

STRENGTHENING THE FOUNDATION FOR LONG-TERM STRATEGIC COMPETITION WITH CHINA

September 9-12, 2021 | San Diego, California



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The Aspen Institute Congressional Program
September 9-12, 2021
San Diego, California

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The Aspen Institute Congressional Program
September 9-12, 2021
San Diego, California

CONFERENCE AGENDA

THURSDAY, September 9:

Participants travel to San Diego

6 – 7pm

Pre-Dinner Remarks

FRAMING THE CHALLENGE

Most U.S. policymakers seem to agree that the U.S.-China relationship is fundamentally contentious. Far less clear is the nature of the Chinese threat, what exactly the two superpowers are competing over, how long the struggle will last, what costs must be paid in order to prevail, and what outcome the U.S. should aspire to reach.

- Should America aim to win or to manage bilateral competition?
- What does “winning” this competition look like?
- What role does the U.S.-China friction play in U.S. politics? And in China?
- In what areas can the U.S. and China still cooperate?

***Susan Shirk**, Chair, 21st Century China Center,
University of California San Diego*

7 – 9pm

Working Dinner

Seating is arranged to expose participants to a diverse range of views and to provide the opportunity for a meaningful exchange of ideas. Scholars and lawmakers are rotated daily. Discussion will focus on the opportunities, challenges, and potential solutions regarding long-term strategic competition with China.

FRIDAY, September 10:

7:30 – 9am Breakfast is available for all participants

9am

INTRODUCTION AND FRAMEWORK OF THE CONFERENCE

This conference is organized into roundtable conversations and pre-dinner and post-dinner remarks. This segment will highlight how the conference will be conducted, how those with questions will be recognized, and how responses will be timed to allow for as many questions and answers as possible.

*Charles W. Dent, Executive Director,
Aspen Institute Congressional Program*

9:15am

Roundtable Discussion

**WHAT CHINA WANTS:
XI JINPING AND CHINA'S VISION OF GLOBAL LEADERSHIP**

We know more about China's capabilities than its intentions, which are largely determined by its confident, ambitious, and enigmatic leader, Xi Jinping. Xi's China is powerful, but constrained; rich, but unevenly developed. In 2022, Xi Jinping is likely to extend his rule, against the tradition of the Chinese Communist Party, to reach for global leadership, despite increased distrust of Beijing around the world.

- Which core beliefs and experiences shape Xi's leadership?
- What is Xi's vision for China and its place in the region and the world?
- Does China seek the overthrow, revision, or refinement of existing international systems?
- Are we witnessing the formation of an authoritarian bloc, led by China and including Russia and Iran, determined to oppose the West?

Elizabeth Economy, Senior Fellow, The Hoover Institution

10:45am

Roundtable Discussion

U.S.-CHINA TECH COMPETITION

One point Washington and Beijing agree on is that the nation that leads the development, marketization, and regulation of emerging technologies will lead other global systems as well; technology is the key to military, economic, and soft power. The U.S. faces a dilemma: Its power to innovate rests on the internationalization and openness of its research

institutions, yet that openness can also benefit adversaries and makes the U.S. vulnerable to espionage and theft of intellectual property.

- What does the tech scorecard look like? Where does the U.S. lead? Where does China dominate? Where can the two nations cooperate?
- Is it possible for American companies to, as former Secretary of State Mike Pompeo put it, be “both profitable and patriotic” with respect to China?
- How great is the threat of China to America’s technological well-being?
- How should American universities and other parts of the innovation ecosystem protect themselves from infiltration while retaining openness?
- Are we destined for technological decoupling, and what would its costs be?

***Peter F. Cowhey**, Dean and Qualcomm Chair Emeritus,
School of Global Policy and Strategy, University of California San Diego*

***Anja Manuel**, Co-Founder and Partner, Rice, Hadley, Gates and Manuel, LLC;
Director, Aspen Strategy Group*

12:15 – 1pm

Working Luncheon

Discussion continues between members of Congress and scholars on the challenges for long-term strategic competition with China.

1 – 2:30pm

Roundtable Discussion

TRADE, INVESTMENT, AND PUBLIC GOODS

China’s wealth complicates every facet of bilateral competition. American consumers benefit from low-priced Chinese goods. American corporations can’t thrive on the world stage if they’re not involved in the Chinese market, yet that involvement gives China leverage. Beijing uses this leverage around the world to bind other nations to China, buying their acquiescence to Chinese prerogatives. China’s domestic economic reforms, however, may point to a cooling-off in Chinese economic diplomacy, and may even lead to China’s economic disengagement from the U.S. in some sectors. How is the balance of economic competition and cooperation likely to shift over the next few years?

- What is China’s “dual circulation” strategy, and what is its relevance?

- Does the United States still benefit from trade with China?
- Does the retention of Phase I tariffs help or harm the U.S. economy?
- Will there be a Phase II agreement that covers structural issues in U.S.-China economic relations?
- Is China coercing other countries economically and, if so, does coercion succeed?
- Where does the Belt & Road Initiative stand? Is it succeeding or failing?

Barry Naughton, *Chair of Chinese International Affairs,
University of California San Diego*

2:30 – 4pm

Individual Discussions

Members of Congress and scholars meet individually to discuss U.S. policy toward China. Scholars available to meet individually with members of Congress for in-depth discussion of ideas raised in the morning sessions include Elizabeth Economy, Peter Cowhey, Anja Manuel, Barry Naughton and Susan Shirk.

5 – 6pm

Pre-Dinner Remarks

XINJIANG AND HUMAN RIGHTS IN CHINA

The Biden Administration claims to put human rights at the forefront of American foreign policy. Xi Jinping’s buildout of a techno-totalitarian surveillance state, his actions in Hong Kong and Tibet, and his silencing of critical voices in academia, the press, and the professions have made the CCP’s values and governance model matters of grave worldwide concern. In the run-up to the 2022 Beijing Winter Olympics, Beijing’s treatment of the Muslim Uighurs in Xinjiang has become the most prominent test of the U.S. commitment to the promotion of human rights.

- Can the U.S. Congress have an impact on human rights practices in China and, if so, how?
- Do American/international sanctions and censure have any impact on Beijing’s behavior?
- What do Chinese people in China make of the human rights debate? Do they long for a free and democratic nation?
- How should the United States approach the Beijing Olympics, in light of China’s treatment of Uighur Muslims?

Minxin Pei, *Professor of Government, Claremont McKenna College*

6 – 8:30pm

Working Dinner

Seating is arranged to expose participants to a diverse range of views and provide the opportunity for a meaningful exchange of ideas. Scholars and lawmakers are rotated daily. Discussion will focus on the opportunities, challenges, and potential solutions regarding long-term strategic competition with China.

8:30 – 9:30pm

Post-Dinner Informal Discussion

SEMICONDUCTORS: THE KEY AREA OF COMPETITION

China cannot achieve its goals without access to the global semiconductor supply chain. The United States and a growing list of allies are determined to limit that access. Governments and companies caught up in the tug-of-war are pressured to take sides.

- What are the financial and diplomatic costs of the chip war?
- What does it portend for global innovation and the health of U.S. tech companies?
- Is the current shortage of semiconductors, which is impacting manufacturing and businesses in the U.S., connected to this competition in any way?

***Donald Rosenberg**, Executive Vice President, Qualcomm*

SATURDAY, September 11:

7 – 9am

Breakfast is available for all participants

7:30am

Moment of silence in honor of the 20th anniversary of September 11th

7:35 – 9am

Breakfast Remarks

U.S.-CHINA VALUES COMPETITION

It is now commonplace to claim that the U.S. and China are engaged in an *ideological* or *values* competition, but what does that mean? How are such competitions conducted, and what implications does this have for policy decisions? Will the outcome of this values competition be determined by competence, with the nation seen as delivering the most goods for its own people and the world coming out on top?

- Which Chinese and American core values are fundamentally at odds?
- Do other Asian nations see China as the source of and representative for distinctly Asian or Confucian values?
- What does Xi Jinping mean when he claims *universal* values are non-existent, but promotes *common* values?
- What is the relationship between *values* and *power* in Sino-U.S. relations and the superpower's quest for global leadership?

Erin Baggott Carter, Assistant Professor, Department of Political Science and International Relations, University of Southern California

9am

Roundtable Discussion

TAIWAN AND THE INDO-PACIFIC

The Western Pacific is more crowded and dangerous than it was a decade ago. While territorial disputes in the South and East China Seas continue to simmer, it is the prospect of war in the Taiwan Straits that most alarms Defense Department planners. Many in Washington are convinced that Xi Jinping will move on Taiwan at some point in his tenure. What are the prospects for such aggression, and what does this mean for Taiwan and the United States should it occur?

- What is the likelihood that China will make a decisive move to reclaim Taiwan over the next ten years? Before 2049? If so, what are the likely consequences for the U.S.?
- How great is the threat of military conflict in the South China Sea and East China Sea?
- How do American and Chinese capabilities match up in any plausible war-fighting scenario in the Western Pacific?
- Can the Quad (India, Japan, Australia and the U.S.) make a real difference in the Indo-Pacific?
- Should the United States aim for military pre-eminence or a sustainable balance of power in the region?
- Which reasonable/inevitable Chinese military interests in the Indo-Pacific should be accommodated by the U.S. and its allies? Which are destabilizing and must be opposed?

Nico Ravanilla, Assistant Professor, School of Global Policy & Strategy, University of California San Diego

Matthew Turpin, Visiting Fellow, Hoover Institution

10:45am

Roundtable Discussion

VIEWS OF ASIAN AND EUROPEAN ALLIES

The United States is reaching out to partners and allies to join it in opposing threatening and illiberal aspects of Chinese power. U.S. allies are a diverse group, politically and economically, and they have diverse interests. Most value their economic relations with China, even as their worries about China's intentions grow. Despite widespread distrust of Chinese actions, America's domestic turmoil raises questions about our hegemonic staying power, encouraging some allies to hedge their bets between the superpowers rather than antagonize Beijing.

- What are the major points of agreement and disagreement concerning Chinese power among our Asian and European allies?
- It is often said that third world countries "do not want to choose" between the U.S. and China – is that position sustainable, or are events likely to force a choice?
- Internationally, how do doubts about the U.S. compare to wariness toward China?
- Which types of diplomacy might result in broader global support for American positions?

*Orville Schell, Director, Center on U.S.-China Relations,
The Asia Society*

12:15 – 1pm

Working Luncheon

Discussion continues between members of Congress and scholars on the challenges for long-term strategic competition with China.

1– 2:30pm

Roundtable Discussion

POLICY IMPLICATIONS FOR THE U.S.

Robert Daly will offer a brief summary of the discussions and highlight policy recommendations made thus far. Participants are encouraged to suggest ideas for legislative action.

- What are the United States' core interests with regard to China?
- What are the obstacles to advancing those interests?
- What impact does the polarization of American politics and society have on our ability to meet the China challenge?

- What is the right balance of competition and cooperation in U.S.-China relations? Or is cooperation already impossible?
- How does the China challenge relate to the other epochal threats and transformations facing the U.S. and the world, such as climate change, pandemics, managing new technologies, mass migration, and global inequality?
- If war with China is to be avoided, will the United States need to change?

Robert Daly, Director, *The Kissinger Institute on China and the U.S.*,
The Wilson Center

6:30 – 8:30pm

Working Dinner

Seating is arranged to expose participants to a diverse range of views and to provide the opportunity for a meaningful exchange of ideas. Scholars and lawmakers are rotated daily. Discussion will focus on the opportunities, challenges, and potential solutions regarding long-term strategic competition with China.

SUNDAY, September 12:

Participants depart San Diego this morning

CONFERENCE PARTICIPANTS

MEMBERS OF CONGRESS

Rep. Jake Auchincloss

Rep. Lou Correa
and Esther Reynoso

Rep. Jim Baird
and Danise Baird

Rep. Darrel Issa

Rep. Ami Bera
and Janine Bera

Rep. Sara Jacobs

Rep. Cheri Bustos
and Gerry Bustos

Rep. Rick Larsen
and Tiia Karlén

Senator Tom Carper
and Martha Carper

Rep. David Price
and Lisa Price

Rep. Earl "Buddy" Carter

Rep. Kim Schrier

Rep. Ed Case
and Audrey Case

SCHOLARS

Robert Daly

Director, The Kissinger Institute on China and the U.S., The Wilson Center

Erin Baggott Carter

Assistant Professor, Department of Political Science and International Relations, University of Southern California

Peter Cowhey

Dean and Qualcomm Chair Emeritus, School of Global Policy and Strategy, University of California San Diego

Elizabeth Economy

Senior Fellow, The Hoover Institution

Lei Guang

So Family Executive Director, 21st Century China Center

Anja Manuel

Co-Founder and Partner, Rice, Hadley, Gates and Manuel, LLC;
Director, Aspen Strategy Group

Barry Naughton

Chair of Chinese International Affairs, University of California San Diego

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|------------------|---|
| Minxin Pei | Professor of Government, Claremont McKenna College |
| Nico Ravanilla | Assistant Professor, School of Global Policy & Strategy, University of California San Diego |
| Donald Rosenberg | Executive Vice President, Qualcomm |
| Orville Schell | Director, Center on U.S.-China Relations, The Asia Society |
| Susan Shirk | Chair, 21st Century China Center, University of California San Diego |
| Matthew Turpin | Visiting Fellow, Hoover Institution |

RAPPORTEUR

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|------------------|---|
| Geoffrey Hoffman | PhD Candidate, University of California San Diego |
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FOUNDATION REPRESENTATIVES

| | |
|----------------|---|
| David Arnold | President and CEO, The Asia Foundation |
| Jean Bordewich | Program Officer, U.S. Democracy Program, The William and Flora Hewlett Foundation |
| Helena Kolenda | Program Director, Asia Program, Henry Luce Foundation |

ASPEN INSTITUTE CONGRESSIONAL PROGRAM

| | |
|---------------------------------|-------------------------------------|
| Charlie Dent and Pamela Dent | Executive Director |
| Lauren Kennedy | Manager of Congressional Engagement |
| Bill Nell | Deputy Director |

RAPPORTEUR'S SUMMARY

GEOFFREY HOFFMAN

PhD Candidate, Department of Political Science,
University of California San Diego

Introduction

From September 9-12, 2021, a bipartisan group of 13 members of Congress met with scholars of U.S.-China policy in San Diego, California on "Strengthening the Foundation for Long Term Strategic Competition with China." The theme reflected a continuity of bipartisan outlook that regards China as an increasingly significant and adversarial competitor to U.S. interests. Over the course of the Aspen Institute Congressional Program conference, the lawmakers and scholars analyzed key questions about the U.S.-China relationship that policymakers now face.

Discussions fell broadly into categories of competition on security, economics, and values. Across these categories, several overarching themes emerged. First, it is important for the U.S. to frame its policy goals more clearly. What are realistic win-sets for the strategic competition with China? Second, to meet the challenges ahead, it will be necessary for the U.S. to pivot toward a more proactive and less reactionary role. How can the U.S. more vigorously engage with—more considerately listen to—the international community? Bipartisan support at home and multilateral demand abroad for new policies and institutions that would resist China's influence and support U.S. interests is an untapped boon. What is the most effective way to take advantage of this aligning sentiment?

Smart Competition and Xi Jinping's Vision

Against the backdrop of the recent U.S. withdrawal from Afghanistan, the conference began with a germane question: What are realistic policy goals for the U.S. to have toward China? A panelist proposed that the U.S. should engage in smart competition—a form of competition that seeks stability in the form of competitive coexistence. In smart competition, the U.S. could simultaneously leverage its strengths to induce more cooperative behavior from

China while preventing a slide into armed conflict, and so keep the door open for cooperation on important issues that both countries share—such as climate change. In this framework, policy goals should also be tangibly in the best interests of the U.S. This approach is in stark contrast to the policy framework of “decoupling,” which arguably hurts both China and the U.S.

However, to compete smartly against China, the U.S. needs to know what China is striving to achieve. One panelist outlined how President Xi Jinping’s vision for China to rearrange the world order operates through five different policy efforts:

- to solidify control over what it regards as its sovereign territory;
- to replace the U.S. as the regional dominant power, including in military force, institutions, trade agreements, and codes of conduct;
- to embed its values abroad through its Belt and Road Initiative (BRI) using both soft and sharp power efforts;
- to insulate the domestic economy while playing a leading role in the international economy; and,
- to transform the norms and values of international institutions.

These efforts entangle in mutually reinforcing ways; for example, as head of Interpol for two years, China was able to tie the BRI to Interpol’s mission and frame a domestic narrative that the world supports China’s rule of law.

Throughout the conference, participants agreed that the idea of smart competition was compelling. A member of Congress pointed out that tough China policy is easy to pursue because of bipartisan support, but a scholar warned that there may likewise be the risk of damaging the relationship more than necessary to score easy political points.

Technology

Technology plays a critical role in the strategic U.S.-China competition. Panelists listed artificial intelligence, semiconductors, biotech, 5G, and fintech as the five technological domains in which the U.S. should strive to keep its lead or—in the case of 5G and fintech—catch up to China.

Panelists remarked that the bipartisan efforts to control Chinese investment in U.S. technology companies and the export of dual-use U.S. technologies—such as a reformed CFIUS

(Committee on Foreign Investment in the U.S.) and the expanded Entity List, respectively—have been important national security measures.¹The U.S. Innovation and Competition Act passed by the U.S. Senate will help to revitalize domestic research on cutting-edge technologies research.

A common theme in the discussion was that technology is not a moat but a global collaboration, and, as one panelist put it, individual technologies have different constellations of collaborators. It was noted that the working realities of American technology firms mean they have no realistic option besides becoming deeply entangled with Chinese technology firms in world markets. Given the reality of being in an interdependent world, the U.S. should advocate for cooperative science and technology research with China—embracing technological interdependence while enforcing rules-bound structures. Echoing the discussion on smart competition, scholars advocated that instead of trying to hold down China, the U.S. should be trying to raise itself up. The U.S. should do more aspirational messaging about its technology posture. One member of Congress suggested making positive, declaratory policies like China currently does.

Members of Congress prompted an expansive discussion about how to improve the U.S.'s technological competitiveness of the U.S. In terms of attracting science and technology talent, should the U.S. adopt a tit-for-tat strategy with China—such as poaching Chinese researchers because China does—or would the U.S. benefit more from a governmental talent recruitment initiative, similar to China's Thousand Talents Program? Several scholars made the point that the U.S. intrinsically has great recruitment by virtue of having the best universities, and it simply needs to reform the science and technology immigration system to retain talent—so as not to force foreign scholars to return home after training them. In counterpoint, one scholar pointed out that U.S.-trained scholars and leaders take U.S. influence with them when they return to their native countries.

Other panelist suggestions for improving technological competitiveness included reestablishing the congressional Office of Technology Assessment, and—to manage an echo

¹ A scholar explained how the Entity List worked as a dual use export control regime. When companies do not respect end use limitations, the Department of Commerce adds them to the list with a presumption of denial of export licenses. Companies can, in fact, negotiate with the Justice Department to leave the list, but a company like Huawei can no longer admit wrongdoing, so it will be stuck there indefinitely. The Entity List—which now comprises over 250 Chinese entities—prevents companies from working with Huawei, as well; Huawei cannot buy products from U.S. companies.

chamber effect in Washington—to have independent technology experts advising the government who play a long-term role in everyday policy discussions. A panelist also proposed reattaching national security labs to large research universities, but in more secure, off-campus locations.

Members of Congress also brought up the security risk that foreign researchers pose. Scholars suggested that universities could better train foreign researchers on the rules relating to conflicts of interest and spying. Several scholars put forth the opinion that the benefits to technological advancement from openness outweigh the security risks. Even American investment in Chinese technology firms is a two-way street, giving each country more insight into the other.

One lawmaker observed that, when it comes to China, Congress consists of punishers, decouplers, and engagers—a far smaller group. A discussion ensued about whether there were some areas in which the U.S. should technologically decouple from China, and how the U.S. can best leverage its technology strengths. A panelist pointed out that, in fact, China is decoupling from the U.S. faster than the U.S. is from China, which provides the U.S. with a global talent advantage which the U.S. could take advantage of by building global human research networks. Another suggestion was that the U.S. could aggressively pursue an ideology of technological development in a way that would enhance its global soft power.

Economic Statecraft

China is seeing an influx of Foreign Direct Investment along with inflows to bond markets and stock markets. From a perspective of simple economic outcomes, the U.S. and China are still becoming more intertwined. Pursuing a policy goal of decoupling will ultimately take a long time due to trillions of dollars of economic entanglements, and—due to China's economic dependencies—will hurt China more than the U.S. However, China has better capabilities to absorb the cost of decoupling because it is a security state in which leadership can dictate the behavior of interest groups. In contrast, democracies see domestic actors as having a legitimate say and must develop consensus on economic tools. Overall, China wants to be domestically self-sufficient while maintaining the ability to exert economic leverage over foreign countries.

One panelist suggested that 2021 represents a long-term turning point in China's economic policy. In 2021, China suddenly decided numerous economic sectors needed dramatic new regulation and policy initiatives, such as a pro-natalism policy and to stop the evolution of the economy toward a service economy—which is impossible. Overall, China no longer respects markets and private business; President Xi views Chinese firms being listed on U.S. stock exchanges as a source of U.S. leverage. In the long term, this environment will negatively impact China's economy, unless it reverses course—which is possible, given that China has often abandoned failed policies. It is unclear why these changes are occurring now, but the panelist posited that it might be President Xi responding to U.S. behavior. Another scholar viewed China's actions as strange moves that counter long term market trends, which appear to be panicked—perhaps because China views a new threat emerging from the U.S.

A member of Congress asked about the effectiveness of China's economic coercion. One scholar commented that China's economic sanctions against Australia had backfired and increased regional concerns about China. However, self-censorship is not easily observable, so it is difficult to know how effective the threat of China's economic coercion is. A scholar pointed out that, in general, while countries are good at resisting economic coercion, multinational corporations are not.

Members of Congress were interested in China's future economic growth. A panelist commented that prognostications about China's short and long-term economic health are difficult because of a venture capitalism, risk-seeking mindset. In terms of manufacturing, trends suggest that China will continue to increase its substantial subsidies. One member of Congress wondered what reforms China could undertake to improve its economy. A panelist replied that some key steps included tax reform, easing economic self-sufficiency plans, and reversing the ban on private tutoring services.

A member of Congress brought up the comparison to 1980s Japan, and scholars agreed on the importance of not overstating China's economic strength. To maintain stability, China spends more on domestic security than national security. Women and education have suffered under President Xi, who has a long-term agenda, but who is also opportunistic and control-oriented, and so probably does not receive accurate advice from advisors. Some scholars agreed that, while difficult to say in aggregate, the policies that help growth probably outweigh those that harm it. Others believe that the summer regulations tilt the balance toward a less-

sustainable system. Another scholar opined that China's economic growth will stay strong for another decade, and that the Japan analogy is flawed because China has much greater inherent growth potential.

A theme of the discussions was the possibility that China's economic model has genuine longevity and dynamism, despite myriad historical predictions of its demise. As a result, discussants were careful to try to neither understate nor overstate China's economic robustness. A member of Congress pointed out, however, that even if China's model is self-sustaining and can avoid collapse, it is still subject to the same laws of other capitalist models, such as growth rate, labor force, debt, and so on. One scholar raised the point that, given the existence of an interdependent global economy, what happens to these dependencies if China fails?

There were a few other points of consensus. There was agreement on the importance of the U.S. investing in its economic strengths, but not at the expense of the military. Members of Congress wanted to figure out ways to shift from reactive policies to long-term planning. Discussants agreed on the importance of being able to exploit China's economic weaknesses, which requires nimble policy tools. Finally, there were several remarks that the policy choice by the U.S. not to join the Trans-Pacific Partnership was a major strategic and economic blunder.

Human Rights and Democratic Values

Congress has an impact on human rights in China, especially when it cooperates with foreign allies. Congress can force China to choose between reducing pressure on dissident groups or ethnic minorities, or paying a cost in international opinion. Sanctions have a mixed record and tend to have more of an effect on low-stakes issues. On high-stakes issues, sanctions can, in fact, reduce internal political pressure in China by eliciting a national, unifying response. There is evidence that while people in China value human rights, freedom, democracy, and transparency, and strongly dislike hypocrisy and official privileges, they are simultaneously proud of their economic achievements. With respect to the Olympics, expected lower attendance due to COVID suggests that China may not garner much of a propaganda boon, but this situation likewise lowers the value of any potential U.S. boycott as a statement on human rights concerns.

