



# Global Strategy 2021: An Allied Strategy for China

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In October 2019, the Atlantic Council published *Present at the Re-Creation: A Global Strategy for Revitalizing, Adapting, and Defending a Rules-Based International System*. This bold paper proposed a comprehensive strategy for rebuilding and strengthening a rules-based order for the current era. In July 2020, the Council published *A Global Strategy for Shaping the Post-COVID-19 World*, outlining a plan for leading states to recover from the health and economic crisis, and also to seize the crisis as an opportunity to build back better and rejuvenate the global system.

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The inaugural Global Strategy is *Global Strategy 2021: An Allied Strategy for China*. The rise of China presents perhaps the greatest challenge to a rules-based international system, and addressing this problem successfully will require a global response with close coordination among leading likeminded allies and partners.

Developing a good strategy begins with the end in mind. As General Scowcroft said, a strategy is a statement of one's goals and a story about how to achieve them. The primary end of all Global Strategy papers will be a strengthened global system that provides likeminded allies and partners with continued peace, prosperity, and freedom.

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Horses of the buried terracotta army are displayed in Xian, China, November 25, 2007.

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This strategy was prepared in collaboration with experts participating in a working group of the D10 Strategy Forum. The Atlantic Council serves as the secretariat of the D-10 Strategy Forum, which brings together policy planning officials and strategy experts from ten leading democracies, including Australia, Canada, France, Germany, India, Italy, Japan, South Korea, the United Kingdom, the United States, and the European Union, for a dialogue on global challenges. The experts listed below are supportive of the general thrust and major elements of this strategy, but may not agree with every aspect of the paper. Their endorsement does not imply approval by their national governments or any other participants in the D-10 Strategy Forum.

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## RELATED WORKS ON CHINA FROM THE SCOWCROFT CENTER FOR STRATEGY AND SECURITY

- Franklin D. Kramer. *Managed Competition: Meeting the China Challenge in a Multi-Vector World*. December 2019.
- Hans Binnendijk, Sarah Kirchberger, and Christopher Skaluba. *Capitalizing on Transatlantic Concerns about China*. August 2020.
- Jeffrey Cimmino, Matthew Kroenig, Barry Pavel. *A Global Strategy for China*. September 2020.
- Franklin D. Kramer, *Priorities for a Transatlantic China Strategy*. November 2020.
- Hans Binnendijk and Sarah Kirchberger, *Managing China's Rise through Coordinated Transatlantic Approaches*. Forthcoming.

## FOREWORD

**F**ollowing World War II, the United States and its allies and partners established a rules-based international system. While never perfect, it contributed to decades without great-power war, extraordinary economic growth, and a reduction of world poverty. But this system today faces trials ranging from a global pandemic and climate change to economic disruptions and a revival of great-power competition.

As Henry Kissinger has pointed out, world order depends on the balance of power and principles of legitimacy. The rise of Chinese power is straining both aspects of the existing rules-based system. China benefited from the system and does not seek to kick over the table as Hitler did with the 1930s international order, but China wants to use its power to change the rules and tilt the table to enhance its winnings. Beijing is directing its growing economic, diplomatic, and military heft toward revisionist geopolitical aims. While we once hoped that China would become what we considered a “responsible stakeholder” in a rules-based system, President Xi Jinping has led his country in a more confrontational direction.

Some analysts portray a new Cold War, but this historical metaphor misunderstands the nature of the new challenge. The Soviet Union was a direct military and ideological threat, and there was almost no economic or social interdependence in our relationship. With China today, we have half a trillion dollars in trade and millions of social interchanges. Moreover, with its “market-Leninist” system, China has learned to harness the creativity of markets to authoritarian Communist party control. It announced its intent to use this system to dominate ten key technologies by 2025. We and our allies are not threatened by the export of communism – few people are taking to the streets in favor of Xi Jinping thought – but by a hybrid system of interdependence. China has become the leading trading partner of more countries than the US. Partial decoupling on security issues like Huawei (discussed below) is necessary, but total decoupling from our overall economic interdependence would be extremely costly, and even impossible in the case of ecological interdependence such as climate change or future pandemics. For better and worse, we are locked in a “cooperative rivalry” in which we have to do two contradictory things at the same time.

Addressing the China challenge will require a collective effort on the part of the United States and its allies and partners, in which we leverage effectively our hard and soft power resources to defend ourselves and strengthen a rules-based system. Some pessimists look at China’s population size and economic growth rates and believe that the task is impossible. But on the contrary, if we think in terms our alliances, the combined wealth of the Western democracies – US, Europe, Japan – will far exceed that of China well into the century. A clear strategy with well-defined goals that neither under- nor over-estimates China is necessary for the current moment. Over the past two years, the Atlantic Council has convened high-level meetings of strategists and experts to produce just that.

In this paper, *Global Strategy 2021: An Allied Strategy for China*, Matthew Kroenig and Jeffrey Cimmino, along with expert collaborators from ten of the world’s leading democracies, propose a logical and actionable strategy for addressing the China challenge. The strategy articulates clear long- and short-term goals and several major strategic elements to help achieve those goals.

First, the paper calls for *strengthening* likeminded allies and partners and the rules-based system for a new era of great-power competition. This will require, for example, prioritizing innovation, repairing infrastructure, and establishing new institutions to bolster democratic cooperation. A successful strategy begins at home.

Second, likeminded allies and partners should *defend* against Chinese behavior that threatens to undermine core principles of the rules-based system. Executing this element will mean prohibiting China’s engagement in economic sectors vital to national security, countering Chinese influence operations, and deterring and, if necessary, defending against, Chinese military aggression in the Indo-Pacific.

Third, the authors recognize that China also presents an opportunity, and they recommend that likeminded allies and partners *engage* China from a position of strength to cooperate on shared interests and, ultimately, incorporate China into a revitalized and adapted rules-based system. Thus, efforts should be made to cooperate with China on issues of shared interests, including public health, the global economy, nonproliferation, and the global environment.

They argue that the desired endpoint of the strategy is not everlasting competition or the overthrow of the Chinese Communist Party, but rather to convince Chinese leaders that their interests are better served by cooperating within, rather than challenging, a rules-based international system. They pay attention to both the rivalry and the cooperative possibilities in the relationship.

The paper presents a sound strategic framework and a comprehensive and practical plan for the US and its democratic allies to follow as they address the China challenge. I encourage experts and officials from the United States and allied nations to study this thoughtful report. Following this strategy could help leading democracies cope with the China challenge and advance a revitalized rules-based system for years to come.

**Joseph S. Nye, Jr.**

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## EXECUTIVE SUMMARY

Over the past seventy-five years, likeminded allies and partners have constructed a rules-based international system that has generated unprecedented levels of peace, prosperity, and freedom. The system, however, is coming under increasing strain, especially from the reemergence of great-power competition with China. The increasing assertiveness of the Chinese Communist Party (CCP) poses a significant challenge to the interests and values of likeminded allies and partners and the rules-based system.

### THE CHINA CHALLENGE IS EVIDENT IN THE ECONOMIC, DIPLOMATIC, GOVERNANCE, SECURITY, AND HEALTH DOMAINS.

- **Economic:** China engages in unfair economic practices that violate international standards, including: intellectual-property theft, subsidizing state-owned companies to pursue geopolitical goals, and restricting market access to foreign firms. It is also investing enormous state resources in a bid to dominate key technologies of the twenty-first century.
- **Diplomatic:** Through ambitious plans, such as the Belt and Road Initiative, China is expanding its diplomatic influence in every region and taking aggressive action against countries that resist or criticize Beijing. Its coercive diplomacy, however, is beginning to provoke a backlash.
- **Governance:** China's economic and political model of authoritarian state capitalism is the first formidable alternative to the successful model of open market democracy since the end of the Cold War. Current and would-be autocrats look to China as a model for combining authoritarian control with economic success. Abroad, China is using "sharp-power" tools to disrupt democratic practices and is exporting surveillance technologies that bolster authoritarian governments.
- **Security:** China continues its decades-long military modernization and expansion, while making sweeping territorial claims and increasing its military and intelligence activities globally. Its growing capabilities increasingly threaten the United States' collective defense with long-standing allies in the Indo-Pacific and beyond.
- **Health:** In a failed bid to protect its image, the CCP suppressed information about the novel coronavirus, silenced those attempting to speak out about it, and used its influence in the World Health Organization (WHO) to hamper global efforts to understand, and quickly mitigate, the spread of the virus.

The CCP poses a clear challenge to the rules-based international system, but there are domains in which China and other leading nations share interests and could develop a more cooperative relationship, including on

the global economy, arms control, nonproliferation, the environment, and development aid.

This *Atlantic Council Strategy Paper* proposes a comprehensive strategy for how likeminded allies and partners should address the challenges and opportunities presented by China.

By likeminded allies and partners, the authors mean several categories of leading states. The active participation of powerful democracies is of critical importance, including the nations of the D-10 (the United States, Japan, Germany, the United Kingdom, France, Italy, Canada, South Korea, and Australia, plus the European Union), and other NATO allies. Other formal and informal partners (such as India, Sweden, Finland, Brazil, Indonesia, the Philippines, Vietnam, Singapore, the United Arab Emirates, and others) will also be helpful in executing various elements of this strategy.

### THIS STRATEGY OUTLINES THE FOLLOWING OVERARCHING SHORT- AND LONG-TERM GOALS.

- **Long-Term:** Likeminded allies and partners would prefer a stable relationship with China that avoids permanent confrontation and enables cooperation on issues of mutual interest and concern. They would like China to become a responsible member of a revised and adapted rules-based system that respects individual rights and China's legitimate interests. The problem is that such a relationship will be difficult to achieve under President Xi Jinping and the current generation of CCP leadership, who have launched China on a more confrontational path.
- **Short-Term:** In the meantime, therefore, likeminded allies and partners must prevent China from continuing to threaten their interests in the economic, diplomatic, governance, security, and public health domains. This strategy seeks to prevent, deter, defend against, and impose costs on Chinese actions that violate widely-held international rules and norms. The strategy seeks to shape Chinese behavior in a positive direction by demonstrating to Beijing that challenging likeminded allies and partners is too difficult and costly. At the same time, likeminded allies and partners should maintain open lines of communication, find areas of mutual cooperation, and work to convince Chinese leadership that Beijing's interests are better served by playing within, rather than challenging, a revitalized and adapted rules-based system.

The strategy is premised on a two-track approach of:

- 1) seeking deeper cooperation with allies, partners, and likeminded states to develop a coordinated strategy for defending against and engaging with China; and
- 2) engaging with China on issues where collaboration is possible, and with an eye toward constructing a revitalized and adapted rules-based system.

### THE STRATEGY CONSISTS OF THREE MAJOR ELEMENTS.

1) **Strengthen:** Likeminded allies and partners should strengthen themselves and the rules-based system for a new era of great-power competition. They should

- facilitate a recovery from the current health crisis and pandemic-induced economic downturn;
- prioritize innovation and emerging technology by boosting research and development spending, investing in STEM (science, technology, engineering, and math) education, and securing supply chains;
- invest in repairing and renewing infrastructure and ensuring it incorporates advanced technology, including fifth-generation (5G) wireless capability;
- reassert influence in existing multilateral institutions by, for example, promoting candidates for leadership positions that favor upholding open and transparent global governance;
- create new institutions to facilitate collaboration among likeminded allies and partners in Europe, the Indo-Pacific, and globally; and
- develop new military capabilities and operational concepts to achieve a credible combat posture in the Indo-Pacific region.

2) **Defend:** Likeminded allies and partners should defend against destabilizing Chinese behavior and impose costs on Beijing's ongoing violations of core principles of the rules-based system. They should

- prohibit Chinese engagement in economic sectors vital to national security;
- collectively impose offsetting measures, including tariffs, for industries negatively affected by China's unfair practices;
- collectively resist Chinese economic coercion by reducing economic dependence on China and offering offsetting economic opportunities to vulnerable allies and partners;
- counter Chinese influence operations and defend democracy and good governance;
- coordinate penalties on China when it uses coercive tools, such as arbitrary detention of foreign nationals, to pressure their home countries;
- spotlight CCP corruption and human-rights violations and encourage human-rights reforms in China; and
- maintain a favorable balance of power over China in the Indo-Pacific to deter and, if necessary, defend against Chinese aggression.

3) **Engage:** Likeminded allies and partners should engage China from a

position of strength to cooperate on shared interests. They should

- maintain open lines of communication with China, even if competition intensifies;
- seek to cooperate with China on issues of mutual interest, including public health, the global economy, nonproliferation, and the environment, without compromising core values; and
- engage with China to, over the long term, incorporate China into a revitalized and adapted rules-based system.

The three parts of this strategy are interconnected. Likeminded allies and partners will need to strengthen themselves—both domestically and their relationships—to be prepared for a new period of great-power competition. This, in turn, will put them in a better position to defend against China's threatening behavior. By demonstrating collective resolve and a willingness to impose costs on Beijing, likeminded allies and partners will be able to constructively engage China, and help convince Beijing that its current approach is futile and that its interests are better served by cooperating with, or acquiescing to, a rules-based system, rather than challenging it.

Likeminded allies and partners came together many times in the twentieth century to defeat autocratic revisionist challengers. Working together, they can once again advance their interests and values, and the broader rules-based system, and fend off the twenty-first-century challenge posed by the Chinese Communist Party.

In several previous cases, former rivals became close allies. If successful, this strategy will ultimately help bring about a cooperative future, in which China is not an adversary, but an integral member of a strong and sustainable rules-based international system.



**TABLE 1. A GLOBAL STRATEGY FOR CHINA**

ELEMENTS	ACTIONS
<b>STRENGTHEN</b>	<ul style="list-style-type: none"> <li>Facilitate a recovery from the current health crisis and pandemic-induced economic downturn.</li> <li>Prioritize innovation and emerging technology by boosting research and development spending, investing in STEM education, and securing supply chains.</li> <li>Invest in repairing and renewing infrastructure and ensuring it incorporates advanced technology, including 5G wireless capability.</li> <li>Reassert influence in existing multilateral institutions by, for example, promoting candidates for leadership positions who favor upholding open and transparent global governance.</li> <li>Create new institutions to facilitate collaboration among likeminded allies and partners in Europe, the Indo-Pacific, and globally.</li> <li>Develop new military capabilities and operational concepts to achieve a credible combat posture in the Indo-Pacific region.</li> </ul>
<b>DEFEND</b>	<ul style="list-style-type: none"> <li>Prohibit Chinese engagement in economic sectors vital to national security.</li> <li>Collectively impose offsetting measures, including tariffs, for industries negatively affected by China’s unfair practices.</li> <li>Counter Chinese influence operations and defend democracy and good governance.</li> <li>Coordinate penalties against China when it uses coercive tools, such as arbitrary detention of foreign nationals to coerce their home countries.</li> <li>Spotlight CCP corruption and human-rights violations and encourage human-rights reforms in China.</li> <li>Maintain a favorable balance of power over China in the Indo-Pacific to deter and, if necessary, defend against Chinese aggression.</li> </ul>
<b>ENGAGE</b>	<ul style="list-style-type: none"> <li>Maintain open lines of communication with China, even if competition intensifies.</li> <li>Cooperate with China on issues of mutual interest, including public health, the global economy, nonproliferation, and the environment, without compromising core values.</li> <li>Engage with Beijing to, over the long term, incorporate China into a revitalized and adapted rules-based system.</li> </ul>



ANTHONY BEHAR/SIPA US

United Nations Headquarters in New York City

CHAPTER 1

**STRATEGIC CONTEXT**

**W**hat are the problems that the strategy seeks to address? What are the challenges and opportunities with which the strategy must contend? This section describes the strategic context for a new global strategy for China.

**THE RULES-BASED INTERNATIONAL SYSTEM**

**T**he post-World War II, rules-based international system, led by like-minded allies and partners, has produced unprecedented levels of peace, prosperity, and freedom, but it is coming under increasing strain. A foremost challenge to the system is the return of great-power competition with revisionist, autocratic states—especially China.

The rules-based international system was constructed mostly by leading democratic allies at the end of World War II, and was deepened and expanded by many other countries over time.<sup>1</sup> The system is predicated on a set of norms and principles pertaining to global security, the economy, and governance. It consists of: a set of rules encouraging peaceful, predictable, and cooperative behavior among states that is consistent with liberal values and principles; formal institutional bodies, such as the United Nations (UN) and NATO, that serve to legitimize and uphold these rules, and provide a forum to discuss and settle disputes; and the role of powerful democratic states to help preserve and defend the system. In the security realm, the system is characterized by formal alliances in Europe and Asia, in addition to rules that protect state sovereignty and territorial integrity, and place limits on the use of military force and the spread of weapons of mass destruction. In the economic domain, the rules-based system has served

to promote an interconnected global economy based on free markets and open trade and finance. Finally, in the realm of governance, the rules-based system advanced democratic values and human rights. The system has never been fixed, but has evolved over time, with major periods of adaptation and expansion at major inflection points after World War II and at the end of the Cold War.

This system succeeded beyond the imagination of its creators and fostered decades of unmatched human flourishing.<sup>2</sup> It has contributed to the absence of great-power war for more than seven decades and a drastic reduction in wartime casualties. In the economic realm, worldwide living standards have nearly tripled as measured by gross domestic product (GDP) per capita, and the percentage of people living in extreme poverty has dropped from 66 percent to less than 10 percent since the mid-1940s. Finally, the number of democratic countries worldwide has grown from seventeen in 1945 to roughly ninety today.

Importantly, this system has benefited the average citizen in the leading democratic states that uphold the system.<sup>3</sup> Global security arrangements have protected their homelands, kept their citizens out of great-power war, and provided geopolitical stability that allowed their national economies to prosper. The international economic system crafted at Bretton Woods in 1944 opened markets and increased trade, thereby bringing consumers more goods and services at lower prices, while creating jobs for millions. Since that conference, global GDP has increased by many multiples, and the same holds true for the income of the average Western citizen, adjusted for inflation. Finally, the expansion of freedom around the globe has been one of the great accomplishments of recent decades. It has protected the open governments in leading democracies, and has granted their people the ability to work, travel, study, and explore the world more easily.

In recent years, however, this system has come under new pressures. Revisionist autocratic powers seek to disrupt or displace the system, while regional powers pursue nuclear and missile programs and terrorism. Populist movements challenge global economic integration. There are increasing questions about the United States' willingness and ability to continue to lead the system. The COVID-19 pandemic has accelerated these negative trends and unleashed additional shocks to the system. But the greatest threat to this system may come from the rise of China.

