaimed "near-Arctic" state; and the political reaction in Russia to the denuding of Russian forests and other illegal extractive resource industries in Russia's far-eastern border regions in order to meet Chinese demand, often facilitated by corruption and funded by illicit Chinese money.


For all these reasons, the United States must begin to engineer a significant rebalancing of its own relationship with Moscow. Russia will not become the United States' friend or strategic partner, let alone its ally. Much ground has already been lost since US and Western sanctions were first imposed against Moscow after the

Russian invasion of Crimea and Donetsk in 2014. Russia is therefore likely to exploit any reset of its relationship with Washington to increase its own leverage with both Beijing and Washington. Moscow fundamentally resents its increasingly unequal relationship with both countries. Nonetheless, it is in the United States' enduring interest to prevent further deepening of the Moscow-Beijing entente to the point that it becomes an alliance in all but name. To do so, the United States should make a business of exposing to Russian public opinion the great extent to which China is now running roughshod over Russian economic interests, political sensibilities, and national pride. The United States also must be prepared to make some concessions to Moscow. It might do so to secure Russian support in bringing China to the negotiating table over the expansion and modernization of Beijing's strategic nuclear forces. Or it might also do so over North Korea.

**Seventh, the central focus of an effective US and allied China strategy must be directed at the internal fault lines of domestic Chinese politics in general and concerning Xi's leadership in particular.** As previously noted, a fundamental error of US strategy has been to attack China as a whole, thereby enabling Xi's leadership to circle the wagons within Chinese politics around the emotional pull of Chinese nationalism and civilizational pride. Just as significant an error has been to crudely attack the Chinese Communist Party itself. There are ninety-one million members of the CCP, which, if taken together, would be a country more populous than Germany. However, the political reality is that the party is extremely divided on Xi's leadership, for the reasons outlined earlier. Senior leaders, including previous

Politburo members, have been greatly angered by Xi's policy direction and political leadership style, and they now fear for their own lives and the future livelihoods of their families. Of particular political toxicity in this mix are the accounts in the international media of the wealth reportedly amassed by Xi's family and members of his inner political circle like Li Zhanshu, chairman of the Standing Committee of the National People's Congress. It is simply unsophisticated strategy to treat the entire Communist Party membership as a single undifferentiated target when these fault lines exist. To do so is to enable Xi to once again circle the wagons, this time in defense of all party members' interest in guaranteeing their collective survival. Therefore, any strategy which has as its declared objective the "overthrow of the Communist Party" is entirely self-defeating. Instead, the public language and operational focus must be "Xi's Communist Party." This goes to the heart of the active fault lines within current Chinese politics.





A demonstrator holds the flags of Taiwan and the United States in support of Taiwanese President Tsai Ing-wen during a stopover after her visit to Latin America in Burlingame, California, January 14, 2017.

Some will challenge this argument on the grounds that any replacement of Xi could lead to something much worse. That is unlikely, given that the internal critique of Xi is that he has taken the country and the economy too far to the left, while his nationalism and international assertiveness have pushed too far and isolated the country. Any leadership change is therefore more likely to accommodate policy changes that seek to moderate these excesses. If leadership change does not occur, then the objective is to maximize internal political pressures on Xi to moderate Chinese policy of his own volition or to roll back various of his international initiatives. Either way, these are better options than China's current trajectory. Others may argue that none of the United States' strategic challenges arising from China can be dealt with effectively unless the party itself disappears altogether and is replaced by a pluralist democracy. The problem with this critique is that it assumes that inducing a Communist Party collapse is somehow achievable in the foreseeable future. As noted previously, the party may collapse over time because of the profound internal contradictions that exist between its current political and economic missions; but, as with the Soviet Union, that will be brought about by the internal dynamics of the Chinese system itself. External pressure may either help or hinder this process of long-term internal change, but any explicit campaign to overthrow the Communist Party is more likely to impede that

objective than accelerate it. A campaign to overthrow the party also ignores the fact that China under all five of its post-Mao leaders prior to Xi was able to work productively with the United States, irrespective of what long-term ambitions these leaders may have had for their country. Finally, the party-overthrow argument asks us to suspend judgment as to what sort of future China might have in the event of a complete implosion of the current political system. Putin's postcommunist form of Russian übernationalism offers a salutary lesson in this regard. For these reasons, all US political and policy responses to China's current strategy should be focused through the single lens of Xi himself.

