

A Strategy for China

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When the Aspen Strategy Group met in summer 2020, American relations with China had reached their lowest point in nearly fifty years. Some commentators blamed this on President Donald Trump, but in a broader context, he was like a man who poured gasoline on an existing fire. Chinese leaders built the fire with actions such as mercantilist manipulation of the trading system, theft and coercive transfer of intellectual property, and militarization of artificially constructed islands in the South China Sea.

With the world's largest population and an economy that may overtake the U.S. in overall size (though not on a per capita basis) around 2030, the rise of China presents a new type of strategic challenge. After the 2008 financial crisis (which originated in the U.S.), many Chinese concluded America was in decline. With the ascension of Xi Jinping in 2013, the Communist Party tightened its ideological and political control, and by 2014, it had abandoned Deng Xiaoping's modest foreign policy. As China's double-digit economic growth rates declined, the party increased the role of nationalism in its legitimating narrative. America's previous strategy of engagement no longer seemed sufficient, and the U.S. began to push back against China's more assertive behavior. The situation was exacerbated by the initial failure of both countries to deal with the COVID-19 crisis. The U.S. reaction was bipartisan, but with little agreement on a strategy.

Historical Perspective

Even before the COVID crisis, Americans debated how to frame a strategy toward China and international order. In a longer historical perspective, this century is witnessing not the rise, but the recovery of Asia. Western civilization did not exist in full flower until 1500, and before 1800, Asia (including India and Japan as well as China) was home to more than half the world's population and world economy. By 1900, however, while Asia still represented more than half the world's population, it made up only 20 percent of the world economy. The industrial revolution in Europe and North America and domination of the seas had made Europe the center of the global balance of power until it tore itself apart in World War I. This century is witnessing the return of Asia, but Asia is much more than just China. Asia has its own internal balance of power, and although China is their largest trading partner, many Asian states welcome an American presence to make sure they are not dominated by China.

After World War I, the U.S. became crucial to the global balance of power. Nonetheless, it retreated into isolationism, and the 1930s was a disastrous decade. Following World War II, Franklin Roosevelt, Harry Truman, and Dwight Eisenhower avoided the mistakes of isolationism and created the institutions of a liberal international order. While it was never fully global nor fully liberal, it provided a framework that enabled many countries, including China, to grow. Now some analysts believe China's growth will lead to a conflict with the U.S. that will tear the world apart much as Europe suffered in 1914. In *Destined for War*, Graham Allison has written of a "Thucydides Trap" similar to the Peloponnesian War, which was caused by the rise in the power of Athens and the fear it created in Sparta. Scholars have disputed Allison's historical cases and numbers, but the metaphor serves a useful warning if not taken too literally. A successful strategy must avoid such a conflict. That means not merely managing the rise of China but also managing the fear it creates in the U.S.

Assessing Chinese Power

It is equally dangerous to over- or underestimate Chinese power. Underestimation breeds complacency, while overestimation creates fear—either of which can lead to miscalculation. A good strategy starts with realism rather than ideology, and careful net assessment. Many current projections rest on exaggerations of China's strength and Western weakness. Properly measured at exchange rates, China's economy is about two-thirds that of the U.S. and an even smaller fraction if Europe, Japan, Australia, and other Western allies are included. But in any event, gross domestic product (GDP) is a very crude measure of power. For example, at the time of the Opium Wars with Britain in 1839, China had the world's largest GDP (and military), but those numbers did not accurately describe the balance of power. Including per capita income gives a better index of the sophistication of an economy, and American per capita income is expected to remain several times that of the Chinese for decades to come. Many economists expect China eventually to pass the United States as the world's largest economy (measured as GDP in dollars), but the date depends on what one assumes about Chinese and American growth, and past growth rates are not always good predictors. In any event, unlike the case with the Soviet Union during the Cold War, the gravitational pull of China's economy is likely to increase. China is now the world's largest manufacturer and the major trading partner of nearly every country in the world. Not only does its growing economy support military and aid expenditures, but access to the Chinese market and its ability to set standards for that market are a significant source of political influence.