## The China Challenge

China presents a serious challenge to likeminded allies and partners, and to the rules-based system. Over the past several decades, China has experienced a remarkable economic expansion. Deng Xiaoping implemented economic reforms in the late 1970s that allowed China to adopt elements of a capitalist economy while maintaining strict CCP control of politics. He opened China to foreign investment and loosened restrictions on internal markets. At the same time, the CCP maintained strict control over strategic sectors of the economy through



REUTERS/TOMAS PETER

Paramilitary Police officers march in formation near a poster of Chinese President Xi Jinping at the gate to the Forbidden City on the opening day of the National People's Congress (NPC) following the outbreak of the coronavirus disease (COVID-19), in Beijing, China May 22, 2020.

state-owned enterprises (SOEs). The CCP promised economic growth and improved living standards, in return for political obedience. This authoritarian model of state-led capitalism became known within the party as “socialism with Chinese characteristics.”

Scholars predicted that China's rapid economic growth would eventually result in a move toward greater political liberalization and a more cooperative Chinese foreign policy. Western leaders hoped that these processes would help transform China into a “responsible stakeholder” in the rules-based system.<sup>4</sup>

Instead, under the leadership of President Xi Jinping, China has launched itself on a more confrontational course. After a tense leadership transition in 2012, Xi has consolidated power at home, eliminating term limits, and set himself up to be China's most powerful dictator since Mao Zedong. He has stalled or backtracked on promised economic reforms, and China continues to exploit the global economic system to its advantage. Internationally, President Xi has abandoned Deng's dictum that China should bide its time, and has pursued a more assertive foreign policy.<sup>5</sup>

President Xi has set ambitious goals for China. Through its program formerly known as “Made in China 2025,” the CCP aims to dominate the most important technologies of the twenty-first century by the middle of this decade. The follow-up program is “China Standards 2035,” which lays out a blueprint for China's government and leading tech companies to set global standards for emerging technologies. Xi's goal is for China to have a world-class military by 2035. By 2049, the one hundredth anniversary of the CCP's assumption of power in Beijing, he aims for China to be a global superpower, and to make the world safe for the CCP's brand of repressive autocracy.

## ECONOMIC CHALLENGES

**T**he China challenge begins with Beijing's growing economic clout. A wealthy China is not a problem in its own right, but Beijing is employing its economic power to engage in unfair trade practices, dominate the commanding heights of emerging technologies, make infrastructure investments that fail to live up to international standards, and engage in economic coercion.

**Growing Economic Power.** After China put economic reforms in place in the 1970s, its economy grew at rapid rates for many decades, although its growth rates are now leveling off. China possesses the world's second-largest economy, and economists project that it could overtake the United States for the top spot within the coming decade. These projections, however, are heavily dependent on one's assumptions, and some economists now doubt whether the Chinese economy will ever surpass that of the United States.<sup>6</sup>

China is also the largest trading partner of many nations around the world, including key US allies such as Japan and Australia, in addition to being the United States' third-largest trading partner. It is the largest holder of foreign currency reserves, and it holds more than \$1 trillion in US Treasury securities, second only to Japan.<sup>7</sup> Beijing is using that increasing economic clout to bolster its diplomatic initiatives and to modernize its military. China's growing economic power poses a challenge, in part, due to Beijing's consistent violation of international economic standards.

**Unfair Trading Practices.** In its race to become an economic and geopolitical power, China has systematically flouted the rules of the global trading system. China steals technology from Western firms through industrial espionage and forced technology transfer.<sup>8</sup> Its theft of intellectual property may amount to the largest transfer of wealth in human history.<sup>9</sup> The CCP has provided Chinese firms an unfair advantage in global markets through government subsidies and, in the past, manipulating China's currency. It has forced foreign firms to find a Chinese partner to access China's market and used these joint ventures as avenues for forced or unwitting technology transfers. Christopher Wray, director of the Federal Bureau of Investigation, called China the "greatest long-term threat to our nation's information and intellectual property and to our economic vitality."<sup>10</sup>

In recent years, countries have started to respond to China's predatory economic behavior. Japan, the European Union (EU), and the United States have all criticized China's unfair trade practices. In 2018, the United States initiated a trade war aimed at pressuring Beijing to adopt the international standards followed by market economies.<sup>11</sup> Any attempt at a unified free-world approach to confronting Beijing's trade practices, however, has been limited by several factors, including by Washington's parallel trade disputes with traditional allies.

**The Technology Race.** The West has led the world in technological development for centuries, and this innovation edge has contributed to its economic and military prowess. The CCP recognizes the benefits of being the global center for innovation, and understands that if it is able to dominate

twenty-first-century technology, it would gain important geoeconomic and geopolitical advantages. Another key aspect of this competition is which states or groupings of states will set the standards for twenty-first-century technology. Will the leading democracies be able to set standards for the use of new technology consistent with liberal norms and values, or will China set standards more congruent with its preferred autocratic model?

The program formerly known as "Made in China 2025" is a CCP-led effort to help China become the world's leader in the next round of technological breakthroughs. China has prioritized emerging technologies such as artificial intelligence (AI), quantum computing, three-dimensional (3D) printing, robotics, and 5G wireless technology.

Already, China is thought to be ahead of the democratic world in some of these key technologies. China has utilized its large population and lack of privacy protections, for example, in an effort to collect large quantities of data to train its AI algorithms. China is now ahead in some applications of AI, including facial recognition.

Another important application of AI is for autonomous vehicles, and the United States and China are neck and neck in this race. The US lead in the semiconductor industry gives it one advantage, as chips are critical to these vehicles, but China has advantages as well. Its large population means that it can drastically scale up new technologies. Its laxer safety standards mean that it can more easily introduce driverless cars on roads and highways despite accidents.<sup>12</sup>

Quantum computing manipulates subatomic particles as a means of transmitting information. It has the potential to dramatically accelerate the ability to process data. It also promises the possibility of unsurpassed encryption, which could provide states with secure communications and military information dominance. The United States is ahead of China in the development of quantum computers, but China may be leading in quantum satellite communications.<sup>13</sup>

Perhaps most visibly, China is a major player in the development of 5G wireless networks. 5G is more than one hundred times faster than 4G, and will serve as the digital infrastructure for the Internet of Things (IoT) and "smart cities" of the future. The Chinese telecommunications company Huawei is a leader in the global market for 5G technology, although many democratic countries recognize that relying on China to supply the digital infrastructure of the twenty-first century entails serious national security risks. Some countries—including Australia, the United States, the United Kingdom, Sweden, Japan, Denmark, Norway, Estonia, Lithuania, France, Poland, Belgium, Netherlands, and others—have decided to ban or restrict Huawei's involvement in building their 5G networks.<sup>14</sup>

China's possible technological advantages also extend to military weaponry. Hypersonic missiles travel five times the speed of sound and are maneuverable. While all the major powers are making progress on this technology, China has conducted more tests than the United States, and has already rushed this technology to the field.<sup>15</sup>

While most concerned about China, the West has its own internal divisions. The United States and Europe, for example, have very different

standards for data privacy, which will complicate their ability to coordinate around common technology standards, apart from the China challenge.

As the rest of the world seeks to decouple technology supply chains from China for security reasons, there could also be a significant effect on global innovation. To this point, supply chains have been geared toward efficiency, allowing for a momentous burst of innovation in recent decades. Global innovation could slow, therefore, as nations deprioritize efficiency in favor of greater supply-chain security.

The gap between the West and China in key emerging technologies is narrowing, with important stakes for geopolitics in coming decades. Whichever country leads the way in twenty-first-century technological innovation will be at a great advantage, as artificial intelligence, 5G, quantum computing, green tech, semiconductors, and other technologies could drive global prosperity and military supremacy in the near future.

**Overseas Infrastructure Investments.** China's Belt and Road Initiative (BRI) presents another area of concern. The BRI represents one of Xi's boldest initiatives for boosting China's global position. It is ostensibly a massive project of investing in infrastructure projects—such as ports, roads and bridges—in other countries as a way of resurrecting the old Silk Road trading routes. In practice, it is a grand strategy for China to increase its geopolitical influence in every world region. One tracker places Chinese investments in, and contracts for, BRI projects at more than \$750 billion.<sup>16</sup> More than sixty countries have signed on to, or expressed interest in, BRI projects.<sup>17</sup>

While infrastructure investments are badly needed in many recipient countries, the investments do not meet global standards for transparency, and the deals sometimes disadvantage recipient countries.<sup>18</sup> BRI projects involve unclear bidding processes and financial arrangements kept hidden from the public. This prompts legitimate questions about corruption and accountability among citizens of recipient countries.<sup>19</sup> One Chinese company has been accused of bribery in the Philippines, Malaysia, and elsewhere, while in Sri Lanka, the prime minister's family was allegedly bribed by Chinese companies.<sup>20</sup> Projects usually employ Chinese, rather than local, workers, further upsetting residents of recipient nations. In some cases, China has secured its investments with commodities, raising accusations of neo-colonialism.<sup>21</sup>

China's BRI program has also sometimes resulted in debt traps for recipient countries, even if that was not the original intent.<sup>22</sup> For example, when Sri Lanka fell behind on payments for a Chinese-built port, the CCP took control of the port and surrounding territory.<sup>23</sup> Chinese military vessels have visited this port, raising fears that China could use the port to expand its military's reach in the key connective zone of the Indian Ocean.

China's financial influence in Africa is especially pronounced. Through December 2019, Chinese investment in BRI infrastructure projects in Africa totaled more than \$140 billion. Approximately 20 percent of all African government debt—including, but not limited to, BRI projects—is owed to China. Amid the COVID-19 pandemic, many African countries have expressed concern about their ability to pay off interest on debts while addressing

the crisis. While China has shown a willingness to offer some relief, the CCP faces a dilemma: restructure or forgive debt and stress China's own debt-burdened economy, or demand payments and hurt China's global image.<sup>24</sup>

China recognizes the importance of trade and investment as diplomatic tools. Between 2005 and 2019, China's outgoing foreign direct investment (FDI) totaled around \$1.23 trillion.<sup>25</sup> For the Chinese, trade and investment are not viewed only as economic opportunities, but also a way to increase political and diplomatic influence abroad.<sup>26</sup> It is unsurprising, then, that Chinese investment tends to focus on areas of strategic interest. Its trading partners view relations with China as an integral and unavoidable piece of their international position.<sup>27</sup>

Utilizing BRI and other investment programs, China has managed to strengthen relationships with nations with historically close ties to the United States, such as Italy and Greece. China also exerts influence over NATO allies and other Eastern European nations in the 17+1 program. The 17+1 group, also known as the China Central and Eastern European Countries (China-CEEC), includes twelve EU member states, six Balkan nations, and fifteen NATO members—roughly half the Alliance. Since 2012, China has contributed more than \$15 billion to infrastructure and other projects in member nations.<sup>28</sup>

BRI is helping the CCP to increase its influence overseas, but the CCP's heavy-handed practices are also beginning to provoke a backlash. Coercive foreign aid, debt traps, and a lack of transparency are feeding anti-Chinese sentiment abroad, including recently in places such as Kazakhstan and Kyrgyzstan, where China has invested heavily in infrastructure projects. Many locals view China's behavior as predatory and corrupt.<sup>29</sup> Some BRI recipients have canceled or reduced the scope of projects over cost concerns. In 2018, for example, Myanmar scaled back a port-building project from an estimated \$7 billion to just more than \$1 billion, and Sierra Leone outright canceled a project to build a new airport.<sup>30</sup> Similarly, in 2019, Malaysia's government permitted a BRI project to continue after renegotiating a significantly reduced price tag.<sup>31</sup>

**Economic Coercion.** China employs its economic power as a tool of political coercion. The economic coercion is often employed as retaliation for behaviors the CCP finds objectionable. The starkest case is Beijing's pressure on Australia following that country's call for an independent inquiry into the origin of COVID-19. In November 2020, the Chinese embassy in Canberra released an extraordinary list of fourteen demands on Australia, some of which struck against core democratic values and interests, such as support for a rules-based regional order, domestic freedom of expression, and the right to make and enforce laws against foreign interference. China backed the demands with economic sanctions across diverse industries, including coal, beef, barley, and wine. The Australian experience could become a test case for a middle-sized democracy's ability to withstand, and for the willingness of other nations to show solidarity in the face of, Chinese bullying.

There are many other examples of Chinese economic coercion. After

South Korea announced and deployed the US Terminal High-Altitude Area Defense (THAAD) missile system over the course of 2016–2017, China cut tourism to South Korea and closed almost ninety Korean-owned Lotte Mart stores in China.<sup>32</sup> This was not an isolated instance. China also cut tourism to Taiwan in the run-up to Taiwan’s 2019 presidential election, in a bid to influence the result.<sup>33</sup> When the Norwegian Nobel Committee awarded Chinese dissident Liu Xiaobo the Nobel Peace Prize in 2010, China responded by temporarily freezing diplomatic relations and banning Norwegian salmon exports to China. In 2016, China raised fees on Mongolian mining products after the Dalai Lama (whom the CCP views as a separatist) held public events in Mongolia. The Mongolian government apologized in an effort to restore commercial ties.

Former US National Security Adviser HR McMaster refers to this as China’s “co-opt, coerce, and conceal” strategy. Beijing co-opts foreign governments and firms through commercial relations and then employs that economic interdependence as a tool of coercion, even as it engages in subterfuge to deny that it is doing any such thing.<sup>34</sup>

## POLITICAL AND DIPLOMATIC CHALLENGES

**A**s China has become an economic power, its diplomatic influence has also increased. While China has only one formal treaty ally (North Korea), it has established strategic partnerships with other autocracies, including Russia and Iran. China’s economic power has made it a vital trade and investment partner for countries across the world, further extending its diplomatic sway. As the United States has retreated from multilateral institutions in recent years, China has bolstered its influence in those bodies and established its own institutions.

China also presents challenges to global governance. The CCP’s repressive political model and reliance on nationalism diminish opportunities for cooperation in a rules-based system. Through concerted sharp-power efforts, China has sought to disrupt democracies with disinformation and shape narratives about the CCP. Moreover, it exports technology that autocrats use to control their populations, thereby helping China create a world safe for autocracy.

**Alliances and Partnerships.** China lacks a robust network of allies and friends, and China’s leaders have said for decades that they eschew formal alliances as an unnecessary burden. Yet, to become a true global power, China will need friends and allies. China’s lone formal treaty ally, North Korea, has often proven more of a liability than an asset.

China has, however, fostered strategic partnerships with other autocracies. China and Russia are increasingly aligned. They view US power and democratic values as a threat, and they are working together to disrupt US global leadership. Closer ties between Russia and China are evident in several domains. Russia and China are engaging in joint production of weapons systems, and have conducted joint military exercises in both Asia and Europe. The Chinese company Huawei is developing Russia’s 5G data system. China is Russia’s largest trading partner, while Russia is China’s primary

oil supplier.<sup>35</sup> Some recommend that the United States seek to peel Moscow away from Beijing, but this may not be possible or desirable.<sup>36</sup> Likeminded allies and partners, therefore, may need to manage the Russia challenge as part of a broader strategy for China.

China has also worked toward a strategic alignment with Iran. A prospective deal includes provisions for Chinese infrastructure investments in Iran, as well as possible cooperation on intelligence, weapons development, and military exercises.<sup>37</sup> A comprehensive bilateral agreement with Iran would give China a larger footprint in the Middle East, potentially altering the geopolitics of the strategically important region.<sup>38</sup>

China also maintains a longtime strategic partnership with Pakistan and growing strategic ties, backed by infrastructure investments and economic linkages, with other nations in Southeast Asia.

**Multilateral Institutions.** China has boosted its position in existing multilateral organizations such as the United Nations, and it has often used that influence to undermine the very purpose of these agencies.<sup>39</sup> While the United States has pulled back from some multilateral bodies, China has focused on winning elections to key leadership positions in multilateral organizations. It is also expanding its influence by increasing its voluntary financial contributions. The most notable recent example is China’s increasing influence in the WHO. In the early stages of the COVID-19 pandemic, the WHO publicly praised China even as its staff privately complained that China was refusing to share information about the disease. China has also proactively integrated into major standard-setting bodies such as the International Organization of Standardization (ISO) and a broad range of international industry-level forums in which technical standards are developed. China is also reactivating ailing organizations like the Conference on Interaction and Confidence-Building Measures in Asia (CICA).

In addition to gaining influence within existing institutions, China is creating new multilateral bodies. The Shanghai Cooperation Organization is an intergovernmental body composed of China, Russia, Kazakhstan, Kyrgyzstan, Tajikistan, and Uzbekistan. The body focuses on security and economic issues, and it has been used as a forum for China to challenge global norms, such as Internet openness.<sup>40</sup> The Chinese-led Asia Infrastructure Investment Bank (AIIB) provides much-needed infrastructure investments throughout Asia, but may not operate according to Western standards of quality and transparency.

These developments raise concerns about China weakening the existing rules-based system, both from within, and by building new bodies to route around it.

**Sharp-Power Practices.** China is engaged in “sharp-power” (or “authoritarian influencing”) efforts to interfere in and manipulate the domestic politics of democracies to Beijing’s benefit. China seeks to mute criticism of, and amplify positive narratives about, China, shape understandings of sensitive issues important to the CCP (such as Taiwan), and covertly influence democracies’ legislation and policies toward China.