**Eighth, US strategy must never forget the innately realist nature of the Chinese strategy that it is seeking to defeat.**

Chinese leaders respect strength and are contemptuous of weakness. They respect consistency and are contemptuous of vacillation. China does not believe in strategic vacuums. In Beijing's realist worldview, either the United States is present, occupying strategic space, or China is. There can be no neutral option. Whereas Beijing proclaims "win-win" moments and decries a "zero-sum game" in public, its operationalized strategy is unapologetically zero-sum in reality. Beijing always analyzes what the United States does, not what it says. China expects other governments to lie about their strategic intentions because that is what China does. US politicians and diplomats must never be moved by Chinese protests over US insensitivity to Chinese sensibilities. This is a political ruse by a Leninist party and state designed to make liberal democracies feel uncomfortable, unreasonable, and extreme within their own domestic constituencies. The calculus behind all Chinese Communist Party

strategy is power: how to conceal it, how to exaggerate it, how to leverage it, and when to deploy it, either covertly or overtly. All else is of secondary importance.

**Ninth, US strategy must understand that China remains for the time being highly anxious about military conflict with the United States, but that this attitude will change as the military balance shifts over the next decade.** If military conflict were to erupt between China and the United States, and China failed to win decisively, then—given the party’s domestic propaganda offensive over many years proclaiming China’s inevitable rise—Xi would probably fall and the regime’s overall political legitimacy would collapse. However, Chinese anxiety about the possibility of such a loss will gradually lessen as the regional military balance continues to shift in Beijing’s favor in the years ahead. This applies to both South China Sea and Taiwan contingencies. It applies less so to East China Sea scenarios, where Japan is seen as a formidable adversary itself, and where any loss to Japan would be even more politically devastating to the party’s domestic credibility than a loss to the United States. Careful strategic judgments will need to be made by the United States about when and how to confront China militarily in the South China Sea, although one possible approach is recommended below. In the case of Taiwan, if China launches a military or paramilitary action against Taiwan and the United States does not respond, either directly with US forces or by deploying sufficient assistance to Taiwan to support the island’s defense, the United States needs to understand that at that point its general strategic credibility across Asia would evaporate. This would be the collective judgment in Beijing, Taipei, and in virtually every Asian capital. The effectiveness of the rest of

US strategy against China also would collapse, just as Beijing's domestic and international political hubris over its Taiwan "success" would become a new driving force in Chinese global behavior. To avoid this, the building of an effective Taiwanese national military and economic deterrent against China must be a central imperative for US strategy. That would reduce, but not remove, the risks associated with the epoch-making decisions faced by any future US administration confronted with the need to respond to a Chinese hard-power action against Taiwan.

**Tenth, for Xi, too, "It's the economy, stupid."** Short of defeat in any future military action, the single greatest factor that could contribute to Xi's fall is economic failure. That would mean large-scale unemployment and falling living standards for China's population. Full employment and rising living standards are the essential components of the unspoken social contract between the Chinese people and the CCP since the tumult of the Cultural Revolution. That is why Xi's domestic political vulnerability has increased since 2017 as economic growth began to falter (in large part because of policy changes brought about by Xi himself). Circumstances would have to deteriorate much further before any direct political impact would be felt at the party's center, however. There are several scenarios under which this could occur: a further collapse in Chinese exports; the impact of recurring waves of COVID-19 on Chinese domestic consumption and service-sector employment; or financial collapse caused by private-sector corporate defaults amid an already debt-laden banking sector. Regenerating sustainable economic growth is China's greatest political concern at present. This single fact needs to be well understood in the framing of US China strategy.