However, even if China someday passes the United States in total economic size, that is not the only measure of geopolitical power. The United States became the world's largest economy at the end of the nineteenth century, but it did not become a central player in the global balance of power until three decades later in the context of the First World War. Economic might is just part of the equation, and China is well behind the United States on military and soft power indices. U.S. military expenditure is several times that of China.

While Chinese military capabilities have been increasing in recent years and pose new challenges to U.S. forces in the region, China is not a global peer. Nor will it be able to exclude the United States from the Western Pacific so long as the United States maintains its alliance with and bases in Japan. Despite its non-nuclear status, Japan anchors the first island chain and possesses a formidable military that exercises regularly with the U.S. Despite trade tensions, the U.S.-Japan alliance is stronger today than it was thirty years ago at the end of the Cold War. Sometimes, analysts draw more pessimistic conclusions from war games played in the limited context of Taiwan, but with its energy supply susceptible to American naval domination in the Persian Gulf and Indian Ocean, it would be a mistake for China to assume that a naval conflict near Taiwan (or in the South China Sea) would stay limited to that region.

China has also invested heavily in soft power, the ability to get preferred outcomes through attraction rather than coercion or payment. Cultural exchanges and Belt and Road Initiative (BRI) aid projects can enhance China's attractiveness, but the BRI is more like successful marketing propaganda than a Marshall Plan for the world. Projects range from those that promote economic infrastructure to those designed primarily to contain India. More generally, China faces two major limits on its soft power. Territorial conflicts with neighbors such as Japan, India, and Vietnam make it difficult to appear attractive while contesting rival claims. And domestic insistence on tight Communist Party control deprives China of the benefits of civil society that European countries or the U.S. enjoy. Authoritarian responses to artists like Ai Weiwei or the cultural repression in Xinjiang limit China's attractiveness in democratic societies. In measuring soft power, opinion polls back up the Portland soft power index, which ranks China in twenty-sixth place, while the United States ranks near the top. Ironically, Mao's communism had a far greater transnational soft power appeal in the 1960s than Xi Jinping thought does today. Despite China's massive investments in its soft power, Western democracy poses an ideological threat to the Communist Party, but Chinese ideology is not a serious threat to Western democracy. While China prefers authoritarian governments, unlike the Soviet Union, it does not head an ideological bloc or try to export Chinese communism. The U.S. is well placed to compete in the soft power of values without discarding realism for ideology.

Compared to the Cold War, a successful strategy should focus less on ideology and more on China's huge economic scale. The United States was once the world's largest trading nation and largest bilateral lender. Today nearly a hundred countries count China as their largest trading partner, compared to fifty-seven that have such a relationship

with the United States. China plans to lend more than a trillion dollars for infrastructure projects through its BRI over the next decade, while the United States has cut back aid. China's economic success story enhances its soft power, and government control of access to its large market provides hard-power leverage. Moreover, China's authoritarian politics and mercantilist practices make its economic power readily usable by the government. China will gain economic power from the sheer size of its market as well as its overseas investments and development assistance. Of the seven giant global companies in the age of artificial intelligence (Google, Facebook, Amazon, Microsoft, Baidu, Alibaba, and Tencent), nearly half are Chinese. And Chinese companies dare not defy the Communist Party. With its large population, the world's largest internet, and data resources, Chinese power relative to the United States is likely to increase. Unlike the Cold War, China's technological challenge is real even if its ideological challenge is less.

Searching for a Strategy

Pushing back is useful but it is not a strategy. Secretary of State Mike Pompeo declared in 2020 that the Trump administration had “pulled back the curtain on the predatory aggression of the Chinese Communist Party,” but demanding that China buy more American goods without solving the structural technological issues is not a strategy. Nor is talking about the “China virus” while withdrawing from the World Health Organization and leaving the field open for China. And speeches that squeeze China into a Cold War ideological framework misrepresent the real strategic challenge we face.