China supports hundreds of Confucius Institutes throughout the world, including at colleges and universities.<sup>41</sup> The CCP offers free language and

cultural instruction, in exchange for the opportunity to indoctrinate students. Learning materials proffered by Confucius Institutes overlook CCP-manufactured disasters such as the Great Leap Forward and Cultural Revolution. Topics such as Taiwan are off limits at institute events. These organizations also attempt to influence and pressure China scholars on campuses in the United States and Europe. The US Department of Defense is no longer providing Chinese-language scholarships to universities that house Confucius Institutes, and other countries are also starting to shut down these organizations as evidence mounts that they misrepresent Chinese history to bolster the image of the CCP.<sup>42</sup>

China funds propaganda supplements in prominent publications, such as the Washington Post, and pays lobbyists to promote the CCP's desired narrative. Chinese state media are boosting their global presence, in part by buying foreign media outlets.<sup>43</sup> A 2019 report by the journalist-advocacy group Reporters without Borders argued China has "actively sought to establish a 'new world media order' under its control, an order in which journalists are nothing more than state propaganda auxiliaries."<sup>44</sup>

The United States has designated certain Chinese news outlets as foreign missions, meaning they are "substantially owned or effectively controlled" by a foreign government and must follow "certain administrative requirements that also apply to foreign embassies and consulates."<sup>45</sup> These measures do not, however, place restrictions on content. Earlier this year, amid disputes over coverage of the COVID-19 pandemic, the United States and China engaged in a back-and-forth battle of restrictions on journalists. The Donald Trump administration limited the number of Chinese citizens who can work in the United States at five Chinese state-run news organizations.<sup>46</sup> Other countries, including Australia and New Zealand, are increasing scrutiny of media purchases and foreign-government investments.<sup>47</sup>

Chinese efforts to exert sharp power also extend to political and thought leaders. In 2019, a professor at Prague's Charles University was fired after it was revealed that he had accepted payments from the Chinese government. The professor, Milos Balaban, had been the head of Charles University's Center for Security Policy (SBP).<sup>48</sup> China has also engaged in efforts to exert undue influence on Australian politicians. In December 2017, a prominent senator in the opposition Labor Party, Sam Dastyari, was compelled to quit politics after media revelations of his connection with a Chinese entrepreneur, Huang Xiangmo, who was later barred from the country as a suspected agent of foreign influence. Dastyari had notoriously recounted Chinese talking points at odds with Australian policy on South China Sea issues during a 2016 election campaign. The Australian government subsequently enacted laws to ban foreign political interference. In 2020, Australian authorities began enforcing these laws, laying criminal charges against one man in Melbourne and separately raiding the residence of a state lawmaker in Sydney. In both instances, the concerns related to alleged CCP interference in Australia's domestic politics.<sup>49</sup>

China is also using its economic power to stifle free speech in democracies. China threatens to retaliate against Western businesses that denigrate China. Through this coercion, the CCP has persuaded Hollywood to

change movie scripts involving China, the National Basketball Association to apologize for an executive who spoke out on Hong Kong, and US airlines to remove Taiwan from global maps.

China also conducted an arbitrary arrest of two Canadian citizens, in an apparent attempt to pressure Ottawa into releasing Huawei executive Meng Wanhou.

**"Wolf Warrior Diplomacy."** Contrary to traditional diplomatic niceties, Chinese diplomats are increasingly engaging in "wolf warrior diplomacy," combatively denouncing any criticism of China and aggressively lashing out at critics. Wolf warriors are named after a popular Chinese movie franchise and, while the practice existed before, it has been highlighted by the COVID-19 pandemic. China has sought to change the narrative surrounding its significant early missteps, including suppression of information and silencing those who sounded the alarm about COVID-19. It has also "accused Western countries of failing to protect their people, unleashing vitriol usually preserved for domestic audiences on the world, provoking anger" and rebukes abroad.<sup>50</sup>

Examples of the wolf warriors' hostile diplomacy abound. Chinese officials have spread conspiracy theories about the virus being brought to China by the US Army. A Chinese diplomat in Paris complained about the French media's treatment of China, saying it is to "howl with the wolves, to make a big fuss about lies and rumors about China."<sup>51</sup> Chinese diplomats have also accused French authorities of letting the elderly die in nursing homes. After Australia called for an inquiry into the virus's origins, China's state media labeled Australia "gum stuck to the bottom of China's shoe," and an ambassador suggested Australia was putting the nations' trade relationship at risk. Chinese officials also got into a battle with the German newspaper Bild after it called on China to pay billions in compensation to Germany.<sup>52</sup>

**Chinese Nationalism.** The CCP has its ideological roots in Marxism-Leninism and maintains supreme control over the functions of the state and law. Its values, and its often-repressive approach to maintaining power, do not square well with the values of the rules-based international system.

Whereas democratic states benefit from sources of legitimacy such as the consent of the governed and attractive values, the CCP relies heavily on nationalism to perpetuate its hold on power. Nationalism rallies political support for the CCP and directs internal energies against external opponents. Furthermore, as CCP ideology has grown increasingly intertwined with capitalism, and has sacrificed its Marxist ideals, nationalism has served as a means of binding the Chinese people together.<sup>53</sup>

Chinese nationalism has deep historic roots. The Chinese have long thought of their land as a Middle Kingdom, the center of the universe, with outsiders seen as barbarians.<sup>54</sup> After Qin Shi Huangdi made himself emperor of a unified China in the third century BCE, China was ruled by a succession of imperial dynasties in which the emperor was understood as the gods' representative on Earth. In East Asia, China was the center of the international system and Asia's leading power for centuries, surrounded by smaller, tributary states.<sup>55</sup>

In the nineteenth and twentieth centuries, however, China's situation worsened, and the years between 1839 and 1949 are considered China's "Century of Humiliation." After being overmatched by Great Britain in the Opium Wars of the mid-nineteenth century, China was forced to accede to several "unequal treaties" with external powers. China gave up territory for ports and conceded spheres of influence within its borders.<sup>56</sup> In the late nineteenth and early twentieth centuries, China suffered additional defeats as it was surpassed by a rising Asian power in Japan.

Chinese nationalism is founded on the narrative that China endured years of shame at the hands of the West and Japan, and it should now return to its great-power status.<sup>57</sup> The CCP deliberately fosters this narrative, and has staked its rise on undoing a Western and Japan-dominated global order, enforcing its view of China's territorial integrity and international stature.<sup>58</sup> Key foreign policy issues have assumed symbolic significance, including "the principle that Japan must atone for its historical sins, the 'one China' principle that Taiwan must accept, invented historical rights to the contested South China Sea, and the principle of opposition to supposed American hegemonism."<sup>59</sup>

Furthermore, the CCP's cultivated sense of China as a revived Middle Kingdom reduces its ability to accept the motivations of outsiders on their terms, or to accommodate ethnic differences. This has given rise to the idea of Hanization, a chauvinistic belief that privileges Han identity both within China and internationally.

China's leaders foresee a return to China's rightful role as the Middle Kingdom, the most powerful state in the center of the international system, with countries on its periphery as tributary states within China's sphere of influence.<sup>60</sup>

**Making the World Safe for Autocracy.** Following the Cold War, the Western model of open market democracy was virtually unchallenged on the world stage. Now, there is a formidable competitor in the form of China's model of authoritarian state capitalism. This Chinese model is proving attractive to many current and would-be autocrats. Indeed, for the past few decades, China has shown it is possible to attain dramatic economic growth within a repressive political framework. As open market democracies in Europe and the United States struggled amid the 2008 financial crisis, China's economy proved resilient, further increasing its model's appeal.

Scholars debate whether China is consciously exporting its model. At a minimum, however, it is clear that China wants to create a world safe for autocracy. After all, if democracy spreads to Beijing, the CCP and its officials would be in mortal danger. The CCP has increased restrictions on freedoms at home. This has manifested in heightened repression of religious and ethnic minorities, especially Uighur Muslims in western China, more than one million of whom are in internment camps. The CCP has also cracked down on Hong Kong, passing a sweeping surveillance law designed to prohibit criticism or protest of the party's authoritarian practices. The CCP is also using advanced technology to develop stronger tools for controlling the Internet in China, bolstering its "Great Firewall."<sup>61</sup>

Abroad, there is at least some evidence that China is trying to export its

model. Through the BRI's "Digital Silk Road" initiative, China has pushed for national governments to have greater control over the Internet. China is also training governments from Cambodia to Serbia on how to control the flow of information and target individuals who challenge the official narrative.<sup>62</sup> Chinese corporations have provided authoritarian governments in Venezuela and elsewhere with facial-recognition technology and other surveillance tools. These domestic and foreign efforts by the CCP have contributed to democratic decline globally.<sup>63</sup>

Authoritarian state capitalism is attractive in part because it has delivered continuous impressive growth rates in China, but this may be changing. China's economy was slowing prior to COVID-19.<sup>64</sup> Xi has backtracked on promised reforms, choosing political control over economic liberalism and likely higher growth rates. The trade war with the United States also hurt China's economic performance. The COVID-19 pandemic marked the first time in decades that China's economy experienced a significant downturn.

A lagging economy could eventually strain the CCP's social contract with the Chinese people, as diminished outcomes may prompt some to question their submission to the CCP. While regime collapse does not seem imminent, increased domestic political discontent is possible. Nevertheless, despite these challenges, authoritarian state capitalism will remain a formidable alternative to the Western model of open market democracy for the foreseeable future.

## MILITARY CHALLENGES

**C**hina is devoting its economic resources to strengthening the Chinese military. It has shifted the balance of power in East Asia, raising questions about whether the United States can defend long-standing ing partners in the region.

**Shifting Balance of Power in the Indo-Pacific.** China's rapid military modernization threatens the United States' decades-long preeminence in the Western Pacific. China's anti-access/area denial (A2/AD) strategy and capabilities target vital components of US power-projection capabilities. Using sensors, submarines, and thousands of surface-to-surface ballistic and cruise missiles, the Peoples Liberation Army (PLA) aims to destroy US and allied ships, forces, and bases in Asia in the early stages of a conflict.<sup>65</sup> This strategy aims to prevent, deter, and deny US forces from operating near China, potentially giving China the ability to act with impunity against neighboring states, including Taiwan.<sup>66</sup>

China's naval modernization is also essential to its efforts to assert regional hegemony in the Indo-Pacific maritime theater. The People's Liberation Navy (PLN) now boasts a force larger than that fielded by any East Asian country, and it also recently surpassed the United States Navy in the number of deployed battle-force vessels.<sup>67</sup>

China's military strategy also relies heavily on operations in cyber and space. China could use cyber and anti-space capabilities in the early stages of a conflict with the United States to disrupt US command and control, rendering US forces unable to visualize the battlefield or communicate with



Military vehicles carrying hypersonic missiles DF-17 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

one another. The Department of Defense has stated that the PLA is working to develop “capabilities with the potential to degrade core US operational and technological advantages.”<sup>68</sup>

China is also modernizing and expanding its nuclear arsenal. The US intelligence community projects that the size of China's arsenal will double in coming years. New road-mobile intercontinental ballistic missiles (ICBMs) and submarines have improved the survivability of its nuclear forces. China is also adding multiple independently targetable reentry vehicles to its missiles, making it more difficult for them to be countered by missile defenses.

A growing Chinese nuclear force threatens all the major goals of US nuclear strategy.<sup>69</sup> It would render the United States less able to limit damage in a conflict with China. As the United States becomes more vulnerable to threat of Chinese nuclear attack, it may be more difficult for the United States to stand firm in a crisis or war, or to credibly extend nuclear deterrence to, and assure, allies.<sup>70</sup>

Beijing has also established itself as a leader in emerging military technologies, such as quantum communications, artificial intelligence, and hypersonic missiles.<sup>71</sup>

The military scenario of greatest concern is a fait accompli against Taiwan. If China were to move quickly to attack the island, the United States and its allies would struggle to expel Chinese forces. Moreover, given the ambiguous US security relationship with Taiwan, the CCP may miscalculate and gamble that it could attack the island without foreign interference.

These developments raise the prospect that the United States might not win a direct great-power conflict with China. The National Defense Strategy Commission ominously warns that a major war with China is possible, and that the United States might very well lose.<sup>72</sup>

**Territorial and Maritime Disputes.** China is involved in a number of long-standing territorial and maritime disputes, and it has grown more assertive in making its claims in recent years. These disputes, from Taiwan to the India-China border to the South and East China Seas, are all flash-points for possible conflict.

China considers Taiwan a renegade province, and reserves the right to use force to reclaim it. The twentieth century witnessed several crises in the Taiwan Straits, in which tensions between China and Taiwan came close to boiling over into full-scale war. Amid the pandemic, China has bolstered its military presence around Taiwan, raising questions about whether it sees the crisis as an opportunity for an act of military aggression.

In the resource- and commerce-rich South China Sea, China asserts a “nine-dash line” of control that competes with the maritime claims of other nations in the region and amounts to an area covering 90 percent of the sea. Over the past seven years, China has developed and militarized artificial islands in the Spratly Island chain and placed anti-ship cruise missiles and long-range surface-to-air missiles on these islands. An international tribunal ruled against China's territorial claims in 2016, after the Philippines pursued legal action, but the CCP has ignored the ruling. The United States and its allies regularly conduct freedom-of-navigation operations (FONOPs) in the South China Sea to counter China's claims and protect free seas.

Along the China-India border, tensions have risen in recent months. The two countries fought a border war in the 1960s, and there is concern that miscalculation by either side could lead to another conflict. In the fall of 2020, India and China exchanged fire, and there were dozens of casualties on both sides from apparent hand-to-hand combat. It is now reported that Chinese forces sit on India's side of the Line of Actual Control. Any conflict among these large nuclear powers could degenerate into a major conflagration. These tensions are likely to push India closer to the United States and its partners seeking to counter China in the region.

Meanwhile, in the East China Sea, China is engaged in a dispute with Japan and Taiwan over control of the Senkaku Islands. The United States recognizes Japanese administration of the islands, but it has not taken a position on the sovereignty question. In recent years, China has stepped up patrols near the islands, including with maritime militia forces, in an effort to assert its claims.<sup>73</sup> In 2012, the two sides nearly went to war over the islands, and the United States clarified that its defense treaty with Japan would apply in such a circumstance.<sup>74</sup>

**Growing Global Military Footprint.** The PRC has also begun to expand its global military footprint. This includes building overseas military installations. China's first overseas base, opened in 2017 in Djibouti, has been described as a logistics hub, but has the infrastructure necessary to conduct wider military operations. In addition, China has established a military listening station in Argentina.<sup>75</sup> Furthermore, China's infrastructure investments may provide it with a “string of pearls” of ports for possible naval operations from South Asia, through the Indian Ocean, to the Gulf of Aden.

China is also engaging in military exercises with other autocratic powers



outside of the Indo-Pacific region. China has participated in major military exercises with Russia in Europe, including a naval exercise in the Baltic Sea and another in the Mediterranean.<sup>76</sup> In 2019, Chinese, Russian, and Iranian naval forces participated in a joint exercise in the Gulf of Oman.<sup>77</sup> In the summer of 2019, Russia and China conducted a joint strategic bomber patrol that drew live-fire warning shots from the Republic of Korea (ROK) Air Force (and caused friction between South Korea and Japan). In September 2020, China announced that it would participate in military exercises in the Russian Caucasus mountains region alongside Russia, Iran, Pakistan, Myanmar, and others.<sup>78</sup>

## The China Opportunity

**D**espite serious conflicts of interest, there are several areas in which cooperation with China can help to advance likeminded allies and partners' interests.

There are many areas of productive economic relations. China's purchases of US Treasury bonds have financed the US debt and deficit and held down interest rates in the United States and the global economy. China's response to the 2008 financial crisis, in coordination with the United States, helped to mitigate the severity of the economic downturn.<sup>79</sup> China's low-cost manufacturing has made it the workshop of the world for many products, ranging from children's toys to iPhones. China is also a large export market for likeminded allies and partners in many sectors, including agriculture, minerals, construction equipment, and wide-body aircraft. China's cooperation might also be needed to maintain the stability of the global financial system in the wake of the COVID-19 crisis and resulting economic shocks.

Likeminded allies and partners can also cooperate with China on environmental issues. As China is the world's largest emitter of greenhouse gases, any meaningful action to mitigate the impact of climate change will require action from Beijing. China is making major investments and has become a leader in green technologies, which can contribute to global efforts to counter rising temperatures. In 2020, Xi Jinping announced that China would adopt the goal of net-zero emissions by 2050. In addition, the United States Environmental Protection Agency (EPA) already has a significant partnership with China's Ministry of Ecology and the Environment (MEE) to address issues of air quality, water pollution, soil remediation, and more.

In the realm of security, China has greatly increased its financial and manpower support for United Nations peacekeeping operations and now ranks tenth globally in the number of peacekeeping forces. China has many motivations for providing peacekeeping troops; it uses them to gather intelligence, gain experience with overseas deployments, and secure countries where it has large investments. The CCP may also use peacekeeping to boost its global image and improve its relations with other countries.<sup>80</sup>

The PRC has played a constructive role in nuclear nonproliferation. It supported multilateral sanctions against nuclear programs in Iran and North



REUTERS/YVES HERMAN/POOL

European Council President Charles Michel and European Commission President Ursula von der Leyen attend a news conference following a virtual summit with Chinese President Xi Jinping in Brussels, Belgium June 22, 2020.

Korea, and participated in multilateral negotiations with both states. While China did not go as far as Washington might have liked in supporting and enforcing tough economic penalties, Beijing shares the West's concern about nuclear programs in both countries, and has been willing to take steps to address the challenge.

Washington and other capitals have expressed an interest in including Beijing in future arms-control negotiations. The Trump administration explored the possibility of trilateral discussion with Beijing and Moscow on a follow-on agreement to the New Strategic Arms-Reduction Treaty (New START).<sup>81</sup> China has not yet participated in binding arms-control agreements, but bringing Beijing into the fold will be necessary for an effective 21st century arms control regime.

Likeminded allies and partners and China have cooperated on global public-health issues over the past two decades.<sup>82</sup> In 2002, they worked together to help establish the Global Fund to Fight Aids, Tuberculosis, and Malaria. In 2014, in response to the Ebola epidemic, the United States provided hundreds of millions of dollars in aid and thousands of personnel, while China sent supplies and medical workers to build hospitals and testing facilities. US and Chinese personnel also worked together on the ground to distribute supplies and conduct research into the Ebola virus.<sup>83</sup>

Cooperation between the United States and China has been lacking in the COVID-19 pandemic due, in part, to China's lack of transparency in the early



Chinese Vice President Xi Jinping (R) speaks next to U.S. Vice President Joe Biden during talks at a hotel in Beijing August 19, 2011.

REUTERS/NG HAN GUAN/POOL

stages of the crisis and Washington's threats to withdraw from the WHO. Still, improved cooperation with China on future global public-health challenges would be desirable.

China has also played a constructive role in global food security. Among other activities, it has provided agricultural-assistance programs to tens of countries in Africa.<sup>84</sup>

## Strengths and Weaknesses of the Principal Competitors

**T**he development of a good strategy for any competition should begin with an assessment of the strengths and weaknesses of the principal competitors. Those in the national security community often focus on the adversary's strengths and one's own vulnerabilities. Good strategy, however, is often developed by considering how one can leverage one's strengths against an adversary's vulnerabilities.

### PEOPLE'S REPUBLIC OF CHINA: STRENGTHS AND WEAKNESSES

**A**utocratic states like China have several advantages, such as the ability to plan long-term strategies and stick to them. Parties or leaders—in this case, the CCP and Xi—tend to remain in power for years, so they can follow a consistent course of action, while quashing dissent. The CCP has implemented several long-term strategies, including BRI and “Made in China 2025,” and declared its intention of becoming a global

superpower by 2049. Xi could conceivably be in power for many years and oversee the fulfillment of these plans.

This supposed advantage, however, is often overstated. Because dictators are unconstrained, they can more easily shift the country's policies in radically different directions. Under Mao Zedong, for example, China lurched from one failed policy to another, from the Hundred Flowers Campaign to the Great Leap Forward and the Cultural Revolution. Moreover, BRI and “Made in China 2025” are only several years old. It is too early to proclaim them successful long-term strategies.