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## **Putting it all together: The content of an effective US China strategy**

Mindful of the above definition of US national interests, as well as the organizing principles for the long-term development of US strategy, the most important task for the new administration is to draft the detailed operational content of what an effective national China strategy should include.

In doing so, the administration must be clear in its internal deliberations on which individual Chinese government policies and behaviors it intends to change. The United States must determine which Chinese actions it will seek to deter and which Chinese actions, if deterrence fails, the nation will then seek to defeat through its own direct military, economic, or other countermeasures. These are not mutually exclusive approaches. Any effective US strategy will include a carefully calibrated combination of both. First, it is important for the United States to determine its own red lines which it will not allow China to cross under any circumstances. These are critical to communicate to both the Chinese and to US allies. Second, it is fundamental for US global prestige and strategic credibility that these red lines are then enforced, whether by political persuasion, active deterrence, or the actual use of economic, financial, or military force. The problem with strategic ambiguity in relation to traditional red lines, such as on deterring action against Taiwan, and more recently in the South China Sea, is that this ambiguity has consistently been interpreted in Beijing as US weakness. This in turn has encouraged greater Chinese adventurism. Third, it is equally

important for the United States to be clear in its internal deliberations on what specific means it is prepared to deploy to deter or defeat defined Chinese behaviors. Fourth, it is important to be clear which Chinese actions may be undesirable but are nonetheless tolerable within the overall framework of US strategy, wherein the United States will actively compete against Beijing. Finally, US strategy should also be clear about those areas where it remains in US interests to continue to collaborate with China.

This analytical process should produce agreed lists of proscribed actions, actions to be actively discouraged, and those to be tolerated. This process should also provide the basis for the allocation of US and allied resources to give effect to the specific behavioral targets identified in the strategy. For example, given Xi's 2015 public proclamation on not militarizing its reclaimed islands in the South China Sea, the United States should make a decision to enforce Xi's own commitment. The failure of the United States to respond to this breach of faith has, once again, been seen by Beijing as further evidence of US weakness. The United States should determine whether its South China Sea red line is to be defined in terms of existing Chinese deployments, new military deployments, further island reclamation activity, or further Chinese military, paramilitary, or "gray zone" action against the assets of any other claimant state. Deciding on a realistic red line will be difficult; however, the red line has to be determined and set. This would then necessitate coordinated diplomacy and military preparation to prepare for the particular contingency in question. It is this sort of analysis, clarification, and categorization of targeted Chinese behaviors, together with the preparation of agreed upon countermeasures, that is now absolutely necessary.

Based on these understandings, the operational content of US strategy should contain five major components: (1) national measures to rebuild US economic and military strength; (2) US red lines; (3) areas of recognized strategic competition; (4) areas of continued cooperation; and (5) joining fully in the unfolding ideological battle with China domestically and internationally.



## **National measures to rebuild American economic and military strength**

This paper does not offer a net assessment of US strategic strengths and weaknesses. This, however, does need to be done with the same level of analytical rigor with which the United States assesses those of China. This applies particularly to the United States' growing list of domestic vulnerabilities. Without their remedy, no amount of grand strategy against Chinese adversaries (economic, diplomatic, or military) will work. It is essential to bear in mind that China's calculus of its future strategic course will largely be shaped by its assessment of the future drivers of US power. Beijing wants to know whether the United States has the national political resolve to repair the weaknesses in its society and economy. If the economy fails in the future, with lower levels of population growth, productivity growth, and overall economic growth, then the United States is unlikely to be able to afford the range and scale of military capabilities that will be needed to sustain future US global interests. Nor will the nation necessarily be able to maintain its leadership in technological innovation, which has long been equally fundamental in the United States

remaining on top. When George Kennan wrote the “long telegram” and the “X Article” in 1947-1948, with his analysis focused on what would ultimately cause the Soviet Union to fail, he assumed that the US economic model would continue to succeed of its own accord. The difference between then and now is that the assumption can no longer be made. The task at hand goes beyond attending to China’s internal vulnerabilities, extending to US ones as well. Without doing both, the United States will fail.