Members of Congress asked about ways to help the situation of alleged persecution of the Uighur minority in Xinjiang Province. Several scholars opined that, while there is not much Congress can do now that the stakes are so high, it is still important to try to increase the pressure and see if any cracks form. Further, Uighur groups in the U.S. receive little funding, and the U.S. could do more to publicize the stories of survivors. A panelist remarked that, despite the lack of quick returns, engagement with China on human rights does make a difference in the long run.

U.S. universities operating in China offer an important channel for humanizing the U.S.-China relationship and are still pockets of relatively free space. However, the universities will eventually have to make decisions about where their red lines are, to allow them to continue to operate without jeopardizing their fundamental principles.

A member of Congress asked what it means to argue on behalf of norms and values, when the Chinese model promises delivery of economic well-being. Some democratic ideals are aspirational, and the U.S. does not always meet them. However, the U.S. offers products and services alongside its ideals that China does not, such as: climate resilient infrastructure, labor protections, and specialized training. Human rights are fundamental to U.S. legitimacy abroad, even to the extent that China had to propose its own version of human rights.

A panelist reported on new survey evidence about the state of democratic values in China. Generally, the consensus among scholars is that over 90% of Chinese citizens support the government. However, when controlling for preference falsification, support drops to about 50%—support drops even among Chinese Communist Party (CCP) members. Further, protests occur more often on pro-democracy anniversaries such as the annual anniversary of the Tiananmen Square crackdown in which hundreds of Chinese protesters were killed, and China responds with increased repression on those anniversaries. Religious identification is a main indicator of who is willing to speak out against the government. Interestingly, there are now possibly more Christians than CCP members in China. There is also evidence that China uses Uighur repression to intimidate potential ethnic Han dissidents and stop them from protesting.

Foreign support of pro-democracy movements in China can undermine their success by rallying nationalistic sentiment against foreign interventions. Only homegrown efforts genuinely motivate protests. It is more effective for Congress to work multilaterally with other countries to pressure China, but the U.S. should remember that, for China, internal stability is always more

important than its international image. It is also important for the U.S. to try to live up to its democratic ideals, because China uses U.S. failings in achieving those ideals—like anti-Asian violence—in its propaganda.

A discussion followed regarding what Chinese citizens want in comparison to what the government offers. One scholar remarked that Chinese citizens would like continued economic growth, social stability, environmental protections, less corruption, and greater representation. It is unclear how much loyalty toward the CCP the country's economic growth has engendered in Chinese citizens.

Alliances and Taiwan

Panelists provided an overview of the potential for conflict in the Taiwan region. President Xi views Taiwan and its independence as an issue of legitimacy that he intends to solve within the decade. China's current strategies for reunification or annexation include political warfare, geoeconomic coercion, and overt military threats. The U.S. should focus on using strategic competition and deterrence to raise the cost of armed conflict, so that China views staying below the threshold to be the better option.

A member of Congress asked for examples of China's three Taiwan strategies and asked whether it is in the national interest for the U.S. to come to Taiwan's military defense. China spreading disinformation to impact Taiwan's 2020 election is an example of political warfare; economic carrots and sticks resulting from Taiwan's behavior is an example of geoeconomic coercion; and China's military exercises around Taiwan are examples of overt military threats. In terms of national interest, it is important for the U.S. to make it clear to the American people what the economic and security consequences are if China subsumes Taiwan. Notably, small U.S. forces do currently train and operate on Taiwan, and there are around 30,000 American citizens in Taiwan.

Panelists warned that a conflict over Taiwan could easily escalate. Nonmilitary domains are also vulnerable, including ideological, commercial, financial, industrial, and technological domains. China wants to exert sovereignty and dominate militarily in the South China Sea, as well as to spread non-democratic ideologies that are in stark contrast to U.S. interests and values. Either the U.S. must completely win, or the U.S. must force China to abide by international norms and a rules-based order.

Members of Congress asked about how the U.S. can address its gap in influence in the region. Panelists suggested that the neighborhood countries are not monolithic, and individually are not strategic players, so the U.S. approach should be to think about how to engage with them in mutually beneficial ways. The U.S. needs to provide a clear vision of the future and build relationships that can convince others to pay some of the cost. Increased attention to the Indo-Pacific and decreasing criticism of individual leaders are steps in that direction. Still, there are promising opportunities for new bilateral and multilateral relationships; indeed, Japan already outspends China in the region.

A member of Congress asked whether the U.S. was offering the option to countries to be independent and not dominated by a foreign power. Countries in the region are heavily reliant on China but simultaneously opposed to having to defer to China due to economic dependence. One scholar suggested that, realistically, the U.S. does not have the resources to win all the local influence and should instead prioritize important countries that provide a greater return on investment; however, other discussants contended that relationships with smaller countries are also vital. The U.S. role now is to make it hard for China to win maritime claims, instead of making it easy for countries to accept China's economic inducements.

Members of Congress inquired about what the right situation would be for China that could prompt an invasion of Taiwan, and they also sought more details about how the U.S. uses deterrence. Panelists proffered the example of Taiwan becoming politically divided as an opportunity China could take advantage of to begin an invasion, but they claimed that it is unlikely to happen because China would rather avoid a military campaign. The U.S. deterrence mission is to make the costs of a military campaign unattractive, maintaining Taiwan's status quo de facto independence until China loses the opportunity for greater aggression. The classic threat or deterrence formula is capability times intent, and, while the U.S. has capability, it does not signal intent as clearly as it should. The U.S. also should not change its official position and declare Taiwan's independence, but it should be clear that Taiwan is eligible for UN protection from annexation. As a member of the UN Security Council, China limits U.S. efficacy in the UN; however, unprovoked annexations are against the UN charter.

A member of Congress remarked that deterrence depends on perception as much as on reality and asked whether China feels like it has surpassed the U.S. militarily. Panelists remarked that China still does not believe it can match the U.S. on a military basis, but the

potential to believe its own propaganda exists and could cause miscalculations. While China radar capacity covers all the South China Sea and China's capacity intimidates the region, the U.S. can effectively push back by working with local countries.

A member of Congress, noting that there is a price to pay for the loss of strategic ambiguity, asked about Japan and remarked that other local allies will watch how the U.S. handles Taiwan. Panelists asserted that Japan would participate if it were attacked. The sizable U.S. forces deployed in Japan also force China to take that cost into account. Likewise, Japan is beginning to realize Taiwan is a lynchpin to its own security.

A scholar began a discussion about the fact that people in China view Taiwan as a symbol of weakness, not as a foreign country. In fact, inaction on the Taiwan issue could have repercussions for President Xi's power. President Jiang Zemin was China's most pro-American leader, but he had to support the idea of Taiwan's recapture to survive politically. Deterrence is important, but the U.S. may be missing a diplomatic tract to make the stakes clear, which could trigger a crisis. Members of Congress should be aware of the risk of commitments or symbolic acts that corner President Xi—especially if something were to occur between now and China's 20th Party Congress in 2022.

A panelist asserted that, going forward, the most important element of policy for the U.S. is to weave a closer alliance structure. While in the past there were different avenues of possible engagement with China, President Xi's tenure has driven nearly all forms of engagement to the point of being adversarial, and the trend suggests it will become even more so. The U.S.'s primary challenge now is to manage China while avoiding war, and the most effective strategy will be to build a powerful global alliance. Further, the alliance must have both military and technology underpinnings. Countries do not want to have to choose between the U.S. and China, but the middle ground is melting away. South Korea, for example, is concerned about China cutting it off and wants to engage with Australia to diversify its depth of regional relationships.

A member of Congress asked about how President Xi will respond to being blocked in. A panelist conceded that there is the potential for blowback or falling into a cold war. China's perspective is victimization, while the U.S. perspective is being forced to react to China's behavior. A broader alliance structure for the U.S. would be difficult for China to retaliate against. Multilateralism is essential to weaken China's argument that the U.S. is unfairly

persecuting it, but there are also risks of the U.S. neglecting potential allies. What would be the most effective way to build an inclusive alliance? One panelist asserted that the U.S. needs to have an ambitious goal, starting with treaty allies and moving outwards. The alliance would affirm the world system, the free market, and democratic values. The U.S. is only beginning to realize that the China threat is not fleeting.

A member of Congress began a discussion by asking: How does China choose between values and policy? A scholar responded that China is brilliant at imbuing policy with values, such as reframing Arctic issues around climate change to prevent a small group of Arctic countries from sequestering all the influence. The U.S.'s efforts in terms of re-energizing the Quad (the U.S., India, Japan and Australia) and other allies—that is, multilateralism—is essential to imbuing policy with values. Now, the U.S. must broaden its definition of what constitutes a partner and be more inclusive in Africa, Asia, and Latin America. Scholars opined that it is difficult to draw a sharp line between democracies and authoritarian countries; it is beneficial to extol the virtues of democracy, but a rigid perspective can leave behind too many other potential allies.

There was consensus that China and President Xi are, themselves, the greatest catalyst for an alliance that pushes back against China. China has alienated many non-aligned countries, and they are moving away from a non-aligned posture. The European Union is beginning to align with the U.S. perspective, as well. Moreover, there is strong bipartisan support in Congress for a unified policy approach to China.

A member of Congress asked whether the U.S. should adopt terminology like “containment” and “cold war.” The consensus was that while China is building connections among countries that share its authoritarian values, overall, the current situation is new to history. China is fundamentally different from the Soviet Union and the strategic competition does not resemble the Cold War, so those terms carry a lot of unhelpful baggage. China will be a much more daunting challenge than the Soviet Union was.

A member of Congress asked what should be at the heart of continued engagement efforts with China. One panelist believed that the tableau is bleak in the sense that China seems willing to hold shared interests, like nuclear proliferation, pandemic response, and climate change, hostage to other contentious issues. However, China is filled with unobservable forces

at work, and it is always possible for a wellspring of different sentiment to appear. The panelist believed that the U.S. should not mistake the current landscape for eternity.

Conclusion

A few key areas of consensus crystalized, which may help guide U.S. policy toward China. First, the U.S. must have realistic expectations for the growing strategic competition with China. The degree to which the U.S. can unilaterally influence China is small, but it is not zero. Continuing diplomatic engagement and smarter competition may yet crack open some doors. However, the U.S. should also accept that, while nothing is certain, the trends indicate a declining relationship with President Xi's China in the years ahead.

Second, the U.S. must improve its ability to control the narrative. Part of that process is to create active policies toward China that take the initiative on critical issues such as foundational technologies and climate change, rather than reacting to whatever policies China implements. Another aspect is the U.S. must regain the normative high ground: simply defending democratic values is no longer enough in an era of internet control and disinformation. The U.S. needs to employ multilateralism to inscribe policy with normative values.

Multilateralism leads to the third key area of consensus: the U.S. must engage in major efforts to build a large, global alliance. The member states of this alliance must be willing to collectively push back against China. If China continues to become more hostile and powerful over the next decade, it is likely that only such an alliance would be able to constrain it without descending into military conflict. Several days after the conference, the AUKUS alliance was announced, which may be an important first step in this direction.

ADVANCING EFFECTIVE U.S. POLICY FOR STRATEGIC COMPETITION WITH CHINA IN THE TWENTY-FIRST CENTURY

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Introduction

Chairman Menendez, Ranking Member Risch, and other distinguished members of the committee, thank you for the opportunity to testify today on this important topic of U.S. strategy in an era of great power competition. My remarks will focus primarily on the political elements of this competition.

China's leaders seek to reclaim Chinese centrality on the global stage by asserting sovereignty over contested territory, replacing the United States as the preeminent power in the Indo-Pacific, embedding Chinese economic, security, technological, and political preferences throughout the rest of the world, and shaping norms, values, and standards in international institutions to reflect Chinese preferences. In such a world, political and economic choice globally will be constrained, and U.S. economic and security interests will be compromised.

For almost a decade, Chinese leaders have made substantial progress toward achieving their objectives. Their success is a function of the leverage of the Chinese market, growing military prowess, long-term strategic planning, strong state capacity, and a multi-actor, multi-domain strategy. At the same time, Beijing's pursuit of narrow self-interest and reliance on coercive tactics have engendered popular backlashes in many countries and rendered it incapable of exerting true global leadership. These vulnerabilities afford the United States a new

opportunity to present and gain broad support for an alternative vision of the 21st century world order.

The United States should begin by reframing the U.S.-China competition away from the narrative of a bilateral rivalry to one rooted in values. It should also reassert its presence in global and regional institutions, coordinate with allies and partners, pursue its own multi-actor, multi-domain strategy, and develop a national consensus around American political and economic renewal. These are the building blocks of U.S. competitiveness. Beyond these steps, however, Washington needs a bold strategic initiative that engages the larger international community, is rooted in U.S. values, and gives life to its strategic vision.

China's Strategic Vision

Chinese leaders offer a new vision of world order rooted in concepts such as "the rejuvenation of the great Chinese nation," a "community of shared destiny," a "new relationship among major powers" and a "China model." Once the rhetoric is stripped away, their vision translates into a significantly transformed international system. The United States is no longer the global hegemon with a powerful network of alliances that reinforces much of the current rules-based order. Instead, a reunified and resurgent China is on par with, or even more powerful than, the United States. And the international community and institutions reflect Chinese values and policy preferences.

At the heart of the Chinese leadership's vision is the reunification of China itself. Chinese leaders are particularly focused on maintaining control within their own border regions, including Xinjiang, Tibet, Inner Mongolia, and Hong Kong and asserting control over areas they consider core interests, such as Taiwan and a vast swath of the South China Sea. China also has outstanding territorial disputes with its neighbors, including India, Japan, Nepal, Bhutan, and South Korea, that it wants resolved in its favor. Several of these disputes flared up over the course of the COVID-19 pandemic, as China sought to gain advantage while the rest of the world was distracted.

Chinese President Xi Jinping also envisions China as the preeminent power in Asia. China is establishing a network of regional economic and security arrangements that exclude the United States (some by the choice of the United States, itself). It leads the Asian Infrastructure Investment Bank and the Shanghai Cooperation Organization. It concluded the Regional

Comprehensive Economic Partnership (RCEP) in November 2020, has expressed strong interest in joining the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), and is advancing a free trade agreement with Korea and Japan. It also calls for a future Asia-Pacific Free Trade Agreement. In addition, China is rapidly developing the military capabilities necessary to realize its sovereignty objectives with regard to the South China Sea and Taiwan.

Beyond its own backyard, China is embedding its technologies, goods, and values throughout the world via the Belt and Road, and its offshoot, the Digital Silk Road (DSR). The DSR is the infrastructure of the 21st century: the BeiDou satellite system, Huawei Marine fiber optic cables, e-commerce, and, on the horizon, China's digital currency and electronic payment system, which is currently being piloted domestically in preparation for a fuller rollout by the 2022 Olympics. China's Health Silk Road (HSR) includes the provision of Chinese-constructed hospitals, tracking systems, doctors, medical devices (one of China's Made in China 2025 sectors), and traditional Chinese medicine. China's vaccine diplomacy has also become a central element of its HSR. Finally, Beijing maintains an extensive, well-funded program of student, journalist, and military officer education and training opportunities in China for citizens from Asia, Latin America, Africa, and the Middle East—including 10,000 full-ride scholarships for students from BRI countries.

As U.S. and other international actors have experienced, China increasingly uses the leverage of its market to coerce international actors to align their views with those of China. While traditionally this coercion has been reserved for issues China deems "core" interests, such as Taiwan, Hong Kong, and the South China Sea, Chinese red lines have proliferated over the past year. Beijing expelled Wall Street Journal reporters in retaliation for an op-ed entitled "China Is the Real Sick Man of Asia," threatened countries' market access in China if they barred Huawei 5G technology, and launched a boycott against Australian goods after the country called for an inquiry into the origins of the COVID-19 pandemic. China's market leverage also provides it the wherewithal to pursue programs such as the Confucius Institutes and Thousand Talents Program—which it is rebooting in 2021 to accelerate the process of drawing foreign scientific talent to China—that take advantage of the openness of other countries to advance Beijing's economic interests and political narrative. And even as China pursues technological self-reliance, Xi Jinping seeks to use the country's market to deepen foreign companies' reliance on it, asserting: "We will enhance the global value chain's

dependence on China and develop powerful retaliation and deterrence capabilities against supply cut-offs by foreign parties."¹

Finally, China's strategy involves transforming global governance institutions by reforming norms and values around human rights and Internet governance, setting technology standards, and weaving the BRI into the mission of more than two dozen UN agencies and programs. In the 14th Five Year Plan, Chinese officials signaled particular interest in shaping norms around the Arctic and Antarctica, maritime governance, and space.

Process and Progress

China pursues its vision with a strategy that is long-term, multi-actor, and multi-domain. Chinese leaders advance bold long-term initiatives with targets and timetables, such as the Belt and Road Initiative, reunification with Taiwan, and China Standards 2035. They mobilize and coordinate significant human and financial resources from all sectors of the Chinese government, military, business, and society to realize those objectives. And they reinforce a single initiative in multiple domains.

For example, in their pursuit of becoming the world's leading innovation and technology power, Chinese leaders set targets and timetables for controlling domestic and then global market share in a wide range of technologies, rally both private and state-owned firms to realize the objectives, protect Chinese firms with programs such as Made in China 2025, subsidize the deployment of Chinese technology through the Digital Silk Road, place Chinese citizens at the head of international standard setting bodies such as the International Telecommunications Union, and flood those bodies with large Chinese delegations and scores of proposals. The Chinese government is also highly opportunistic: for example, when China headed Interpol, it proposed that China upgrade the organization's telecommunications infrastructure; it linked a free trade deal with the Faroe Islands with acceptance of Huawei 5G technology; and it implicitly threatened to ban German cars if Germany banned Huawei.

¹ Frank Tang, "China puts supply chain security at forefront to avoid being 'strangled' by sanctions, analysts say," South China Morning Post November 9, 2020.

Over the past several years, Beijing has made progress on a number of its strategic objectives:

- It has realized its sovereignty claim over Hong Kong through the imposition of the National Security Law and expanded its military capabilities and presence in the South China Sea.
- It also has withstood international opprobrium and targeted economic sanctions for its violations of human rights in Xinjiang, and it has successfully mobilized developing economies, particularly from Africa and the Middle East, to support its stance on Hong Kong, Xinjiang, and the South China Sea.
- Its trade initiative, RCEP, elevates its economic position within the Indo-Pacific.
- The BRI has laid the foundation for Chinese technology to provide much of the world's next generation telecommunications, financial, and health infrastructure.
- Chinese dominance in UN technology standard-setting bodies and capacity-building on Internet governance are reinforcing acceptance of both Chinese technology and the more repressive norms and values it enables.

Yet China's actions have also created new challenges:

- China's assertiveness and coercive tactics have contributed to popular backlashes that threaten its larger strategic objectives. Polls in 2020 and 2021 suggest that citizens in many developed and developing economies do not trust Xi Jinping or China and favor Japanese, EU, or U.S. leadership over that of China.²
- Rather than undermine the U.S.'s role in the Asia Pacific, Chinese actions have strengthened U.S. relations with members of the Quad and other Asian partners, such as Vietnam. And the EU has stepped up to enhance its political and security engagement in the Asia Pacific.
- Significant solidarity among advanced democracies has emerged to protest Chinese policies in Xinjiang and Hong Kong, to call for an investigation into the origins of COVID-19, and to ban or limit Huawei 5G technology. And countries are increasingly scrutinizing and defending against Chinese behavior that attempts to subvert the principles of international institutions.

² "The State of Southeast Asia: 2021 Survey Report," ISEAS Yusof Ishak Institute, February 10, 2021.

- The absolute number of Confucius Institutes has declined over the past few years to just over 500—far short of Beijing’s target of 1000 worldwide by 2020.³
- The Belt and Road has become increasingly bumpy. Approximately 60 percent of BRI projects have been “somewhat” or “seriously” affected by the pandemic; and several European members of China’s 17+1 BRI construct are considering exiting the arrangement.

Realizing the U.S. Competitive Advantage

The Biden administration’s Interim National Security Strategic Guidance established a useful set of basic parameters for U.S. strategy in the 21st century: protecting the underlying political and economic strengths of the United States, promoting a favorable distribution of power, and leading and sustaining a stable and open international system underwritten by our allies, partners, and multilateral institutions that is capable of meeting the challenges of this century—cyber, climate, corruption and digital authoritarianism. To realize this future, however, will require the United States not only to lead with a strong vision but also to operate with a new degree of humility and partnership.

First, the United States must account for shifting structural realities. By 2030, or perhaps earlier, the size of China’s economy will likely surpass that of the United States. China’s population already exceeds that of the United States by more than four times, providing it a distinct advantage in human capital, whether for advancing innovation, growing a domestic market, or enhancing global political outreach. And within the Asia Pacific region, China claims a distinct military advantage simply by virtue of geography. These factors will require greater reliance on allies and partners.

Second, the United States needs to integrate American values and ambitions at home with its leadership abroad, while acknowledging that some of these values are still aspirational. These values include a commitment to inclusion and equality, free trade and economic opportunity, innovation and sustainability, openness, human dignity, and the rule of law. Many of these aims are already embedded but not fully realized in the current rules-based order.

³ “Confucius Institute/Classroom, Hanban,
https://web.archive.org/web/20210101041525/http://english.hanban.org/node_10971.htm.

Operating from such a framework enables the United States to assert a positive and proactive message of leadership that resonates both domestically and internationally.

Third, and related, the United States should make clear that the central challenge China poses is a value and norm-based one and not, as is often asserted, one defined by a rising power versus an established power. When competition is framed in a bilateral U.S.-China context, China gains an important advantage. Every issue is elevated into a signal of relative power and influence; and as the rising power, any relative Chinese gain becomes a win. A framework that embraces values and norms also is more likely to engage U.S. allies and partners. Conflict in the South China Sea becomes a normative challenge by China to freedom of navigation and international law rather than a competition for military dominance between the United States and China in the Asia Pacific. It is a challenge that speaks not only to the United States but also to the 168 nations who are already party to the UN Convention on the Law of the Sea.

Fourth, as many in the U.S. policymaking community have acknowledged, the United States needs to retool at home. The polarized American polity and chaotic response of the U.S. government to the pandemic tarnished the United States' image and contributed to the impression of U.S. decline.⁴ Before taking office, Biden administration National Security Council officials Kurt Campbell and Rush Doshi argued that the United States would need to rebuild and rethink the relationship between the state and the market in ways that addressed inequality, sustained growth, and ensured competitiveness with China.⁵ The United States needs the same clear objectives and targets for realizing these goals that it adopts for ensuring military preparedness.

Fifth, the United States must re-engage broadly and deeply in regional and global organizations. These organizations are a central battleground in ensuring a "stable and open" international system that reflects U.S. interests and priorities. The Biden administration has already rejoined a number of multilateral agreements and organizations and made clear its intention to seize back the initiative in areas such as human rights, climate change, and

⁴ Richard Wike, "The Trump era has seen a decline in America's global reputation," Pew Research Center, November 19, 2020.

⁵ Kurt Campbell and Rush Doshi, "The China Challenge Can Help America Avert Decline, Foreign Affairs, December 3, 2020.

technology. However, it must also remain attuned to new Chinese priorities. China's recently released 14th Five Year Plan (2021-2025), for example, highlighted several priority areas for deeper Chinese engagement in regional and global governance: the Arctic and Antarctica, maritime governance, regional free trade, and space. The United States should be prepared for significant new Chinese initiatives in these arenas and should ensure that it can operate from a position of relative strength, for example, by acceding to UNCLOS and the CPTPP, and developing a tightly coordinated strategy with allies around Arctic and space governance.

Sixth, the United States and its allies and partners should create informal working groups, perhaps within the context of the Organization for Economic Cooperation and Development, to coordinate and advance shared norms and values as well as to defend against Chinese coercion. In particular, many U.S. analysts have underscored the need for such cooperation in setting joint technology standards. Developing consensus candidates for leadership positions in international institutions, ensuring strong representation by democracies in bodies such as the UN Human Rights Council and International Telecommunications Union, and addressing larger issues of institutional reform, for example, in the World Health Organization and World Trade Organization, should also be priority areas for policy coordination. And, aligning a policy approach to address ongoing Chinese human rights abuses particularly in Xinjiang, Tibet, and Hong Kong is essential.

