

Preface

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When the nonpartisan Aspen Strategy Group (ASG) met in August 2019 to consider the future of America's ties with the People's Republic of China, it was at a time of swift and dramatic change in the relationship between the world's two strongest powers.

For most of the last forty years since the full normalization of diplomatic relations between the two countries in 1979, American presidents sought to engage China across a full range of issues while competing with it when necessary. During the past few years, however, the U.S., with the support of leaders in both parties, has swung away from an engagement strategy with China toward one of outright competition across the board. This was in response to aggressive Chinese actions designed to limit U.S. economic and military power around the world.

The Trump administration formalized this important shift in its 2017 National Security Strategy and the 2018 National Defense Strategy by determining that the challenge from authoritarian governments in China and Russia had surpassed terrorism as the most consequential threat to America's national security.

This major shift in U.S. policy toward China has found large-scale acceptance and support by leaders in both the Democratic and Republican parties.

The two governments, in fact, are by competing for advantage in four principal areas.

1. The first is the battle for economic power and trade supremacy. The U.S. and China have the two largest national economies in the world. While they are important trade partners, they also compete for economic advantage in the Indo-Pacific and globally.

Chinese President Xi Jinping and U.S. President Donald Trump have been locked in an increasingly bitter trade war that has unnerved investors and global markets for over a year. In challenging China on the trade front, President Trump is responding to widespread anger in the American business community about China's unfair and illegal trade practices and violating the intellectual property rights of American businesses. While the president and others have focused on the size of the U.S. trade deficit with China, these issues of sectoral noncompliance by China of its World Trade Organization obligations are considered by many to be critical for the future.

The U.S. business community, long an important voice in arguing for engagement with the Chinese government, is now increasingly an advocate for a more aggressive U.S. response to China's unfair trade practices.

Many of our Aspen Strategy Group participants believed that while the Trump administration has been right to prioritize U.S. trade complaints with China, it made a strategic error in removing the U.S. from the proposed Trans-Pacific Partnership, a twelve-nation free trade agreement that would have served as a major U.S. and Western tool of leverage against China on the trade front.

China's massive and ambitious Belt and Road Initiative (BRI) has brought it influence in many parts of the world, including Southeast Asia, Africa, and parts of Latin America. Many of the American participants applauded the U.S. BUILD Act but argued for an even larger U.S. initiative in the near future to compete with the BRI.

Some participants argued that the U.S. still enjoys major advantages over China in U.S. capital markets, the strength of the U.S. dollar as the global reserve currency, and industries essential for economic success in the future—nanotechnology, biotechnology, and other areas.

The opening chapters in this book—the Ernest May Lecture by Jim Steinberg and the chapters by Liz Economy and Ely Ratner—examine the history of U.S. policy towards China and analyze the current approach by the Trump administration on the issues outlined above.

2. The second major issue between China and the U.S. is the battle for strategic military power in the Indo-Pacific. This is explored in detail by Graham Allison, Mira Rapp-Hooper, and Kathleen Hicks and Joseph Federici's papers in this book. While the U.S. has been the uncontested supreme military power in the region since the end of the Second World War in 1945, China is seeking to overtake the U.S. in regional military power in the next several decades. Its development of a blue water navy, powerful ballistic missiles, and stronger air power is designed to contest U.S. naval and air supremacy in the region. In response, the U.S. is investing in a new generation of military technology, including in space-based assets, unmanned aircraft, and underwater programs to limit China's own power in the region.

China's aggressive actions in militarizing islands and islets in the Paracel and Spratly Islands of the South China Sea and claiming sovereignty well beyond the legal limits set by the Law of the Sea Treaty is a major U.S. and international concern.

Some in the U.S. believe Washington's strategy should be to preserve its military predominance in the region. Others maintain that is no longer possible as China is now a military peer of the U.S. They argue the U.S. should now shift to a policy of deterrence to protect our treaty allies and many partners in the region. That will require the U.S. to invest more heavily in advanced technologies to blunt China's growing strength.

One issue critical in keeping the peace between the Chinese and American militaries in the Indo-Pacific is to emphasize crisis management exercises between the two governments, hotlines, and regular high-level defense talks to limit the probability of an accidental conflict between our two militaries operating in close proximity in the South and East China Seas.