The list of core domestic tasks which the United States must address as part of any effective strategy for dealing with Xi’s China is familiar. They are all structural, long term, and with dividends that will only be yielded over a decade or more. They include, but are not limited to, the following:

- reversing declining investments in critical national economic infrastructure including 5G mobile systems
- reversing declining public investment in STEM education, universities, and basic scientific research
- ensuring the United States remains the global leader in the major categories of technological innovation including AI
- developing a new political consensus on the future nature and scale of immigration to the United States in order to ensure that the US population continues to grow, remains young, and avoids the demographic implosions threatening many other developed and emerging economies including China itself, while retaining the best and brightest from around the world who come to the United States to study
- rectifying the long-term budgetary trajectory of the United States so that the national debt is ultimately kept within acceptable

parameters, accommodating the new expansionary monetary policy without creating an inflation crisis and weakening the role of the US dollar

- resolving or at least reducing the severe divisions now endemic in the political system, institutions, and culture, which undermine the capacity to agree on, make, and stick to long-term national decisions fundamental to the consolidation of historical strengths and the exploitation of new opportunities
- addressing the critical question of future national political resolve to safeguard, build, and even expand the liberal international order, rather than accept or embrace a new wave of isolationism that will inevitably drag the United States inward rather than outward—and proving China wrong in its calculation that this US resolve is waning

This may seem like an impossible list given the constraints of the current US political system. Yet that was the prevailing political view when the United States needed to mobilize in 1941 and when it was confronted with the Soviet nuclear challenge in the late 1950s. This current challenge is not dissimilar in its perceived scope and scale. What it requires is a new level of bipartisan consensus in critical areas of national vulnerability, which has not been seen for decades. It is too costly for policy responses to core challenges to be seen as partisan, or to allow the China challenge to corrode and corrupt the US political system by weakening and dividing Americans against each other. Each element of the above list needs to be viewed as a matter of national security rather than a normal part of the internal political divide. Political and policy leadership across all seven of the above therefore needs to be driven from the White House, but with the full support of

congressional leadership. This must be systematic. This domestic reform agenda must be made the remit of the White House chief of staff, enabling the interagency process to deliver on this inward-facing national agenda over time. In this sense, it must parallel the agenda to be driven by the White House national security advisor, who will be responsible for the delivery of the outward-facing international dimensions of the administration's China strategy.



## **Deterring and preventing China from crossing US red lines**

The United States' list of red lines should be short, focused, and enforceable. China's tactic for many years has been to blur the red lines that might otherwise lead to open confrontation with the United States too early for Beijing's liking. For this reason, China does not use its declared strategy to indicate real shifts in its behavior, knowing that doing so is more likely to generate a reaction in US politics than if it keeps quiet. Beijing has learned over many decades that most political debate in Washington occurs around public political rhetoric rather than covert policy behavior. China also has deployed multiple techniques to ensure plausible deniability for what its party-state apparatus is doing around the world, using softer assets rather than hard military assets to assert its interests wherever possible (such as China's extensive use of its fishing fleet, coast guard vessels, and other craft, rather than naval vessels, in the South China Sea).

Therefore, the United States must be very clear about which

Chinese actions it will seek to deter and, should deterrence fail, will prompt direct US intervention. These should be unambiguously communicated to Beijing through high-level diplomatic channels so that China is placed on notice. This communication should only be made public if and when deterrence has failed and US retaliatory action has been initiated. This will be necessary to secure US public opinion and allied buy-in for the US response.