A democratic alliance could also cooperate to combat China's coercive economic policies. While campaigns to buy Taiwanese pineapples and Australian wine in the face of Chinese boycotts are important signals of allied cohesion, stronger steps are necessary. In cases where China boycotts goods from countries on political grounds, an alliance network could simultaneously boycott or impose tariffs on Chinese goods. Similarly, when China threatens loss of market access for industries, such as hotels and airlines, other countries should respond by threatening to take away Chinese airlines' or hotel access to their markets. Reciprocity signals to China that other countries are prepared to respond with more than rhetorical condemnation and levels the playing field for future negotiation.

The United States should also encourage deeper European security engagement in Asia. NATO Secretary General Jens Stoltenberg has called for NATO to play a larger role in the Asia Pacific region, coordinating with Australia, Japan, New Zealand and South Korea to support global rules and set norms and standards in space and cyberspace in the face of destabilizing

Chinese behavior.⁶ Europe could take part in conversations the Quad is pursuing around supply chain resiliency, the pandemic, and disinformation campaigns as well.⁷ Importantly, a stronger Europe-Asia security partnership could play a crucial role in bolstering Taiwan's security.

Seventh, for the United States to ensure a world order that reflects its values and normative preferences—and not those of China—and to meet the challenges of this century requires more than simply cooperation with its traditional allies and partners. It requires forging a new relationship with the world's developing economies that is rooted in new economic opportunities for those countries, is imbued with U.S. values, and is directed toward meeting the global challenges outlined in the administration's guidance.

The breadth and depth of China's engagement with the world's developing economies, particularly in Africa and the Middle East, but also Latin America and Southeast Asia, has provided China with fertile ground for its values, technologies, and policy preferences to take hold. And it is forging closer military ties with many of these countries as well. Yet, there is an opportunity in many cases to change this dynamic.

To begin with, the United States should adopt a more inclusive diplomatic framework and engage a broader range of countries in thinking through how best to advance a common strategy on cybersecurity and governance, climate, corruption and digital authoritarianism. China shouldn't achieve an advantage simply because it shows up and listens and the United States does not.

In consultation with the developing economies, the United States and other large market democracies, such as Germany, France, the UK, Japan, and Australia, should also pursue a significant new development initiative—for example, a sustainable and smart cities program in 25 to 30 developing countries. Such an initiative would leverage U.S. strengths and those of its democratic allies and address the broader global imperatives identified by the Biden administration. It would involve political and economic capacity building around the rule of law,

⁶ Sebastian Sprenger, "NATO chief seeks to forge deeper ties in China's neighborhood," *Defense News*, June 8, 2020.

⁷ Garima Mohan, "Europe in the Indo-Pacific: A Case for More Coordination with Quad Countries," *German Marshall Fund of the United States*, January 14, 2020.

transparency, sustainability, and innovation and would engage not only governments but also the private sector, civil society, and international institutions.

While much of a new development effort would require new financial support, the United States and its partners could also leverage current initiatives, such as the U.S.-led Clean Network or Quad-based efforts to establish resilient supply chains. As multinationals diversify part of their supply chains away from China to develop regional manufacturing and distribution centers, for example, these new investment opportunities could become part of this new development initiative. Development agencies and nongovernmental organizations, such as the Asia Foundation⁸ and Bloomberg Philanthropy, that support grassroots programs on the rule of law, sustainability, and technological innovation could also play an important role. They are a force multiplier for democratic values and should be part of a considered U.S. and allied strategy. And at the same time, the United States and its allies could reinforce the political, environmental, and technological standards in UN agencies and standard setting bodies. Creating a new path forward to engage the developing world is essential to U.S. competitiveness with China, not to mention the future well-being of the international system.

Finally, even as the bilateral U.S.-China relationship remains overwhelmingly competitive, the United States should keep the door open to cooperation with China. There is legitimate space to elevate the world's capacity to respond to climate change, pandemics, and global disasters through U.S.-China cooperation. Reconstituting a bilateral dialogue that supports discussion and negotiation on singular, targeted issues of mutual concern, such as visas or maritime safety, would also be beneficial. And supporting civil society exchanges, such as the Fulbright program and Peace Corps, that offer the opportunity to share U.S. perspectives and values, have little downside for the United States and significant potential upside.

⁸ The author is a current Trustee of the Asia Foundation.

THE DANGER OF EXAGGERATING CHINA'S TECHNOLOGICAL PROWESS

PETER COWHEY AND SUSAN SHIRK

Professor Shirk is Chair of the 21st Century China Center at the University of California, San Diego. Professor Cowhey is Dean Emeritus of the School of Global Policy and Strategy at UCSD. Both are members of the Working Group on Science and Technology in U.S.-China Relations, which recently released a report entitled "Meeting the China Challenge: A New American Strategy for Technology Competition."

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The U.S.-China relationship will be the great geopolitical rivalry of the early 21st century, and every facet of the competition will involve the two big powers' capabilities in science and technology. Figures from across the political spectrum worry about a technology race with China, and many Americans fear that China has already surpassed us in such frontier technologies as artificial intelligence and 5G broadband communications. "China has stolen a march and is now leading in 5G," then-Attorney General William Barr declared in a recent keynote speech at a Justice Department conference on China. Graham Allison of Harvard University warns that China "is currently on a trajectory to overtake the United States in the decade ahead" in artificial intelligence.

The conventional wisdom about China's supposed advantages in AI and 5G shows how easy it is for incomplete understanding of technologies to lead to misjudgments and policy mistakes. Balancing economic and security considerations requires considerable knowledge of specific technologies—not just a current snapshot but also a sense of how the fundamentals will shape their evolution. We believe that the most effective U.S. policies will pair openness to China with scrupulous efforts to manage the risks posed by specific technologies.

Let's start with AI, where outdated analogies have led to wrongheaded policies. Prof. Allison has dubbed China "the Saudi Arabia of the twenty-first century's most valuable commodity": data. But this fashionable metaphor implies that China's larger supply of data—garnered from its more than one billion people, with very limited privacy protection—gives it a big advantage. Chinese machine learning algorithms can be trained on far larger data sets, this

line of thinking contends, and can thus advance more quickly and powerfully than their American counterparts.

This assessment makes two fundamental errors. For one, data aren't interchangeable. Machine learning depends on specialized data sets, not mountains of undifferentiated data points. For another, this argument ignores the law of diminishing returns. Infinitely larger supplies of an input like data don't produce infinitely better results; indeed, they may actually reduce performance. For many AI tasks, machine simulations are more productive than mountains of data.

When people think of AI functions that must be sequestered from China, they are often thinking of AI as a specific device or program, like HAL, the omniscient computer in the movie "2001: A Space Odyssey." But AI is actually a variety of procedures applied to different tasks. Almost all AI research is public and conducted by a global community of researchers. Only a very few applications for specialized security tasks need to be classified and subject to export controls.

Besides computing power, the biggest driver of AI is human talent. The U.S. leads the world in AI because it attracts the best researchers in the world. If the U.S. slows down those talented scientists by locking up their work as national-security secrets or restricting them from taking on Chinese students, they will simply take their skills elsewhere. Canada is just a short plane ride away. Overclassifying research to preserve scientific primacy is a quick road to decline.

The American debate about 5G mobile broadband also illustrates the dangers of failing to understand long-term technology development. In recent years, Washington has obsessed about the potential for espionage and sabotage thought to be inherent in the use of equipment from Huawei, the Chinese company with the world's largest share of 5G radio access network equipment, or RAN. Some have concluded that the U.S. should cripple Huawei to restore U.S. dominance.

The Trump administration's campaign against Huawei persuaded only a few close U.S. allies to ban the firm's inexpensive and well-engineered offerings. Debates still rage over whether much stricter security measures short of a ban could make Huawei-related risks manageable, but current U.S. policy fundamentally misunderstands the factors determining 5G competitiveness and security.

Huawei's first generation of 5G RAN base stations is a modified version of the older 4G infrastructure that yields faster speeds. The ultimate promise of 5G is an ubiquitous network customized to user needs. Trillions of devices and applications—known as the Internet of Things—using 5G technology will offer new solutions for everything from autonomous vehicles to industrial production management to remote surgery. But the drivers of 5G's evolution will be semiconductors, software systems and cloud computing—areas in which the U.S., not Huawei or any other Chinese company, is the world leader.

Instead of being intimidated by Huawei, U.S. foreign policy makers should recognize the Chinese company's situation, which is akin to the dominance that IBM enjoyed during the age of mainframe computing. IBM's massive scale and proprietary standards and software made it hard for competitors to match its offerings. Only in the 1970s and '80s, when Japan massively subsidized new competitors like NEC, did IBM falter. But the true decline of IBM and its Japanese competitors came with the rise of the internet. The web's transparent standards enabled many new firms to "plug and play." Semiconductors, software and desktop computing eventually led to the apps on your smartphone at a fraction of the cost of such functions 30 years ago.

Today, 5G is at a similar moment. A new generation of technological standards for 5G would allow specialist suppliers—like the Microsofts and Intels of the internet era—to compete against Huawei, Ericsson, Nokia and Samsung. Control via the old RAN infrastructure will be diminished by control via cloud computing and software, which plays to a key U.S. strength. Introducing these standards will take concerted action from U.S. firms, along with targeted U.S. government support, such as the adoption of procurement requirements to embody these new rules.

The 5G Internet of Things will connect tens of thousands of suppliers of devices and pieces of software with massive rivers of data flowing across national borders. China will be a major security problem, but only one of many. Think of the challenge posed by the 5G Internet of Things as a massively scaled-up version of the cybersecurity threats that pervade networked computing today. As such, 5G security will need to follow today's cybersecurity template of carefully designed risk management.

Weighing such trade-offs is a job for politicians and diplomats with a sophisticated grasp of the underlying technology. A security strategy aimed at eliminating all risks from technological engagement with China would fail, and as we have seen, even many U.S. allies

won't join us in breaking such ties. Tech-savvy policy leaders must find more productive ways of managing the risks of engagement with China while boosting America's innovation ecosystem and competitiveness.

HOW TO WIN THE TECHNOLOGY RACE WITH CHINA

ANJA MANUEL

Principal and co-founder, Rice, Hadley, Gates and Manuel

I published a longer version of this proposal with Pavneet Singh for the Technology and Public Policy Project at Stanford University and the Aspen Strategy Group in 2019.¹ This piece has been comprehensively updated and shortened as of August 2021.

China systematically extracts advanced technology from the West. It does so legally, by mining open source databases, investing in our most advanced companies, and compelling technology transfer as a condition for doing business in China, as well as illicitly, through cybertheft and industrial espionage.

The Trump Administration deserves credit for raising the alarm, and for putting in place some “defensive” measures: tightening foreign investment restrictions and export controls, and slowing cross-border collaboration.² The Biden administration has doubled down on some of these policies, as well as moving forward some “offensive” initiatives to build up our own industries. Defensive measures alone will not yield the results we are seeking; the U.S. must have an affirmative, offensive strategy that includes deepening our engagement with allies, competing with China where we must, and in some cases, finding ways to collaborate.

This paper is designed to give Congress an overview of a) which technologies to prioritize and where the West must stay in the lead; b) the “defensive and “offensive” measures

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²Chad P. Bown, “How Trump’s export curbs on semiconductors and equipment hurt the US technology sector” available at <https://www.piie.com/blogs/trade-and-investment-policy-watch/how-trumps-export-curbs-semiconductors-and-equipment-hurt-us>

the U.S. government has already put in place, and c) where the U.S. should go from here, with a special focus on where Congress can play a key role.

Critical Technologies In Which the West Must Continue to Lead

“Made in China 2025” identifies ten priority sectors, such as information technology, smart manufacturing, and robotics which the Chinese Government expects to lead in by 2025.³ This is combined with recent announcements on “Dual Circulation” by China’s leader Xi Jinping, focused on Chinese self-sufficiency of these technologies while also dominating critical markets outside of the country.⁴

Importantly, the U.S. does NOT need to decouple from or compete with China in every technology area – only those critical to our national security. Broader decoupling will harm our own industries and would sacrifice the important window we currently have into Chinese innovation through that collaboration and trade. Most experts believe that the following sectors are the most critical:

Artificial Intelligence: AI is a “general purpose technology,” akin to the steam engine or electricity, with the potential to revolutionize a wide range of sectors. China has a whole-of-government approach to achieve dominance in AI, investing in key areas of talent, data, and hardware to ensure its top AI firms do not compete with each other, while sharing their innovations with the government. It also provides regulatory support, including loose privacy and data protection regulations.⁵

Semiconductors: The U.S. currently leads the world in semiconductor design and the development of semiconductor manufacturing equipment (SME), the most crucial building block of the information economy. China consumes one half of the world’s semiconductors, but

³ Zachary Torrey, “China Prepares for Big Pharma- Pharmaceuticals is a target industry under the “Made in China 2025” plan.” available at <https://thediplomat.com/2018/03/china-prepares-for-big-pharma/>

⁴ Hung Tran, “Decoupling/ Reshoring versus Dual Circulation: Competing Strategies for Security and Influence” available at: https://www.atlanticcouncil.org/wpcontent/uploads/2021/04/Decoupling_Reshoring_versus_Dual_Circulation.pdf

⁵ Huw Roberts, Josh Cowls, Jessica Morley, Mariarosaria Taddeo, Vincent Wang & Luciano Floridi “The Chinese approach to artificial intelligence: an analysis of policy, ethics, and regulation” available at <https://link.springer.com/article/10.1007/s00146-020-00992-2>

currently produces only about 5%.⁶ Its goal is to produce 70% of its domestic need by 2025.⁷ China has massive public-private funding vehicles, the effectiveness of which is unclear, since one of the top recipients of government aid, Tsinghua Unigroup, has just filed for bankruptcy. However, China is clearly determined to get ahead: it seeks to acquire cutting edge foreign SME to strengthen its domestic production, it continues its espionage efforts directed at leading American companies like Micron and others, and seeks strategic partnerships with leaders like Intel.

5G: 5G will be the backbone of the new economy, providing the antennas and routing infrastructure on which everything from cellphones to the “internet of things” will rely, including electricity grids, smart cities and autonomous vehicles. China is several years ahead in deploying 5G. Its national champion, Huawei, is both genuinely innovative and has benefited tremendously from state subsidies and industrial espionage against western companies.⁸ Huawei is building 5G networks in many countries at 35% less cost and equivalent quality to Ericsson and Nokia.⁹

FinTech/Payment Systems: China – through Ant Financial, AliPay, WeChat Pay, and others – has the world’s most advanced mobile payments market,¹⁰ and the most advanced central bank digital coin. This **directly threatens the United States’ ability to enforce international sanctions**, which our government does through the correspondent banking system. Chinese mobile payments giants circumvent this system, and U.S. and European banks – 75% of them are reducing their correspondent banking counterparties, because the regulatory burden is onerous. The U.S. should ensure our domestic fin-tech start-ups have a clear and thoughtful regulatory environment, so they can compete. Currently, U.S. regulation is both inconsistent and overreaches.¹¹

⁶ Wei Sheng , “Where China is investing in semiconductors, in charts” available at <https://technode.com/2021/03/04/where-china-is-investing-in-semiconductors-in-charts/>

⁷ Semiconductor Dependency, USC China Institute available at <https://china.usc.edu/semiconductor-dependency>

⁸ Kiran Stacey, “US accuses Huawei of stealing technology from six companies,” available at <https://www.ft.com/content/3174481a-4e8b-11ea-95a0-43d18ec715f5>

⁹ Steve McCaskill “Huawei: We make it cheaper and simpler to deploy 5G” available here <https://www.techradar.com/news/huawei-we-make-it-cheaper-and-simpler-to-deploy-5g>

¹⁰ China’s mobile payments markets handles about \$45 trillion in global transactions volume – more than 2X Visa, MasterCard and PayPal combined. Alipay alone has 1.3 billion users (300 million outside China) vs PayPal’s 300 million total.

¹¹ For example, the SEC has given the “go ahead” to Bitcoin and Ethereum – both of which are mined mostly in China while doing vast environmental damage – but has sued Ripple, a U.S. company which does full AML and KYC compliance on all payments, allows complete tracing of transactions, and is the largest and most

Other Technologies: In addition to those listed, China’s “Made in China 2025” and the country’s 14th five year plan call for the government to promote innovation in sectors including robotics, aerospace, autonomous vehicles, cleantech, quantum computing, and biomedicine.¹² In some of these sectors, the U.S. and China could usefully cooperate, while in others the potential for dual-use military applications is too great.

The Proposal

This paper outlines a three-prong approach of contesting (“defense”), competing with (“offense”), and collaborating with China in certain areas to ensure the U.S. maintains its leadership in global technology. The proposal aims to reduce the severity of China’s illicit behaviors, compel China’s adherence to at least some norms and rules in development and trade of technology, and ensure America’s continued leadership in next generation technologies.

Where are we now? Three years and two administrations into the effort, U.S. actions are still more “defensive” (keeping China out/U.S. Tech “in”) than offensive (building ourselves up). There is a hodgepodge of different policies, because the U.S. government has not yet developed new policy tools for such a contest. Some Trump era policies as outlined below—are overbroad and “stuck” because the Biden team lacks senior political appointees in place who can moderate the policies. In the worst cases, this is causing our industries to bleed out, actively harming our competitiveness. On the offensive side, big appropriations are in process. This is great news overall, but there is a real danger that much of the money will be wasted, if not implemented carefully.

“Defensive” Measures: Contesting Chinese Efforts

“Defensive” measures are a crucial way to protect the United States from cyber-espionage and other “leakage” of key technology secrets. Most of the measures the U.S. has taken so far fall in this category. Congress and the Administration reformed CFIUS (Committee

sophisticated western player in the global payments space, working with over 200 international financial institutions (Please note I serve on the board of Ripple, so I am not an impartial observer).

¹² Nis Grünberg and Vincent Brussee “China’s 14th Five-Year Plan – strengthening the domestic base to become a superpower” available at <https://merics.org/en/short-analysis/chinas-14th-five-year-plan-strengthening-domestic-base-become-superpower>

on Foreign Investment in the United States) in 2018, tightened export controls and slowed cross-border collaboration in a number of ways,¹³ and blocked numerous Chinese researchers from working at American Universities.¹⁴ Some of these defensive measures are needed, but in others they have overreached and actually now harm U.S. competitiveness, as outlined below.

Prevent Intellectual Property leaks via Foreign Transactions (Investment, M&A, Joint Ventures and Partnerships): In 2018, Congress substantially reformed CFIUS (now called FIRRMA¹⁵) to make it more difficult for foreign companies to invest in cutting edge technology here in the United States. This was a commendable start, but it needs to be refined and strengthened: For example, the Administration should create a scientific and private sector advisory panel that defines—on an ongoing basis—which “critical technologies” we need to protect to balance ensuring security without stifling innovation. Importantly, in this area the U.S. cannot go it alone, and several other countries such as Germany,¹⁶ Japan,¹⁷ and Australia¹⁸ have followed suit. The U.S. should actively encourage more to do so.

Exact Costs for Transgressions: Chinese firms should incur consequences when they break the rules. In addition to pursuing World Trade Organization actions against China, the United States should **narrowly** exercise available executive powers as appropriate under the Export Controls, the International Emergency Economic Powers Act (IEEPA), the “Entity List” of the Commerce Department’s Bureau of Industry and Security (BIS), and Section 337 (1930 Tariff Act) actions to punish specific Chinese firms or industry sectors for forced technology transfer, economic espionage, and market protectionism.

¹³ CFIUS Reform Under FIRRMA, Congressional Research Service available at: <https://fas.org/spp/crs/natsec/IF10952.pdf>

¹⁴ Stuart Anderson, “Biden Keeps Costly Trump Visa Policy Denying Chinese Grad Students” available at <https://www.forbes.com/sites/stuartanderson/2021/08/10/biden-keeps-costly-trump-visa-policy-denying-chinese-grad-students/?sh=2e63af613641>

¹⁵ Foreign Investment Risk Review Modernization Act

¹⁶ Last year, **Germany** allowed the government to block investment in new tech industries like artificial intelligence, semiconductors, and quantum computing. Available at: <https://www.wsj.com/articles/investment-review-panel-gets-wider-role-under-biden-in-rivalry-with-china-11625650200>

¹⁷ **Japan** requires foreign investors to formally notify the govt before acquiring 1% or more of a listed company, up from previous threshold of 10%. In January of 202. Available at: <https://www.wsj.com/articles/investment-review-panel-gets-wider-role-under-biden-in-rivalry-with-china-11625650200>

¹⁸ **Australia** required foreign investors to seek approval for investments in land or businesses deemed sensitive by the government. Available at: <https://www.wsj.com/articles/investment-review-panel-gets-wider-role-under-biden-in-rivalry-with-china-11625650200>

In **Export Controls** in particular, the **U.S. is unintentionally overreaching** in ways that harm U.S. industry, largely because there are not political appointees in place to implement a more nuanced policy. For example, U.S. semiconductor manufacturing equipment companies are not able to export even 1990s era technology, which fuels their cutting edge research and development (R&D).

Both the Trump and Biden Administrations are using the powerful tool of the "**Entities List**" to punish firms such as ZTE, Huawei and others. The Biden administration recently expanded the entities list beyond companies that work with the Chinese military¹⁹ to all companies complicit in human rights abuses against the Uyghurs in Xinjiang. The "Entity List" is a powerful tool that can generate unintended consequences and should be used in a narrowly tailored way. For example, when Huawei was listed in May 2019, it lost access not just to the U.S. 5G market, which is a legitimate concern, but also to Google's Android operating system, which arguably does not implicate national security and harms U.S. companies in the process.

Additionally, the Biden administration expanded President Trump's "**Do Not Invest List**"²⁰ under IIEEPA (International Emergency Economic Powers Act).²¹ This order prevents Americans from investing in public securities of 60 Chinese companies somehow affiliated with the Communist Party of China or the People's Liberation Army (Huawei, etc).²² However, private equity and venture capital investments seem to be unaffected so far.

Don't Got it Alone: Defensive actions will carry much more weight if we do them jointly with like-minded nations. This will encourage the norms of behavior the United States and allies expect in a global technology economy moving forward.ⁱ *Please see proposal for a "Tech 10" below.*

¹⁹ Gordon Lubold and Dawn Lim, "Trump Bars Americans From Investing in Firms That Help China's Military" available at, https://www.wsj.com/articles/trump-bars-americans-from-investing-in-firms-that-help-chinas-military-11605209431?mod=article_inl

²⁰ Exec Order 14032.

²¹ Gordon Lubold and Dawn Lim, "Trump Bars Americans From Investing in Firms That Help China's Military" available at, https://www.wsj.com/articles/trump-bars-americans-from-investing-in-firms-that-help-chinas-military-11605209431?mod=article_inl

²² 60-day grace period until Aug. 2. one-year period for Americans already invested in the firms to divest themselves, the blacklist will be managed by Treasury, which oversees many of the economic sanctions. Available at <https://www.wsj.com/articles/biden-expands-blacklist-of-chinese-companies-banned-from-u-s-investment-11622741711>

"Offensive" Measures: Competing with China

While we must take basic precautions to protect our technology, pulling up the drawbridge and digging a moat around U.S. technology is impossible and will not alone help us win this high-stakes race. Instead, we must once again set global norms and values for technology and reinforce our own ability to innovate.

U.S. Government Actions

Federal R&D: Many of the fundamental breakthroughs underlying the U.S. economy today transistors, microprocessors, the Internet, and others—originated in federally-sponsored research through the military, national labs, and corporate labs.²³ Federally-funded research rose rapidly in the 1950s and early 1960s, reaching a peak of almost two percent of Gross Domestic Product in 1964.²⁴ Today, that figure has declined to approximately 0.5%.²⁵

To foster the breakthroughs needed for tomorrow's economy, the United States must commit to a generational national investment in science and technology.

The **U.S. Innovation and Competition Act** is an excellent down payment on this. It passed the Senate on June 8 by a huge margin, but has not yet been taken up by the House. The \$250 billion, [2,400-page](#) legislation combines multiple bills, including the Endless Frontier Act. This is a fantastic start, but reflects a compromise which prioritizes other spending over pure R&D. The original Endless Frontier Act committed \$100 billion to R&D, to be administered by the National Science Foundation. The new Act waters that down with only \$29 billion in new money which also focuses on improving technology education and workforce opportunities, as well as supporting tech R&D activities.