Autocracies are also advantaged in their ability to take bold and far-reaching actions, such as massing resources toward a strategic goal. The CCP, for example, has shown itself capable of pouring billions into domestic and overseas infrastructure investments and technology development. *New York Times* columnist Thomas Friedman has even fantasized about what it would be like for the United States to “be China for a day” so that a unified government could make major investments to combat climate change.<sup>85</sup>

On the other hand, big and bold decisions can become big mistakes. With few institutional constraints in the system, there are inadequate checks to stop Xi's bad decisions from becoming national policy. The one-child policy is among the poor strategic decisions the CCP pushed through the system that it now regrets.

Compared to the United States, the CCP is less constrained by legal or ethical concerns. For example, China's theft of intellectual property in violation of international standards has resulted in a massive transfer of wealth. As part of its quest for technological dominance, China has gathered private information on its citizens to improve artificial-intelligence algorithms. Most notably, in what the PRC claims is a campaign to maintain internal order and stability, the Chinese government has imprisoned more than one million predominantly Muslim Uighurs in “re-education” camps.

Yet, the CCP's willingness to deceive other states and engage in unjust practices reduces its credibility and prompts distrust. Many are skeptical of CCP official pronouncements, and a lack of credibility in international politics is a disadvantage. Furthermore, unethical behavior can also prompt counterbalancing coalitions. In China's case, the United States, the European Union, and Indo-Pacific nations are increasingly concerned about the Chinese threat.

Economically, the PRC has managed to generate impressive annual growth rates for the last four decades. China is undoubtedly an economic powerhouse. But, it has economic vulnerabilities as well. Its economic growth has been slowing in recent years, and Xi has reversed course on liberalization reforms that will further undermine China's growth model. Like many autocrats, he is choosing political control of the economy over economic growth. China is attempting to move beyond its export-led model of growth and develop a domestic consumer market, with mixed success. Poor decisions, like the one-child policy and lax environmental regulation, have handicapped China's labor and land endowments. Strict controls on currency convertibility and foreign investments prevent the development of



Riot police is seen during a mass demonstration after a woman was shot in the eye, at the Hong Kong international airport, in Hong Kong, China, August 13, 2019.

deep and liquid capital markets in China, and render the yuan unattractive as a global reserve currency.

China is also dependent on energy and food imports. It needs to feed roughly 20 percent of the world's population, with only about 11 percent of the world's arable land and a degrading environment (which includes air pollution, desertification, and a shortage of clean freshwater). China is the world's largest net importer of energy, and the CCP worries about the security of its energy-supply routes.

Diplomatically, China is gaining influence in every world region through its economic ties and infrastructure investments. China has also improved its ability to promote attractive narratives that resonate with some of its partners, on subjects such as BRI and Chinese green technology. But, China has few true friends. It has grown increasingly strategically aligned with Russia and Iran, although autocracies have historically made bad partners, and it is unlikely that these countries will form a deep and trusting alliance.<sup>86</sup> Meanwhile, as discussed above, Xi's aggressive foreign policy has already begun to provoke a counterbalancing coalition against Beijing.

Finally, China's military strength has grown significantly in recent years, as it has undertaken a concerted effort to modernize its military. Its A2/AD capabilities, including anti-ship ballistic missiles, severely threaten US and allied nations operating in the Western Pacific.

Yet, while China's military has modernized and grown stronger, it also suffers from some weaknesses. Chinese military doctrine emphasizes

a top-down command-and-control structure that limits opportunities for individual initiative and is ill-adjusted to messy battlefield realities. Furthermore, China's military lags the United States' in terms of its ability to coordinate a complex operation involving different components of its armed forces. Finally, China fears regime instability and spends more money on domestic security forces than on its military. If one follows the money, the CCP is more afraid of people in Xinjiang and Tibet than of the Pentagon. This limits its ability to compete militarily with the United States.

In sum, China has real strengths and real weaknesses that must be considered when developing a global strategy for China.

### LIKEMINDED ALLIES AND PARTNERS: STRENGTHS AND WEAKNESSES.

**L**ikeminded allies and partners also have strengths and weaknesses that are relevant to the development of a comprehensive strategy.<sup>87</sup>

These countries are mostly ruled by democratic governments at home, and democracies have weaknesses. The checks and balances in their system can result in polarization and gridlock. They tend to be slow to change their strategic orientation or make major policy decisions. They are sometimes criticized for a lack of long-term strategic direction as they focus their efforts on the next election or as new leaders seek to undo the policies of their predecessors. Ethical and legal concerns remove from the table some of the harder-hitting options for international competition. These open societies are also more open to foreign influence, from the theft of intellectual property to disinformation and efforts to manipulate or intimidate diaspora communities.

Democracies also have great strengths. While they can be slow to make major shifts in their strategic orientation or to launch new policy initiatives, this also means that they tend to avoid major strategic mistakes. It also means that once there is a domestic consensus for a new strategic direction, they are more likely to stay the course. Indeed, democracies are often better at pursuing a long-run strategy. Consider, for example, the US policy of deterrence and containment of the Soviet Union during the Cold War or the construction and defense of a rules-based international system since World War II. Ethical and legal restrictions can serve as constraints. But, they also mean that democratic countries are more credible in their policy pronouncements and in their international commitments. This means that they can develop trusting diplomatic relationships with one another. It also gives them more soft power.<sup>88</sup> Indeed, the top-twenty positions in global rankings on soft power are occupied by democracies.<sup>89</sup> The CCP, meanwhile, has squandered its efforts to increase China's soft power by, for example, reasserting centralized, authoritarian governance and intensifying territorial disputes with neighbors.<sup>90</sup>

Likeminded democratic allies and partners benefit from sound economic institutions, like the protection of property rights. Economists have shown that democracies, with their sound economic institutions, tend to have higher rates of growth over the long term.<sup>91</sup> But, whereas China has

REUTERS/TYRONE SIU

experienced sustained economic growth, market systems are subject to regular boom-and-bust cycles, resulting in periods of recession and economic malaise.

A culture of openness and freedom encourages entrepreneurship and creative thinking that lead to innovation. Indeed, innovation has historically occurred in open societies. The First and Second Industrial Revolutions initially took root in the United Kingdom, while the United States led the way in the Third Industrial Revolution.

The West remains the center of global finance. The tolerance of free-flowing money across borders fosters deep and liquid capital markets. US credibility on the international stage means it can credibly commit to repaying its debts, making US Treasury bonds the world's safest investment. Indeed, even the CCP chooses to invest its money in the United States. The US dollar retains its position as the world's most significant global reserve currency, with no obvious competitors within sight. These natural US financial advantages, however, can also create moral hazards as US federal debt and deficit reach what some fear will be unsustainable levels.

Diplomatically, leading democracies can draw on a vast network of allies and partners throughout the world. The international institutions constructed by these countries structure international politics, while NATO, the European Union, and US bilateral alliances in Asia are important venues for cooperation and policy coordination. The United States and its formal treaty allies account for 59 percent of global GDP. Add in other democracies, and that number increases to 75 percent. To be sure, these alliances have come under increasing strain in recent years and Washington has not always adequately valued its friends. But shared threats are the major driver of alliance formation, and the free world is coming together due to its shared concerns about the China challenge.

The United States remains the world's only military superpower. Its wealthy and innovative society has made it a leader in military innovation, from nuclear weapons to stealth technology and precision-guided munitions. Its allies and partners add to this strength. As democracies, they are less concerned with domestic political instability and are able to focus their security resources on foreign threats.

In sum, likeminded allies and partners have real weaknesses, but also underappreciated strengths that should be considered when formulating a strategy for the coming competition with China.

## Other Aspects of the Strategic Context

### COVID-19 PANDEMIC

**T**he China challenge has intensified during the COVID-19 pandemic. The Trump administration has blamed the CCP for unleashing “the China virus.” China initially attempted to use the virus as an opportunity for increasing China's influence, including through its “mask diplomacy”



REUTERS/MIKE SEGAR

Raindrops hang on a sign for Wall Street outside the New York Stock Exchange in Manhattan in New York City, New York, U.S., October 26, 2020.

to Europe. But, Beijing overplayed its hand, and its “wolf warrior” diplomacy and military aggression against neighbors have prompted a backlash.

The pandemic has unleashed a global economic downturn with relevance to the China challenge. The global economic recovery is likely to be fractured and drawn out, and uncertainty about the future of the virus means additional disruptions could be pending. The United States is experiencing a slower rebound, while China appears to have recovered more quickly. China may be able to exploit its relatively stronger economic recovery to strengthen economic ties with likeminded allies and partners.<sup>92</sup>

The pandemic has strained multilateralism, especially within the body responsible for global health governance: the WHO. As noted, a lack of transparency by China has hampered the efforts of the body to coordinate a united, global response to the pandemic. China's focus, at times, was more on excluding Taiwan from the WHO discussion than fighting the pandemic. The US decision to cease cooperation with the WHO also set back international efforts. Meanwhile, the Group of Seven (G7) and Group of Twenty (G20) countries have done less than necessary to coordinate an effective global economic response to the crises.

### SHIFTS IN THE GLOBAL BALANCE OF POWER

**T**he international balance of power is shifting. The idea of an impending power transition between a declining United States and a rising China, however, is exaggerated. Contrary to popular perception, the United States is not declining. Rather, its share of real global GDP has held constant at between 20–25 percent since the 1960s, and it stands squarely

within that range at 23 percent today. What has changed is that China is rising. Its share of global GDP rose from just over 4 percent in 1990 to over 15 percent today. Some economists predict that China could overtake the United States as the world's largest economy by 2030, but those projects depend heavily on uncertain assumptions about the future trajectories of Chinese and US growth. Recall that in 2010, economists projected that China would overtake the United States as the world's largest economy by 2020, but those predictions were premature.<sup>93</sup> As economist Derek Scissors argues, "2030 is not a bad guess for when China will become the world's largest economy, but so is never."<sup>94</sup> China has the world's largest economy when measured in terms of purchasing power parity (PPP), but leading international-relations scholars assess that real GDP is the better measure of international power and influence.<sup>95</sup> Moreover, when allies and partners are included in the calculations, the United States and its friends retain an overwhelming preponderance of power in the global system. There is no doubt that China's recent rise to power has been impressive, but there is real uncertainty about whether this trajectory will continue.

## LOSS OF CONFIDENCE IN THE WEST

**W**hile China has become more confident, Western nations express self-doubt, including about the value of open market democracy, which has been a great source of strength. These doubts arise from many sources. China's state-led authoritarian capitalism generated decades of growth, as well as an ability to weather the storm of the 2008 financial crisis. The West's recovery from the 2008 crisis, in contrast, was uneven and contributed to rising inequality. China appears to have more quickly recovered from the public-health and economic consequences of the COVID-19 pandemic. Rising populist movements have challenged immigration and free-trade policies, as globalization's losers perceive threats to their jobs and culture. Populist political movements have organized against free trade and immigration, contributing to Brexit in the United Kingdom and greater protectionism in the United States. The emergence of disruptive technology—robotics, AI, and automation—will lead to additional uncertainty about employment rates and the future of Western economies.

There is also a crisis of confidence in the West about the effectiveness of democracy, especially as political dysfunction and polarization run rampant in democracies such as the United States. According to Freedom House, the number of democracies in the world has declined in each of the past fourteen years.<sup>96</sup> Leaders with authoritarian tendencies are gaining popularity and power in several consolidated democracies. The pandemic also opens the door to autocratic backsliding and increased authoritarianism as leaders consolidate power to address the outbreak. Foreign meddling in Western democracies is prompting questions about the security of open political systems.

Internally, Western democracies have also struggled with shortcomings in their own societies. The United States continues to wrestle with issues of

racial inequality. Racial tensions and protests against police brutality rattled the nation in the late spring and early summer of 2020. Inequities at home damage the credibility of the United States and other democracies to lead by example on the global stage against authoritarian challengers.

## UNCERTAIN ROLE OF THE UNITED STATES

**F**or seventy-five years, US global leadership has been essential to building and sustaining a rules-based international system. But, there are increasing doubts about Washington's willingness and ability to play this global leadership role.

Some believe that relative US decline means that the United States no longer has the ability to play a global leadership role, and that the world is destined to return to a more multipolar distribution of power with several great powers—including Russia, China, Europe, and the United States—jockeying for spheres of influence.

Others doubt the United States' willingness to lead, as the world has seen a US withdrawal from global affairs in recent years. President Barack Obama's foreign policy was predicated on the notion that the United States had overreached during the George W. Bush years. Obama aimed to pull back US power in the hope that other nations would step up. This tendency accelerated under the Trump administration through its withdrawal from international agreements and organizations and its harsh criticism of treaty allies.<sup>97</sup> The election of Joe Biden in November 2020 and his promises to reinvigorate American leadership and support for traditional allies have raised hopes in many quarters. Still, some wonder whether the United States remains committed to maintaining its traditional overseas commitments or upholding a rules-based international system.

Opinion polls suggest Americans are ambivalent about the US role in the world.<sup>98</sup> Some suggest the American people prefer a more limited global role for the United States, while others reveal strong support for US global leadership. Previous generations of Americans thought of US global engagement as contributing to the defeat of fascism and communism and the peace and prosperity of the early post-Cold War world, but younger Americans are more skeptical of US global engagement.<sup>99</sup> Their life experience of the United States in the world includes failed wars in Iraq and Afghanistan, a global financial crisis, and a global pandemic.

## EXTERNAL CHALLENGES

**A**part from China, likeminded allies and partners must contend with additional threats to their security and the wellbeing of a rules-based international system. In recent years, Russia has disrupted the global system through its invasions of Georgia and Ukraine, as well as its intervention in Syria. Russia continues to meddle in the affairs of Western democracies to sow confusion and distrust within the West. In the Middle East, Iran pursues a foreign policy of resistance against the United States. It possesses a latent nuclear-weapons capability and a sophisticated and

growing ballistic-missile capability, and sponsors a wide range of terror and proxy groups. North Korea is on the verge of becoming only the third US adversary capable of delivering nuclear weapons to the continental United States. Pyongyang has repeatedly threatened its neighbors, and it regularly defies international law by engaging in black-market activities such as smuggling and counterfeiting. Terrorism and violent extremism continue to pose a threat to the rules-based system. Al-Qaeda and the Islamic State of Iraq and al-Sham (ISIS) have suffered severe territorial losses in recent years, but the conditions that enabled them to rise—ineffective governance in the Middle East and radical interpretations of Islam—remain. Likeminded allies and partners must weigh these additional challenges as part of a global strategy for China.

## DISRUPTIVE TECHNOLOGY

**N**ew technologies, such as artificial intelligence, robotics, quantum computing, and biotechnology, will fundamentally alter international security, economies, and societies. AI has the potential to bring about greater economic efficiency and cost savings, but automation could also put millions out of work. Fully autonomous weapons (or killer robots) could select and engage targets without a human in the decision-making process. These new technologies will require a new set of international norms and standards for responsible use that maximize their upside potential, while minimizing downside risks.

Moreover, the West and China are engaged in a race to control the commanding heights of twenty-first-century technologies. The West has long been the world's innovation leader, but China is gaining ground. Technological and geopolitical leadership have often gone hand in hand, and the country that wins the new tech arms race will be in position to shape the standards and rules of the future international system.



## CHAPTER 2

# THE GOALS OF THE STRATEGY

**A**ny good strategy must begin with a clear set of objectives, but likeminded allies and partners have not yet articulated a clear set of goals for their competition with China. The return of great-power competition is a correct diagnosis of the new security environment, but it does not tell anyone what to do about it. Articulating clear goals is difficult, but it is more manageable in this case by nesting the challenge within a broader framework, and by distinguishing between long- and short-term goals.

At the broadest level, the goal of likeminded allies and partners' strategies should be to revitalize, adapt, and defend the rules-based international system. This system—created, expanded, and defended by likeminded allies and partners since the end of World War II—has provided the world with unprecedented levels of global peace, prosperity, and freedom. The system has been too successful to abandon. At the same time, the world has changed since the system was created in 1945 and expanded at the end of the Cold War in 1991. It would be unwise to cling to a dated system in a changed international security environment. It must, therefore, be revitalized and adapted for a new era.



Hand out photo dated July 4, 2020 of an F/A-18E Super Hornet flies over the flight deck of the Navy's only forward-deployed aircraft carrier USS Ronald Reagan (CVN 76), maintaining Ronald Reagan's tactical presence on the seas. U.S.

With this broader framework in mind, consider China. China presents the greatest threat to the rules-based international system and likeminded allies and partners must defend against this challenge. A revitalized and adapted rules-based system will not flourish to its greatest extent if China, the world's second-largest economic and military power, remains outside the system or is actively attempting to undermine it. This brings this discussion to the goals for a global strategy for China.

*In the **long term**, likeminded allies and partners should seek a stable relationship with China that avoids permanent confrontation and permits cooperation on issues of mutual interest and concern, and that makes China a cooperative member of a revised and adapted rules-based system. The revised system should respect individual liberties, societal openness, and China's legitimate interests.*

In a sense, policymakers have known this to be the correct end state for decades. This is what they envisioned when they talked about making China a "responsible stakeholder." The strategy for China, therefore, is only a component of a broader strategy for revitalizing, adapting, and defending a rules-based international system.<sup>100</sup>

The problem is that this scenario will be difficult to actualize with Xi as president and the current generation of CCP leadership in power. As discussed above, the incorporation of China into the global economic system has not been sufficient to moderate Chinese behavior. Instead, as China

has become wealthier and more powerful, Xi and the current generation of leaders have decided to launch China on a new and more assertive course. They are selectively challenging key aspects of the rules-based system and the interests of likeminded allies and partners. These long-term objectives may only be achievable after a generation or more, when new Chinese leaders, with a different worldview, come to power.

To achieve these long-term objectives, therefore, policymakers will need to convince the Chinese leadership to change course.

*In the **short term**, likeminded allies and partners should prevent China from undermining the rules-based system in the security, economic, and governance domains. They should defend their interests and international standards while affording space for and inviting responsible Chinese behavior. This will put them in a stronger position regardless of how China behaves. They must also seek to impose costs on Chinese actions that violate international rules and norms, with the objective of shaping Chinese behavior in a positive direction.*

Likeminded allies and partners need to make China's leadership understand that challenging them and the rules-based system is detrimental to Beijing's own interests. They need to show Beijing that this new, more confrontational course is simply too difficult and too costly. Over time, likeminded allies and partners can convince Beijing that its own interests are better served by playing along with the rules-based system, rather than trying to challenge it. To incorporate China into a revised rules-based system, likeminded allies and partners should not compromise on their core principles. Rather, they should nurture expectations that China should meet international standards of behavior and practice consistent with widely-shared principles.