This list of red lines should include these elements:

- any nuclear, chemical, or biological weapons action by China against the United States or its allies, or by North Korea where China has failed to take decisive action to prevent any such North Korean action
- any Chinese military attack against Taiwan or its offshore islands, including an economic blockade or major cyberattack against Taiwanese public infrastructure and institutions
- any Chinese attack against Japanese forces in their defense of Japanese sovereignty over the Senkaku Islands and their surrounding EEZ in the East China Sea
- any major Chinese hostile action in the South China Sea to further reclaim and militarize islands, to deploy force against other claimant states, or to prevent full freedom of navigation operations by the United States and allied maritime forces
- any Chinese attack against the sovereign territory or military assets of US treaty allies

The assets that should be deployed by the United States (and where appropriate, its allies) in support of each of these red lines will vary. These matters should not be advanced in public debate.

The policy logic, however, remains clear: in each case, it is to signal the significance of these red lines to Xi's administration and to deter, and if necessary defeat, any Chinese actions that violate them. China is likely to be stunned by this level of strategic clarity. It has grown accustomed to a United States that has become unwilling to confront it or that does so only episodically and temporarily. Inevitably, China will probe how serious the United States will be in the execution of this new strategy—by identifying the weakest link in the chain. The United States must be prepared for this probing. However, it is important to remember that most of these red lines play directly into current internal debates within the Chinese system on whether Xi has already pushed the United States too far.



### **Areas of major national security concern**

There is a further category of major national security concerns for the United States which also will warrant a US response, but not necessarily of a military nature. These are national security interests of a nonvital, but nonetheless highly significant nature. There are multiple tools in the US tool kit that can be deployed for these purposes that will not only send a message to the senior echelons of the Chinese leadership that a line has been crossed, but also administer real and measurable pain. Once again, these should be communicated in advance through high-level private diplomacy. This list should include:

- continued refusal by China, within a defined time frame, to



participate in substantive bilateral or multilateral strategic nuclear arms reduction talks, with the object of securing a cap on China's program of nuclear modernization and expansion

- any action by China that threatens the security of US space assets or global communications systems
- any major Chinese cyberattack against any US or allied governments' critical economic, social, or political infrastructure
- any act of large-scale military or economic belligerence against US treaty allies or other critical strategic partners, including India
- any act of genocide or crimes against humanity against any group within China

As noted above, it is important that the list of US strategic red lines should be short, focused, and enforceable. Any failure to enforce these red lines will be interpreted in Beijing as yet another example of US weakness and encourage China to push the margins even further. Indeed, the Chinese national security establishment has been privately stunned at how little resistance Beijing has met in response to a wide range of its actions over recent years. This in turn has generated a degree of arrogance and contempt for "American speechmaking." The learned behavior of these officials has therefore been to push as hard as possible until a line of concrete resistance has been met and then, and only then, to adjust course until another aperture is identified.

Enforceability is therefore the key to strategic credibility. Hence the rationale for embracing a gradation of US responses, calibrated first and foremost with defined red lines, and followed by this list of major national security concerns.

China looks forward to the day when it will no longer fear any US

retaliatory action against it. Within the psychology of its leadership, possessing a bigger economy than the United States will be an important milestone in this calculation. After that milestone is passed, possibly by the end of the current decade, it may well cause Beijing to conclude that any future threat of US financial and economic sanctions can safely be ignored. It is an open question when a comparable milestone will be passed in Xi's mind on the continued potency of US threats of military action against China's violation of US red lines or other major US security interests. However, it is important for US policy makers to understand that neither milestone (economic or military) has been crossed yet. The United States is not yet seen as a "paper tiger." Chinese evaluations of the future evolution of US national power, preparedness to use it, and determination to effectively deter, given Chinese actions in the meantime, will inform China's future strategic course.