²³ Hanemann, Thilo, Gao, Cassie, and Lysenko, Adam. "Net Negative: Chinese Investment in the US in 2018." Rhodium Group, January 13, 2019, available at <https://rhg.com/research/chinese-investment-in-the-us-2018-recap/>.

²⁴ As Chinese manufacturers has reduced panel costs, cost of and therefore total installations has increased in the US; see, e.g., "China Ramps Up Solar Exports After Reforms Hit Home Market." *Bloomberg*, December 6, 2018, available at <https://www.bloomberg.com/news/articles/2018-12-06/china-ramps-up-solar-panel-exports-after-policy-hits-home-market>; and Robbins, Denise. "What Will Accelerate US Solar Adoption?" Chesapeake Climate Action Network, January 24, 2018.

²⁵ James Petthokloukis "U.S. federal research spending is at a 60-year low. Should we be concerned?" available here: <https://www.aei.org/economics/us-federal-research-spending-is-at-a-60-year-low-should-we-be-concerned/>

This bill should be viewed as a first step: Over time, the U.S. should aspire to grow federal R&D to 1% of GDP or more, an increase to approximately \$200 billion.²⁶ As economist Benjamin Jones and others have found, **each dollar invested in U.S. R&D has a \$5 benefit to U.S. society**, so this is the area where tax-payer dollars are spent most wisely with a multiplier impact.²⁷

CHIPS Act: The CHIPS Act, recently passed by the Senate as part of the U.S. Innovation and Competition Act, is an important down-payment on ensuring the U.S. semiconductor industry remains cutting edge.²⁸ It provides \$52 billion for domestic semiconductor research, design, and manufacturing.²⁹ Most importantly, it creates a National Semiconductor Technology Center (NSTC).³⁰ The NSTC will receive \$10.5 billion in funding over 5 years, which will conduct cutting edge research and "support collaborations between startups, academia, established companies, and new ventures." In addition, the U.S. Department of Commerce has about \$40 billion in grantmaking authority to incentivize investment in U.S. semiconductor fabrication, assembly, testing, advanced packaging, or research and development."

While it makes sense to build some factories—such as those producing chips for the defense and intelligence agencies—here in the U.S., it would be foolish to try to bring this

²⁶ This approach could include: Increasing funding at ARPA-E, DARPA, National Laboratories, universities and FFRDCs through competitive grant frameworks; Coordinating this increase in funding with strategic national priorities for innovation;

- Funding research in areas where the venture capital market is not investing so that more capital-intensive and riskier ideas can be pursued;
- Reorienting the Small Business Innovation Research program so that federal agencies provide more money for seed and pre-seed ideas with a streamlined application process;
- Forming a U.S. government investment fund that matches funds invested by private capital going into sectors of national interest that are under-funded, such as semiconductors and 5G; and

Identifying a handful of "moonshots" for public-private cooperation and providing economic incentives for academic institutions, labs, and private firms to partner and strive toward ambitious goals. We understand that this is an enormous increase. The U.S. government could offset some of the cost by investing less in outdated and enormously expensive legacy weapons systems and finding other efficiencies. Chris Brose, Richard Danzig and others have written compelling arguments in favor of an R&D forward approach.

²⁷ Science and Innovation: The Under-Fueled Engine of Prosperity, By Benjamin Jones, July 14, 2021, written for Aspen Economic Strategy Group.

²⁸ U.S. share of chip production has declined from 37% in 1990 to 12% today. Semiconductor Industry Welcomes President Biden's Executive Order on Critical Supply Chains available here: <https://www.semiconductors.org/semiconductor-industry-welcomes-president-bidens-executive-order-on-critical-supply-chains/>

²⁹ Senate Passage of USICA Marks Major Step Toward Enacting Needed Semiconductor Investments available here: <https://www.semiconductors.org/senate-passage-of-usica-marks-major-step-toward-enacting-needed-semiconductor-investments/>

³⁰ *Sec. 9906 of S.1260 - United States Innovation and Competition Act of 2021* available here: <https://www.congress.gov/bill/117th-congress/senate-bill/1260>

industry “back home.” Even \$52 billion dollars – enormous sum that it is – only reflects about four months of the capital spending of the semiconductor industry and can be quickly wasted on corporate welfare with no real benefit to U.S. competitiveness.

Talent & Workforce Development

Science and technology talent are the foundations of America’s success, and we are falling behind. In recent worldwide ranking of student math, science and reading scores in 2015-2016, China ranked tenth, while the U.S. placed a measly thirty-first.³¹ The United States must make a generational investment in the nation’s technological talent base by improving the STEM (science, technology, engineering and math) education system, recruiting more tech-savvy talent into the federal government, and reforming our immigration policy. Again, the U.S. Innovation and Competition Act is a fantastic start: the Act has multiple initiatives focused on training college students and experienced workers in advanced manufacturing techniques while also supporting community outreach through public universities.³²

The United States must also build a pipeline of STEM talent starting in K-12,³³ and vastly improve technical chops in government service.³⁴ Finally, the U.S. **Congress should reestablish the Office of Technology Assessment (OTA)**. As a neutral research agency within the U.S. Congress staffed by scientists and technologists, OTA used to provide non-

³¹ “PISA Worldwide Ranking – average score of math, science and reading.” Available at <http://factsmaps.com/pisa-worldwide-ranking-average-score-of-math-science-reading/>. See also, “China’s AI dream is well on its way to becoming a reality.” *South China Morning Post*, April 22, 2018, available at <https://www.scmp.com/comment/insight-opinion/article/2142641/chinas-ai-dream-well-its-way-becoming-reality>. China’s Ministry of Education has a new five-year AI talent training program to train 500 more AI instructors and 5,000 students at top Chinese universities; Chun, Andy

³² Senator Jackie Rosen, Co-Sponsor of the legislation, <https://www.rosen.senate.gov/rosen-votes-pass-united-states-innovation-and-competition-act>

³³ The United States must also build a pipeline of STEM talent starting in K-12. The federal government should provide funding for school districts that establish computer science (CS) as a core, non-elective curriculum offering, and establish loan forgiveness for CS graduates who teach K-12 CS courses.

³⁴ We need more competence among U.S. policymakers on issues of technology. The Congressional questioning of Mark Zuckerberg at hearings in April 2018 showed that some Members of Congress are woefully unprepared to govern on issues of advanced technology. The federal government should support technologists who want to do less lucrative but invaluable service in the government through fellowship programs, expanding loan forgiveness, support tech companies’ efforts to place employees in short secondments in government, or even ROTC-like programs to recruit students with STEM training into public service. See, e.g., Webb, p. 249; Rosenbach, Eric. Prepared Statement for Senate Hearing: “China: Challenges to US Commerce.” March 7, 2019, available at <https://www.belfercenter.org/publication/eric-rosenbach-china-challenges-us-commerce>.

partisan advice to Members of Congress on science and technology issues. It was unwisely defunded in 1994.

Attract and Retain the Best Global Talent: The United States must embrace perhaps our deepest advantage over China—that the best and brightest international STEM talents aspire to study at American universities and work for U.S. companies. As of 2017, the United States had 26 of the top 50 universities in the world (compared to China’s two), and eight of the ten top technology companies focused on R&D.³⁵ Expanding U.S. educational advantage could include increasing the annual allocation of H1-B visas and extending post-graduate work visas to foreign graduates.

The United States should not block Chinese students from studying or working in U.S. technology sectors. Not only is China a leading contributor of top AI talent to American companies, but data suggests most want to stay in the United States.³⁶ To protect against espionage, as Artie Bienenstock, Peter Michelson and I have written, the United States should not overreact, but actively enforce existing university standards on conflict of interest, strictly punish students or employees caught spying, and proactively educate Chinese students and employees on China’s blackmail efforts targeting overseas Chinese.³⁷

Global Diplomacy: Shape the Global Norms for Technology

After World War II, the U.S. led the creation of the international order through multilateral institutions such as the WTO, International Monetary Fund, and the International Atomic Energy Agency, which helped establish norms for peaceful economic relations and technology standards. It was an enormous effort, and it paid off. It is time for a comparable effort to form a robust international innovation ecosystem among countries that share the same values in tech development: a proposal I and others have written about which we call the “*Tech 10*.” While the Biden administration is interested in this issue and actively gathering information on it, it has not yet begun the effort in earnest.

³⁵ Carter, William A. “Building Jobs for the Future Is Losing Us the AI Race.” CSIS, 2017, available at <https://www.csis.org/analysis/plan-build-jobs-future-losing-us-ai-race>.

³⁶ Ma, Joy Dantong. “The AI Race is Wide Open, if the US Remains Open.” Macro Polo, April 15, 2019, available at <https://macropolo.org/us-china-ai-race-talent/>.

³⁷ Bienenstock, Manuel, et al., “Meeting the China Challenge: A New American Strategy for Technological Competition,” https://china.ucsd.edu/_files/meeting-the-china-challenge_2020_report.pdf

The Tech 10 would join the United States with other technology powers who share values to coordinate national postures on technology development, use, and access. Importantly, this would not create a new international organization or any formal structure whatsoever, but instead a flexible mechanism that draws in the countries that lead on a particular technology. For example, just the U.S., Netherlands, Korea and Japan are needed to harmonize export controls for semiconductor manufacturing equipment, but the United States could partner with the United Kingdom, Germany, India, Israel, Japan and others to create ethical standards for artificial intelligence systems.³⁸

Collaborate: Opportunities to Work with China

Although China is a serious strategic competitor, the United States should continue to seek trade and economic cooperation with China as long as the playing field is level.

Private Capital: Turning away all Chinese capital would be short-sighted and harmful to U.S. competitiveness. China invested \$49 billion in the United States in 2016. That dropped approximately 90% by 2018.³⁹ As long as private Chinese capital meets standards, does not expect unfair access to intellectual property, and accepts restrictions set by CFIUS, the U.S. should welcome the financial support for our economy.

Conversely, **restricting all U.S. companies from investing in Chinese technologies**, as some are proposing,⁴⁰ will do nothing to slow down Chinese tech development (they can get plenty of capital elsewhere), but also means the U.S. will have **no insight into what China is developing** – leaving us blind in key areas such as artificial intelligence and semiconductors

³⁸ From the defensive perspective, these countries should share information and coordinate on narrowly tailored export controls, investment restrictions and cyber-security. The Tech 10 will share best practices and intelligence and shape shared perspectives and norms related to deterrence policy tools (e.g., CFIUS, export controls), supply chain security, and investment in and licensing of critical infrastructure and dual-use technologies, among other relevant topics. Affirmatively, the Tech 10 could coordinate research and pool resources and talent to tackle key opportunities in advanced AI, semiconductor research and quantum computing. They could also form working groups with other stakeholders—in particular the private sector and academia—to begin to define norms to govern safe uses of AI and other advanced technology.

³⁹ Hanemann, Thilo, Gao, Cassie, and Lysenko, Adam. ..“Net Negative: Chinese Investment in the U.S in 2018.” Rhodium Group, January 13, 2019, available at <https://rhg.com/research/chinese-investment-in-the-us-2018-recap/>.

⁴⁰ <https://www.federalregister.gov/documents/2021/06/07/2021-12019/addressing-the-threat-from-securities-investments-that-finance-certain-companies-of-the-peoples>

The Global Commons: A range of technologies can help mitigate international threats such as climate change, nuclear non-proliferation, and intellectual property theft. The United States should continue to engage China in addressing such problems, including by sharing non-critical technologies to facilitate those efforts.

Non-critical technologies: There are areas of Chinese technological investment where the United States should leverage China's success. For example, China's investment in solar panels has reduced the cost of solar deployment in the United States, accelerating our shift to a clean energy economy.⁴¹

Conclusion

China's technological rise is a real challenge to the international system. To respond effectively, the U.S. must clarify with its allies what lines cannot be crossed, and promptly enforce those rules by exacting costs for transgressions.

Defense alone will not be sufficient, however. We must reinvest in America's own ability to compete and lead in innovation—including through talent development and federal R&D—and strengthen our global alliances to define and disseminate the norms, rules, and institutions that govern technological innovation for the coming century.

⁴¹ Some of these companies have unfortunately now been connected to Uighur forced labor. As Chinese manufacturers has reduced panel costs, cost of and therefore total installations has increased in the U.S.; see, e.g., "China Ramps Up Solar Exports After Reforms Hit Home Market." *Bloomberg*, December 6, 2018, available at <https://www.bloomberg.com/news/articles/2018-12-06/china-ramps-up-solar-panel-exports-after-policy-hits-home-market>

WHAT IS HAPPENING IN CHINA? RECONCILING THE CONTRADICTIONS IN THE CHINESE ECONOMY AND ASSESSING REPERCUSSIONS FOR THE U.S.

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Chinese policymakers have made some truly spectacular moves in recent months. They have taken policy measures that wiped out \$1.5 trillion in stock market value; torpedoed two of what would have been the biggest initial public offerings in the world (cancelling one and miring the other in regulatory and compliance issues); wiped out an entire industry (the for-profit education sector); and cast a shadow over their most successful private companies. But at the same time, China has pushed forward with various business and market-friendly policies, liberalizing foreign access to China's domestic capital markets, concluding a major free-trade pact, and improving China's intellectual property rights regime. What's going on? Is China schizophrenic?

It's easy to find a rationale for each policy individually, but it is challenging to explain the broader reasons for all of them, and for the timing (why now?). This short piece presents an explanation: China's leaders, above all Xi Jinping, believe they are creating a new model of a market economic system guided by the Chinese Communist Party. Having created many tools for steering the economy, they are now using those tools to drive the economy in the way that they want. Driven by a mixture of pride and perceived threat, they are pushing the Chinese economy (and political system) into radically new territory to support the party's interests.

This type of interventionist policy is dramatically different from what China has practiced over the past 40 years, and it has no real parallel anywhere else. It would be a fascinating

experiment to watch, but we do not have the leisure to sit back and observe in disinterested fashion. The reason is that a profound driving force of this steerage is the determination of the Chinese leaders to compete with, and overcome, the United States. Recent policy steps are inconceivable outside the framework of great power competition, a competition to which Chinese leaders are completely committed. Recent measures are designed to be components of the Party-steered market economy, and this system is seen as giving China an advantage in the competition with the United States.

1. Destroying Value

China has muscled its way into the headlines, especially of the business press, with a series of dramatic policies (summarized in Table 1). These policies are interesting for many reasons, but the most striking thing is that every one of them has caused massive losses to investors, both domestic and foreign. The sequence began last November, when policymakers pulled the plug on the massive \$34 billion initial public offering of Ant Financial, on the eve of its listing on the Shanghai and Hong Kong stock exchanges. Things accelerated abruptly in July this year when Chinese regulators took brutal actions that cut in half the value of the start-up darling Didi, “China’s Uber,” just days after its listing on the New York Stock Exchange. Then, only two weeks later, the Chinese Ministry of Education abruptly required virtually all private tutoring firms to become non-profit entities, effectively destroying an entire \$100 billion industry. For good measure, the edict banned weekend teaching, hiring foreign teachers outside the country, or teaching school curricula to children under six.

It is impossible to ignore the fact that these various regulatory crackdowns have collectively targeted virtually every star of China’s internet economy. These firms grew up outside the purview of China’s policymakers, but had long been embraced as national champions that exemplified China’s technological dynamism. Alibaba—China’s most profitable non-financial company—has been widely viewed as a partner of the government in the “Belt and Road” initiative: the government builds infrastructure and Alibaba brings valuable commercial applications. Many thought that China would continue to nurture these firms since they are the only actors—anywhere in the world—with the heft to potentially rival U.S. internet

Table 1: The Regulatory Storm: Major Milestones

| Beginning of Crackdown | Target Company | Official Rationale | Outcome |
|------------------------|---|---|--|
| Nov. 2020 | Ant Financial =Fintech | Financial Risk Control of Payments Network | IPO Cancelled Ongoing Regulatory Reform |
| April 2021 | Alibaba =eCommerce | Antitrust Violations | \$2.8 Billion fine Ongoing Antitrust Campaign |
| July 2021 | Didi Chuxing =Ridehailing | Data Security | Suspension of downloads; Regulatory crackdown; Massive losses |
| July 2021 | New Oriental, all =Private Education | Reduce Social Burdens; Social Equity | Abolish For-Profit Status Limit Weekend Classes and Foreign Teachers & Material |
| July 2021 | Meituan =Food delivery | Social Equity | Guidelines for Gig Workers |
| August 2021 | Tencent =eCommerce, gaming | Social Morality | Gaming Targeted; Outcomes Uncertain |

giants such as Google, Facebook, and Amazon. A final episode in this saga is the August announcement by the official Xinhua News Agency that regulators would step up oversight of how online media employ algorithms to share and promote content. Effective algorithms constitute the competitive advantage of ByteDance [the owner of TikTok in the U.S. and Douyin in China], as well as other online content providers such as Kuaishou. Exactly how (or even whether) the state can manage algorithms is unclear, but it certainly is the logical next step in this broad crackdown. Before we consider what this means and where it's going, though, we must look at the other side of the ledger.

2. Liberalization and Opening Up

Before the recent regulatory storm, from 2019 through 2021, China had carried out a number of market-oriented policies that open its economy more to foreign businesses. Some of these, but not all, were related to commitments China made to the U.S. in the Phase 1 Trade Deal of January 2020. Let's pick out a few of the most important measures.

First, China has allowed foreign financial firms, including U.S. firms, to operate in China. U.S. and European firms have been allowed to acquire or establish wholly-owned subsidiaries in China. Firms including Goldman Sachs, Morgan Stanley, JP Morgan and Blackrock have now

taken 100%, or close to 100%, ownership of China subsidiaries. Even more important, obstacles to foreign participation in Chinese stock and bond markets have been systematically cleared away. Along with this liberalization, Chinese stocks (A-shares) and bonds have gradually been included in the main global and emerging market indexes.

The result has been large, sustained capital inflows into China. During the first half of 2021, international investors bought a net \$35 billion worth of Chinese domestic stocks and \$75 billion worth of Chinese Treasury bonds. Total foreign holdings of Chinese securities at mid-year have now reached \$806 billion. This is new, but hardly surprising. U.S. and foreign pension and investment funds have long been eager to diversify their portfolios to include Chinese assets, and now funds that buy international and emerging market funds automatically buy and hold Chinese securities. In the bond market, the interest rate on Chinese 10-year government bonds has generally been over 3%, while U.S. 10-year bonds have been below 1.5% since the onset of COVID. On top of the rich interest rate differential, the Chinese currency appreciated during the second half of 2020, basically from 7 to 6.5 yuan to the dollar (primarily reflecting market forces), giving a nice boost to the returns of those who got in early. Finally, Chinese stock markets recovered from COVID losses early during 2020 and were among the best performers in the world through February 2021. Thus, on the eve of the regulatory storm, Wall Street had every reason to be satisfied with the performance of their investments in China and the general trend of Chinese policymaking.

China's rapid recovery from COVID—so far—has meant that China has continued to be an attractive destination for investment in the real economy as well. Foreign direct investment (FDI) around the world retrenched everywhere in 2020, but revived quickly in China. China's FDI inflows grew 4.5% in 2020 to \$144 billion, making China one of the very few countries in the world with positive growth. During the first half of 2021, the inflows have continued to increase and incoming FDI has already hit \$91 billion. Thus, despite continued U.S.-China tensions, the trade war, and sanctions against some Chinese firms, China's financial and real integration with the world has continued. So far, the widely anticipated decoupling of the Chinese and world economies has not really begun.

Indeed, China has taken steps to increase integration with the world economy by signing the "Regional Comprehensive Economic Partnership" (RCEP), a trade agreement that includes all East Asian countries plus Australia and New Zealand. While substantially less

ambitious than the Trans-Pacific Partnership (the competing trade grouping), RCEP is still a major achievement. It is big; it links China to Japan, Korea, and ASEAN countries; it lowers tariffs gradually but significantly; and it establishes a common rules-of-origin regime. It will have a significant future effect in supporting and encouraging integration throughout Asia. Finally, China has made major improvements in its intellectual property protection regime, essentially bringing the official regime up to international standards. Under any other circumstances, these would be viewed as substantial achievements in economic reform.

3. Normalizing the Regulatory Crackdown

As people struggle to understand such rapid-fire policy change, one approach is to take each element separately and seek an explanation. This is often the approach of analysts employed by investment banks and in the business press. It is easy enough to find a genuine problem and motivation for each action, and thereby *normalize* each of the recent regulatory moves. Indeed, this is essentially the official Chinese position for foreigners. Immediately after the first market disruptions, the vice-head of the China Securities Regulatory Commission, Fang Xinghai, a well-known pro-market regulator and frequent “explainer” of policies to foreigners, called in the China representatives of major foreign financial firms and told them that the recent flurry of measures had no ominous purpose. Instead, a set of regulatory actions just happened to be clustered together, and things would return to normal as the content of the new regulations was clarified.¹

Some normalization of these issues is warranted. For people whose job is to explain China, normalizing specific issues helps their audience understand the way those issues play out. For example, the crackdown on private education is much easier to comprehend when you realize that Chinese households spend a lot of money on private tutoring, and this creates a lot of social and financial pressure. Add on the fact that the sector is plagued with misrepresentation, shoddy products, and outright fraud, you can see that there are groups in society that will welcome such a policy, and whose support for the government can be mobilized. Curbing abuses and reducing financial burdens on households are indeed part of the government’s motivation in cracking down on the sector. Other issues are real and shared in our society as well. Anti-trust issues have roared back to life in the U.S., as market

¹ Bloomberg, “China Convenes Banks in Bid to Restore Calm After Stock Rout.” July 28, 2021

concentration has increased, and platform companies have entered and exercise influence in an astonishing range of previously separate markets. Indeed, in one of the best explanations of these new policies, Greg Ip of *The Wall Street Journal* wrote:

*In the view of Chinese leaders, consumer internet companies inflict costs on society that aren't reflected in private market values. Companies such as Ant threaten the stability of the financial system, online education feeds social anxiety and online games such as Tencent's represent an "opium for the mind," as one state-owned publication put it this week. Conversely, Chinese leaders think manufacturing confers social benefits that market values don't reflect.*²

There's plenty of food for thought in this paragraph, but it captures how we think about these issues better than it captures Chinese thinking. Moreover, it creates the danger of missing the big picture of Chinese policy actions.

4. The Bigger Picture

To understand that bigger picture, we need to step back for a second. For over a decade, China has followed a high and increasing commitment to high-technology industrial policy. Hundreds of billions of dollars have been poured into semiconductors, electric vehicles, telecommunications equipment, new materials, and many other sectors. China's industrial policy represents a profound challenge to rules of global trade and competition, and to the United States in particular. Moreover, overt industrial policy has often been combined with covert actions, including technology theft. But for all the abuses associated with China's industrial policy, it should be acknowledged that within China it has been conducted in a way that made it basically compatible with a market economy and with private ownership. China did not resort to the clumsy methods of the old-style Soviet command economy. It tried to ensure investment in favored sectors by showering them with government money. It created "government guidance funds" along the lines of Silicon Valley venture capital funds, to provide powerful financial incentives to pick the best firms and investments. When private high-tech firms were successful, they were quickly dubbed "national champions," and made eligible for government support.³ Sometimes the Communist Party had to knock some heads together to

² Greg Ip, "China Wants Manufacturing—Not the Internet—to Lead the Economy," *Wall Street Journal*, August 4, 2021.

³ I've written about these policies in detail in *The Rise of China's Industrial Policy, 1978-2020*. Boulder: Lynne Rienner, 2021. Available at www.economia.unam.mx/cechimex/index.php/en/publications

show who was the ultimate boss, but after a little bit of attitude readjustment, private firms could flourish.

In other words, for about a decade, the Chinese government functioned something like a venture capital state. It has been like a combination of Softbank, Kleiner Perkins, and DARPA (Defense Advanced Research Projects Agency), only slightly clumsier and less profitable. It has tried many different things to make a middle-income economy more technologically sophisticated: some have worked and many haven't. The state would exert a push here, a restraint there, and it was always on the lookout for things that gave Chinese firms a competitive advantage internationally. But it has generally been content to let the economy develop in ways driven by the market, with the state mainly trying to accelerate the adoption of high tech. Until now.