Some might argue that this strategy is a veiled call for regime change in China, but that would be a misreading. While a democratic government in China that represents and respects the human rights of its people would be a desirable long-term goal, this strategy will be successful if and when a more cooperative Chinese leadership comes to power in Beijing, whether or not it stands behind the CCP banner.

Within the previously identified domains of action, this strategy proposes the following goals:

- **Security:** Maintain global peace and stability by fostering a favorable balance of military power for likeminded allies and partners capable of deterring and, if necessary, defeating Chinese aggression.
- **Economy:** Facilitate a global economic recovery and advance global prosperity by maintaining open and market-based economies at home and abroad, while resisting unfair economic practices and the spread of authoritarian, state-led capitalism.
- **Governance:** Maintain freedom by revitalizing democracy in existing democratic states, preventing CCP efforts to undermine democratic practices, and supporting human rights, democracy, and good governance in other states, including in China.

## CHAPTER 3

## ELEMENTS OF THE STRATEGY

To achieve these goals, this section of the paper proposes a three-part strategy for China. First, likeminded allies and partners should **strengthen** themselves, their alliances, and the rules-based system for a new, more competitive era. Second, likeminded allies and partners must **defend** their interests and the rules-based system from the China challenge, and impose costs on the CCP when it violates widely agreed-upon standards. Third, likeminded allies and partners should **engage** with China from a position of strength to cooperate on areas of mutual interests and, over time, to incorporate China into a revitalized and adapted rules-based system.

By likeminded allies and partners, the authors mean several categories of leading states. The United States remains the world's most powerful country and is able to catalyze a broad global coalition to address shared challenges. It must, therefore, take a leadership role. The active participation of other powerful democracies is also of critical importance, including the other nations of the D-10 (Germany, the United Kingdom, France, Canada, Italy, Australia, Japan, South Korea, and the EU), and NATO allies. Other formal and informal partners (such as India, Brazil, Indonesia, the Philippines, Vietnam, Singapore, the United Arab Emirates, and others) will also be helpful in executing various elements of this strategy.

Washington should lead this effort not out of a utopian desire to transform the world for the better, but because it advances the United States' narrowly defined self-interests. The post-1945, US-led rules-based system led to higher levels of peace and prosperity for the American people.<sup>101</sup> Likewise, the average American will likely be safer, richer, and freer in a revitalized, US-led, rules-based system than under any plausible alternative. The most likely alternative would be the division of the world into two separate and competing blocs, led by Washington and Beijing, respectively. Such an outcome would hurt the pocketbook of the average American as the global economy becomes increasingly fragmented. It would threaten US freedoms as the CCP, with an enlarged autocratic sphere of influence, would be in a stronger position to interfere in US democratic practices at home. It would also threaten the security of the United States, as a China that dominates its own region militarily might be emboldened to initiate a large-scale conflict that could draw in US forces, and would be better able to project its military power into North America.

The China challenge is daunting, but a historical perspective shows that likeminded allies and partners are up to the task. On multiple occasions over the course of the twentieth century, they overcame revisionist, autocratic great-power competitors. Still, China, for all its repressiveness and assertiveness, has a distinct character and poses a different kind of authoritarian challenge. At present, the leading democracies retain a large preponderance of power over China.

In executing this strategy, relations between likeminded allies and

partners on one hand, and China on the other, will be characterized by a mix of cooperation and competition. Some might argue that leading democracies must definitively choose whether they will work with or against China. In international politics, however, mixed relationships are commonplace. Likeminded allies and partners should pursue inclusive cooperation with Beijing where desirable, while also being prepared to work around or against China when necessary. This latter path will often allow for deeper collaboration among likeminded states.

Smaller countries, therefore, will not be forced to choose between Washington and Beijing, as not even Washington will be making such a stark choice. Rather, smaller powers will be encouraged to strengthen cooperation with the United States and its allies and partners, even as they are encouraged to collaborate with Beijing in areas in which the CCP is engaging in responsible behavior, consistent with international standards.

### Strengthen Likeminded Allies and Partners and the Rules-Based International System

Likeminded allies and partners must strengthen themselves, their alliances, and the rules-based system for a new era of great-power competition. Competition in most domains, such as athletics, is generally more about improving oneself than about bringing down a competitor. Great-power politics is no different. By bolstering themselves, likeminded allies and partners will be in a stronger position regardless of the choices made by China's leaders.



Flags of NATO member countries are seen at the Alliance headquarters in Brussels, Belgium, November 26, 2019.



## STRENGTHEN LIKEMINDED ALLIES AND PARTNERS AT HOME

**F**oreign policy begins at home. To strengthen their overseas positions, likeminded allies and partners must begin by reinforcing the domestic underpinnings of their power.

**Launch National Innovation Initiatives.** As likeminded allies and partners strengthen themselves for a new era of great-power competition, innovation must be a top priority. For years, China has unscrupulously closed the gap in technological development with the West by stealing intellectual property, conducting industrial espionage, forcing technology transfers from companies looking to enter the Chinese market, and subsidizing their own national champions. Likeminded allies and partners must take necessary steps to reinforce their innovation edge if they are to maintain their economic and military advantage in the decades to come.

Likeminded allies and partners should prioritize emerging technology, including artificial intelligence, 5G wireless technology, and quantum computing, given their importance for future economic growth and national security. Some argue that the United States and other open market democracies should copy China and adopt a state-led industrial policy, but they should not undermine the effectiveness of their proven innovation model in order to adopt the myriad problems of a state-planned economy. Likeminded allies and partner governments can, however, play a constructive role in stimulating the next era of innovation and technological advancement. Most importantly, they should increase public and private research-and-development (R&D) spending.

While many Western governments do not have a formal industrial policy, they can set standards and encourage the development of key technologies through their procurement practices. Governments are major technology customers, especially for technologies with defense applications, and they should utilize that power to encourage the development of new technologies.

Furthermore, likeminded allies and partners should encourage production in advanced-technology industries. While the United States does an excellent job of producing groundbreaking inventions, it is not always as effective at scaling production to achieve a significant portion of global market share. High labor costs and other expenses regularly dissuade industries from production in the United States. The United States and likeminded governments should offer financial incentives to companies to build capital-intensive facilities and to produce emerging technologies, such as semiconductors. These incentives could take several forms, including the creation of a bank to support domestic investment in these emerging technologies and financial support to companies that move operations back to likeminded countries.<sup>102</sup>

Likeminded allies and partners need to continue cultivating and attracting human capital. They should aim to improve the quality of, and access to, education, especially in the STEM fields and multidisciplinary programs on security and economics. Likeminded governments should invest in

STEM education and bolster their world-leading higher-education institutions. Investment in universities should be targeted at research in emerging technologies, and it should include research funding, scholarships, fellowships, and support for entrepreneurs. Governments should work to create a pipeline of top-level talent that will ultimately apply its knowledge and skillset to strengthen national defense. This will also require reducing inequities, especially uneven access to high-level STEM education and universities. High-level secondary and vocational STEM education, and more affordable postsecondary education, should be available to all citizens. This will require new efforts to make postsecondary education affordable. Moreover, to ensure talent remains in likeminded countries after graduation, governments should increase the number of visas so foreign students and technology experts are more likely to remain in, or come to, their countries. The governments should consider removing visa caps altogether for advanced-degree holders.<sup>103</sup>

Likeminded governments should also pursue public-private partnerships with the technology sector. Unlike China's "civil-military fusion" policy, Western democracies should not mandate private-sector cooperation with government technology efforts; there are other steps governments can, and should, take that are consistent with market principles. This could include financial collaboration to bolster startups and small businesses to ensure the technology sector remains competitive. Assistance could also come in the form of exchanging data, information, and research. The governments could support artificial-intelligence development, for example, by making data available to researchers that can then be used to advance AI systems. Making these data widely available will allow a broader set of researchers to develop AI and machine-learning technology.<sup>104</sup>

In addition, the national security community must continue its engagements with the technology community to help Silicon Valley understand the national security implications of its work. Big tech should not be indifferent about the China competition. It must understand that it benefits from living in a free and open society, and that it has a stake in the outcome of this competition. Progress has been made in recent years, but more work remains.

Likeminded allies and partners also need to secure their supply chains to mitigate the damage adversaries can cause to the technology sector. The United States is a world leader in designing semiconductors, for example, but production is usually performed abroad. To address this, likeminded allies and partners should develop a reliable network of semiconductor suppliers to reduce the risk of foreign interference. The partnership with Taiwan Semiconductor Manufacturing to open a new production plant in Arizona is an example of the kind of partnerships that are needed. Likeminded allies and partners should also place export controls on semiconductor-manufacturing equipment and invest in developing new designs and manufacturing capabilities to maintain their advantage. The United States should restrict sales of semiconductor-manufacturing equipment to China.

Finding and cultivating new sources of rare-earth minerals is another urgent necessity. These minerals are critical for technologies ranging from



The wall of an apartment house is being printed by a 3D printer in Wallenhausen, Germany, November 25, 2020.

electronics to missile-guidance systems, but China controls most of the supply chain for these materials. To reduce dependency on China, likeminded allies and partners should expand mining and processing operations outside China and work with one another to develop a more secure supply chain for rare-earth minerals. Indeed, securing supply chains should be oriented toward strengthening commercial and economic ties among likeminded allied and partner states, not pursuing economic autarky. Countries should also invest in research to develop artificial substitutes for rare-earth minerals.<sup>105</sup> Japan has already made great strides in this regard, reducing its imports of rare-earth materials from China from 82 percent of the total in 2010 to 58 percent in 2019.<sup>106</sup>

Democratic governments should also begin dialogues with each other and their publics about developing norms for the use of new technology consistent with democratic norms and safety standards. How do they balance privacy concerns with the need to collect data to train AI algorithms, for example? How do they balance the move to driverless cars and smart cities when democratic publics have legitimate concerns about placing their safety in the hands of machines? Given its combined economic and regulatory weight, if the free world can agree upon common standards, then these will likely become global standards.

**Invest in Infrastructure.** Likeminded allies and partners should also invest

in domestic infrastructure to fuel the next round of economic development and growth. This should include roads, bridges, ports, and airports, but also emerging technology, such as widespread broadband access and 5G. A fall 2019 report conducted by the World Economic Forum found that the United States, for example, ranks thirteenth in quality of infrastructure. As the United States enters a new era of competition with China, maintaining its edge in the economy and innovation will require improved infrastructure. There is bipartisan agreement on the need to revitalize US infrastructure, and Congress should act to make it a reality. Similarly, other likeminded allied and partner countries should work to strengthen domestic infrastructure to put themselves in a better position to thrive as emerging technologies begin to transform the global economy.

**Address Environmental Issues.** Likeminded allies and partners should also address the myriad environmental issues already affecting their citizens. Carbon emissions in likeminded allies and partners are already dropping as a result of the transition from oil to US shale gas; however, in order to maintain an edge over China, likeminded allies and partners must commit to investing in green technologies. Green technologies, such as solar panels, will come to play an outsized role in the twenty-first century economy and it is critical that the free world not be left behind. Moreover, likeminded allies and partners should begin developing standards for pricing carbon, through either a carbon tax or a system of cap and trade.

In the United States, the Department of Homeland Security (DHS) should play a larger role in managing the response to all environmental issues. According to an Atlantic Council report in September 2020, climate change will pose the greatest threat to critical US infrastructure over the next century. DHS should address this threat by upgrading and protecting critical infrastructure from climate change, as well as the new, non-military threats of the future<sup>107</sup>

**Increase Resilience against Disinformation and Misinformation.** Likeminded allies and partners must also commit to combatting disinformation and misinformation campaigns. The CCP and other autocratic governments have used these tactics to advance pro-CCP narratives and sow doubt about the legitimacy of democratic practices. Combatting these campaigns will help to strengthen the democracies at the core of the rules-based system.

Distrust of news media also decreases resilience to disinformation. In societies where distrust of news media is high, individuals are usually exposed to fewer sources of political information, and they are unlikely to approach them critically. Building resilience will require governments to foster trust in the media by not labeling them as dishonest, and it requires the media to engage in fair, responsible reporting rather than “clickbait” to drive website traffic. It also requires initiatives at both the grassroots and leadership levels to overcome political divisions and restore trust in the democratic system.

To combat efforts to sow disinformation and misinformation, likeminded allied and partner governments should share best practices. Taiwan and Finland, frequent targets of CCP and Russia misinformation, respectively,

REUTERS/ANDREAS GEBERT

have developed effective policies and countermeasures. The EU Hybrid Center of Excellence in Helsinki was established for the purpose of collecting and disseminating lessons learned in this space, and can serve as a resource for likeminded democracies.<sup>108</sup> One lesson learned is to encourage corporations, particularly media companies, to adopt a strict no-tolerance policy for foreign disinformation and misinformation campaigns.<sup>109</sup>

**Rebuild Domestic Support for Democracy, Free Markets, US Global Leadership, and a Rules-Based International System.** Likeminded allies and partners should rebuild domestic support for democracy, free markets, global engagement, and a rules-based system. These have been among their greatest sources of strength, but, as discussed above, there is a growing lack of confidence in the West. Western governments need to place these priorities front and center in their foreign policies and to bring their publics along with them.

Political-science research shows that most democratic citizens do not have firm views on foreign policy and their opinions are strongly shaped by elite cues.<sup>110</sup> Unfortunately, in recent years, political elites have not made a clear and consistent case for global engagement, open market democracy, or a rules-based system. To make matters worse, some politicians have grandstanded against traditional models of global engagement, either due to sincere or misguided beliefs or an attempt to curry electoral favor.

Nevertheless, there remains a reservoir of domestic support for global engagement. For example, a 2019 survey from the Chicago Council on Global Affairs indicated almost 70 percent of Americans support the United States playing an active part in world affairs, more than 70 percent believe military alliances make the country safer, and almost 90 percent thought international trade is good for the US economy.<sup>111</sup>

To build on these reservoirs of support, democratic leaders should communicate to their publics the previously outlined benefits of a rules-based order undergirded by strong alliances, free markets, and democracy. Democratic politicians and foreign-policy elites should routinely connect their foreign-policy proposals to the concerns of their people. In concrete terms, they should explain how global engagement makes the average citizen safer, richer, and freer. They should also explain that if likeminded allies and partners do not lead, hostile states will fill the vacuum, with negative consequences for the interests of the average citizen and democratic publics worldwide.

## STRENGTHEN ALLIANCES AND PARTNERSHIPS AND REVITALIZE THE RULES-BASED SYSTEM

**H**aving strengthened themselves at home, likeminded allies and partners must seek to collectively strengthen their positions abroad. This begins by bolstering their alliances, partnerships, and the rules-based international system. Revitalizing the rules-based international system requires deeper collaboration among democratic nations, expanding and deepening partnerships to new nations beyond this traditional core, and promoting democracy and free markets by example.

**Deepen Collaboration among Democratic Nations at the Core of the Rules-Based System.** The advanced, consolidated democracies of Europe, North America, and the Indo-Pacific should deepen their collaboration to address shared challenges and seek new opportunities. These nations formed the core of the previous rules-based system, and they will need to continue to play that role as the rules-based system is revitalized and adapted for new challenges. Strengthening this platform at the heart of the rules-based system will put these states and the world in a stronger position, regardless of how China behaves. Moreover, it will enable them to better manage the China challenge. Beijing prefers to divide these nations and address them one at a time. The nations of the free world will be better able to confront and engage Beijing if they present a unified front.

**Strengthen Diplomatic Cooperation within the Free World.** Meeting the China challenge will require new structures and processes for consultation and coordination among democratic partners. Globally, the world's leading democracies increasingly face similar challenges, including from the rise of China. Accordingly, leading democracies across Europe, North America, and the Indo-Pacific are working together more than in the past. When they pool their collective resources and influence, these states can have a decisive influence on global outcomes. Too often in the past, however, intra-democratic coordination has occurred on an ad hoc basis. Establishing more formalized processes and institutions for democratic collaboration globally can reduce these transaction costs, strengthen habits of democratic cooperation, and more effectively implement a combined free-world strategy for China.

The free world should elevate and expand the G7 to a D-10 grouping of leading democracies. The D-10 should include the current members of the G7, but grow to include leading democracies in Asia, including Australia and South Korea (and possibly India). The D-10 should take on a broader range of responsibilities beyond the global economy to include global security and governance. The D-10 should function as a steering committee of the democratic core of the rules-based international system. It should be the main platform for democratic states to come together, forge shared threat assessments, and develop common strategies for a broad range of issues, including China.

The D-10 could also serve to connect global resistance to Chinese aggression with regional efforts, especially in the Indo-Pacific, the center of gravity of strategic contestation. For instance, the D-10 could engage with multilateral groupings—notably the Quadrilateral Security Dialogue of India, Japan, Australia, and the United States—and with more inclusive bodies such as the Association of Southeast Asian Nations (ASEAN) and the wider ASEAN-centric forums like the East Asia Summit. The goal would be to establish shared principles in protection of the rights and interests of nations large and small, through strengthening a regional rules-based system.

**Reassert Influence within Multilateral Institutions.** Likeminded allies and partners must reassert their influence in the multilateral institutions of the UN-based system. These leading democracies were instrumental in

creating and utilizing these bodies, such as the World Trade Organization (WTO), the WHO, and the Human Rights Council (HRC). In recent years, however, China has engaged in “competitive multilateralism” to gain influence within these organizations and undermine their founding missions. In response, some in the West advocate abandoning these institutions. Instead, the free world should also engage in competitive multilateralism. Even as the free world establishes the new bodies called for above, the legacy UN institutions will continue to exist and play an important role. Moreover, because of their international legal status and global membership, they will continue to enjoy broad international legitimacy. It would be a mistake to cede authority in these bodies to hostile states. Rather, the free world should reaffirm its support for these bodies, maintain or increase funding levels, put forward candidates for leadership positions, and ensure that these bodies carry out their historic mission. Moreover, these multilateral institutions can become an important arena for both contesting China and seeking engagement on issues of shared interest.