## **Areas of declared strategic competition**

Deterring certain Chinese strategic behaviors, particularly in the security domain, is one thing. Punishing other behaviors where other major US national security interests are at stake is another. Allowing for a wider form of strategic competition, particularly in the diplomatic and economic domains, however, also is an important part of a fully calibrated strategy. Having all three categories within a single strategic framework is possible. The rationale for including "strategic competition" is to address those areas where the two countries have clearly conflicting policy

agendas but where it is judged that these conflicts can be resolved by means other than the threat or use of force, or by other coercive or significantly punitive measures. It infers that while the interests at stake are important, they are neither existential nor critical in nature. These interests may still involve areas of policy activity that are preparatory to the eventual use of force such as areas related to long-term military and economic preparedness. Or they may include areas which, by their nature, will never involve the use of lethal means. Nonetheless, the common characteristic for all of these areas of strategic competition must be confidence that the United States can and will prevail, with US underlying strengths and values still providing the stronger hand to play in what remains an open, competitive, international environment.

These areas of strategic competition against China should include the following:

- sustaining current US force levels in the Indo-Pacific region (because to do otherwise would cause China to conclude that the United States has begun to retreat from its alliance commitments), while also modernizing military doctrine, platforms, and capabilities to ensure robust region-wide deterrence
- stabilizing relations with Russia and encouraging the same between Russia and Japan
- concluding a fully operationalized Quad with India, Japan, and Australia by inducing India to abandon its final political and strategic reservations against such an arrangement
- facilitating the normalization of Japan-South Korea relations to prevent Korea from continuing to drift strategically in China's direction

- prioritizing trade, investment, development, diplomatic, and security relations between the United States and each of the Southeast Asian states, particularly with US allies Thailand and the Philippines, to prevent further strategic drift by Southeast Asia toward China
- protecting the global reserve currency status of the US dollar
- protecting critical new technologies, both US and allied, from Chinese acquisition
- integrating, to the greatest extent possible, the US, Canadian, and Mexican economies into a seamless market of five-hundred million in order to underpin long-term economic strength relative to China
- renegotiating the transpacific partnership agreement and then acceding to it
- negotiating a transatlantic trade and investment partnership with the European Union and acceding to it, along with other potential agreements on technology or other issues
- enforcing China's pledges on trade and investment liberalization, state subsidies, dumping, and intellectual-property protection, in partnership with friends and allies, through a reformed multilateral trade dispute-resolution mechanism
- reforming and reviving the WTO, its dispute-resolution machinery, and the integrity of international trade law rather than allowing further incremental drift toward global protectionism
- investing at scale, alongside US allies, in the World Bank and the regional development banks, in order to provide emerging economies with an effective means of funding the development of their national infrastructure, thus encouraging use of the World

Bank (including its transparent governance standards) as a credible alternative to the BRI

- revitalizing the UN and other multilateral and international institutions as the cornerstones of global political governance
- rebuilding the State Department including its operational budgets and staffing levels to be able to diplomatically compete with China globally
- increasing US overseas development aid through the US Agency for International Development (USAID) and established UN humanitarian agencies in order to, together with US allies, sustain donor dominance over China through coordinated global aid delivery
- strengthening, consistent with existing international treaties, multilateral human rights institutional arrangements to maintain multilateral pressure on both China's domestic human rights practices as well as the Communist Party's international political legitimacy

Each of these areas is important in its own right, and China currently has an operationalized strategy seeking to prevail in each of them. China hopes that by prevailing across all of these fronts, through its combined military, economic, and political diplomacy, it will successfully adjust the overall global correlation of forces in its favor against the United States. This is designed to complement the simultaneous efforts of the PLA to change the military balance of power to its advantage. The United States' challenge is to roll this back by deploying its formidable foreign policy and economic assets, in partnership with its allies.