Recent "regulatory" changes are in fact the culmination of an economic strategy change that has been underway since early 2020. These changes reflect both Chinese pride and a new sense of threat. The pride comes from a belief that they have figured out a new way to steer the economy. Their successes, such as attracting financial and direct investment and achieving the ratification of RCEP, have contributed to their self-confidence and made them more ambitious in their approach. But the threat is also real, and comes from two directions. First, the technological and strategic challenge from the U.S., which they see as deeply embedded, potentially presents an existential challenge to Chinese high technology industry. Second, demographic and social changes threaten to make China a slower-growing, and less industrial economy, as the Chinese population becomes richer and less metaphorically "hungry." Ironically, both these threats have their roots in past policies of the Chinese government: overly aggressive industrial policies have produced a worldwide backlash, and draconian birth control policies have led to a declining labor force that is set to accelerate and become a decline in total population. Needless to say, this irony is completely lost on Chinese policymakers.

Under these circumstances, Chinese leaders have decided to step up their intervention in the economy. No longer content simply to try accelerating the technological transformation of the economy, Chinese leaders are now trying to shape the overall trajectory of the economy. Chinese policymakers have abandoned talk about rebalancing the economy and letting household consumption drive the next phase of growth. Now, they are seeking to maintain a high rate of investment, prevent the decline of manufacturing as a share of Gross Domestic

Product, and slow or reverse the decline in the birth rate. In other words, policymakers are now leaning against the market-driven evolution of the economy. Chinese propagandists have long warned against “peaceful evolution,” but traditionally they meant this purely politically, seeking to block growing civil society, liberalization and trends toward democratization. Today, Chinese leaders are on their guard against peaceful *economic* evolution, defined as de-industrialization, shrinkage of the labor force and population, and a shift toward household consumption of services. However, they believe they can achieve their objectives through manipulating markets, bringing more regulatory instruments to bear, without destroying the market forces that are the basis of their prosperity. They may be wrong, but this is the confidence being demonstrated by their actions.

5. Elements of China’s New Course

A brief sketch of three elements of China’s new approach will make the preceding discussion more concrete: data, structural change, and labor force.

Data: The Chinese government is intent on achieving comprehensive control of all Chinese data. It is not simply that the government wants to make sure that foreigners do not access Chinese data (supposedly an issue in the Didi fiasco); Chinese companies will also not be allowed substantial, independent control over data: that is allowed only to the Chinese government. This includes consumer data and financial data, and increasingly will include algorithms controlled by companies. After all, the Chinese government already has its own algorithms, which are quite effective. They have begun to compute “social credit” scores, which provide benefits for “responsible” behavior and penalties for others. They already manipulate public opinion on social media through a sophisticated combination of censorship and sponsored posts. Data is part of information which is a Communist Party monopoly. Even the crack-down on private tutoring is part of this principle. Education should be run by the Party, and as far back as 2018, Xi Jinping warned that private education was creating alternative narratives to that fostered by the Party. From July 2021, the Party seeks to make its general control over public media into an all-encompassing monopoly.

Structural Change: Last year, China added “science and technology self-reliance” to the goals in the new Five Year Plan. “Self-reliance” has implications for universities, research institutions, and the military, but it is clear that the primary target for technological self-reliance

is China's industry. Even though China's industry is by far the largest in the world, it has been declining as a share of China's total GDP, following a trend that is evident in every country that moves beyond middle income status. No longer content with simply distributing benefits to the high-tech firms, China is now adopting policies that shore up manufacturing's role in the economy (an explicit goal of the Five Year Plan), even if that means restricting the growth of other sectors. A common theme that unites the regulatory assault on the internet giants Alibaba and Tencent and the crackdown on private tutoring is that both these policies show a willingness on China's part to restrain growth of the service sector, in the hope that this will shift resources to the manufacturing sector. Similarly, continuing restraints on housing construction are partially motivated by the desire to redirect resources to industry. To be sure, all these policies have other motivations as well, but they fit into a general pattern of ensuring that the industrial sector has ample inputs. This even extends to labor force and population policy.

Labor Force: China has recently taken steps to finally abandon the one child policy, which blighted the lives of Chinese people from 1979 until 2015. China this year essentially adopted a "three child" policy and began measures to encourage additional births. The relaxation of constraints on China's families is a wonderful development. Moreover, the government is now moving rapidly toward policies designed to reduce the burden—especially the financial burden—of having children. These policies are welcome.

However, underlying the shift in population policy is something like panic in relation to China's demographic trends. Most Chinese families no longer want to have many children, the labor force is already declining slowly, and by all projections that decline will accelerate. A top government and Party document now expresses alarm and makes some eye-popping statements: "by 2025, China will establish a policy system that actively supports birth." Most tellingly, one of the objectives cited is to "maintain the advantage of cheap human resources, in order to respond to complex global challenges."⁴ That this concern is specifically related to industrial development is confirmed by policies to increase the share of children going into vocational high schools, removing them earlier from the college preparation track. In other words, recent policies are clearly designed to provide an abundant, low-cost supply of skilled

⁴ Communist Party Center and State Council, "Decision on Optimizing Birth Policy and Achieving Long-term Balanced Population Development [in Chinese]," Xinhua News, July 20, 2021, accessed at http://www.gov.cn/zhengce/2021-07/20/content_5626190.htm

labor to China's industry, and the Chinese government would like Chinese women to contribute to this effort by having more children.

These three elements, taken together, show that Chinese policymakers have determined to take a much more aggressive and intrusive approach to steering the economy. They have decided, in essence, that they have the power to shape markets in the way that they want. Their success in attracting foreign capital and experience running industrial policy have given them confidence that they can steer the economy, even though it's a predominantly market economy. Now they have decided not only that they CAN, but that they SHOULD and indeed MUST do so. In the eyes of Chinese policymakers, then, the combination of increased government steering and intervention with a vital market economy is not a contradiction, but rather a new type of economic system that is in the process of establishing its superiority.

6. Conclusion

If the Chinese economic system establishes its superiority, it will be in competition with the United States. Clearly, China's leaders see their industrial capacity as their one absolutely indispensable advantage in the strategic rivalry with the United States. If they lose that, they have no chance of prevailing; conversely, by exploiting that, they can guarantee the continuing cooperation of many countries and withstand the challenge they see coming from the U.S. In pursuit of maintaining that industrial primacy, they are willing to forego many other benefits.

We are thus in a completely different reality vis-à-vis China, which is in the process of setting a new economic trajectory. The new Chinese approach will undoubtedly encounter many obstacles and many aspects of its current policy will fail. The confidence of China's leaders in their ability to manipulate a market economy borders on hubris. Although Chinese policymakers have many instruments to shape the economy, they are trying to achieve more and more different objectives, which strains their abilities in many ways. It would be a mistake, however, to assume that we will be dealing with extreme outcomes, that China will be overwhelmingly successful or that it will fail across the board. Instead, we must prepare for the full range of potential outcomes. The U.S. has no choice but to settle down to long-term competition with China, picking areas of head-to-head contestation carefully, and accepting that we will be forced to cooperate economically in many other areas.

The technological competition between China and the U.S. is accelerating. Chinese policies are designed to maximize the benefits to China's strategic position. That means subsidizing so-called "core technologies," but it also means maintaining and growing economic interactions with other countries—even including the U.S.—in order to extract leverage from economic exchange. It is essential that we understand the breadth of the Chinese vision, as well as the flaws and weaknesses. The U.S. has enormous economic and technological resources that it can deploy in this competition, but we must choose carefully and wisely among the policy instruments at our disposal.

U.S.-CHINA VALUES COMPETITION

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Introduction

The American and Chinese governments may be engaged in a fierce ideological competition, but Chinese citizens support their government far less than conventionally assumed. This essay describes three findings drawn from nationally representative survey experiments that coauthors and I fielded in China in 2020. Crucially, these surveys employed a method known as a list experiment that is designed to protect respondents' anonymity, and in so doing elicit their true opinions on sensitive topics that they otherwise might hide.

First, around half of Chinese citizens would prefer an alternative form of government. This is true even among members of the Chinese Communist Party (CCP). Citizens organize anti-regime protests on the anniversaries of failed pro-democracy movements, some decades old. Second, religious believers in China are at the forefront of anti-regime criticism and protest. Finally, and because of this widespread discontent, the CCP uses its repression of ethnic minority Uyghurs to intimidate ethnic majority Han dissenters when protests would most threaten the regime, such as the June 4th 1989 anniversary of the Tiananmen Square massacre. There are only around 11 million Uyghurs in China, predominantly located in the western region of Xinjiang. In comparison, the nearly 1.4 billion ethnic Han in China comprise 92% of the population.

In short, many of the values espoused by China's leader Xi Jinping and the CCP are at odds with the preferences of Chinese citizens. The policy implication of this is that the U.S. government should not alienate the Chinese people while competing with the Chinese government. Specifically:

- It should take a nuanced stance on support for grassroots demands for democracy in

China. Explicit U.S. support for protest movements in China delegitimizes them. Instead, the U.S. government should support efforts to promote civil society in China through multilateral institutions and initiatives.

- Because repression of the Uyghurs helps the CCP intimidate Han dissenters at the most politically sensitive moments, the CCP is unlikely to relax this policy. Therefore the U.S. government should take hardline, multilateral actions to penalize the Chinese government for its repression of the Uyghurs.
- The U.S. should refurbish democracy at home so better to advocate for democracy abroad. For example, it should condemn and combat anti-Asian hate crimes in the United States, which the CCP propaganda apparatus uses to discredit democratic forms of government.

The remainder of this essay summarizes my ongoing research agenda on democratic beliefs and pro-democracy protests, religious beliefs and anti-regime activity, and how repression of the Uyghurs is used to intimidate Han dissenters during sensitive moments. A 2020 *New York Times* op-ed on the first topic is attached for reference.

Democratic Values in China

Our survey evidence suggests that support for the government is far lower than assumed. We find – like many other scholars – that when asked directly, some 90% of Chinese citizens express support for the CCP. Asked in the form of list experiments – which protect respondents’ anonymity – support for the CCP appears far lower. The headline result is that in a list experiment, as many as half of all Chinese citizens are willing to acknowledge their opposition to the CCP government. Again, we regard this result as an upper bound on support for the CCP, since list experiments – especially those conducted via digital platforms – may still be subject to some preference falsification given CCP online surveillance.

The CCP has repressed several pro-democracy movements since seizing power in 1949. Many observers believe that the CCP’s crimes have receded from the minds of Chinese citizens. As one scholar put it: “There’s a sad reality that many parts of China have moved on, and . . .

forgotten.”¹ Our evidence suggests otherwise. The calendar of protest in China was set by events in 1978, 1986, 1989, 2008, and 2014. Once repressed, pro-democracy movements may fold. But by providing focal moments around which citizens can coordinate, these pro-democracy movements reverberate into the future.

We find that the anniversaries of China’s failed pro-democracy movements experience nearly 30% more protests than the typical day. The odds that a protest emerges are between 27% and 38% greater, and the probability of a protest spike nearly doubles. Focal moment protests are nearly twice as likely to be repressed by the government. Using tools from computational linguistics, we also show that protesters during pro-democracy anniversaries are far more likely to embrace “rights consciousness,” which many scholars suggest is code for democratic resistance.

Religious Belief and Anti-Regime Activity

Silence undergirds autocratic rule. Because repressive governments use censorship and repression to impede political criticism, few citizens openly dissent even when frustration is widespread. Yet some citizens do dissent and, in so doing, catalyze movements that topple repressive governments, as the Third Wave of Democracy makes clear. In China, religious believers are those most likely to publicly criticize the regime.

Officially atheist, the CCP has long permitted religious organizations if they consent to supervision, in part because it assumed religiosity, would wane with modernization. Religious belief in China has exploded, both within the five officially sanctioned major religious organizations and within underground churches. In the 1980s, Protestant churches counted five to seven million members. Since, membership has swelled to between 50 and 130 million. In 2014, China counted 500,000 Buddhist monks and nuns and 33,000 temples, double the number in the 1990s.

Scholars have observed that religion may compel political engagement through communal practice and individual beliefs. At the communal level, religion may foster collective action among adherents by facilitating coordination and fostering solidarity, especially among an

¹Edward Steinfeld quoted in “Tiananmen Plus Twenty-Five: A Tragedy and Its Aftermath,” Harvard Magazine, July-August 2014.

oppressed minority. At the individual level, religion may render adherents more sensitive to injustice or inspire a sense of efficacy, which makes engagement seem more likely to succeed.

Our survey asked respondents about their support for the regime through direct questions and list experiments. Under direct questioning, China's religious are far more likely to express their opposition to the regime and their willingness to engage in anti-regime protests than other citizens. In the list experiments, however, we find no differences between the religious and the non-religious, which suggests that differences in public dissent are not attributable to differences in private dissent. In short, religious believers are less likely than other citizens to hide their anti-regime views, even though they have similar private levels of anti-regime sentiment.

Repressing Uyghurs to Intimidate Han

The CCP's ongoing repression against ethnic Uyghurs is increasingly regarded as genocide. The CCP has detained more than one million of China's 11 million Uyghurs in facilities the U.S. government calls "concentration camps." Though the CCP pushes back against the genocide narrative internationally in order to avoid sanctions, it highlights its repression in Xinjiang in the domestic propaganda apparatus at key moments. To explore this, we obtained the entire history of the People's Daily, the CCP's flagship propaganda newspaper, and substantial portions of five other propaganda newspapers, which circulate in several major regions.

The CCP, we find, reminds China's urban elite – the population most likely to threaten the regime's hold on power via protests – of repression in Xinjiang at five moments each year. Three of these are nationalist anniversaries, when the CCP casts itself as defending Han interests. The fourth is the anniversary of the Xinjiang Uprising of 2009, when the Uyghur community staged a 10,000-person riot in Urumqi, in Xinjiang Province. The fifth is the anniversary of the 1989 Tiananmen Square massacre, when the CCP killed some 2,000 protesters in central Beijing. During the first four moments, we show, the CCP uses propaganda to harden the cleavage between the Uyghur minority and Han majority. During the Tiananmen anniversary, the CCP instrumentalizes the cleavage: by broadcasting repression in Xinjiang to China's urban elite. We interpret this as a signal to potential dissenters within the Han in-group of the CCP's capacity for repression, intended to deter anti-regime protests on the Tiananmen

anniversary.

To test our interpretation, we divided roughly 4,000 respondents into treatment and control groups. Respondents in the treatment group read a People's Daily article with typical Uyghur content published during the Tiananmen anniversary. We find no evidence that this content conditions respondents' feelings about Xi Jinping, the CCP, Chinese nationalism, or ethnic Uyghurs. Indeed, our list experiments show that 20% of Chinese citizens would prefer not to frequent Uyghur businesses. This is half the level of racism estimated by a famous list experiment in the American South in 1991, which found that 42% of white respondents would feel angry if a Black family moved in next door.

Rather, Uyghur content during the Tiananmen anniversary makes potential in-group dissenters – again, politically engaged, ethnic Han citizens in urban areas – less willing to protest due to fear of repression. Among potential in-group dissenters, between 10% to 20% of respondents in the control group would decline to protest due to fear of CCP repression. For members of the treatment group, this rises to between 50% to 70%. Rian Thum, a preeminent Uyghur historian, recently expressed shock that the CCP broadcasts repression in Xinjiang: "Officials in Xinjiang are so inured to the horrors they are perpetrating that they often publicize evidence of their crimes."² Publicizing the horrors, we argue, is the point.

Many have been at a loss to explain the CCP's repression of this small minority group which has never posed an organized terrorist threat in China. Our research suggests that repression of the Uyghurs – or at least its publicization – is a CCP survival strategy designed to discourage Han protest during the most sensitive moments for the regime. Because democratic values are actually quite widespread in China, the CCP increasingly relies on coercion and repression to maintain power.

² @RianThum, September 22, 2020.

Tiananmen's Other Children

Past protests actually are remembered in China — and commemorated with yet more protests.

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At some point in late May 1989, amid weeks of demonstrations that brought several hundred thousand citizens⁴ demanding democratic reforms to Tiananmen Square,⁵ in Beijing, China's leader, Deng Xiaoping, is reported to have declared⁶ that "200 dead could bring 20 years of peace." By June 4, some 2,000 people, mostly local residents, had been killed.

The Tiananmen Square protests were the culmination of China's long-running pro-democracy movement — and the massacre marked a peak of government repression.

Each year, as the June 4 anniversary approaches, the Chinese Communist Party jails dissidents⁷ and censors social media.⁸ It tries to purge reminders of any democratic movement from the country's collective memory.

Has it succeeded?

³ <https://nyti.ms/3gPWbdn>

⁴ <https://www.bbc.com/news/world-asia-48445934>

⁵ <https://www.nytimes.com/2020/06/04/world/asia/tiananmen-hong-kong-china.html>

⁶ <https://www.independent.co.uk/news/world/asia/tiananmen-square-massacre-warning-british-government-1989-beijing-central-china-two-weeks-a7511456.html>

⁷

<https://static1.squarespace.com/static/5431e6ebe4b07582c93c48e3/t/5ab1d03d70a6ad5d2737ed32/1521602622397/Manuscript+File+++Focal+Points%2C+Dissident+Calendars%2C+and+Preemptive+Repression+v+Accepted.pdf>

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<https://static1.squarespace.com/static/5431e6ebe4b07582c93c48e3/t/5ab1d03d70a6ad5d2737ed32/1521602622397/Manuscript+File--+Focal+Points%2C+Dissident+Calendars%2C+and+Preemptive+Repression+v+Accepted.pdf>

The novelist Yan Lianke lamented⁹ in 2013, “In today’s China, amnesia trumps memory.” In 2014, the academic Edward Steinfeld bemoaned¹⁰ that “many parts of China have moved on, and to some extent forgotten” the event. The journalist Louisa Lim has said¹¹ that China’s people are “complicit in an act of mass amnesia.”

We, instead, demonstrate that Chinese people remember Tiananmen and other democracy movements and commemorate them, especially on anniversaries, with yet more forms of protests, despite the government’s extraordinary efforts to erase or rewrite the historical record.

Our latest research¹² on what we call “focal moments” shows not only that demands for democratic reform have persisted and resurged in mainland China throughout seven decades of Communist rule, but also that demonstrations, flash movements or pockets of resistance echo and reference previous ones and inspire the next.

Since today the CCP is quick to repress any explicit demands for democracy or individual rights, open calls of that kind hardly occur. Nonetheless, there is a clear lineage between all these surges of contestation, and it is apparent from the calendar of protests — and the party’s calendar of repression — as well as the language used on protest days.

In addition to the Tiananmen Square movement, four other major occasions have informed this schedule. And our statistical work reveals that there are 30 percent more protests on the anniversaries marking those moments than on other days of the year, and that protest spikes (defined as an increase of one standard deviation over the average) are 50 percent more common on those days.

In the late 1970s, Deng launched a program of economic liberalization, including the so-called “four modernizations” in agriculture, industry, defense and science and technology. Hoping for political reform as well, in 1978 citizens throughout the country began putting up pro-democracy posters in public places, including in one spot in central Beijing that came to be known as “Democracy Wall.”

⁹ https://www.nytimes.com/2013/04/02/opinion/on-chinas-state-sponsored-amnesia.html?pagewanted=all&_r=0

¹⁰ <https://www.harvardmagazine.com/2014/07/tiananmen-plus-twenty-five>

¹¹ <https://www.theguardian.com/books/booksblog/2015/jul/21/louisa-lim-the-peoples-republic-of-amnesia-tiananmen-revisited-china>

¹² <http://erinbcarter.org/documents/chinaProtest.pdf>

On Nov. 27, 1978, some 10,000 people marched from there to Tiananmen Square, the symbolic heart of Beijing. The activist Wei Jingsheng¹³ demanded that the government adopt democracy as a "fifth modernization,"¹⁴ a pointed rejoinder to Deng's four. Scores of protesters were arrested, including Wei, who spent 18 years in prison. Democracy Wall was taken down.¹⁵

In December 1986, university students rallied behind the public intellectual Fang Lizhi's call that the C.C.P. treat the rights mentioned in China's Constitution as "actual rights." Tens of thousands of students protested at 150 universities and asked to directly elect representatives to the National People's Congress. The government agreed to some demands and the students disbanded; then the government mostly reneged.

A few years later came the Tiananmen movement, sparked by the death of the reformist former CCP leader Hu Yaobang.¹⁶ Many of the main participants from the 1978 demonstrations were prominent again in 1989. The activist Wang Dan later said that Fang's activities in 1986 had "inspired the '89 generation."¹⁷

In December 2008, some 300 Chinese intellectuals, lawyers and officials circulated a manifesto, Charter 08,¹⁸ demanding independent courts, basic human rights and an end to one-party rule. The first sentence noted that 2008 marked the 30th anniversary of the Democracy Wall movement; the document also mentioned "June Fourth" as one in "a string of human rights disasters" caused by the C.C.P.

Some 10,000 people signed the manifesto online¹⁹ before the government took it down — then it was distributed²⁰ by hand. One of its leading authors, Liu Xiaobo, had gone on a hunger strike in 1989 at Tiananmen Square.

In November 2014, the CCP announced that Dec. 4 would be a new holiday: Constitution Day,²¹ to commemorate the date on which the text had been adopted in 1982. Outraged at the irony — many rights nominally in the Constitution, like freedom of speech,

¹³ <http://www.weijingsheng.org/wei/en.html>

¹⁴ http://afe.easia.columbia.edu/ps/cup/wei_jingsheng_fifth_modernization.pdf

¹⁵ <https://www.washingtonpost.com/archive/politics/1995/12/14/china-sentences-democracy-advocate/0cde3992-9b94-49ac-aa98-27b3dc159ffb/>

¹⁶ <https://www.history.com/topics/china/tiananmen-square>

¹⁷ <https://www.nytimes.com/2012/04/08/world/asia/fang-lizhi-chinese-physicist-and-dissident-dies-at-76.html>

¹⁸ <https://foreignpolicy.com/2010/10/08/charter-08/>

¹⁹ <https://www.voanews.com/east-asia/chinese-authorities-crack-down-charter-08-signers>

²⁰ <https://www.nytimes.com/2009/05/01/world/asia/01beijing.html>

²¹ <https://jamestown.org/program/chinas-new-national-constitution-day-is-it-worth-celebrating/>

religion or assembly,²² were routinely repressed — nearly 1,000 people protested in Beijing on Dec. 4, 2014. (On that first Constitution Day, the word “constitution” was the word most heavily censored²³ on the microblogging platform Weibo.)

Some months earlier, dozens of journalists, lawyers and academics had written an open letter²⁴ demanding that the government respect the Constitution. One section denounced restrictions on the right to assemble “promulgated hurriedly in the wake of the students and residents democratic movement in 1989.”

Today, after years of repression, protests tend to be less openly referential, and they employ more indirect language as a stand-in or proxy for democratic resistance.

An nongovernmental organization based in Hong Kong has collected nearly 40,000 images of protests on the mainland²⁵ between 2014 and 2019. Using optical character recognition software, we analyzed the language from protesters’ banners and slogans, and reviewed related tweets.

We found frequent use of words and phrases like “citizens” and “the right to know,” or “people power” and “court enforcement.” The discourse is somewhat legalistic, but the message is still clear: This is, as the political scientist Lianjiang Li and others have argued, evidence of a “rights consciousness”²⁶ and an inherent criticism of the CCP.

For example, on Dec. 4, 2014 — the first official Constitution Day — several thousand teachers in Yuzhou, a city in central China, went on strike²⁷ demanding back pay — and “defending their legitimate rights.”

On June 4, 2017 — note the day, a reference to Tiananmen — hundreds of people marched in Hanzhong,²⁸ northwestern China. They claimed to want to collect unpaid benefits

²² <https://freedomhouse.org/country/china/freedom-world/2020>

²³ <https://foreignpolicy.com/2014/12/05/china-constitution-censorship-rule-of-law/>

²⁴ <https://chinachange.org/2014/01/22/open-recommendation-to-conduct-constitutional-review-on-the-law-of-the-peoples-republic-of-china-on-assemblies-processions-and-demonstrations/>

²⁵ https://maps.clb.org.hk/?i18n_language=en_US&map=1&startDate=2019-12&endDate=2020-06&eventId=&keyword=&addressId=&parentAddressId=&address=&parentAddress=&industry=&parentIndustry=&industryName=

²⁶ <http://www.gpa.cuhk.edu.hk/images/content/people/li-lianjiang/CJ2010%20rights%20consciousness%20and%20rules%20consciousness.pdf>

²⁷ <https://wickedonna2.tumblr.com/post/104341050738/2014>

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https://www.weibo.com/3730509547/F6jaWfn03?refer_flag=1001030103_&type=comment#_rnd1496648624066%E2%80%A8

from the local state-owned steel plant, but their banner — signed by hundreds — proclaimed, “The Government Works for Me!” Some discussed “Western theories of government” and called on the Chinese state to “act for the people.”