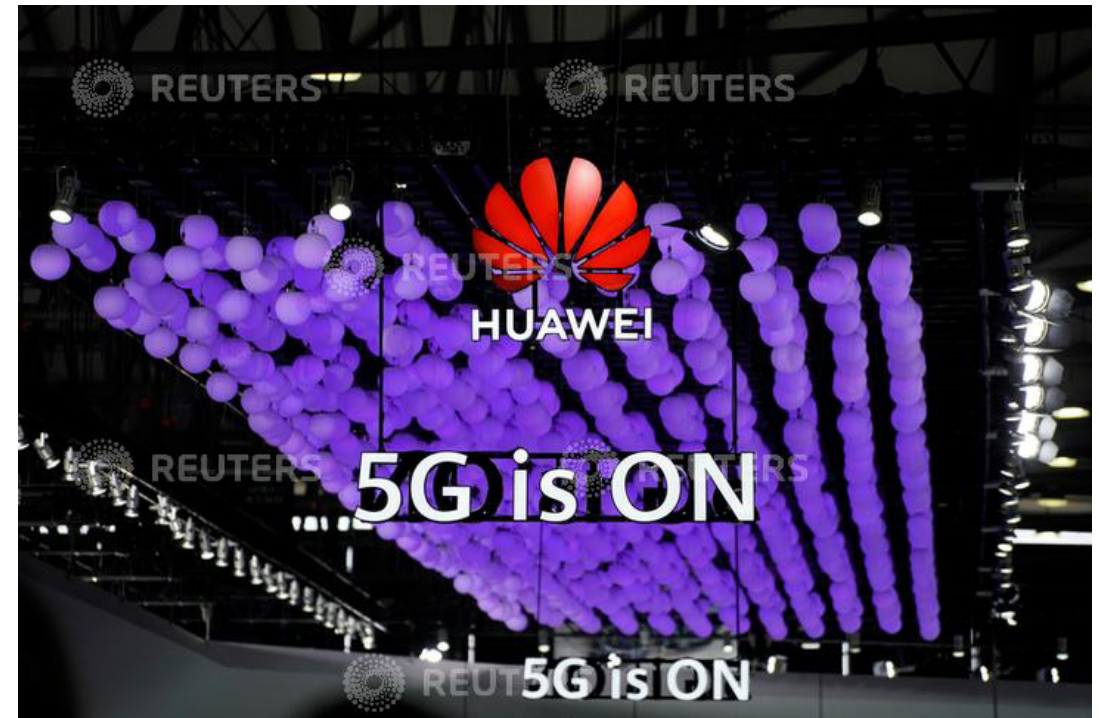
**Strengthen Economic Cooperation within the Free World.** Likeminded allies and partners should strengthen economic cooperation within the free world in the areas of trade, technology, and infrastructure. Through enhanced economic cooperation, they can strengthen the prosperity of their people and their states’ economic capacity. This will bolster their soft and hard power for the coming competition with China. Moreover, due to their economic heft, international economic standards set by the leading democracies will become the global standards that China must accommodate.

Strengthened economic cooperation begins with a recommitment to free and fair trade. The free world should work toward a global Free World Free Trade Agreement. The agreement could stitch together the US-Mexico-Canada Agreement with the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) and the Transatlantic Trade and Investment Partnership (TTIP). As intermediate steps, the United States should rejoin CPTPP and negotiate new trade deals with the United Kingdom (UK) and the EU.<sup>112</sup>

In addition to enhanced prosperity, these agreements will help standardize global rules on intellectual property, subsidies, labor, and the environment.<sup>113</sup>

Likeminded allies and partners should also work together to reform the WTO to account for and prevent predatory Chinese behavior while, at the same time, including China in the reformed structure. They should reform the criteria for “developing-country” status to exclude China, the world’s second-largest economy. They also need to reform the dispute-settlement mechanism so that disputes can be adjudicated more rapidly, and strengthen enforcement against prohibited practices such as subsidies for state-owned enterprises.<sup>114</sup> Rather than allow this pillar of the post-World War II global economic order to falter, the free world can take these steps to adapt it to modern needs, secure robust global trade governance, and create a powerful platform to confront China’s unfair trade practices.<sup>115</sup>

Likeminded allies and partners should also work together to sharpen their



A Huawei logo and a 5G sign are pictured at Mobile World Congress (MWC) in Shanghai, China June 28, 2019. REUTERS/Aly Song

technological edge. In the new-tech arms race, China has the advantage of scale against any of its competitors alone, but this advantage would be dwarfed when confronted with a coordinated free-world approach to technological development and standard setting.

Likeminded allies and partners should create a D-10 technology alliance. The United Kingdom has proposed just such a body.<sup>116</sup> A D-10 technology alliance could conduct joint research and development and could pool resources, such as data for AI development. It could coordinate on matters concerning the leakage of sensitive technology to China by developing common approaches to restricting Chinese investment in technology sectors and developing export controls. This body could also work together to develop common guidelines on Huawei 5G infrastructure in likeminded countries and cultivate alternative producers of 5G technology in the free world.<sup>117</sup> The Open Radio Access Network (Open RAN) is a promising concept to guide these efforts.<sup>118</sup> Likeminded countries could diversify supply chains for critical materials such as rare-earth minerals.<sup>119</sup> This body could also establish global norms for developing and using emerging technologies, including the responsible uses of artificial intelligence, surveillance, autonomous vehicles, and smart cities.

Likeminded allies and partners should also increase infrastructure investment in the developing world. These projects would serve as an alternative to China’s Belt and Road Initiative. While these leading democracies may not wish to match China’s public lending, they can unleash their private sectors. They should encourage and incentivize private-sector lending in Asian

infrastructure. They can strike investment treaties and use public funding to spur private investment in projects abroad. They should help Indo-Pacific nations implement economic and legal reforms to make them more attractive to foreign investors. They should also devote more resources toward connecting private companies with opportunities in the Indo-Pacific.<sup>120</sup> While some recipient countries see China's no-strings-attached approach to lending attractive, leading democracies should emphasize the benefits of their approach, which encourages the growth of effective government and economic institutions, and maintains high standards for transparency, anti-corruption, the environment, and labor protections. Likeminded allies and partners should also accept Beijing's invitation to join the Asian Infrastructure Investment Bank in order to improve its lending standards and counter China's influence in the body.

**Strengthen Security Cooperation within the Free World.** Likeminded allies and partners should increase cooperation in the security sphere. In the past, US alliance networks were arranged regionally, but China presents a global challenge and democracies globally, worried about China's rise, should form new security architectures. Under these new arrangements, they should conduct joint threat assessments of the China challenge and develop common defense and military strategies and capabilities. Rather than thinking of these alliances as a mechanism by which the United States provides security to its allies, leading democracies should work together to contribute to a joint defense of the free world.

Later sections of this report will go into detail on necessary military steps, and this section will focus on security architectures. The D-10 should become a primary venue for global security cooperation among likeminded allies and partners. Sharing of intelligence assessments should be a high priority within the D-10, as a precursor to more ambitious intelligence-sharing and security-cooperation arrangements.

In the Indo-Pacific, likeminded democracies should form a multilateral alliance to deal with the China challenge. Already, "the Quad" of Australia, India, Japan, and the United States serves as a forum of nations looking to counter China in that region. They should build on this and form a broader, formal or informal, organization of security partners in the Indo-Pacific. Likeminded allies and partners in the region should put aside or resolve disputes among themselves, especially Japan and South Korea, both of which have seen relations decline in recent years. A strong trilateral relationship is necessary for cooperative efforts to counter China.

The China security challenge is global, however, and Transatlantic security organizations also have a role to play. NATO should work with Asian allies to coordinate security and defense strategy. NATO has already established partnerships with Australia, Japan, Mongolia, New Zealand, and South Korea. It should build on these efforts to become a forum for NATO and non-NATO allies to share intelligence and assessments on China's activities and capabilities. NATO should also play a greater role in freedom-of-navigation operations with Pacific partners.<sup>121</sup> As will be discussed in more detail below, NATO could also issue declaratory statements, backed with threats of concrete repercussions, aimed to deter armed Chinese

armed aggression against its neighbors.

Over time, this grouping of leading democracies cooperating in the security realm could evolve into a global NATO. Or, alternatively, the Alliance of Free Nations (to be discussed below) could take on a more explicit military role to counter the threats to the free world, including from China.

## EXPAND AND DEEPEN PARTNERSHIPS TO NEW NATIONS BEYOND THE TRADITIONAL CORE

**T**here are many other leading democracies that could be brought into this coalition, including Sweden, Indonesia, Brazil, South Africa, and others. In addition to the D-10, therefore, the world's leading democracies should also establish a new formal entity: an Alliance of Free Nations (AFN), or Alliance of Democracies. Whereas the D-10 is limited to a small core group of like-minded states, AFN membership would be open to all recognized democracies around the world—large and small—committed to the shared principles of a rules-based system. AFN founding members will need to define clear criteria for membership in this club of democracies. In doing so, they should draw on widely accepted guidelines for ranking democracies, such as those prepared by Freedom House. The AFN would serve as a platform for strategic cooperation on the world's most pressing challenges. The AFN would align the collective resources of its members, and facilitate burden sharing and allocation of responsibilities. The AFN would serve as a body for consultation among democracies for addressing major strategic challenges to the rules-based system, including those posed by China. These common threat perceptions can form the basis for an effective alliance.<sup>122</sup> As a first step toward this goal, the world's democracies should convene in a major Summit for Democracy.

India, as the world's largest democracy, is a vital partner and a potentially pivotal player in counterbalancing against China in the Indo-Pacific region. In the competition with the autocrats to win over friends and allies around the world, continued aggressive behavior from China will push neutral states into the US camp. Already, once-proudly nonaligned countries, such as India, are working more closely with the US alliance system in Asia as a counter to China. While the United States and its democratic allies should not pressure states to make a binary choice between the United States and China or Russia, they should incentivize nations to work closely with the leading democracies.<sup>123</sup>

Taiwan is a key pillar of freedom in the Indo-Pacific and an important partner of the United States. Likeminded allies and partners should pursue closer diplomatic, economic, and societal ties, including free-trade agreements with Taipei, to help mitigate Chinese efforts to marginalize Taiwan. Likeminded allies and partners should boost security cooperation with Taiwan geared toward safeguarding Taiwan's freedom and economic resilience, while deterring potential Chinese incursions.

Elsewhere, likeminded allies and partners should help states in the South China Sea resolve disputes that have weakened their ability to come together in response to China's far-flung territorial claims.

Likeminded governments should embed themselves more deeply in Asian multilateral organizations, such as the ASEAN, East Asian Summit, and Asia-Pacific Economic Cooperation (APEC) forum. The United States should work closely with partners to shape outcomes from multilateral gatherings held via these bodies, and it should ensure high-level officials, especially the president and secretary of state, regularly participate.

Furthermore, China has sought to shape the region through regional forums where the United States is not a member, such as the Shanghai Cooperation Organization. China has used these venues to undermine US interests and build support to counter US endeavors. The United States should work with partners in these organizations to influence the direction of regional bodies that it is unable to join.<sup>124</sup>

## PROMOTE OPEN MARKET DEMOCRACY

Likeminded allies and partners should strengthen the rules-based system by promoting democracy and free markets. Over the past several decades, the rules-based system has benefited from a large number of free-market democracies. Despite their imperfections, these systems have proven better than any other at delivering human dignity, prosperity, and human flourishing. Democratic countries with market economies are more likely to join and comply with the institutions of the rules-based system. For decades, the United States and other leading states advanced a rules-based system by encouraging political and economic liberalization in other states. In a period in which these principles are being challenged by the rise of authoritarian-state-led capitalism and democratic backsliding, leading states should not back away from these principles as some have argued; rather, they should reinforce them.

Leading states should use all the available tools in their toolkit to strengthen open-market democracies. This should include supporting civil-society groups, providing access to information in closed societies, and bolstering institutions in fledgling democracies. They should use conditionality to tie security arrangements and economic assistance to reforms in partner and recipient countries. They should also use public diplomacy to advance positive narratives about the leading democracies, as well as countering disinformation and challenging misleading narratives put forth by China.

## Defend Likeminded Allies and Partners and the Rules-Based System from China and Impose Costs on China When It Violates International Standards

In addition to strengthening themselves to compete with China, likeminded allies and partners must be prepared to defend themselves and the rules-based international system from threatening Chinese behavior. Across the security, economic, and governance domains, they should counter China and impose costs on Beijing when it violates international standards.

## DEFEND THE GLOBAL ECONOMY

Likeminded allies and partners should defend against China's unfair economic practices. The economies of likeminded allies and partners and China have become highly interdependent, with significant flows of trade, finance, and cross-national production across their borders. There is currently a debate in the United States about whether the United States should "decouple" from the Chinese economy. Proponents argue that the national security risks of continued economic engagement outweigh the risks, while opponents maintain that the economic costs of decoupling would be catastrophic and could increase the risk of geopolitical conflict. This strategy paper advocates approaching decoupling with a scalpel rather than a machete, and recognizes four discrete categories of economic engagement. First, in areas of economic engagement critical to national security, likeminded allies and partners should restrict economic exchange with China altogether. Second, in areas in which China is engaging in unfair practices, likeminded allies and partners should impose offsetting measures, including tariffs. Third, countries that have become excessively dependent on China economically and, therefore, vulnerable to Chinese economic coercion, should seek to diversify their economic relationships. Fourth, in other domains, likeminded allies and partners can allow free trade to continue.<sup>125</sup>

**Prohibit China's Economic Engagement in Sectors Vital to National Security.** Leading countries should prohibit economic engagement with China in sectors vital to national security. This would include, for example, high-technology areas with military applications, such as artificial intelligence and 5G.

The first step is to better understand the scope of the problem and likeminded allies and partners should require companies to publicize ownership structures, foreign-government political affiliations, and funding sources before they are permitted to access certain sensitive sectors.<sup>126</sup> Chinese firms that access Western capital markets should adhere to rigorous transparency requirements. Already, individual Chinese citizens are required to provide five years of employment history to receive a visa to enter the United States. Other leading democracies should adopt similar

measures. This existing mechanism for disclosure should be extended to companies and investment funds, mandating that they provide five years of funding history and ownership information before being permitted to operate in the free world.<sup>127</sup> Tracking this information will help government regulators and watchdogs monitor CCP involvement (or attempted involvement) across major sectors of the economy, which will be useful for identifying areas of concern and implementing countermeasures as needed.<sup>128</sup> More robust disclosure requirements will deter Chinese companies from hiding ties to the CCP.

Next, likeminded allies and partners must prohibit Chinese investments in areas sensitive to national security. The United States should more frequently employ the Committee on Foreign Investment in the United States (CFIUS) to review and block Chinese investment in areas of national security concern within the United States. Many leading democracies do not have similar procedures to block foreign investments detrimental to national security, and Washington should work with its allies and partners to develop similar procedures in their countries. These protections are especially important in the area of critical infrastructure. There is a national security risk to allowing the CCP to control the infrastructure of the twenty-first century in the free world.<sup>129</sup> Likeminded allies and partners must also strengthen cybersecurity to prevent outright intellectual property theft from the CCP.

In addition, likeminded allies and partners must take steps to ensure their private sectors are not strengthening Chinese military and technological prowess. They should prohibit the transfer of technology critical to national security from Western to Chinese firms without prior government approval. Western firms that export to China or operate via subsidiaries or similar arrangements in China should be limited in their technology transfers unless approved by their national governments after being subject to an in-depth review process.<sup>130</sup> Moreover, likeminded allies and partners should work toward creating an international technology-control regime that limits technology transfers to China in critical areas.

Finally, likeminded allies and partners must ensure that they do not rely on Chinese suppliers in sensitive national security areas, such as for providing parts for weapons systems. Likeminded allies and partners should only purchase allied-built technology in these areas and they should remove Chinese-built components from their supply chains in areas critical to national security

**Impose Offsetting Measures for China's Unfair Trading Practices.** In other sectors, China is systematically preying on the global trading system, gaining an unfair advantage. For many years, leading countries were willing to turn a blind eye to these practices because they hoped that China would eventually become acculturated into the system and follow the rules. That approach did not work, and it is time for tougher measures. In these sectors, such as automobile parts, glass, and paper, likeminded allies and partners should impose countervailing measures against Chinese products. This could include tariffs and quotas.

Reciprocity and fair trade are the name of the game. If China places

restrictions on goods or services entering its market, then leading countries should do the same to Chinese goods and services. In taking these steps, leading countries should coordinate their measures. They will be in a stronger position if they are united on one side of the trade negotiating table, with China isolated on the other. The purpose is not to fight an endless trade war, but to make the CCP feel the pain from its continued unfair practices in the hope that it will change course.

Sanctions authorities are an additional tool that can be used to cut off market access to Chinese firms that steal or force transfers of technology from the West.<sup>131</sup> The United States could use existing powers, including the International Emergency Economic Powers Acts, to punish entities that profit from forced technology transfers from US, or allied or partner, firms.<sup>132</sup>

To protect intellectual property, likeminded allies and partners must also devote sufficient resources toward counterespionage investigations.<sup>133</sup> Law-enforcement agencies should collaborate with universities to improve programs for countering illicit technology transfers. Educational and research institutions must be made aware of, and should be encouraged to curtail cooperation with, Chinese research institutes that are affiliated with the Chinese military and intelligence services. The Australian Strategic Policy Institute maintains a database for this purpose. Furthermore, they should improve visa-screening processes to account for potential industrial-espionage risks.<sup>134</sup>

**Diversify Economic Relationships Away from China.** Even after likeminded allies and partners prohibit exchange in sensitive national security areas and impose offsetting measures, the threat of Chinese economic coercion remains. This danger is especially acute for economies such as South Korea, which are heavily dependent on trade and investment with China. To reduce vulnerability to Chinese economic coercion, these countries should seek to reduce dependence on China.

Countries need not shut down economic exchange with China, but they should seek to diversify their economic relationships, including by renationalizing supply chains and increasing economic engagement with other countries, especially likeminded allies and partners. To offset the likely economic losses from such shifts in economic activity, national and allied governments should seek to provide offsetting incentives. Japan provides a model, as it has promised to subsidize Japanese business that renationalize or alter investments in certain sensitive items from China. Likeminded allies and partners should seek to open their markets and offer investments to countries that are seeking to diversity away from China.

**Allow Fair Trade in Other Sectors, as Long as Market Access is Reciprocated.** While the above restrictions are necessary, a complete decoupling from China is not. Likeminded allies and partners can allow free trade in other goods and services.<sup>135</sup> China, for example, imports construction equipment from Finland and soybeans from Brazil, while the United States imports inexpensive manufactured goods from China, including toys. Trade in these areas does not pose a national security risk. Chinese unfair trading practices are not fundamentally distorting these markets

or allowing the CCP to cheat its way to the commanding heights of twenty-first-century technology. Economic exchange in these and other areas, therefore, can continue unabated.

## DEFEND DOMESTIC POLITICS AND SOCIETIES

Likeminded allies and partners should put in place measures to defend against Chinese interference in their societies, to protect democracy, and to impose costs on the CCP for its gross human-rights violations.