3. The third major issue is our competition with China for military technology advantage in the Digital Age. The ASG focused on this issue in 2018 during its summer conference and subsequent policy book, *Technology and National Security: Maintaining America's Edge*. This may well be one of the most important issues in determining the future balance of power between the two countries. Both are developing a new generation of military technologies based on artificial intelligence, quantum computing, and biotechnology. If one of the two can race ahead to gain an early technological advantage, it could have a decisive impact on the balance of power between the two as well as globally.

The Trump administration and Congress have strengthened restrictions and export controls on Chinese firms seeking to purchase U.S. companies that produce technologies important for our national security.

A few prominent Americans who see China as a major threat to U.S. economic and strategic power have argued for an essential decoupling of the two economies. That view, however, is rejected by the majority of American leaders in government and business from whom we heard at our conference.

A critical early challenge is for the U.S. to convince its Asian and European allies to resist the Chinese company Huawei's efforts to secure contracts for the building of 5G systems. *New York Times* journalist and ASG member David Sanger provides an important and informative assessment of this challenge and offers insights into how it can best be mitigated in his chapter. Australia banned Huawei from competing in its 5G network in 2018. The European Union countries are divided. The stakes are very high for the U.S.

America's Silicon Valley tech companies must also agree to work much more closely with the U.S. government to help in the race for a new generation of military technologies in the Digital Age. Anja Manuel and her co-authors Pavneet Singh and Thompson Paine lay out in her paper the tools that are available for the U.S. to win this race with China.

Many participants also argued for a massive U.S. effort to expand government funding for science, research, and development.

4. The fourth challenge might be best understood as a battle of ideas for the future. China's government has been making the case that an economy open to the global market combined with an authoritarian government at home is the best model for countries around the world in this century. One of our participants, former Australian Prime Minister Kevin Rudd, has described the dimensions of this ideological battle as a struggle between U.S. advocacy of liberal capitalism versus China's championing of a system of authoritarian capitalism.

While China's increasingly powerful leader, Xi Jinping, has argued his system's merits, President Trump has not made defending our democratic or free market systems a priority in contrast to the way Presidents Ronald Reagan and John F. Kennedy used the bully pulpit in their Cold War stand-off with the Soviet Union.

The widespread protests in Hong Kong are challenging the U.S. government to decide how far to go in expressing support for the young people of that city who often demonstrate while waving American flags. Similarly, the Trump administration is under pressure to protest more vigorously China's extremely harsh subjugation of the Uighur population in the brutal "re-education" camps in Xinjiang Province.

There are other rights issues where the U.S. needs to limit China's global influence—in maintaining an open internet against China's closed system and in pushing against China's massive surveillance state and its major human rights violations against its own people.

There was strong support in our meeting for the U.S. government to launch a sophisticated, long-term public diplomacy campaign to engage the Chinese people and others around the world in a global competition of ideas.

As we surveyed this very competitive landscape in our meeting at the Aspen Institute campus in Colorado, we tried to keep in mind two central questions about the U.S.-China relationship.

First, is our analysis correct about the challenges China poses to our future? Our group was divided on this issue.

Some participants argued that China's powerful threat to the U.S. position in the Indo-Pacific and global economy demands a more aggressive pushback by the U.S. They pointed to China's aim of contesting U.S. influence in the Indo-Pacific as evidence of a massive power play by Xi Jinping. Others advocated for a more balanced approach, stressing that China is still benefiting from the U.S.-dominated global order and that it would be a mistake to view China as an enemy lest that become a self-fulfilling prophecy.

In arguing for a balanced approach, our co-chair, Professor Joe Nye of Harvard University, has framed the debate in these terms in his chapter for this volume: "Underestimation breeds complacency; while overestimation creates fear—either of which can lead to miscalculation."

The second question that occupied much of our time is whether we have the balance right between cooperation and competition with Beijing. This is a genuinely difficult issue for the president and American cabinet officials to manage. Most agree the U.S. will be in a highly competitive struggle for power with China for some time on trade and military power in the Indo-Pacific.