The scale of many of these protests might seem small for a country of 1.4 billion people today. But the CCP for one, takes them seriously.

In our statistical analysis, we have found that the government represses protests that take place on anniversaries of pro-democracy movements twice as often as protests held on other days.

The legacy of Tiananmen, like that of other protests before it and since, lives on. Contestation persists in mainland China, if cautiously and in code.

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COMPETITION AND DETERRENCE IN THE TAIWAN STRAIT

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Key Points:

1. The Chinese Communist Party (CCP) views Taiwan's political independence as an existential threat to the Party's legitimacy and intends to "solve" this problem as early as this decade.
2. The CCP's preferred and ongoing strategic approach to achieve "full reunification" with Taiwan employs Political Warfare, Geoeconomic Coercion, and overt Military Threats to compel Taiwan to acquiesce to Beijing's terms.
3. If there is a military conflict over Taiwan, it will happen because the CCP decides to initiate a military campaign based on their assessment of a favorable opportunity, which means CCP decision-making calculus is determinative and should be the focus of U.S. competition and deterrence.
4. The United States should undermine the Party's preferred strategic approach, while simultaneously raising the costs for conducting a military campaign. The Party's perception of relative costs is the critical determinant of whether there is a military conflict in the Taiwan Strait.

For all the concern and debate over tensions in the Taiwan Strait and the threat posed to global peace and security, we should remain focused on the decision-making dynamics within the People's Republic of China (PRC) and specifically within the leadership of the Chinese Communist Party (CCP), which holds unchallenged authority over the Chinese state. The decision to launch a military campaign to end Taiwan's de facto independence resides solely with the senior-most leaders of the Chinese Communist Party. This decision to attack Taiwan will be primarily influenced by the perception of a favorable opportunity for Beijing, rather than by fear of "losing Taiwan." The actions of Taiwan, the United States, Japan, other nations,

companies, and international bodies can influence the Party's cost-benefit analysis, but the affirmative decision to initiate a blockade, invasion and annexation of Taiwan, and the timeline on which to do it, is the Party's alone.

Since coming to power in late 2012, China's leader Xi Jinping has strengthened the Party's primacy in decision-making on nearly all issues and particularly on issues central to the Party's rule and legitimacy.¹ It is important to distinguish this decision-making reality from the decades of propaganda by the Party that asserts that statements or actions by Taiwan, the United States or others would "compel" Beijing to pursue a military campaign because the Chinese people would demand it. This is a carefully constructed fiction by the CCP meant to deter others from taking actions that undermine the Party's strategic approach to end Taiwan's political independence. To believe that the Party could be "forced," by popular opinion, into a military campaign it doesn't want to conduct, creates a deep contradiction. The Party directs the opinions and demands of the Chinese people through its control of the mediums of information sharing and popular organization. The Party's leadership has, over the past few decades, consolidated power and silenced dissent among the Chinese people and within the ranks of the Party's cadres. Of course, these conditions could change. Factions could emerge within the Party to challenge Xi.² Separate popular voices could emerge and make nationalist demands outside the Party's control.³ But given what we know today, that appears implausible and should that instability arise, it is far more likely that the Party would turn inwards to stabilize its hold on power rather than pursue a "wag the dog" effort.

The Party's preferred and ongoing strategic approach to ending Taiwan's de facto independence is to persuade leaders in Taipei to embrace, or submit, to "full reunification" on Beijing's terms, a proposition that has become less palatable in Taiwan, particularly after the post-2019 collapse of the "One Country, Two Systems" arrangement in Hong Kong. The CCP has been pursuing this strategic approach for decades through carrots and sticks which

¹ New York Times, Javier C. Hernandez, "China's 'Chairman of Everything': Behind Xi Jinping's Many Titles," October 25, 2017, <https://www.nytimes.com/2017/10/25/world/asia/china-xi-jinping-titles-chairman.html>; New Statesman, Graham Allison, "The Chairman of Everything: Why Chinese President Xi Jinping Will Change History," December 4, 2017, <https://www.newstatesman.com/world/asia/2017/12/chairman-everything-why-chinese-president-xi-jinping-will-change-history>; The Atlantic, James Fallows, "China's Great Leap Backward," December 2016, <https://www.theatlantic.com/magazine/archive/2016/12/chinas-great-leap-backward/505817/>

² The Print, Srijan Shukla, "This is how Xi Jinping gang sidelined CCP deep factions," February 14, 2021, <https://theprint.in/india/this-is-how-xi-jinping-gang-sidelined-ccp-deep-factions/604632/>;

³ See Jude Blanchette's recent book about the revival of Maoism. Jude Blanchette, *China's New Red Guards: The Return of Radicalism and the Rebirth of Mao Zedong*, June 2019

manifest themselves in Political Warfare, Geoeconomic Coercion, and growing overt Military Threats. Beijing's activities are meant to create the perception of inevitability in the minds of Taiwanese and leaders across the globe. This sense of inevitability is meant to weaken resolve and confidence in Taiwan and convince others that intervening is futile.

For the Party's leadership to abandon this strategic approach and shift to a deliberate military campaign of blockade, invasion, and annexation, they would need to *perceive* that the benefits of changing their approach outweighs the costs. The Party's perception of "benefit" is well-known and likely isn't subject to change, what is subject to change, however, is the Party's perception of "cost." A lower perceived cost of pursuing a military campaign is likely to increase the willingness of Party leaders to order one, while a higher perceived cost of a military campaign is likely to decrease the willingness of Party leaders to abandon their preferred strategic approach. Therefore, Beijing's perception of relative costs is the critical determinant of whether there is a military conflict in the Taiwan Strait.

This paper will examine the CCP's preferred strategic approach towards Taiwan, the military campaign the CCP could employ, and the decision-making dynamics for the Party elite. It will also cover how the United States should formulate policies to undermine the CCP's preferred strategic approach, while discouraging Beijing from pursuing a military campaign to annex Taiwan.

The Party's Current and Preferred Strategic Approach to Taiwan

While the CCP frames "full reunification"⁴ with Taiwan as a critical element of 'national rejuvenation' and a necessary correction to the 'century of humiliation,' the Party seeks to end Taiwan's de facto independence because the Party views the existence and success of Taiwan as a direct threat to the legitimacy of the CCP's rule. If a Chinese polity can be ruled successfully by a liberal democracy, in which citizens choose their leaders among competing political parties, then some might question the Party's repeated assertions that the Chinese people can only achieve prosperity under the uncontested leadership of the Chinese Communist

⁴ The Party refers to "full" or "complete" reunification with Taiwan to differentiate it from the condition that the Party proclaims exists right now: that Taiwan is a part of the People's Republic of China. Central to "full" or "complete" reunification is ending Taiwan's political independence that has existed since before the founding of the People's Republic of China in 1949. It is also important to consider that "full" or "complete" reunification is reunification on the Party's terms, not a legitimate negotiation between two equal partners.

Party. This Leninist mindset is deeply rooted within the revolutionary and Cold War mentalities of the CCP which sees itself as constantly under assault from “hostile foreign forces” and in a deeply ideological struggle as the vanguard of Marxist historical materialism.⁵ Much as Stalin viewed Trotskyites as existential threats, the Leninist party model compels CCP leaders to view any political alternatives, no matter how objectively unthreatening, as serious challenges that must be met with deliberate campaigns, significant resources and leadership attention. Managing and eventually “resolving” this challenge to the CCP’s legitimacy remains at the center of political, economic, and military policies, which allows the Party to craft a comprehensive strategic approach towards Taiwan by integrating all elements of national power.⁶

POLITICAL WARFARE – The principal method that the Chinese Communist Party employs to achieve its objective of ending the political independence of Taiwan is political

⁵ Any doubt of Xi Jinping’s ideological worldview should be dispelled by reading his inaugural address to the Central Committee on January 5, 2013, when he assumed power and the speech he gave at the 100th anniversary of the CCP on July 1, 2021. One should also examine the articles and pronouncements that he and other Party leaders have made about the centrality of struggle and ideology for the Chinese Communist Party. See Xi Jinping to the Central Committee, “Uphold and Develop Socialism with Chinese Characteristics,” January 5, 2013 (article published under Xi Jinping’s name in *Qiushi* on April 1, 2019 and translated by Tanner Greer in *Palladium* on May 31, 2019, <https://palladiummag.com/2019/05/31/xi-jinping-in-translation-chinas-guiding-ideology/>); Xi Jinping, “Speech by Xi Jinping at a ceremony marking the centenary of the CPC,” July 1, 2021, http://en.qsttheory.cn/2021-07/01/c_638495.htm; In August 2013, Xi introduced the concept of “public opinion struggle,” Xi Jinping, “Enhance Publicity and Theoretical Work,” August 19, 2013, http://en.qsttheory.cn/2020-11/09/c_607600.htm; Dan Bandurski, China Media Project, “Signals From Xi’s Speech on Ideology,” August 23, 2018, <https://chinamediaproject.org/2018/08/23/signals-from-xis-speech-on-ideology/>; John Garnaut, Sinocism, “Engineers of the Soul: Ideology in Xi Jinping’s China,” January 16, 2019 (adapted from a speech in August 2017), <https://sinocism.com/p/engineers-of-the-soul-ideology-in>; Chris Buckley and Steven Lee Myers, *New York Times*, “4 Takeaways from Xi Jinping’s Speech Defending Communist Party Control,” December 18, 2018, <https://www.nytimes.com/2018/12/18/world/asia/xi-china-speech-takeaways.html>; Dan Tobin, Testimony to the US-China Economic and Security Review Commission, “How Xi Jinping’s ‘New Era’ Should Have Ended U.S. Debate on Beijing’s Ambitions,” March 13, 2020, <https://www.uscc.gov/sites/default/files/testimonies/SFR%20for%20USCC%20TobinD%2020200313.pdf>; Xinhua, “Xi calls for better fulfilling missions of publicity work,” August 22, 2018, http://www.xinhuanet.com/english/2018-08/22/c_137410956.htm; Liza Tobin, Texas National Security Review, “Xi’s Vision for Transforming Global Governance: A Strategic Challenge for Washington and Its Allies,” November 2018, <https://tnsr.org/2018/11/xis-vision-for-transforming-global-governance-a-strategic-challenge-for-washington-and-its-allies/>

⁶ Some make the argument that to avoid a catastrophic conflict with the potential for nuclear escalation, it would be best to accommodate the Party’s desires on Taiwan. Of course, many perceive this to be the least costly path and it is Beijing’s preferred outcome, but it is a mirage. The dynamics driving this security dilemma are not rooted in Taiwan, they are rooted in the political pathologies of the Chinese Communist Party. There is no reason to believe that accommodation on Taiwan will “solve” the underlying paranoia that the Party has about its own legitimacy, its need to use an “external threat” to justify its rule, its inherent distrust of its own citizens and neighbors, or its desire to “reform the global governance system” which the Party views as antithetical to its Leninist worldview and an intolerable constraint on the Party’s strategic goals. The likely result of accommodation will simply be the creation of new “threats” to the Party’s legitimacy, greater suspicions of “hostile foreign forces” who intend to “hold China back” from its destiny, and a greater confidence among the Party elite that in this “New Era,” international norms no longer apply and that coercion, intimidation, and military threats “work” to achieve that Party’s desires and reinforce the Party’s own fantasies.

warfare. This is practiced within the PRC, against Taiwan and on the global stage in foreign capitals, private companies, and international organizations.⁷

Within the PRC, the Party sets forth the outlines of their political warfare activities through domestic laws and declarative statements by leaders. In 2005, the PRC adopted the Anti-Secession Law, a piece of legislation that rejects the foundations of the liberal international order by explicitly threatening the political independence of a state with the use of force, in violation of Article 2 of the United Nations Charter.⁸ The PRC's legislation purportedly "deters" independence, even though in its 72-year history, the People's Republic of China has never exercised sovereignty over Taiwan. Additionally, the legislation creates the illusion, in true Orwellian fashion, that should the PRC initiate a military campaign against Taiwan, it would be doing so in response to crimes committed by "secessionist forces." Here is the text from the Anti-Secession Law:

Article 8 – In the event that the "Taiwan independence" secessionist forces should act under any name or by any means to cause the fact of Taiwan's secession from China, or that major incidents entailing Taiwan's secession from China should occur, or that possibilities for a peaceful reunification should be completely exhausted, the state shall employ non-peaceful means and other necessary measures to protect China's sovereignty and territorial integrity. The State Council and the Central Military Commission shall decide on and execute the non-peaceful means and other necessary measures as provided for in the preceding paragraph and shall promptly report to the Standing Committee of the National People's Congress.⁹

One is reminded of an abusive spouse who menacingly threatens that if their partner tries to leave the relationship, the abuser will be forced to kill their beloved and anyone who would try to intervene. Just last month, Xi Jinping reiterated and amplified these disturbing

⁷ See the work by Tom Mahnken, Ross Babbage and Toshi Yoshihara on competitive strategies against Russian and Chinese political warfare. They provide a helpful definition of how those states use political warfare "to avoid dissent, discourage foreign narratives that are inimical to their interests, generate support for policies they favor, enhance their freedom of action by keeping rivals distracted, and mitigate pushback against overt acts of revisionism." Thomas Mahnken, Ross Babbage, Toshi Yoshihara, Center for Strategic and Budgetary Assessments, "Countering Comprehensive Coercion: Competitive Strategies against Authoritarian Political Warfare," May 30, 2018, <https://csbaonline.org/research/publications/countering-comprehensive-coercion-competitive-strategies-against-authoritar/publication/1>

⁸ Article 2 of the United Nations Charter states: "All Members shall settle their international disputes by peaceful means in such a manner that international peace and security, and justice, are not endangered. All Members shall refrain in their international relations from the threat or use of force against the territorial integrity or political independence of any state, or in any other manner inconsistent with the Purposes of the United Nations." See United Nations Charter, June 26, 1945, <https://www.un.org/en/about-us/un-charter/full-text>

⁹ China Daily, "Anti-Secession Law Adopted by NPC (full text)," March 14, 2005, http://www.chinadaily.com.cn/english/doc/2005-03/14/content_424643.htm

threats during his speech marking the 100th anniversary of the Chinese Communist Party:

Resolving the Taiwan question and realizing China's complete reunification is a historic mission and an unshakeable commitment of the Communist Party of China.

...

*We must take resolute action to utterly defeat any attempt toward "Taiwan independence," and work together to create a bright future for national rejuvenation.*¹⁰

Despite claims by the Party, Taiwan's actions, in themselves, will not spark a war. As covered above, the decision to resort to the use of military force is entirely in the hands of the Party's leadership. Unfortunately, Beijing has been largely successful at creating the illusion that Taiwan is responsible for maintaining the peace by acquiescing to the PRC's demands. Since the 2016 election of Tsai Ing-wen as President of Taiwan, the CCP unilaterally halted formal cross-Strait talks because she refused to formally accept the "1992 Consensus" which ties Taiwan to the Party's "One China" narrative. When Taiwan's government or citizens exercise their sovereignty, the Party portrays Taipei as guilty of "picking quarrels and provoking troubles."¹¹ This charge, which is often leveled against the Party's own citizens and remains legally ambiguous, makes the victim of abuse responsible for any punishments that the Party doles out for questioning the approved narrative or legitimacy of the Chinese Communist Party. To frame the actions of a politically independent state in the language of violating the domestic laws of its neighbor is meant to condition audiences to accept the Party's worldview.

Outside the People's Republic of China, the Party's political warfare activities seek to undermine Taiwanese confidence in their own political system and disparage leaders that Beijing perceives as opposed to "full reunification" on the PRC's terms, framing them as "separatists" who will bring catastrophe down upon the Chinese people on both sides of the Strait. Among the overseas Chinese diaspora, the Party seeks to isolate those who support Taiwan and reward those who show support for the Party's political goals. In the past, staying

¹⁰ Nikkei Asia, "Full text of Xi Jinping's speech on the CCP's 100th anniversary," July 1, 2021, <https://asia.nikkei.com/Politics/Full-text-of-Xi-Jinping-s-speech-on-the-CCP-s-100th-anniversary>

¹¹ Berkeley Law, Stanley Lubman, "'Picking quarrels' casts shadow over Chinese law," June 30, 2014, <https://www.law.berkeley.edu/article/picking-quarrels-casts-shadow-over-chinese-law/>; Reuters, "Chinese farm boss Sun Dawu sentenced to 18 years in jail," July 28, 2021, <https://www.reuters.com/article/china-court-sundawu/chinese-farm-boss-sun-dawu-sentenced-to-18-years-in-jail-idUSL4N2P42D2>; New York Times, Edward Wong, "China Uses 'Picking Quarrels' Charge to Cast a Wider Net Online," July 26, 2015, <https://www.nytimes.com/2015/07/27/world/asia/china-uses-picking-quarrels-charge-to-cast-a-wider-net-online.html>

silent on the Taiwan issue was sufficient, increasingly the Party forces individuals and institutions to “take sides” in Beijing’s manufactured crisis. This same dynamic plays out among third countries, as punishments and rewards are meted out based on adherence to the Party’s foundational framing of foreign relations: the “One-China Principle.”¹² Within international organizations, the Party advances its political views about Taiwan and attempts to isolate Taiwan from the international community.¹³

Taken as a whole, the Party’s outward manifestations of political warfare employs “discourse power” to ensure that discussions about Taiwan are framed favorably for the PRC, while dividing groups into friends and enemies of China.¹⁴ Beijing seeks to shape perceptions through its use of United Front Work, the Party’s activities to co-opt or neutralize opposition.¹⁵ Anyone with the most rudimentary knowledge of doing business with China or the conduct of diplomatic relations, knows that they must tread very carefully on topics like Taiwan, Tiananmen, Tibet, Xinjiang or Hong Kong, lest they find themselves the target of retaliation.

The last element of the Party’s political warfare activities is to set the conditions for achieving “information dominance” should the Party’s leaders decide to pursue a military campaign to achieve “full reunification.” In the Party’s 2015 defense white paper, which focused on China’s strategy for winning informatized wars, the People’s Liberation Army stresses the necessity to attain information dominance across cyber, electromagnetic, and outer space, so that offensive and defensive campaigns can disrupt the decision-making of their adversary’s operations.¹⁶

¹² Of note, the Chinese Communist Party insists that its policy of “One-China” be called a “principle,” while the United States refers to this as the PRC’s “One-China policy.”

¹³ Yu-Jie Chen and Jerome Cohen, Council on Foreign Relations, “Why Does the WHO Exclude Taiwan?” April 9, 2020, <https://www.cfr.org/in-brief/why-does-who-exclude-taiwan>; Gerrit van der Wees, *The Diplomat*, “China Continues to Block Taiwan in the International Arena,” May 18, 2017, <https://thediplomat.com/2017/05/china-continues-to-block-taiwan-in-the-international-arena/>; Mary Hui, Quartz, “Beijing blocked Wikimedia from a UN agency because of “Taiwan-related issues,” September 25, 2020, <https://qz.com/1908836/china-blocks-wikimedia-from-un-agency-wipo-over-taiwan-dispute/>

¹⁴ For Discourse Power, see Elsa Kania, Center for Advanced China Research, “The Right to Speak: Discourse and Chinese Power,” November 27, 2018, <https://www.ccpwatch.org/single-post/2018/11/27/The-Right-to-Speak-Discourse-and-Chinese-Power>; and for the friends and enemies framework, see Matt Schrader, Alliance for Securing Democracy, “Friends and Enemies: A Framework for Understanding Chinese Political Interference in Democratic Countries,” April 22, 2020, <https://securingdemocracy.gmfus.org/friends-and-enemies-a-framework-for-understanding-chinese-political-interference-in-democratic-countries/>

¹⁵ Alexander Bowe, U.S.-China Economic and Security Review Commission, “China’s Overseas United Front Work: Background and Implications for the United States,” August 24, 2018, <https://www.uscc.gov/research/chinas-overseas-united-front-work-background-and-implications-united-states>

¹⁶ Edmund J. Burke, Kristen Gunness, Cortez A. Cooper III, and Mark Cozad, RAND Corporation, “People’s Liberation Army Operational Concepts,” 2020, https://www.rand.org/pubs/research_reports/RRA394-1.html

GEOECONOMIC COERCION – As the strategist Edward Luttwak described in 1990, geoeconomics is the logic of conflict expressed in the language of commerce.¹⁷ Luttwak’s article described how the United States employed geoeconomic activities to disadvantage the Soviet Union after détente, the Party employs similar activities to achieve its’ strategic goal with regards to Taiwan. In the PRC’s case, they do not want to destroy the Taiwanese economy, but they do wish to constrain it and shape it in directions that make it dependent on the mainland. Through a combination of incentives and disincentives, the CCP leverages its control of the Chinese economy, and now increasingly the economy of Hong Kong, to reinforce the effects of its political warfare activities. As companies and countries around the world have found, when it comes to the PRC and Taiwan there is no purely commercial relationship, everything will be viewed through the political lens that the Party desires.

OVERT MILITARY THREAT – Similarly, the Party employs the threat of military force to reinforce its political warfare activities. The PLA training and modernization are explicitly linked to a forced reunification campaign against Taiwan. PLA training and exercises serve as a visible reminder of the PRC’s capabilities and over the past few years the scope and scale of the PLA’s activities have increased. Air and maritime incursions into Taiwan’s EEZ (Exclusive Economic Zone) and ADIZ (Air Defense Identification Zone) serve a dual purpose: normalize PLA activities in the minds of Taiwanese leaders and citizens and stretch Taiwanese military forces to respond and track these incursions. Additionally, the PLA’s ongoing campaigns in the East China Sea and the South China Sea to expand the PRC’s maritime and territorial control serves to further isolate Taiwan. These operations have the effect of spreading Taiwan’s military forces out while making it more difficult for other countries to operate in the region and provide reassurance against PRC aggression.

Taken together, these three elements of the Party’s strategic approach to Taiwan (Political Warfare, Geoeconomic Coercion, and Overt Military Threats) achieve the overall effect of isolating Taiwan from an international system designed to prevent this sort of coercion and create incentives to acquiesce in the face of PRC’s demands. Communist Party leadership likely

¹⁷ Edward Luttwak, *The National Interest*, “From Geopolitics to Geo-Economics: Logic of Conflict, Grammar of Commerce,” Summer 1990.

concludes that this strategic approach will be successful over time, particularly as the Party perceives that its comprehensive national power is growing, while the United States and other democracies are declining. However, two developments would most likely cause the Party to re-evaluate its approach and consider launching a deliberate military campaign to compel “full reunification”: the perception of a favorable opportunity and proximity to the Party’s publicly stated centenary goal of “national rejuvenation.”

There is a well-documented debate raging about the likelihood of Beijing’s invasion of Taiwan.¹⁸ Across that literature is the concept that the Party remains committed to its goal of “full reunification,” that it is confident in its strategic approach of winning without fighting, but that its plans remain contingent and open to seizing a favorable opportunity. In terms of timing, 2035 has emerged as an important interim objective, designated by Xi Jinping, between the nearly 30-year gap of the two centenary goals of 2021 and 2049.¹⁹

The CCP’s Military Option

Should the CCP conclude that the opportunity to launch a military campaign against Taiwan is favorable, that campaign would likely comprise of three elements with a supporting counter-intervention campaign against the United States, Japan, and any other country. The first element of the military campaign against Taiwan would be an air, cyber, and maritime blockade to physically and virtually isolate Taiwan from the rest of the world. This first phase would be predicated upon the PLA achieving some measure of “information dominance.” The next element would be an invasion which could be preceded by, or simultaneously conducted with, air, missile, and cyber-attacks to degrade and destroy Taiwan’s capability and will to resist. The final element of the PRC’s Taiwan campaign would be a political annexation in which the Party would consolidate control over all elements of Taiwan’s society (think of this as nation-building with Chinese Characteristics). To get a sense of how this final phase might

¹⁸ The Economist, “The most dangerous place on Earth,” May 1, 2021, <https://www.economist.com/leaders/2021/05/01/the-most-dangerous-place-on-earth>; ChinaFile, Abby Seiff, Susan Thornton, Scott Swift, Bonnie S. Glaser, Yu-Jie Chen, Ryan Hass and Scot W. Harold, “Will Beijing Invade Taiwan? A ChinaFile Conversation,” July 30, 2021, <https://www.chinafile.com/conversation/will-beijing-invade-taiwan>; Foreign Affairs, Richard Haass and David Sacks, “American Support for Taiwan Must Be Unambiguous,” September 2, 2020, <https://www.foreignaffairs.com/articles/united-states/american-support-taiwan-must-be-unambiguous>;

¹⁹ 2035 is also with the reasonable ruling period for Xi Jinping who would be 82. Xi has alluded to the desire to “solve” the Taiwan problem within his period in office and that it is a task that should not be left to a successor.

unfold, one needs look no farther than what we can observe happening in Hong Kong today. A climate of fear and a re-engineering of Taiwanese society would take place across business, education, legal, religious and political life, as the Party wages a large-scale “rectification campaign” against 23 million Taiwanese citizens to convert them into patriotic citizens of the People’s Republic of China. While the Party may wish, and have some confidence, that it could execute the first two elements of this campaign quickly, this third element takes significant time and introduces political risks that the Party would need a permissive environment to execute (continued conflict with the United States, Japan or others would make it extremely difficult to consolidate political control over Taiwan).