## **Areas of continued strategic cooperation**

There is a further set of policy challenges where it is in US interests, together with those of allies, to continue to engage in bilateral or multilateral strategic cooperation with China. This is not to make Americans feel better or to be nice to the Chinese. It is because in these areas US interests are best advanced by working with Beijing rather than against it. Even in the depths of the Cold War against the Soviet Union, there were a limited number of areas where Washington and Moscow worked together to produce results which benefited both sides and the world at large. This cooperation was visible in various arms control agreements. Moreover, by preserving areas for continued strategic cooperation with Beijing, the United States would provide a clear signal to the rest of the Chinese political system that Washington is still prepared to work with China within the parameters of the current international order. By doing this, the United States is signaling to more moderate elements in China that if Beijing ceases its operational efforts to overturn US leadership of the current rules-based order, then Washington would welcome China's full participation in the institutions of global governance, as in the past. In other words, if China under a post-Xi leadership decided to return to a more moderate course at home, and worked within the existing international system abroad, then the scope for strategic cooperation with the United States and its allies would increase rapidly. Under current circumstances, areas for strategic cooperation with China would include the following:

- negotiating a nuclear arms control agreement with China to bring China within the global arms control regime for the first time and to prevent a new nuclear arms race

- collaborating on the actual denuclearization of North Korea
- negotiating bilateral agreements on cyber warfare and cyber espionage
- negotiating bilateral agreements on the peaceful use of space
- negotiating protocols on future limitations on AI-controlled autonomous weapons systems
- cooperating in the G20 on global macroeconomic and financial stability to prevent future global crises and recessions
- cooperating multilaterally through the G20 and the UN Framework Convention on Climate Change, bilaterally on global greenhouse gas reductions, and trilaterally with India, the world's third-largest emitter
- collaborating on a global research project on breakthrough climate technologies including long-term solar-energy storage, as part of a global research consortium
- cooperating on future AI-based medical and pharmaceutical research to develop new responses to major disease categories affecting both countries including cancer
- cooperating on the development of effective future global pandemic notification and management, as well as vaccine development



**And may the best side win in the global battle for ideas**

Ideas still matter in politics and international relations. It is not just a question of the balance of power, critical though that is. How a people think about themselves, the types of societies being built, the economies under development, and the polities that evolve to resolve differences all profoundly shape worldviews. This contest of ideas will continue. Xi has already thrown down the ideological challenge to the United States and the West with his concept of an authoritarian capitalist model and his so-called community with a shared future for mankind. For North Americans, Europeans, and others who believe in open economies, just societies, and competitive political systems, the challenge is to have continuing confidence in the inherent efficacy of the ideas upon which they rest.

The lodestar of this complex body of ideas remains remarkably simple: freedom. On that score, little has changed since Franklin D. Roosevelt's 1941 declaration of the "Four Freedoms," when he advanced a straightforward ideational framework to confront the baser appeals to nation, race, identity, and "efficiency" that were central to the ideological offensive of the fascist powers of that age. The challenge today is of a different hue. China has embraced a form of capitalism while arguing that liberalism and democracy are inappropriate to its history, culture, population, national circumstances, and underlying political sensibilities. The United States and the West must continue to get their own liberal-democratic-capitalist houses in order. Yet the argument that the problems within this camp require treating an opposing authoritarian worldview with equal respect, in some brave new world of moral relativism, is as fatuous as it is dangerous.

The Chinese Communist Party makes no bones about the fact



that, in its view, liberal democracy is fundamentally flawed. Its worldview holds that it is normal to use the violence of the party and state to eliminate political opposition; that it is equally normal for the party and the state to determine what literature you may read or what movies you can watch. Even if one accepted that the CCP's worldview was valid for China itself, but nowhere else, this fails to explain why millions of Chinese citizens continue to seek sanctuary, opportunity, and education in the United States and the broader West, while very few, if any, move in the reverse direction. In other words, an effective US China strategy must not only ensure that the fundamentals of strategic deterrence, competition, cooperation, and, where necessary, confrontation are in place with China, but also that the United States actively engage in the great battle for the values of the future of the world at large. The reality is that China long ago launched an ideological Cold War against liberal democracy. The West has been silent in that fight for far too long. The United States should now exhibit every confidence that, in the world of ideas, political and economic freedom, tempered by social justice, can and will prevail. The US position should be: let the battle for ideas begin once again. May the competition for global hearts and minds be engaged in earnest, and may the best argument win.