At the same time, most also agree that we will have to cooperate with the Chinese government on climate change and in responding to other transnational threats where our combined power and influence can be decisive—combatting piracy and drug and crime cartels and responding to pandemics of the future, to name just a few threats.

While the two governments are currently in a much more competitive mode with each other than in the past, both understand the necessity of working together where possible. President Barack Obama and Xi Jinping did so on climate change in advance of the 2015 Paris Agreement in a U.S.-China joint venture of sorts to convince other countries to complete the first global climate change agreement.

Americans are finding this is a difficult balance to achieve. While there is widespread support in both parties for the Pentagon to maintain America's military advantage in the Indo-Pacific, there is less of a consensus on how best to counter China on trade.

I suggested at the Aspen meeting that one way of framing these difficult trade-offs is with a hybrid approach: compete with China where we must; cooperate where we can.

Most participants agreed that maintaining American power in the Indo-Pacific and meeting these China challenges head on would be probably the most important issue the U.S. will face in the coming decades. Many participants thus argued for the development of a much more ambitious American national strategy to deal with a more assertive China.

Some likened the effort needed to be the equivalent of the space program of the 1960s. They advocated a whole-of-government approach led by the White House and encompassing all of the major U.S. cabinet agencies. Former Australian Prime Minister Kevin Rudd has quipped that the U.S. has an attitude toward China, but not yet a strategy. He warned that China has a highly developed strategy toward the U.S. This is a particular problem for President Trump, who has failed to put into place a coherent strategy to guide U.S. efforts. In his essay, the second chapter in this volume, scholar and China expert Michael Pillsbury offers his own assessment of President Trump's Indo-Pacific Strategy with a perspective on the policy path the administration is pursuing.

In reflecting on the immense challenge ahead for the United States, one of my own takeaways from this Aspen Strategy Group book of essays on the China challenge is this: Americans should be careful not to overemphasize China's strengths and underemphasize its weaknesses, as we often did with the Soviet Union during the Cold War.

Chinese leaders have to worry about maintaining the central authority of the Communist Party as millions of Chinese travel and see firsthand the freedoms other people enjoy. The government will have to find a way to cope with the democracy movement in Hong Kong, a toughening of the resolve and durability of Taiwan, and growing religious fervor within China itself.

We should also be careful not to overlook U.S. long-term strengths. Our democratic system, the rule of law, and our innovative and flexible economy are major and often underappreciated U.S. advantages.

In the military sphere, the U.S. has an enormous advantage over China, as our power is magnified by our treaty allies Japan, South Korea, and Australia and security partners such as New Zealand, the Philippines, Thailand, and Singapore. While the U.S. is not a treaty ally with India, we are aligned in a close military relationship and work with its navy and air force to limit China's military ambitions in the Indian Ocean region. By contrast, China has no such allies upon which it can depend in a crisis. In their chapters, Kurt Campbell and Shankar Menon outline the case for allies.

The U.S. is also pushing our European allies to help us counter growing Chinese influence in Europe itself. NATO leaders meeting in London in late 2019 agreed to make China's role in Europe a priority concern for the alliance. In addition, European companies have many of the same trade complaints with China that we do, making the European Union a potential ally in pushing China to address trade concerns. The European Union worries about an increasingly aggressive China seeking to buy up the industrial infrastructure of the Eastern Mediterranean and to buy influence in the Balkans and parts of Southern Europe.

Closing our meeting, and this book, we asked David Shambaugh and Bob Blackwill to lay out in detail what U.S. grand strategy towards China should be going forward.

In the end, the U.S. needs to maintain its national self-confidence that we can successfully meet the China challenges and maintain our leading global role.

Former Secretary of Defense Jim Mattis has spoken about the two types of power that we have in the world. The U.S. has the power of intimidation through our extraordinary military. Crucially, it also has the power of inspiration through our democracy, the rule of law, immigration, our first-class universities, economic and technological innovation, and our free and open society.

It is this power best leveraged through diplomacy that may be our decisive advantage in the long-running struggle for influence between China and the U.S.

These substantial strengths enjoyed by the U.S. should give Americans confidence that we can meet the China challenge head-on in the decades ahead while keeping the peace between us.