While the Party has impressive capabilities in both quantity and quality for executing this campaign, Party leaders and the PLA will be faced with some difficult dilemmas. The “main effort” of absorbing Taiwan into the PRC will compete for resources and attention with a supporting and simultaneous counter-intervention campaign directed at the United States, Japan and any other country that seeks to undermine the Party’s efforts. In the best-case scenario for the Party, this counter-intervention campaign would be conducted through a combination of diplomacy, political warfare, and deterrence to dissuade the United States, Japan, and any other country from intervening militarily on behalf of Taiwan. Of course, the decision to intervene isn’t Beijing’s and the Party’s track record of dissuading the United States and other countries from pursuing policies that Beijing objects to, is poor and appears to be getting worse.

This creates an initial dilemma for the Party’s leadership: should the PLA conduct a preemptive attack against the United States and Japan to knock them out long enough to complete the campaign against Taiwan and then present the world with a fait accompli while the Party finishes its rectification campaign on Taiwanese society? There are a number of risks that arise from a preemptive attack, not least of which, the PRC would be inviting a significant broadening of the conflict geographically, as well as the potential rapid escalation. If the Party’s leadership decides against a preemptive attack, then how should the PLA balance resources between the main effort on Taiwan and the supporting counter-intervention campaign? Getting bogged down in both the main effort against Taiwan and in the counter-intervention campaigns would be disastrous for the Party, as the expanding conflict would be taking place on top of the nation’s economic lifelines for raw materials, food, and the export of Chinese products to the rest of the world. In these dilemmas, the United States and others can take actions now that

would significantly complicate the Party's challenges and increase the perception of cost for pursuing a military option.

How Should the United States Respond: Competition and Deterrence

Concern over the likelihood that the Chinese Communist Party will fulfill its pledge of "full reunification" with Taiwan is at an all-time high. This heightened concern is driven primarily by the change in the commonly accepted formula for threat: $\text{Intent} \times \text{Capability} = \text{Threat}$. Over the past two decades, as the United States and its allies have been focused on counterterrorism and counterinsurgency in the Middle East, the PLA has significantly increased its capability to conduct a complex, joint military campaign against Taiwan. One reason why the United States failed to fully appreciate and react to this development was the miscalculation in the underlying assumption of U.S.-PRC relations from the early 1990s to 2015: economic engagement and development leads to political liberalization and a corresponding drop in the PRC's hostility to Taiwan and the broader international system. As Xi Jinping came to power, it became increasingly obvious that he had a different concept in mind and sought to pursue the goal of solving the Taiwan problem with even greater vigor.

To reduce the probability of a conflict in the Western Pacific, the United States must revise its policies towards the PRC and Taiwan and re-establish credible deterrence in the minds of CCP leaders. This will be difficult and controversial to do, particularly as the CCP ramps up its own Political Warfare activities to complicate U.S. policymaking and drive political wedges within our domestic politics, but we should be optimistic as much of this effort is already underway with general consensus across the U.S. political spectrum.

Our first task is to recognize and understand just how much the world has changed since Henry Kissinger and Zhou Enlai engineered the grand bargain to establish relations between the United States and the People's Republic of China that set us on this path of crisis over Taiwan. This is not to criticize those decisions, simply to observe that the conditions that made those policies rational in the 1970s (negotiated settlement in Vietnam, gaining PRC support against the Soviet Union, and opening the PRC to the world) no longer exist today. Accommodation of the Party's fantasy that Taiwan is a part of the People's Republic of China will not reduce the probability of a conflict because our obfuscation no longer satisfies the Party's aspirations. Xi Jinping is driving his nation towards a resolution on Beijing's terms. The

United States needs to consider clearly which of its actions will raise the costs on military action and which will invite the Party to believe it has a favorable opportunity.

Leadership of the CCP already sees themselves in a long-term, ideological struggle with the United States... this mindset was clear as early as January 2013 when Xi Jinping stressed this point during his inaugural address to the Central Committee. It is soothing to imagine that some formula can be constructed to avoid the costs of a long-term strategic competition; however, subjugating Taiwan through annexation will not dissipate the Party's paranoia over its own legitimacy or quench its desire for hegemony, just as Beijing's efforts to subjugate Tibet, Xinjiang and Hong Kong have not satiated the Party's appetite for domination. The political pathologies within the Communist Party's own DNA make it difficult to see how the Party could ever be satisfied within an international system that favors liberal democracies, the rule of law and market economies. To satisfy Beijing, the international system would need to change in such drastic ways as to make it unrecognizable... something that would threaten the vital national interests of the United States and its allies. Beijing's obsession with Taiwan's de facto independence provides the starkest example of this irreconcilable difference.

Competition and Deterrence

Just as the CCP employs a strategic approach that blends political, economic, and military means to achieve its objective of ending Taiwan's political independence, the United States should coordinate its activities across this spectrum to achieve its goals of protecting Taiwan's democracy from coercion and deterring the PRC from launching a military campaign against Taiwan. While the United States cannot compel the Chinese Communist Party to abandon its desires (no more than the United States can compel nations to become democracies), we can compete with the Party's strategic approach, impose costs on PRC actions and pursue efforts to persuade Beijing that today is not the day to roll the Iron Dice.

Clarify the United States Military Commitment to Taiwan – The U.S. decision to adopt a policy of strategic ambiguity made sense under conditions where we believed that Beijing and Taipei were making slow but steady progress to resolving their differences peacefully. Under those conditions, ambiguity encouraged both sides to seek out good faith solutions. Those conditions no longer exist, and we appear to be on a glideslope to conflict.

Under the conditions facing us today, ambiguity undermines strategic stability as the CCP can convince itself that the United States will not intervene, raising the attractiveness of resorting to a military campaign. One is reminded of the classic line in the movie, *Dr. Strangelove*:

"Of course, the whole point of a Doomsday Machine is lost, if you KEEP it a SECRET! Why didn't you tell the world, EH?"

The United States should continue to expand combined operational planning and training of American, Japanese and Taiwanese forces to ensure that Beijing does not deceive itself into believing that they can wage a short, sharp campaign in which other powers remain bystanders. The intention of these exercises and demonstrated operational capabilities is to bolster deterrence and to make it clear to Party leaders that their decision to initiate an annexation of Taiwan would result in a broad regional conflict with uncontrolled escalation: an outcome that the United States does not want, but is determined to prevent from happening. One way the United States can communicate this resolve is to continue to make public that U.S. Forces train in Taiwan and with Taiwanese forces. Over the past few years, the United States began to publicly acknowledge that U.S. Special Operations Forces routinely train with their counterparts in Taiwan.²⁰ The United States should expand these rotational training exercises and deployments to include larger conventional forces and open formal staff talks with the Taiwanese military and the Japanese Self Defense Forces.²¹

²⁰ Kelvin Chen, Taiwan News, "US special forces to train Taiwan soldiers after annual war-games," May 31, 2021, <https://www.taiwannews.com.tw/en/news/4213647>; Joseph Trevithick, The Drive, "Army Releases Ultra Rare Video Showing Green Berets Training In Taiwan," June 29, 2020, <https://www.thedrive.com/the-war-zone/34474/army-releases-ultra-rare-video-showing-green-berets-training-in-taiwan>; Abhijnan Rej, The Diplomat, "US Marine Raiders Arrive in Taiwan to Train Taiwanese Marines," November 11, 2020, <https://thediplomat.com/2020/11/us-marine-raiders-arrive-in-taiwan-to-train-taiwanese-marines/>; John Feng, Newsweek, "Taiwan Admits U.S. Troop Exercise for First Time in 40 Years Amid Growing China Threat," November 10, 2020, <https://www.newsweek.com/us-marines-covert-training-operation-taiwan-defense-troops-1546213>

²¹ Japan's 2021 Defense White Paper for the first time references Taiwan as a significant defense issue for Japan, see Ministry of Defense, "2021 Defense of Japan Pamphlet," https://www.mod.go.jp/en/publ/w_paper/wp2021/DOJ2021_Digest_EN.pdf, page 19; Ju-min Park, Reuters, "Japan official, calling Taiwan 'red line,' urges Biden to 'be strong'," December 25, 2020, <https://www.reuters.com/article/us-japan-usa-taiwan-china-idUSKBN28Z0JR>; David Axe, Forbes, "It's Getting More Likely The Japanese Would Fight For Taiwan," July 2, 2021, <https://www.forbes.com/sites/davidaxe/2021/07/02/its-getting-more-and-more-likely-japanese-troops-would-fight-for-taiwan/?sh=32ac870a3a4c>;

Restore Taiwan’s “International” Space and Standing – Ensure that Taiwan has options and can make its own choices about commercial, economic, and political relationships, engage in international forums when Taiwan chooses, and pursue relationships with other nations free of coercion. As members of the Group of Seven have already done, various international organizations and forums should demand Taiwan’s inclusion in international bodies:

“To strengthen global cooperation on issues of concern to all we believe it is vital to ensure inclusive processes in international organisations. We support Taiwan’s meaningful participation in World Health Organisation forums and the World Health Assembly. The international community should be able to benefit from the experience of all partners, including Taiwan’s successful contribution to the tackling of the COVID-19 pandemic.”²²

Decades of work by the Chinese Communist Party to isolate Taiwan and force Faustian Bargains on third countries should be reversed and can only be done by the concerted efforts of nations which seek to strengthen peace and security.

Press Beijing to Remove the Threat of Force and Restore Direct Communication – In response to the election of President Tsai Ing-wen in early 2016, the Chinese Communist Party unilaterally halted formal cross-strait communications and ramped up a concerted campaign of coercion and interference against Taiwanese society and its political system. The international community should demand that Beijing resume official cross-strait communication with the Tsai Administration without preconditions and within an international context. An invitation should be sent to both the PRC and Taiwan to attend talks which allow the two sides to engage with one another. For advocates of engagement, this should be our principal focus, and friends of China should encourage CCP leaders to take this path. This will engender howls of protest from Beijing and accusations of ‘hostile foreign forces’ interfering in China’s internal affairs, but we should not fall for this false narrative, nor should we be deterred by the example the Party set in its dealings with Hong Kong. Direct and meaningful engagement and communication between Beijing and Taipei are imperative for global stability.

²² G7 Foreign and Development Ministers’ Communiqué, May 5, 2021, <https://www.g7uk.org/g7-foreign-and-development-ministers-meeting-may-2021-communique/>.

In the interests of peace and stability, this issue can no longer be perceived as solely between Beijing and Taipei. The United Nations Charter compels Members to seek peaceful resolutions to international disputes, prohibits Members from the threat or use of force against the territorial integrity or political independence of any state (not just “Members” of the United Nations), and obliges other Members to persuade parties to a dispute to settle that dispute through negotiation. Members of the international community therefore have an obligation to publicly demand that Beijing end its threat of force against Taiwan and to re-start talks with Taipei. Article 2 of the United Nations Charter states: “All Members shall refrain in their international relations from the threat or use of force against the territorial integrity or political independence of any state, or in any other manner inconsistent with the Purposes of the United Nations.” The PRC’s 2005 Anti-Secession Law is a clear violation of Article 2, as it makes a specific threat of force against Taiwan for its political independence. Additionally, Article 33 of the United Nations Charter requires: “The parties to any dispute, the continuance of which is likely to endanger the maintenance of international peace and security, shall, first of all, seek a solution by negotiation, enquiry, mediation, conciliation, arbitration, judicial settlement, resort to regional agencies or arrangements, or other peaceful means of their own choice.”²³ Article 35 addresses this particular scenario in which a non-Member is threatened by a Member: “A state which is not a Member of the United Nations may bring to the attention of the Security Council or of the General Assembly any dispute to which it is a party if it accepts in advance, for the purposes of the dispute, the obligations of pacific settlement provided in the present Charter.”

The fact that the People’s Republic of China prevents Taiwan from securing membership to the United Nations does not remove the protections that the Charter grants to Taiwan. The PRC, as a Permanent Member of the United Nations Security Council, will almost certainly block this path, but that does not preclude other Members from raising this point publicly and forcing Beijing to exercise its veto. Again, friends of China should be encouraging CCP leaders to embrace Taiwan’s inclusion in the international community.

The United Nations is not the sole forum through which the international community could exercise their obligations to encourage Beijing to end its threat of force against Taiwan’s political independence and initiate negotiations. The Helsinki Accords and the establishment of

²³ United Nations Charter, <https://www.un.org/en/about-us/un-charter/full-text>

the Conference on Security and Co-operation in Europe, CSCE, (later the Organization for Security and Cooperation in Europe, OSCE) provides an example for how the broader international community could act responsibly to encourage the maintenance of international peace and security. The Group of Seven could also play an important role as they have begun to do by calling for peace and stability in the Taiwan Strait.²⁴

Strengthening Civil Society from CCP Political Warfare – The CCP’s campaign to undermine and weaken democratic societies and political systems, particularly within Taiwan, is well documented. The United States and its partners should pursue an effort to illuminate these activities, map the influence networks that the CCP employs and pursue legal action against those individuals and organizations that choose to act as weapons in the Party’s arsenal.

Geoeconomics – Along with clarity on military intervention should the CCP launch a military campaign against Taiwan, the United States should begin a concerted effort to communicate to Beijing and global markets what economic sanctions the United States would impose. Investors and companies around the world should be forced to account for these material risks in their business and investing decisions. If Beijing moves to reduce tensions with Taiwan and end its threat of military invasion, then investors and companies with fiduciary duties should feel more confident in strengthening economic ties. If Beijing refuses and continues to threaten military invasion, those material risks require investors and companies to reduce their exposure to the Chinese economy.²⁵ Perhaps, had President Putin understood before launching a campaign into Crimea and Ukraine the scope and scale of economic

²⁴ CNN, James Griffiths, “G7 warns China not to ‘escalate tensions’ with Taiwan amid military threats,” May 5, 2021, <https://www.cnn.com/2021/05/05/china/g7-cornwall-uk-us-china-taiwan-intl-hnk/index.html>; G7 Foreign and Development Ministers’ Communiqué, May 5, 2021, <https://www.g7uk.org/g7-foreign-and-development-ministers-meeting-may-2021-communication/>, “We underscore the importance of peace and stability across the Taiwan Strait, and encourage the peaceful resolution of cross-Strait issues. We reiterate our strong opposition to any unilateral actions that could escalate tensions and undermine regional stability and the international rules-based order and express serious concerns about reports of militarisation, coercion, and intimidation in the region.”; Carbis Bay G7 Summit Communiqué, June 13, 2021, <https://www.consilium.europa.eu/media/50361/carbis-bay-g7-summit-communication.pdf>, “Article 60: We reiterate the importance of maintaining a free and open Indo Pacific, which is inclusive and based on the rule of law. We underscore the importance of peace and stability across the Taiwan Strait, and encourage the peaceful resolution of cross-Strait issues. We remain seriously concerned about the situation in the East and South China Seas and strongly oppose any unilateral attempts to change the status quo and increase tensions.”

²⁵ We should consider this a form of “market-based deterrence” in which economically interdependent competitors can communicate information about costs and benefits of certain courses of action through markets.

sanctions the United States imposed, he may have chosen against military action. Of course, we cannot know the answer to that counterfactual, but if we want to have any chance of changing the cost-benefit analysis in the minds of our competitors, then it is best that they clearly understand the costs BEFORE they make their decision.

Determining the actions that the United States would perform to impose geoeconomic costs on the PRC requires detailed contingency and scenario planning with elements of the U.S. Treasury, the Federal Reserve, the Securities and Exchange Commission, the FDIC and U.S. banks and companies. Those institutions will need to build proper reserves, map out their actions, identify tripwires and decision points, and put in place firebreaks to reduce our vulnerability. Those plans should then be made broadly public and coordinated with Allies and Partners. This is also important for building additional rungs in a geostrategic escalation ladder.

The Status Quo is not Static

For the United States, there is a strong proclivity to seek the maintenance of the Cross-Strait status quo and to balance between the two sides. This means a tendency to continue tired and true policies that have worked in the past, yet this ignores the reality that the status quo between Beijing and Taipei is not static. As the PRC strengthens its position across the economic, military, diplomatic and informational domains its coercion against Taiwan strengthens as well: what was deemed a balanced U.S. policy in the past, becomes unbalanced as Beijing's relative power grows and Beijing perceives a favorable opportunity to achieve "full reunification" on its terms.

A recognition of this dynamic was recently declassified. In 1982, as President Reagan signed the 'Third Communique,' he simultaneously issued an internal presidential memorandum describing how this agreement with Beijing would be interpreted by the United States Government:

"As you know, I have agreed to the issuance of a joint communique with the People's Republic of China in which we express United States policy toward the matter of continuing arms sales to Taiwan.

The talks leading up to the signing of the communique were premised on the clear understanding that any reduction of such arms sales depends upon peace in the

Taiwan Straits and the continuity of China's declared "fundamental policy" of seeking a peaceful resolution of the Taiwan issue.

In short, the U.S. willingness to reduce its arms sales to Taiwan is conditioned absolutely upon the continued commitment of China to the peaceful solution of the Taiwan-PRC differences. It should be clearly understood that the linkage between these two matters is a permanent imperative of U.S. foreign policy.

In addition, it is essential that the quality and quantity of the arms provided Taiwan be conditioned entirely on the threat posed by the PRC. Both in quantitative and qualitative terms, Taiwan's defense capability relative to that of the PRC will be maintained.²⁶

The spirit behind President Reagan's 1982 memorandum should continue to serve as a guidepost for U.S. policy today.

²⁶ U.S. Executive Office of the President, Ronald Reagan, "Arms Sales to Taiwan," August 17, 1982, (Declassified on August 30, 2019), <https://www.ait.org.tw/wp-content/uploads/sites/269/08171982-Reagan-Memo-DECLASSIFIED.pdf>

THE ROAD TO BEIJING

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Fifty years ago, a hand-delivered letter, a clueless ping-pong team and a series of artful signalling efforts led to a U.S-China breakthrough and a new international order. With the two countries again at a nadir, would a reprise of Kissinger-esque negotiations work again?

From 1955 to 1971, during the height of the Cold War, U.S. diplomats carried on a series of 134 negotiations with their counterparts at the embassy of the People's Republic of China in Warsaw. Henry Kissinger, who became President Richard Nixon's National Security Advisor, mocked these efforts as "sterile" and "the longest continual talks that could not point to a single important achievement."¹

Indeed, a breakthrough after two decades of steely deadlock between the U.S. and China came not via diplomats persisting in Warsaw, but via insiders in Pakistan. On December 8, 1970, Pakistan's President, Yahya Khan, who was a close ally of China, had a double-sealed envelope with no identifying marks or letterhead hand-delivered to Kissinger at the White House. Inside was a letter from Premier Zhou Enlai in Beijing announcing that the Chinese were now willing to hold discussions with the U.S. on the basis of an "open agenda." For the first time since coming to power in 1949 and then promptly going to war against the U.S. in Korea during the early 1950s, "Peking," as Beijing was then known, was not attaching pre-conditions, such as first resolving the Taiwan problem, to sitting down with the U.S. for official talks.

What had changed?

¹ Many of the quotes in this piece come from Kissinger's *The White House Years* and *On China*, Nicholas Griffin's *Ping-Pong Diplomacy*, Margaret MacMillan's *Nixon and Mao*, William Burr's *The Kissinger Transcripts* and John Delury's upcoming, *Agents of Subversion: The United States and China from Korea to Vietnam*.

By the late 1960s, the U.S.S.R., which was once viewed by the Chinese Communist Party (CCP) as its “socialist big brother” and as being “close as lips and teeth,” had amassed a million troops along the 4,000-mile-long shared border with China. As an ideological fault line had opened between the two once fraternal Communist leviathans around the question of de-Stalinization and which revolutionary society would achieve “communism” first, things became so acrimonious that clashes broke out, making Mao reassess “the Russian bear” as a greater threat than even the American imperialists. “We should be prepared for a fighting war,” warned Zhou, as fearful Chinese were ordered to begin digging a vast network of underground air-raid tunnels beneath Beijing. So worried had China’s leaders become that Marshal Chen Yi counselled, “It is necessary for us to utilize the contradiction between the U.S. and the Soviet Union in a strategic sense and to pursue a breakthrough in Sino-American relations.”

As it happened, Nixon had also wanted to improve relations with China for several years. As early as 1967, he’d written a *Foreign Affairs* article declaring, “we simply cannot afford to leave China forever outside of the family of nations, there to nurture its fantasies, cherish its hates and threaten its neighbors.” One week after arriving in the White House in 1969, Nixon had messaged Kissinger suggesting he get in touch with China, and the two sides began a series of artful signaling efforts to win each other’s attention. In an October 5, 1970 interview with *Time Magazine*, Nixon observed, “If there is anything I want to do before I die, it is to go to China.” That November during a visit to the White House by Pakistani President Khan, Nixon had promised that the U.S. “would not participate in a condominium against China” with the Soviet Union and would even be willing to send a high emissary to a “mutually agreeable place” for negotiations with Beijing. Then, while he was an avowed anti-communist who had previously always used “Red China” or “Communist China,” in his second *Foreign Policy Report*² issued on February 25, 1971, Nixon allowed the once forbidden words “The People’s Republic of China” to be used officially for the first time.

So, when the message from Zhou arrived in December of 1970, Nixon and Kissinger were hopeful their efforts were being rewarded. After all, surmised the latter, “to invite the representative of the reviled ‘monopoly capitalists’ to Beijing had to reflect some deeper

² <https://www.presidency.ucsb.edu/documents/second-annual-report-the-congress-united-states-foreign-policy>

imperative.” Indeed, something was stirring. Only three months later, in March 1971, Zhou received former Japanese Foreign Minister Aichirō Fujiyama and told him that “at some point, a sudden dramatic improvement [in relations with the U.S.] is possible.”

Then, into the middle of all this shadow boxing sailed a bizarre chance encounter that centered around a losing American team in an obscure sport whose members knew little about the People’s Republic of China. But it was this American ping-pong team that would finally give “shape to the intangibles of mutual understanding,” as Kissinger later put it, and transformed not only the fraught U.S.-China relationship, but the entire global order.

CLUELESS IN BEIJING

On April 6, 1971 — four months after Zhou’s letter — a rag-tag team of American ping-pong players arrived without fanfare at the 31st World Table Tennis Championship in Nagoya, Japan. Ping-pong had been codified as a “sport” in Britain by Ivor Montagu, the leftist son of the wealthy Baron of Swaythling. The young baron became an enthusiast of the game himself while studying at Cambridge in the 1920s and viewed it as an ideal way to spread friendship and Marxism around the world. After setting up the International Table Tennis Federation, ping-pong began sweeping the USSR.³ With Mao’s victory in 1949, ping-pong became such a popular mass sport in China that the team for the 1971 World Championship included almost 40 professional players.

The Americans, by contrast, sent only a nine-member team to Japan, including a long-haired, Los Angelino hippie named Glenn Cowan. When he accidentally stumbled onto a PRC bus in Nagoya and befriended the Chinese ping-pong champ Zhuang Zedong⁴, the two were photographed together, and the unlikely images of their Sino-U.S. amity were quickly splashed around the world via the international press.