Cold War metaphors mislead us. The U.S. and Soviet Union had little commerce or social contact, but we and our allies trade heavily with China and hundreds of thousand Chinese students attend our universities. Many stay and make important contributions to our economy. Xi Jinping is not Stalin, and the Chinese system is not Marxist-Leninist but “market Leninist”—a form of state capitalism based on a hybrid of public and private companies subservient to an authoritarian party elite. We and our allies are more deeply intertwined with this Chinese economy than we ever were with the Soviet Union. It makes good sense to decouple particular security risks by excluding Chinese companies like Huawei from our 5G telecommunications network, but it would be too costly to curtail all trade.

Moreover, even if we could break apart economic globalization, the U.S. will remain interdependent with China in ecological globalization, such as pandemics and climate change, which obey the laws of biology and physics, not politics. Since no country can solve these problems alone, the U.S. must learn to distinguish power *with* others from power *over* others. Coping with climate change or pandemics will require us to work with China at the same time that we use our navy to defend freedom of navigation in the South China Sea or use sanctions to protest human rights violations in Xinjiang or Hong Kong. Our 2017 National Security Strategy of “great power competition” has failed to make us secure. More Americans were killed by COVID-19 than in all our wars since 1945. A successful strategy will require us to be capable of competing and cooperating at the same time—not an easy political task.

China's economy faces a slowing growth rate, though it appears to be bouncing back from the pandemic more rapidly than we are. However, the U.S. has significant geopolitical advantages that transcend the current COVID crisis. In geography, we are bordered by oceans and friendly neighbors, while China has territorial disputes with several neighbors, including populous giant India. Another U.S. advantage is energy where we are an exporter, while China depends on vulnerable imports. The United States also has a demographic advantage with a workforce that is likely to grow by 5 percent over the next decade, while China's will shrink. America can replenish itself with immigrants more easily than China can. And American research universities dominate higher education, while no Chinese university ranks in the global top twenty-five. Moreover, the dollar is likely to outstrip the yuan until China has deep capital markets and a rule of law.

In other words, the U.S. holds important high cards in the strategic competition with China, but we could still play our hand poorly. A misguided strategy could lead us to discard our aces of alliances and international institutions or to severely restrict immigration. Singaporean Prime Minister Lee Kuan Yew once said he thought China would not achieve its goal of surpassing the United States as a global power because America can draw on the talents of the entire world and recombine them in diversity and creativity that is not possible with China's ethnic nationalism.

An American strategy toward China should aim to avoid either a hot or cold war while cooperating when possible and competing when necessary. Our strategic objective should be to shape China's external behavior by strengthening our alliances and international institutions and by bolstering our economy and technological advantages in areas like biotech and artificial intelligence. While China derives power from a vast market, so does the U.S., and we also offer openness and values that greatly increase our soft power. In addition, our military power of deterrence is welcomed by the many countries that want to maintain friendly relations with China but do not want to be dominated by it.

A successful American strategy starts at home and must be based on (1) preserving our democratic institutions that attract rather than coerce allies; (2) investing in research and development that maintains our technological advantage; and (3) maintaining our openness to the world rather than retreating behind a curtain of fear. Externally, we should (4) restructure our legacy military forces to adapt to technological change; (5) strengthen our alliance structures, including with NATO, Japan, Australia, and Korea; (6) enhance our relations with India; (7) strengthen our participation in and supplement the existing set of international institutions we have created to set standards and manage interdependence; and (8) establish a regular consultative framework to enable us to cooperate with China where possible and to avert crises when not.

Our strategy should regard our China relationship as a cooperative rivalry where we pay heed to both aspects of the term. In the near term, given the assertive policies of the Xi government, we will probably have to spend more time on the rivalry side of the equation, but if we avoid ideological demonization and misleading Cold War analogies, and maintain our alliances, we can succeed with such a liberal realist strategy. After all, when George Kennan outlined a strategy toward the Soviet Union in 1946, he expected (correctly) that it might take decades to succeed. We cannot contain China, but we can constrain its choices by shaping the environment in which it develops. We should avoid succumbing to fear or belief in our decline. On the contrary, if we look ahead a decade or two, we will prefer to have played the American rather than the Chinese hand in this strategic competition.

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