**Counter Chinese “Sharp-Power” Practices.** Likeminded allies and partners should launch a coordinated campaign to counter Chinese influence operations. In doing so, they should raise public awareness of the threat posed by the Chinese Communist Party, while avoiding the alienation of, and discrimination against, people of Chinese origin. In multicultural democracies, resisting CCP interference is about protecting the rights of all citizens—not least those of Chinese origin—to express their views without foreign intimidation.

The first step is greater awareness. Democratic governments should direct their intelligence agencies to conduct a systematic review of China’s foreign-influence operations in their countries. Likeminded allies and partners should share intelligence on China’s efforts.<sup>136</sup> They should require disclosures of foreign-government funding of think tanks, civil-society institutions, educational institutions, and politicians.<sup>137</sup> For instance, Chinese state-run and state-funded press outlets should be required to label their products with clear disclaimers that the CCP paid for the content.<sup>138</sup> Likeminded allies and partners should also require disclaimers on any foreign-government propaganda.<sup>139</sup>

Next, appropriate punishments against the CCP and those in collusion with it should be designed. Institutions receiving CCP funding may face punishments including the loss of their nonprofit status or corresponding cuts in domestic government support. Confucius Institutes should be shuttered in the free world. While posing as cultural organizations, Confucius Institutes have, in fact, served as an arm of the CCP, intimidating students and controlling what academics can and cannot publish. Likeminded allies and partners should demand reciprocity with regard to the operations of foreign intelligence services and be willing to prosecute or expel Chinese officials who violate national rules. Likeminded allies and partners should coordinate penalties on China if it uses coercive tools such as arbitrary detention of foreign nationals to coerce their home countries.

**Impose a Cost on the CCP for its Gross Human-Rights Practices.** The free world should hold China accountable for its gross human-rights practices. It should shine a spotlight on China’s ethnic cleansing in Xinjiang and Tibet, its crackdown on democracy in Hong Kong, and its treatment of political prisoners, such as human-rights lawyers, citizen activists, and Falun Gong practitioners. This should be among the priority topics of discussion in public and private diplomatic engagements with the CCP. Officials responsible for these policies should face sanctions, including asset freezes and travel bans for them and their families.

Likeminded allies and partners should also take steps to directly improve freedom and human rights within China. They should provide support to civil-society groups and promote access to independent media and information for the Chinese people. This would begin by prohibiting Western companies from assisting the CCP in erecting the “Great Firewall.” More boldly, it could include cyber operations to disable or circumvent the “Great Firewall.” Likeminded allies and partners should strive to engage with Chinese dissidents and activists without putting them in danger. This could include meeting with Chinese dissidents living in allied and partner countries, highlighting unjustly imprisoned activists and encouraging their release, and using public-diplomacy news outlets such as Voice of America to produce more Chinese-language content that identifies crimes by the CCP and amplifies dissidents’ voices.<sup>140</sup>

**Counter the CCP’s Autocracy Promotion.** The free world should work together to thwart China’s attempts at stifling freedom and human rights abroad. It should proudly contrast and promote the record of its successful model of open market democracy in comparison China’s authoritarian, state-led capitalism. Likeminded allies and partners should develop a unified approach to highlighting and resisting Chinese efforts to use threats of economic punishment to stifle free speech in the free world that is critical of China. They should impose sanctions on the Chinese individuals and firms involved in exporting advanced surveillance technology to autocratic governments around the world.

## DEFEND THE RULES-BASED SYSTEM

China’s diplomatic practices pose a number of threats to the rules-based system, and likeminded allies and partners should defend the system by countering Chinese disinformation, offering other nations an alternative to Chinese subjugation, and inhibiting a Sino-Russia alliance.

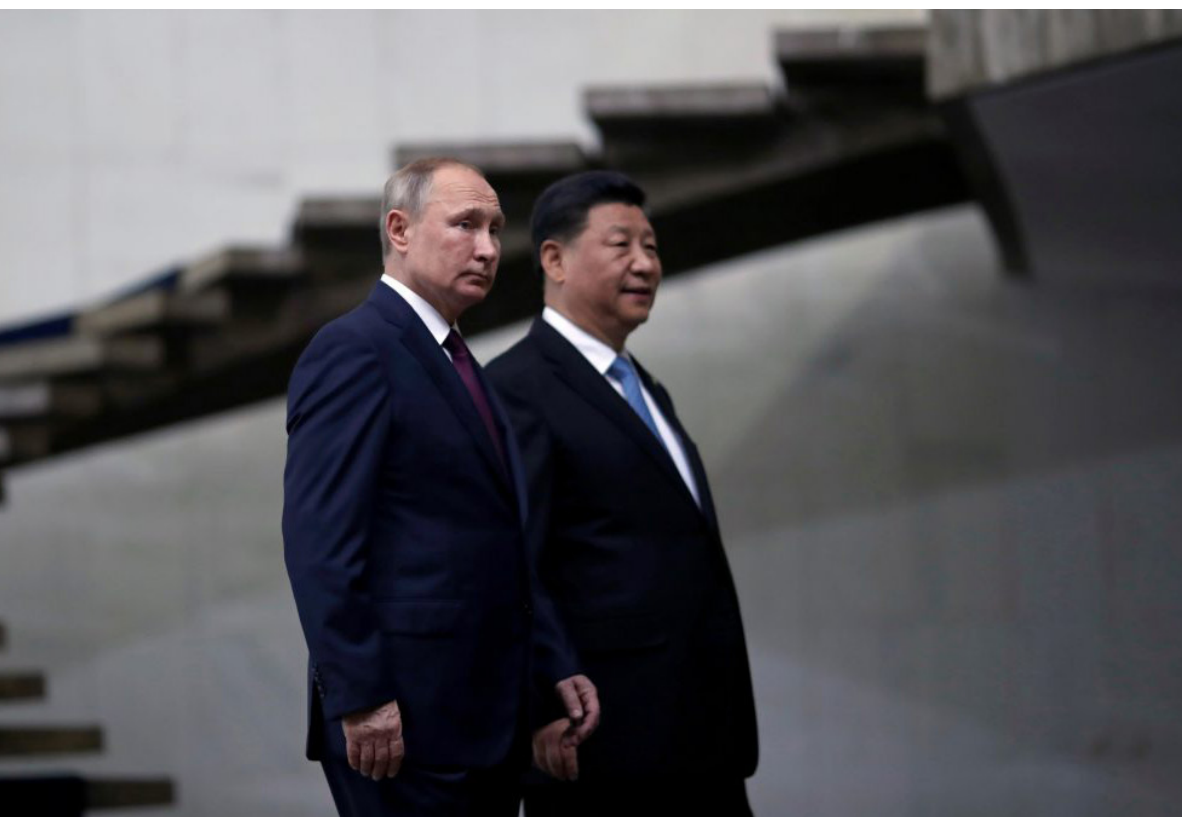
**Counter Chinese Disinformation.** It is a wonder that anyone takes CCP statements at face value anymore, yet they do. The party has continually lied about the COVID-19 outbreak, its economic growth numbers, its ethnic cleansing in Xinjiang, and much else. Still, concerted CCP public diplomacy and disinformation efforts have proven effective. The free world must systematically counter this disinformation. It should spotlight Chinese dissembling through consistent and patient public diplomacy, at home and abroad.

**Offer Nations an Alternative to Chinese Subjugation.** Likeminded allies and partners should offer all nations an alternative to Chinese subjugation, without forcing them to make an unwanted choice between Washington and Beijing. As discussed above, they should provide infrastructure investment and other forms of economic assistance so that other nations are not dependent on the CCP for such financing. As will be discussed below, they should make clear that they will develop a military strategy and capability to defend nations from Chinese aggression. They should reinforce the message that likeminded allies and partners are steady and reliable security and economic partners. They should not, however, force countries to



choose between the free world or China. Countries are free to make their own decisions, and they can even be encouraged to work with Beijing in areas in which the CCP behavior is consistent with agreed-upon international standards.

**Prevent a Sino-Russia Alliance.** Likeminded allies and partners should be wary of a hostile strategic alignment between China and Russia. Close relations between the world's top autocratic powers risk destabilizing and undermining the rules-based international system. The United States and its allies should not seek to turn Russia against China, as concessions required from President Vladimir Putin would be too great and his word could not be trusted; rather, they should seek to manage Russia as part of this broader strategy that prioritizes China. They should spotlight areas of actual or potential tension between China and Russia, including Arctic governance, influence in Central Asia, China's growing nuclear arsenal, and a potential Chinese land grab in Russia's Far East. Furthermore, they may be able to impose costs on Sino-Russian activities they find undesirable, or take advantage of Russia's national pride and anxieties about its geographic position to divide Moscow and Beijing.<sup>141</sup>



Russia's President Vladimir Putin and China's Xi Jinping walk down the stairs as they arrive for the BRICS summit in Brasilia, Brazil November 14, 2019.

REUTERS/JESLEI MARCELINO



U.S. NAVY PHOTO BY MASS COMMUNICATION SPECIALIST 3RD CLASS KEENAN DANIELS VIA ABACAPRESS.COM

Hand out photo dated July 6, 2020 of Aircraft from Carrier Air Wing 5 and Carrier Air Wing 17 fly in formation over the Nimitz Carrier Strike Force. The aircraft carriers USS Nimitz (CVN 68), right, and USS Ronald Reagan (CVN 76) are conducting dual carrier operations in the Indo-Pacific as the Nimitz Carrier Strike Force. For the first time in six years, two US Navy aircraft carriers are in the South China Sea. The two US carriers arrived in the region as China wrapped up its own set of naval exercises near a disputed island chain. Beijing's state media carried reports boasting of the country's readiness to repel any US attempt to challenge its claims.

## DEFEND INTERNATIONAL SECURITY

**T**o defend against Chinese security threats, likeminded allies and partners must maintain a favorable military balance of power. For decades, US military primacy in Asia has provided for peace and stability in the region, but that peace may be upended by the rise of Chinese military power and the CCP's more assertive policies. International-relations theories on the causes of war maintain that it is uncertainty about the balance of power and the balance of resolve that causes conflict.<sup>142</sup> To maintain peace, likeminded allies and partners must remove the uncertainty by making clear their will and capability to defend against Chinese aggression.

The US military will not be able to manage this task on its own, and it will need to coordinate with allies in the region and beyond. The model should not be the United States providing security to vulnerable states, but working with regional countries to contribute to their self-defense. Likeminded allies and partners should conduct joint threat assessments and better coordinate military plans and weapons acquisition.

Since the mid-2010s, likeminded allies and partners have done much to complement and renew the US military position in Asia by promoting initiatives that favor regional stability. Japan's Free and Open Indo-Pacific Strategy and security-cooperation agenda have propelled Japanese military contributions to regional capacity building. Japan, Australia, India, and the United States have developed the Quad security mechanisms to display the importance of concerted multilateral military cooperation. France and the UK have deployed assets in the region in a proactive effort to support

stability, with the UK and the United States challenging China's excessive maritime claims in the South China Sea. These types of efforts should continue and be reinforced by other likeminded allies and partners.

**Commit to Stability in the Taiwan Strait.** The defense of Taiwan is central to defending against Chinese aggression in the Indo-Pacific. This is the contingency that is both most likely and most difficult for the United States and its allies. Other US treaty allies in the region, including Japan, Australia, South Korea, and the Philippines, are either unlikely or difficult military targets for the People's Liberation Army (PLA). The CCP has not ruled out the use of force for Taiwan, however, and the US ability to defend against a Taiwan scenario has worsened as Chinese military capabilities have improved. If China succeeds in suborning Taiwan, it will have a greater ability to project power further into the region, including to isolate Japan. Failure to support Taiwan in a crisis could also deal a grievous blow to the credibility of US alliances and partnerships and the rules-based system globally. If, on the other hand, China can be defeated or deterred from invading Taiwan, then the defense of the rest of the region will be made easier.

A Chinese attack on Taiwan need not be a large-scale invasion. Beijing could also seek to coerce Taiwan into submission through cyberattacks, a maritime blockade, occupation of outlying islands, squeezing Taiwan's airspace, targeted conventional missile strikes, commando raids, or other grey-zone tactics.

Likeminded allies and partners should end a policy of ambiguity for Taiwan and clearly commit to maintaining the status quo in the Taiwan Strait. The current ambiguity is a recipe for miscalculation. If the CCP believes it can attack the island and get away with it, it might be tempted to do so, resulting in a major war. Likeminded allies and partners should remove any such doubt and eliminate the possibility of miscalculation. Beijing needs to receive a signal that aggression against Taiwan would rupture its relations with the free world and profoundly diminish China's own security. The United States should commit to the defense of Taiwan from outside aggression, and regional and global allies and partners should support this commitment. This might be a difficult step for many national governments, but it could greatly contribute to stability in the Indo-Pacific. Those nations that cannot commit military forces can seek to deter Chinese aggression against Taiwan by making clear threats of economic sanctions or other punishments—and the provision of economic, intelligence, and other non-combat support for Taipei—should Beijing cross the threshold of conflict. Other nations are well within their rights to protect Taiwan as a dynamic part of the global economy and a successful democratic society, through helping Taipei to, for example, counter cyber assaults, disinformation, and blockade operations. China will be much less likely to attack if it is confronting a near certainty of prolonged conflict with the free world.

To reinforce these efforts, likeminded allies and partners should increase cooperative activity with Taiwan, consistent with their efforts to bolster a revitalized rules-based international system. These activities can include military cooperation on humanitarian assistance, disaster relief, and search

and rescue. It should also include multilateral initiatives in which Taiwan is given observer status. Taiwan can make a positive contribution to many global challenges if given greater opportunity, including for global public health and the global economy.

At the same time, likeminded allies and partners should also be clear that they would not tolerate, and would actively resist, unilateral action by Taiwan to change the status quo, such as by declaring independence. In sum, the purpose of the above efforts is to maintain stability in the Taiwan Strait.

**Invest in Strategic Deterrence for the 2030s.** The 2018 National Defense Strategy of the United States of America declares that the Pentagon will deter China by maintaining a favorable balance of power in the region. While much attention has been given to what that means at the conventional level, there has been less focus on the strategic-forces balance. China has a secure second-strike capability and strategic nuclear forces that, according to the Defense Intelligence Agency, will double in the coming decade. This will make the US and allied homelands more vulnerable to a Chinese nuclear attack. This increasing vulnerability could call into question the US policy of extended nuclear deterrence, weakening deterrence of adversaries and assurance of allies. Moreover, China has a clear advantage in short- and intermediate-range nuclear forces in the region. The United States and its allies do not have any nonstrategic nuclear weapons deployed in theater. It is hard to argue that Washington and its allies and partners can maintain a favorable balance of power if there is stalemate at the strategic nuclear level and China has a theater nuclear advantage.

The United States should strive to maintain its quantitative and qualitative edge in strategic forces, to ensure it can continue to extend deterrence across the Indo-Pacific.<sup>143</sup> Washington should invest in the strategic forces of the future. It should continue to modernize the nuclear triad and pursue the low-yield supplemental capabilities called for in the 2018 Nuclear Posture Review. It should strengthen homeland and regional missile defenses, including with next-generation capabilities, including space-based sensors, directed energy, and the study of space-based interceptors. It should increase investments in hypersonic and intermediate-range missiles and reconsider whether those capabilities should include a nuclear-capable option. In addition to deterring China, a robust US nuclear posture will also discourage allies and partners from pursuing their own nuclear weapons, thus curbing nuclear proliferation. As will be discussed below, likeminded ally and partner diplomats should also seek to constrain China's strategic buildup through arms control and other methods.

**Develop a Combat-Credible Posture in the Indo-Pacific.** The US way of war since the end of the Cold War is obsolete. China has gone to school on the United States and developed an effective strategy and capabilities for blunting US power projection. As the 2018 National Defense Strategy Commission report ominously warned, a major war with China is possible and the United States might lose.

To correct this problem, likeminded allies and partners need to develop a combat-credible posture for the Indo-Pacific. The United States, its regional



Chinese President Xi Jinping shakes hands with U.S. Vice President Joe Biden (L) inside the Great Hall of the People in Beijing December 4, 2013.

allies and security partners, and other global military powers, such as Britain and France, should spearhead these efforts. Fortunately, as the status-quo powers in the region, likeminded allies and partners must only play defense and be able to prevent a Chinese invasion of neighboring states. This is easier than going on offense. They must design a military strategy and the capabilities to deter and, if necessary, defeat China in a major war in the region. They need to develop new operational concepts for a way of war that will be effective against Chinese A2/AD capabilities. This could include dispersing capabilities to make US forces and bases less vulnerable to a Chinese attack. They should increase their firepower in the region to destroy Chinese ships and anti-ship missiles, including with attack submarines and hypersonic and intermediate-range missiles. They should work with vulnerable states such as Taiwan to develop their own A2/AD capabilities, such as mines and anti-ship missiles, to make them impregnable to Chinese invasion.

Finally, likeminded allies and partners must invest in the military technologies of the future force to ensure that they maintain their edge over China. This includes increased investments in artificial intelligence, unmanned systems, quantum technology, hypersonics, directed energy, and additive manufacturing.

**Defend against Hybrid Threats.** Some of the most difficult challenges

from China fall below the threshold of armed conflict in the “grey zone.” Likeminded allies and partners must prioritize cyber resilience, especially for critical infrastructure.<sup>144</sup> They should develop defensive and offensive cyber capabilities and integrate them into their military postures. The aforementioned D-10 technology alliance should coordinate on monitoring and responding to Chinese cyber attacks.<sup>145</sup> Through joint statements, the United States and its allies can make it clear to China and other adversaries that a cyber attack on civilians or critical infrastructure will be met with an equally devastating counterattack.<sup>146</sup>

Military coercion in the South China Sea by China should also be countered. Likeminded allies and partners should increase funding for the Southeast Asia Maritime Security Initiative, and a broad range of global powers should continue freedom-of-navigation operations.<sup>147</sup>

## Engage China from a Position of Strength to Cooperate on Shared Interests and Incorporate China into an Adapted Rules-Based System

**A**s they compete, likeminded allies and partners should look for opportunities to collaborate with China on areas of mutual interests. While they impose costs on China for its threatening behavior, they should also demonstrate the benefits of more fully participating in a rules-based global system, with the ultimate aim of China becoming a cooperative member of an adapted system.

## MAINTAIN OPEN LINES OF COMMUNICATION WITH CHINA

**L**ikeminded allies and partners should maintain open lines of communication with China without compromising fundamental values. There are benefits to maintaining dialogue, even with adversarial nations. Dialogue can serve to better define conflicts of interests, as an intelligence-collection mechanism, and to identify potential areas of cooperation. Dialogue also facilitates the creation of interpersonal bonds.