## **Implementation**

Any new US China strategy must be effectively implemented if it is to make any difference. It must be executed consistently, comprehensively, and at multiple levels: rebuilding the foundations

of US national power; the enforcement of strategic red lines against China; retaliatory action against any other Chinese violation of major US national security interests; the marshaling of US national and international power through a comprehensive approach to strategic competition; strategic cooperation with Beijing when US, allied, and global interests warrant it; a full-throated global defense of liberal democracy against the current authoritarian capitalist challenge, including a rolling attack on the failures of the Chinese system at home; and the coordination and implementation of this strategy with the full participation of the United States' major Asian and European allies. This seven-part strategy must be implemented nationally, bilaterally, regionally, multilaterally, and globally. This has been China's approach for decades. Again, this is where allies are no longer optional but crucial, given that they can often achieve what the United States cannot, whether in particular countries, regions, or institutions. The United States should always bear in mind that China has no allies other than North Korea, Pakistan, and Russia, placing Beijing at a considerable strategic disadvantage globally relative to the United States. Allies are a great advantage. Such an approach will require an unprecedented level of US national and international policy coordination. It will require the rebuilding of the US Foreign Service and USAID. It will require the complete integration of the efforts of the Departments of State, Defense, Treasury, and Commerce, the Office of the US Trade Representative, USAID, and the intelligence community. This will mean that future national security advisors (augmented with the best and brightest high-level support staff) will need to be individually responsible for full coordination and final execution of the United States' long-term China strategy.

## Conclusion

For any future US national China strategy to be effective, it must above all be operationalized rather than merely declared. As stated repeatedly throughout this paper, it is less important what the United States says than what it does. The United States must, as a first step, establish the machinery of state to develop, agree on, and implement such a strategy across all US agencies with the full support of senior congressional leadership. That strategy must be authoritative, taking the form of a presidential directive. It must be long term, implemented over the next thirty years. It must therefore also be bipartisan, capable of surviving multiple elections and administrations. The United States also must work with the G7, NATO, and Asian treaty partners on this common China strategy with regular, built-in review mechanisms to measure success in achieving the strategy's overall objectives.

Some question the United States' ability to effectively mobilize the nation to meet the China challenge as Kennan and the Truman administration did with the Soviet challenge two generations ago. Some also question whether there is still sufficient national wisdom to devise the type of detailed operational strategy that could succeed: finding the necessary balance between circumscribing Chinese behaviors where necessary, cooperating with China where appropriate, and always deterring China from contemplating any form of military action or political aggression. Still others doubt there is sufficient national unity and resolve to cross the lines of partisan division as needed not only to preserve the very idea of the republic, but also to remain a beacon of light to the world. The purpose of this paper is to argue not only that it is possible, but

that it is necessary. Otherwise, current generations would prove to be unworthy successors of the greatest generation of Americans, who defeated tyranny to preserve not just the nation, but the world.

How should the success of this new US China strategy be measured? That, by midcentury, the United States and its major allies continue to dominate the regional and global balance of power across all the major indices of power; that China has been deterred from taking Taiwan militarily, and from initiating any other form of military action to achieve its regional objectives; that the rules-based liberal international order has been consolidated, strengthened, and expanded, rolling back against the growing illiberalism of the present time; that Xi has been replaced by a more moderate party leadership; and that the Chinese people themselves have come to question and challenge the Communist Party's century-long proposition that China's ancient civilization is forever destined to an authoritarian future.

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