Washington will face a dilemma about how to engage China. Should it engage bilaterally as part of a Group of Two (G2) that excludes allies as Beijing often prefers, or as part of a broader framework that includes allies and partners? The answer is that Washington should err on the side of inclusive frameworks. It should prioritize the coordination of positions among likeminded states and approach Beijing as a unified block. The CCP prefers to divide and conquer, picking off allies one by one, and this approach will deprive the CCP of this source of coercive leverage.

At the elite level, engagement can occur in existing multilateral frameworks, including the United Nations Security Council (UNSC) and the G20. But, the rules-based system needs to be adapted to provide and empower inclusive frameworks. Just as the G7 should be elevated and expanded into

a D-10, the G20 should be empowered as the more inclusive forum that brings together democracies and powerful autocracies, such as China. The G20 should be given greater authority as a global coordinating body on a broader set of security, economic, and governance issues.

In addition, new mechanisms for dialogue should be created. China complains, with good reason, that existing security frameworks in the Indo-Pacific are aligned against China. A new framework for talks on security in Asia could include the United States and its formal treaty allies (Japan, Australia, and South Korea), with China and Russia, in a more regularized form to discuss a broader range of security issues in Asia.

Finally, as NATO shifts to address China, there should be a new NATO-China Council to shape a more constructive relationship between China and the West. This council would turn the Alliance's attention to China's threats to NATO interests in Europe, the Arctic, and the Indo-Pacific. The council would bring together all allied members in a dialogue with China to inhibit China's efforts to engage bilaterally and to demonstrate the unified resolve of the Alliance. As appropriate, this group can be expanded to include NATO's global partners, including Japan and Australia. This dialogue could yield a more cooperative relationship between the West and China by alerting Beijing to the potential costs of defying a unified transatlantic community.<sup>148</sup>

In these forums, participants should discuss the full range of global and regional security and economic issues, as well as the rules and norms for a revitalized and adapted rules-based international system.

Among mass publics, travel, educational exchange, and other people-to-people interactions should also be encouraged, consistent with national security interests and the personal safety of those involved.

## LEVERAGE CHINA TO PURSUE AREAS OF COMMON INTERESTS

Likeminded allies and partners should continue to seek cooperation with China on areas of common interest. The “one-world” problems for which such cooperation is possible include: the global economy, arms control and nonproliferation, global public health, the environment, infrastructure, peacekeeping as humanitarian assistance, and food security.

**The Global Economy.** There remain areas for cooperation between likeminded allies and partners and China in the global economy. While there should be a selective decoupling for economic exchange that threatens national security interests, and for which the CCP is engaging in unfair trade practices, they can continue trade and investment in other areas. China's purchases of US Treasury bonds benefit both countries, and can continue. Likeminded allies and partners and China also both have an interest in helping the world economy recover from the pandemic-induced downturn. They can use the G20 as a venue to coordinate stimulus packages and debt relief to the developing world.

**Arms Control and Nonproliferation.** Likeminded allies and partners should continue to engage China on issues of arms control and nuclear

nonproliferation. The Trump administration made pursuing trilateral arms control with Russia and China a priority and, while it failed to entice China to participate, the United States and Russia (and perhaps Britain and France) should pursue strategic security talks with Beijing as a next step. Moreover, China retains an interest in halting the spread of nuclear weapons, and likeminded allies and partners should continue to work with Beijing to strengthen the nonproliferation regime and address specific cases of nuclear proliferation.

**Public Health.** China and the United States have shown in the past that they can cooperate on public-health matters and mounting an effective response to disease outbreaks will require them to do so moving forward. The CCP behaved irresponsibly in response to the COVID-19 pandemic, limiting and delaying the delivery of information to the WHO, punishing doctors for attempting to speak about the novel coronavirus, and blaming other countries after their missteps helped enable this global health disaster. Managing public-health crises will require the CCP to be more open, transparent, and accountable in its handling of outbreaks. The United States, meanwhile, must show it is willing to lead and work with others. Likeminded allies and partners should engage China as part of a global effort to bolster global public health and defeat the pandemic. They should also engage with China about how to best reform the global public-health system to prevent a recurrence of the COVID-19 tragedy.

**The Environment.** Likeminded allies and partners should continue to engage China on environmental issues. China has spoiled its air, water, and land, and the US Environmental Protection Agency (EPA) and other Western environmental agencies and groups can continue to help the CCP to clean up its natural resources. China is a global leader in green technology and renewable energy, and it can supply these capabilities to other nations looking to improve their environmental standards. As the world's largest emitter of greenhouse gases, China must be part of any effective solution to climate change. China has committed to carbon neutrality by 2060 and likeminded allies and partners should hold them to that commitment. The United States continues to reduce its greenhouse-gas emissions due to the transformative effects of the shale-gas revolution, but it should reengage multilateral efforts to address climate change.<sup>149</sup>

**Infrastructure Investment.** Likeminded allies and partners should engage China on global infrastructure investment. As argued above, they should offer alternatives to China's BRI investments. They can also continue to work with China through multilateral institutions with high standards for quality and transparency. In addition, Western nations that have not already done so should join the Chinese-led AIIB and engage in the BRI, with clear conditions. Such a strategy of conditional engagement could be a way of exerting pressure on China and pushing it to adjust its behavior and practices to align them with widely agreed-upon international standards. The example of Japan is a case in point. Japan made it clear that any official involvement with Chinese infrastructure projects would be conditional, dependent on whether the project satisfies “quality infrastructure” principles. Another attractive mechanism for such engagement is third-party


market cooperation (3PMC), in which Western firms work with Chinese firms on projects in BRI countries. This mechanism could incentivize Chinese companies to converge on Western best practices for corporate social-responsibility, environmental standards, labor practices, and debt sustainability. Improving the transparency of deals as they are being negotiated will put leaders and publics in BRI target nations in a better position to demand fair terms, reshaping the projects in a positive direction.<sup>150</sup>

**Peacekeeping.** China has become a major contributor to global peacekeeping operations. It is the tenth-largest provider of troops and the second-largest financial contributor to the UN peacekeeping budget. In 2020, it had forces deployed in Sudan, South Sudan, Mali, Lebanon, the Democratic Republic of the Congo, and elsewhere. Still, it has fallen short of pledged contributions.<sup>151</sup> Likeminded allies and partners should welcome this contribution to global security and encourage Beijing to meet its pledged targets in this domain.

**Humanitarian Assistance and Disaster Relief.** The Chinese PLA has played a growing role in overseas humanitarian-assistance and disaster-relief (HA/DR) missions over the past two decades.<sup>152</sup> Recent notable actions include the provision of relief for the Ebola outbreak in West Africa, the 2015 Nepal earthquake, and the 2013 Typhoon Haiyan in the Philippines. At times, however, PLA has disregarded best practices for participation in such operations. Likeminded allies and partners should engage with the CCP on this issue, encourage China's participation in HA/DR missions, and challenge China to rise to global standards.

**Food Security.** China is a leading food producer and investor in agricultural research and development. It produces 20 percent of the world's food supply and narrowly outpaces the United States as the world's leading spender on agricultural R&D. It has made agriculture a central element of its engagement in Africa, and includes food aid as part of its trade and investment packages with developing countries. At the same time, the CCP is a paltry contributor to multilateral organizations responsible for food aid. It contributes only one tenth of US levels to the United Nations Food and Agricultural Organization (FAO). Likeminded allies and partners should engage China through multilateral organizations on issues of food security and challenge Beijing to increase its contributions to these organizations.

## OVER TIME, WORK WITH CHINA TO REVITALIZE AND ADAPT A RULES-BASED SYSTEM

 Over time, likeminded allies and partners should seek to work with China to help it become a cooperative member of a revitalized and adapted rules-based system. This can be accomplished by attempting to engage China to join in designing the rules of the system. The areas of greatest opportunity are in domains in which the rules are not yet clearly defined, such as emerging technology, space, and cyberspace. These discussions may be difficult at first and may not gain much, if any, traction initially, but they may be worth the effort if the end result is a revitalized and adapted rules-based system that includes the world's second-largest economic and military power as a cooperative member.

Likeminded allies and partners should engage China on developing common standards for emerging technology. This should include frameworks for the responsible use of AI. In the military domain especially, the United States and China should discuss the ethical boundaries of these technologies. Furthermore, likeminded allies and partners and China should explore opportunities to collaborate on developing applications of AI that are mutually beneficial, such as for healthcare. AI has useful applications for diagnosing illnesses and discovering cures and treatments, which could be furthered via cooperation. AI can also be applied to monitoring climate change, increasing energy efficiency, and other issues on which all countries stand to gain from working together.<sup>153</sup>

Moreover, in recent years, the Internet has begun dividing into competing spheres. Whereas China favors Internet governance rooted in national sovereignty and close control of information flows, likeminded allies and partners favor an open, accessible, freer model for the Internet.<sup>154</sup> The CCP is pushing for its model in multilateral forums, while Chinese corporations bolster the ability of other autocracies to control the Internet. The BRI also contains a "Digital Silk Road" initiative geared toward exporting China's model of managing the Internet.<sup>155</sup> Likeminded allies and partners should resolve their own differences regarding Internet governance and engage China on cyberspace in multilateral forums to develop clear global frameworks for the Internet.

China is also rapidly increasing its space presence in both the civil and military domains. It has more than one hundred and twenty intelligence, surveillance, and reconnaissance (ISR) satellites—only the United States has more. China's space capabilities threaten Western satellites used for communication, navigation, and ISR, and China continues to invest heavily in counterspace technology.<sup>156</sup>

As China has boosted its activity in space, the United States has engaged Beijing in bilateral talks about space-related issues. The two countries should repeat and continue the Space Security Talks and engage on issues of space sustainability and civil space cooperation by continuing the US-China Civil Space Dialogue. Likeminded allies and partners and China should also work to develop global norms for outer space, geared toward reducing orbital debris and developing confidence-building measures to

clarify perceptions and diminish the risk of conflict in space.<sup>157</sup>

More broadly, likeminded allies and partners should seek to engage Chinese officials to formulate a common vision for a broader, more inclusive rules-based system based on mutually acceptable rules and norms. Chinese leaders often profess to support principles of a rules-based system, and Beijing has made commitments through treaties and agreements to uphold international norms. Drawing inspiration from the Helsinki Process, the goal of these talks should be to negotiate and adopt a new charter of principles for an adapted rules-based system.

To be sure, Beijing may be wary given the Helsinki Process's role in prompting greater openness in the Soviet Union. Through creative engagement, however, China may see the benefits of discussions on a new charter of common principles for a rules-based system. This process would provide an outlet for China to pursue its legitimate interests in ways that are consistent with international norms. Of course, it is possible that Beijing could simply sign on to a charter of principles as a propaganda effort without any real intention to abide by them. Nevertheless, by incentivizing Beijing to make such commitments, likeminded allies can use such a charter to hold China to account for violations of such norms. They could link cooperation in certain areas, such as in trade, to Beijing's compliance with commitments to uphold human rights norms. Over time, the hope would be that the Chinese government would fully embrace the norms and principles espoused in the charter.

## CHAPTER 4

# ASSUMPTIONS OF THE STRATEGY

**P**revious strategies toward China have been built on certain assumptions, and this strategy is no different. This section will explain the core assumptions upon which this strategy is predicated.

The authors assume that both power and ideology matter in a strategy for China.<sup>158</sup> Some have argued that the US-China competition is primarily about power or, alternatively, about ideology. The authors adopt the commonsense position that both matter. China poses a challenge because it is a rising power with the world's second-largest military and economy. Nevertheless, ideology is also shaping the competition. The threats that China poses (including its threats to its neighbors, systematic violation of the global trading system, human-rights abuses at home, and promotion of autocratic politics overseas) stem from its domestic political system. It is unlikely that a liberal democratic China would engage in these practices. Likeminded allies and partners should recognize that ideological differences will influence the direction of competition and cooperation with China.

Furthermore, ideology and power are intertwined. China's autocratic political system provides it with strengths and weaknesses in this competition, just as the open market democracy of likeminded democratic allies

and partners endows them with certain advantages and disadvantages.

Most relevant in this regard is that democracies are more adept at building alliances and partnerships and the appeal of democratic values could help to motivate democratic governments and their populations to compete with China. If this is a competition about values and what kind of world the parties want to inhabit, then it will be easier for democratic governments and their people to stand up to China. If, on the other hand, this competition is seen as two morally equivalent great powers jockeying for position, then it will be difficult to rally the free world to this challenge.

But, values must be used carefully: they can be employed to help foster common action among democracies, but—pushed too far—they could alienate nondemocratic partners and antagonize China to the point of closing off opportunities for cooperation. Therefore, the strategy prioritizes emphasizing common interests among likeminded allies and partners, and placing a spotlight on China's threatening behavior, while staying attuned to the ideological elements of the competition. Likeminded allies and partners can recognize the ideological dimension of this challenge and emphasize it to rally the free world even as it seeks appropriate cooperation with Beijing and maintains pragmatic security partnerships with friendly autocratic governments.

The question of ideology raises the specter of another issue: whether it is possible to coexist with a CCP-led regime in China. While it would be desirable for a more democratic government that respects the human rights of its people to come to power in Beijing, this strategy assumes that coexistence with the CCP is possible. For several decades in the late twentieth and early twenty-first centuries, presidential administrations assumed economic reforms would facilitate political and economic liberalization and transform China into a "responsible stakeholder" in a rules-based international system. Those assumptions turned out to be flawed. Market-based economic reforms begun by Deng Xiaoping did not lead to a liberalized China; on the contrary, the CCP is backsliding toward aggressive authoritarianism. Some might argue, therefore, that coexisting with Xi's CCP and its horrific human-rights abuses is not possible, and the only solution is regime change. The authors reject the notion that this competition can only end with the collapse of the CCP. It is possible to imagine a more cooperative Chinese leadership coming to power under the CCP banner, and this would be an acceptable outcome.

This strategy also assumes that China's recent assertive turn is self-evident, but its ultimate objectives and strategy are, at least in part, unknowable. There is evidence that the CCP has an expansive vision for remaking global the order. The 19th CCP Congress work report issued by Xi in 2017 outlines a comprehensive vision for China to become a global power and reshape the global order according to its interests in coming decades.<sup>159</sup> Between now and 2035, according to the report, the CCP will aim to continue its rapid economic growth while becoming a technological leader. By mid-century, the report calls for China to be a premier power with a highly advanced military. On the other hand, it is possible that China desires only limited hegemony, not complete dominance of the international system.



The White House.

According to this reading of China's interests, the CCP's primary goal is shaping the global order to assuage its concerns about its own survival. Therefore, it would be content with partially undermining the current rules-based system to create enough space for its authoritarian norms and values to survive. Achieving this entails reducing the influence of liberal democracies in the global order to an undefined extent.<sup>160</sup> Furthermore, the precise contours of China's strategy to accrue power are unclear. One option would be for China to pursue regional hegemony as a gateway greater global influence. Another path is for China to focus on shaping global rules, standards, and institutions to its advantage, and leverage its economic and increasing technological power to boost its position in the global order.<sup>161</sup> This strategy is, therefore, resilient enough to address the CCP's various possible conceptions of its goals and its strategies for achieving them. It does not presume a specific strategy or set of objectives on the part of the CCP, but it is designed to address the CCP's evident assertiveness and willingness to undermine norms of the rules-based international system. The strategy would hold whether the CCP is pursuing global domination or a more limited sphere of influence designed to facilitate its survival.

This strategy also adopts the assumption that likeminded allies and partners are stronger when they act together to pursue shared interests and respond to common challenges. They should coordinate through alliance frameworks and multilateral institutions to challenge China's efforts to undermine norms and engage China on opportunities for cooperation.

Finally, this strategy assumes that some degree of cooperation among

likeminded allies and partners and China is possible and desirable. Likeminded allies and partners have in the past and continue to work with China on areas of common interest, such as nonproliferation. Moreover, to achieve the ultimate objective of a revitalizing and adapting a functioning rules-based system, engagement with China will be essential.

## CHAPTER 5

# GUIDELINES FOR IMPLEMENTATION

**T**his strategy proposes a clear and comprehensive plan for competition with China. While it is possible to implement this strategy piecemeal, the various elements of the strategy are mutually reinforcing. The strengthen, defend, and engage pillars should be pursued simultaneously and with equal vigor.

The support of democratic publics is critical to ensuring a strategy is sustainable over the long term and democratic leaders must continue to make the case to their publics about why competition with China is in the national interest and how it directly affects their daily concerns. Recent surveys indicate that there is a reservoir of support. A Pew survey from April, for example, found that 66 percent of Americans held unfavorable views of China, and 62 percent viewed China's power and influence as a major threat.<sup>162</sup>

Furthermore, this strategy will not require significant increases in defense spending, which otherwise might dampen support for it. On the contrary, it calls for a reordering of defense priorities. The United States should shift its defense spending away from legacy systems, and toward the critical technologies that are beginning to define the future of warfare and are necessary for meeting the China challenge. It should also prioritize a focus on the Indo-Pacific region, which means deemphasizing other regions. Vulnerable regional states should shift spending to capabilities that will make them less vulnerable to Chinese attack.

Much of the US portion of this strategy will not be executed by the White House, but by executive-branch departments. The Defense Department will be responsible for deterring and, if necessary, defeating Chinese aggression. The State Department should take the lead in coordinating a common allied approach to China and engaging with Beijing. Treasury will be responsible for implementing sanctions on the CCP and its officials. The intelligence community should make better understanding Chinese intentions a top priority. The Federal Bureau of Investigation (FBI) and domestic law enforcement must counter China's malign influence in the US homeland. Congress has an important role to play in passing supportive legislation, adequately funding this priority mission, and holding executive-branch officials accountable for its execution. It is also incumbent on the private sector, including universities and Silicon Valley, to recognize the severity of the China challenge, and develop groundbreaking innovations to foster economic growth, improved living standards, and a stronger national defense.

No country should be forced to choose between the United States and

China. Indeed, the two-track approach outlined above eschews this binary choice. Countries can, and should, engage with China on areas of mutual interest, but they must also work with the rest of the world to defend against, and impose costs on, China's behavior that violates international standards.

## CHAPTER 6

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# CONCLUSION

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**C**hina is the foremost geopolitical threat to the rules-based international system since the end of the Cold War, and the return of great-power rivalry will likely shape the global order for decades to come. Likeminded allies and partners need to take deliberate and coordinated action to strengthen themselves and counter the threat China poses, even as they seek longer-term cooperation with Beijing.

The free world has an impressive record of accomplishment in defeating challenges from autocratic great-power rivals and constructing a rules-based system. By pursuing this strategy—and with sufficient political will, resilience, and solidarity—they can once again outlast an autocratic competitor and provide the world with future peace, prosperity, and freedom.



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