While leaders in both the U.S. and China took notice, it was Zhou who saw opportunity. Judging the atmosphere with the Americans to now be “friendly” enough, he asked the mercurial Mao if he could proffer the U.S. team an invitation to visit Beijing. Mao initially said

³ And Montagu became a Russian spy!

⁴ <https://www.nytimes.com/2013/02/12/world/asia/zhuang-zedong-winner-in-china-foreign-relations-and-ping-pong-dies-at-72.html>

no, but then — under the influence of his nightly regimen of powerful sleeping pills — he instructed his night nurse to inform Zhou he'd changed his mind.

The invitation to the Americans was couched in language designed not to sound overly solicitous of China's longtime adversary. "Considering the fact that the American team has requested several times to visit China, and that they have expressed warm and friendly feelings," it declared, "the decision has been made that we will invite them."

The clueless American ping-pong team was stunned to become the first U.S. delegation admitted to the PRC since China was "liberated" (被解放了) by the Communists.

"None of us knew what the shit we were doing," remembered Graham Steenhoven, President of the U.S. Table Tennis Association, as an explosion of global media interest erupted around the invitation.

Back in Washington, U.S. officials were equally confused. They didn't even know who these amateur ping-pongers were. As one diplomat working with Kissinger later laughed, "I mean, were there warrants for their arrest outstanding, [were] some child molesters... Who were these guys?"

It was a good question. Cowan and John Tannehill were still teenagers and outspoken members of the leftist counterculture. Cowan wore headbands and loved to smoke weed. Tannerhill was a self-styled American Maoist who promptly praised Chairman Mao as "the greatest moral and intellectual leader in the world today."

The irony, of course, was that Zhou was not looking for American Maoist converts, but rather an opening to the very capitalist leaders in Washington that Tannehill liked to impugn.

"I don't know whether you noticed, incidentally, but the Chinese have invited the American ping-pong team," Kissinger told President Nixon in breaking the news.

"No!" exclaimed Nixon.

"—to visit China," continued Kissinger. "Maybe it doesn't mean a damn thing. On the other hand..."

It means "a lot," interrupted Nixon.

As with the invitation, every bit of the Americans' schedule in Beijing was carefully scripted and choreographed by Zhou. Their introduction to the Chinese people involved being

presented before 18,000 People's Liberation Army soldiers lined up in a stadium as the revolutionary anthem, "Sailing the High Seas Depends on the Helmsman," blared out over the loudspeakers: "*Sailing high seas depends on the helmsman, just as life and growth depends on the sun. Rain and dewdrops nourish the crops just as making revolution depends on Mao Zedong Thought.*"

Zhou even fêted the team at the Great Hall of the People where Glenn Cowan, resplendent in purple bell-bottom trousers, asked Zhou what he thought of the American hippie movement.

"Youth wants to seek the truth, and out of this search various forms of change are bound to come forth," Zhou replied evasively before grandly declaring that the American team had "opened a new chapter" in Sino-U.S. relations.

Kissinger and Nixon watched all this from Washington rapt with fascination, the latter jokingly asking visitors to the Oval Office if they'd learned to play ping-pong yet. Because of Zhou's earlier letter, they too sensed the game-changing implications. As Kissinger recalled, "We knew that something big was about to happen, but we were baffled as to which channel would surface it and precisely what form it would take.

"At the most obvious," he wrote, "the invitation to the young Americans symbolized China's commitment to improved relations with the U.S. On a deeper level it reassured — more than any diplomatic communication through any channel — that the emissary who would now surely be invited would step on friendly soil. It was a signal to the White House that our initiatives had been noted." So, in early January 1971 — just over a year after Zhou's initial letter — Nixon sent a message back to Zhou, declaring an interest in visiting China.

'A NEW INTERNATIONAL ORDER'

Not until April 27th did a response — in elegant handwriting — arrive back through Pakistan. "The Chinese government reaffirms its willingness to receive publicly in Peking a special envoy of the President of the U.S. (for instance, Mr. Kissinger) or the U.S. Secretary of State, or even the President of the U.S. himself for direct meetings and discussions," wrote Zhou.

An excited Kissinger rushed to the White House to convey the news to Nixon.

“So here it was, at last, the end of one road and the beginning of another,” Kissinger later breathlessly remembered. “Zhou Enlai’s warm tone indicated we need to fear no humiliation; the peremptory tone of previous communications had been dropped.”

On May 10, Nixon responded saying he was “prepared to accept” Zhou’s invitation. It was an “extremely courageous” decision, judged Kissinger, because there was no guarantee it would be successful. Then, he and his young aide, Winston Lord, set about preparing for what they foresaw as “the most momentous journey of our lives.” “Operation Polo,” as they dubbed their initiative was done with the greatest secrecy, “so we can meet unencumbered by bureaucracy, free of the past, and with the greatest possible latitude,” explained Kissinger. As he wrote to his deputy, Al Haig, “a leak or even a hint is likely to blow everything.”

By the end of the month, their plans for a secret trip to Beijing to discuss a full presidential visit were set.

When Zhou wrote that he “warmly looks forward to meeting with Dr. Kissinger in China in the near future,” as Kissinger remembered, “it would be difficult to exaggerate the relief I felt.” Again, he rushed back to the White House to find Nixon, who was hosting a state dinner for the Nicaraguan dictator Anastasio Somoza.

“Buoyantly [Nixon] took me to the Lincoln Sitting Room and found some brandy and two glasses and proposed a toast,” remembered Kissinger, who grandiosely reported that he was “beginning to see the outline of a new international order” emerging.

On July 8, 1971, three months after the U.S. ping-pong team’s trip to Beijing, Henry Kissinger, Winston Lord, and two other NSC officials — John Holdridge and Dick Smyser — plus two Secret Service agents arrived in Pakistan. The night before he left, Kissinger was filled with such a sense of “excitement and anticipation” that for the first time since he’d joined the White House, he had trouble sleeping.

Once in Islamabad, instead of taking a limousine to Yahya Khan’s mountain retreat as he was officially scheduled to do, a decoy was sent in his stead and Kissinger folded himself into a lowly, red VW bug at 4:00 a.m. and drove secretly to a military airport. There he and his team boarded a Pakistani International Airlines jet and took off for Beijing. Their mandate was to “discuss the circumstances which would make a visit by President Nixon most useful, the agenda of such a meeting, the time of such a visit, and to begin a preliminary exchange of views on all subjects of mutual interest.”

Shortly after arriving in Beijing, they met Zhou Enlai, and soon found themselves across the table from him “in easy conversation, as if there had never been a day’s interruption in contacts between our nations.” What impressed Kissinger most was the lack of “bitter invective that only yesterday had been routine in all our countries’ public discourse about each other.” In a single year, he recalled, “Sino-American diplomacy had moved from irreconcilable conflict to a visit to Beijing by a presidential emissary to prepare a visit by the president himself.” He attributed the success to “sidestepping the rhetoric of two decades and staying focused on the fundamental strategic objective of geopolitical dialogue leading to a recasting of the Cold War international order.”

“You saw just how throwing a ping-pong ball has thrown the Soviet Union into such consternation,” joked Zhou with a jaunty air of self-congratulation. But while it was the Soviet Union that brought the two adversaries together, it was the deft, opportunistic diplomacy of Kissinger and Zhou that brought the breakthrough to term. The issue of Taiwan had always stood in the way of U.S.-China negotiations, but Mao and Zhou now wanted something more immediate: a counterbalance to the threat posed by the USSR. As Mao cavalierly put it to Nixon when they finally met, “I say that we can do without Taiwan for the time being, and let it come after one hundred years.”

Lord has recently written that Mao and Zhou made some “huge concessions by kicking the Taiwan issue down the road.” Why? Because there was now something they wanted even more: ‘security against the ‘Polar Bear’ to their North.” As Lord explained, China was even willing to allow the U.S. “to maintain diplomatic relations with Taiwan; maintain our defense treaty, which Kissinger explicitly reaffirmed on Chinese soil; sell arms to Taiwan; and maintain our troops in Taiwan.” They could not, however, convince Zhou to “renounce the use of force” in the Taiwan Straits, because such a concession was for China the “equivalent to acquiescing to interference in our internal affairs.” Zhou would only promise to “strive for peaceful liberation.”

Nonetheless, Kissinger was thoroughly beguiled by the Chinese Premier, whom he described as having “a gaunt expressive face... dominated by piercing eyes, conveying a mixture of intensity and repose, of wariness and calm self-confidence.” He was, Kissinger wrote, a man who “moved gracefully and with dignity, filling a room not by his physical dominance (as did Mao), but by his air of controlled tension, steely discipline and self-control, as if he were a

coiled spring." Zhou was, concluded Kissinger, "Urbane, infinitely patient, extraordinarily intelligent, subtle," someone who "moved through our discussions with an easy grace that penetrated to the essence of our new relationship as if there were no sensible alternative." In Kissinger's view, Zhou was "one of the two or three most impressive men I have ever met." He said that his two-day visit "resulted in the most searching, sweeping and significant discussions I have ever had in government."

Brought together by a "commonly perceived danger," the two men spent some 17 hours in discussion on this first trip. What Kissinger understood Beijing to be seeking was "a world in which China could find security and progress through a kind of combative co-existence." But, as he acknowledged, "the challenge of bringing together two societies so estranged by ideology was considerable." What saved the day, he concluded, was that "neither of us had any illusion about changing the basic convictions of the other." It was, concluded Kissinger, "precisely the absence of such illusion that facilitated our dialogue."

Despite a personal willingness to set political systems, values and ideology aside, however, the gulf that remained was still wide, and made inescapably obvious when, for instance, Kissinger, during a subsequent visit, had to sit through a production of "The Red Detachment of Women," a "revolutionary ballet" favored by Mao's ultra-left wife, Jiang Qing. He characterized it as an "art form of stupefying boredom," in which "a girl fell in love with a tractor."

When Kissinger later drafted his report to Nixon, "My Talks with Chou Enlai," he did not ignore these contradictions between the two countries. "My assessment of these people is that they are deeply ideological, close to fanatic in the intensity of their beliefs," he wrote. "Our dealings, both with the Chinese and others, will require reliability, precision, finesse. If we can master this process, we will have made a revolution." In the meanwhile, he boasted, "We have laid the ground for you and Mao to turn a page in history."

As Nicholas Griffin observed in his book *Ping-pong Diplomacy* (2014), Kissinger was "occasionally in danger of being overwhelmed by his sense of his own place in the American narrative." And indeed, while flying back to the U.S., Kissinger seemed filled with just such a grandiose sense of his own destiny. "One of the rewards of my public life," he remembered, "has been that in a moment, however brief in the pitiless measurement of history, I would work

with a great man across the barriers of ideology in the endless struggle of statesmen to rescue some permanence from the tenuousness of human foresight.”

On July 15 — four days after Kissinger’s return — Nixon appeared on television to announce that he would visit China himself that February. A joint statement put it rather flatly: “Knowing of President Nixon’s expressed desire to visit the People’s Republic of China,” it said, “Premier Zhou Enlai, on behalf of the government of the PRC, has extended an invitation to President Nixon to visit China at an appropriate date before May, 1972.”

The nation and world were stunned by the news. “If Mr. Nixon had revealed he’d gone to the moon,” wrote *The Washington Post*, “he could have not shocked people more.” But no one was more surprised than officials at the U.S. State Department who had been told nothing at all about the secret negotiations.

Of course, all the world now knows what ensued. Nixon went to Beijing, met with Mao, and was able to boast, with the risk of exaggeration, “We are now in the extraordinary situation that, with the exception of the United Kingdom, the PRC might well be closest to us in its global perceptions.”

It was this historic trip that planted the seeds of “engagement,” a policy that, as it evolved over the next few decades, provided an operating system for U.S.-China relations and gave the rest of the world almost half a century of relative equipoise, until China under Xi Jinping began acting with such aggressiveness and belligerence that, this May, Kurt Campbell, President Biden’s top Asia specialist on the National Security Council, officially declared what everyone already knew, “engagement has come to an end.”

“AVOIDING CATASTROPHE”

Upon arriving back in the U.S., Glenn Cowan, the American ping-ponger, had blurted out, “I think I could mediate between Zhou Enlai and Nixon quite easily.” After all, as Cowan’s own hometown paper, *The Los Angeles Times* had lauded, what Cowan and his teammates accomplished was something “the Paris Peace talks, striped pants and homburg hats, and the State Department couldn’t do in decades — unthaw one quarter of the world.”

Cowan’s off-the cuff boast raises a host of questions still relevant today: How easy was it to negotiate with China to bring about what Kissinger called “a seminal change in

international affairs"? Did Mao, Zhou, Nixon and Kissinger discover some secret sauce? And, with Sino-U.S. relations now at another nadir, is it possible that such astute diplomacy might once again be able to create another similar breakthrough?

In reading through the endless volumes that have been written on these epic negotiations, three elements jump out as having been key to success in 1972.

First, there was, in fact, an unusual *dramatis personae* playing the key roles. On the Chinese side sat Mao Zedong, the volatile tyrant, who believed that "without destruction there can be no construction" (不破不立), constantly took pleasure in upending things, and saw himself as the consummate game changer. At his side was his strategically minded facilitator: the debonair Zhou Enlai who, in the words of historian Margaret MacMillan, had "a deep-seated preference for what was practical over what was purely theoretical."

On the American side sat the boundlessly insecure Richard Nixon who pined for global respect, even if it meant throwing the core of his earlier political being — anti-communism — to the winds. Then, there was his brilliant, if self-absorbed and transactional aide, Henry Kissinger, whose grandiose dreams of changing "the world order" were born from a PhD thesis done at Harvard on how the "Concert of Europe" transformed Europe and ushered forth a century of peace in 1815. While both Zhou and Kissinger were in ways superior to their bosses in intellect and cunning, both also were skilled in how to be deferential before autocratic power, sometimes even to the point of obsequiousness. Theirs was a winning and effective combination.

Today, we confront a very different situation in the Sino-U.S. rostrum of leaders. Xi Jinping may aspire to a Mao Zedong-scale "big leader" title, but with some Chinese netizens unflatteringly comparing his physiognomy and portliness to Winnie the Pooh, he has none of "Chairman" Mao's heroic revolutionary credentials and little of his commanding presence. Moreover, having defoliated China's leadership ranks of peers and emasculated even his own premier, Xi has no veteran of comparable status to Zhou Enlai upon whom he can call. Zhou once observed to Kissinger, "You probably thought the CCP has three heads and three arms. But, lo and behold, I am like you. Someone you can talk reason with and talk honestly." Xi could not easily make such a boast.

Second, although President Biden is skilled in foreign affairs, he has become so dedicated to centering his foreign policy proscriptions — especially in U.S.-China relations —

around competition between “autocracy and democracy” rather than just trade, it is difficult to imagine him being willing, or able, to set values and ideology aside and proclaiming, as Kissinger had, “It’s not our policy to subvert the government of the People’s Republic of China or its policy.” But this was perhaps the most important element that allowed the 1972 negotiations to succeed: all four men were willing to overlook the profound political and ideological differences that had fueled the Cold War. As Kissinger would patronizingly declare, no such deal could have been accomplished by liberal democrats, because they “would not have been able to bring themselves to base the relationship so explicitly on unsentimental strategic and geo-political considerations.”

Third, it is very doubtful that a new value-free “grand bargain” would ever win bipartisan support in today’s Washington or Beijing. Both American political parties now openly embrace the values and ideological differences that Nixon, Kissinger, Mao, and Zhou were so proud of being able to set aside. And we should not forget, because Beijing will certainly not, that during his first seven months in office, Biden called Xi Jinping a “thug”; reaffirmed the U.S.’s commitment to Taiwan as “rock solid;” decried Beijing’s takeover of Hong Kong and the arrests of dissenters under the draconian new National Security Law; denounced the CCP’s policies in Xinjiang as genocide; added new Chinese companies to the U.S. Entity List; and called for a more thorough investigation of the Covid virus’s origin in China.

Fourth, Xi, too, has been jousting with the U.S. over both values and political systems. In his confrontational 100th anniversary speech, he warned “foreign countries that dare to bully China will see their heads bashed bloody against the Great Wall of Steel forged by over 1.4 billion people.” At the heart of his current “wolf warrior” (狼战外交) diplomacy lies a defiant and unrepentant defense of China’s so-called “core interests” (核心利益) that include Tibet, Xinjiang, Hong Kong, Taiwan, the disputed territories on its borders with India and Bhutan, the South China Sea, and the Senkaku/Diaoyu Islands in the East China Sea. And, by proclaiming the virtues of the so-called “China option” (中国方案), Xi has, in effect, put China’s governance model forward as more effective in delivering a “good life” than liberal democracy.

Zhou was also able to soothe and assure Kissinger and Nixon by pledging that China “would absolutely not become a super-power.” But, under Xi, China has not only become a “superpower,” but one that is aggressively stretching its economic — and even military — tentacles around the world, launching new overseas propaganda campaigns to “tell China’s

story better” (讲好中国的故事) and seeking to gain new influence of every kind. Beijing is now even seeking to silence foreign critics abroad in a punitive, extra-territorial manner. It is not an exaggeration to say that Xi’s global ambitions now far exceed even those of Mao’s. The wealth and power that China has accrued on his watch have also been impressive enough to make him believe he no longer needs to compromise with the outside world, especially with countries in the censorious “West.”

Thus, it is difficult to imagine either China or the U.S. now being able to vault over their current differences to confect a latter-day version of a Zhou/Kissinger deal in which “neither side asked the other to do what its values or interests prohibited.”

The 1972 breakthrough’s other main ingredient for success was the common identification of a strategic goal both sides wanted: the isolation of the Soviet Union. With Xi now forging an autocratic alliance with the likes of Putin, Orban, Maduro, the generals in Myanmar and the mullahs in Iran, any hope of arresting the downward spiral in U.S.-China relations by ganging up against the Russians again is unlikely. Alternatively, it is equally as unlikely that the U.S. could be successful in playing the Russia card against China. And while climate change and global pandemics are truly critical challenges confronting both countries, because they lack immediacy and cannot be personified as one nation directly menacing the other, they lack the kind of nationalistic punch necessary to become galvanic, at least right now.

So, what’s left? Possibly the simple fact that our eroding relationship now threatens not only China’s immense developmental prowess and position in the world, but also the regeneration of America and the health of the entire global economic fabric. Sadly, we find ourselves once more facing a new adversarial stand-off and again, in Kissinger’s words, confronted by a “mystery to be overcome.” It is one “all people share: how divergent historical experiences and values can be shaped into a common order.” Kissinger went on to observe that “China has not forgotten that it was originally forced to engage with the existing international order in a manner utterly at odds with its historical image of itself” and that “they expect — and sooner or later will act on this expectation — the international order to evolve in a way that enables China to become centrally involved in further international rule making, even to the point of revising some of the rules that prevail.”

Now, that moment has arrived, and Xi Jinping is in no mood to make compromises that are the essence of diplomacy. Instead, he is pioneering a new kind of one-party Leninist imperium fortified by a dynamic and successful crypto capitalist economy. Once again, we find ourselves at loggerheads, in what Kissinger himself recently described as the “foothills of a new cold war.” And, as the situation becomes increasingly urgent, no one seems to have a plan of action.

When asked recently what alarmed him most in the Asian region, Adm. Scott Swift, former Commander of the U.S. Pacific Fleet, said he feared a maritime accident that, because the two sides do not have the necessary bilateral mechanisms in place, could quickly escalate into a larger military conflict. An accident could readily happen as the U.S. and its allies conduct more Freedom of Navigation Operations (FONOPS) in international waters claimed by China in the South and East China seas and as China steps up air and maritime patrols and builds more island bases to defend its vast, and illegal, territorial claims in the region. Earlier this year Beijing moored more than 200 ships off Julian Felipe Reef within the Republic of the Philippines’s Exclusive Economic Zone (EEZ) and provocatively left them⁵ there for weeks. In June, the PLA flew the largest formation yet of advanced fighter jets, nuclear capable long-range bombers, and anti-submarine aircraft across the Taiwan Straits and into the island’s Air Defense Identification Zone (ADIZ). And, in the East China Sea, the Chinese Navy, Coast Guard and other maritime force vessels have significantly increased their intrusions⁶ into the waters around the Japanese administered Senkaku Islands, part of Okinawa Prefecture.

These flirtations with live conflict are precisely why we urgently need some new diplomatic efforts. Nixon’s decision to meet with Mao in 1972 did not seek to convert China’s leaders to American principles of democracy or free enterprise, because as Kissinger had judged such an exercise “to be useless.” What he and Nixon sought instead was “avoiding catastrophe.” They had been accustomed to allowing ideology to “drive the two sides toward confrontation,” but in 1972 the threat of the Soviet Union had moved the discussion from ideology to realpolitik.

⁵ <https://www.bbc.com/news/world-asia-56474847>

⁶ <https://english.kyodonews.net/news/2021/06/67d5c54a1cca-chinese-vessels-sail-near-senkakus-for-record-112-days-in-row.html>

President Biden has repeatedly declared⁷ that “the U.S. is back at the table.” If that is true, then even as it pushes back against China’s provocations, as it should, the U.S. must also avail itself of whatever opportunities it can to create off-ramps from the runaway erosion that now marks U.S.-China relations. Without waiting for a theatrical ping-pong moment, Biden should secretly (to avoid having domestic politics distort the process) contact Xi and declare his willingness to appoint two high-level, out-of-office, U.S. plenipotentiaries to meet with two similar Chinese counterparts of Xi’s own choosing in a third country — possibly Singapore or Switzerland. There they would be collectively deputized to spend several days exploring workable alternative scenarios for re-ordering the terms of the current Sino-American interaction.

On the U.S. side, one could imagine an able team composed of former Secretary of State Condoleezza Rice and former President Bill Clinton, along with former Premier Zhu Rongji and Zhang Yesui, China’s former ambassador to both the U.S. and the UN, on the Chinese side. Once the four had met and formulated two or three new possible scenarios, they would submit them to Biden and Xi who, if they felt they had merit, would arrange a summit themselves to see if they could not arrive at some new understanding and agreement. Here, Biden has some unique assets. As vice president, he has spent considerable time with Xi on two separate trips to China. Moreover, Biden’s friendly, garrulous, just-plain-folk manner is the perfect antidote to Xi’s stiff aloofness that seeks refuge in ritual and ceremony. And finally, Biden’s conviviality may be just the thing needed to remove any suggestion of the U.S. imperiously depriving Xi of the kind of “face” that high office in China seems to uniquely demand.

Would a reprise of such Kissinger-esque negotiations work again? For reasons already discussed, they are unlikely to be successful. However, before one despairs, it is worth pointing out that the situation today is no more fraught than it was in 1972. And, if such an effort did fail this time, it would, at least, serve as a demonstration to wavering U.S. allies — who are addicted to standing in the middle, but who we need on our side — that, while the U.S. believes the China threat is real, it is also still dedicated to seeking peaceful solutions through diplomacy wherever and whenever possible. And, not to be forgotten, it almost always behooves a nation that has pretensions to global leadership to seek peaceful pathways rather than to sit idly by until a military accident cascades into a full-blown conflict.

⁷ <https://www.cnn.com/2021/06/13/biden-says-us-is-back-at-the-table-following-g-7-summit-.html>

“Any trivial event, as long as it could trigger an alliance, was likely to produce a general war,” Kissinger recently observed⁸ of the inadvertent way World War I started. “None of the leaders, who if they had foreseen the world in 1917, would have gone to war.”

And yet they did.

We would be foolish not to recognize how easily the same kind of inadvertent tragedy could happen again today, this time in Asia.

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⁸ <https://www.businessinsider.com/kissinger-and-albright-world-war-i-2014-7?op=1&r=US&IR=T>

XI FOR CHINA! CHINA FOR THE WORLD?

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This essay was adapted from a July 1, 2021 *Politico* op-ed titled,
"After 100 Years, China's Communist Party Remains a Black Box".

At its centenary, the CCP seeks absolute control of China. Its global ambitions are more limited.

What's the Party About?

China's Communist Party (CCP) has been nimble and brutal since its first secret meeting in 1921. China's early Communists set out to apply a new, foreign system—Marxism-Leninism—to an ancient, isolated, impoverished, highly distinctive civilization. Circumstances demanded that they make the attempt amidst famine, invasion, and civil war. Against long odds, the Party prevailed.

The CCP's current General Secretary, Xi Jinping, describes the Party's progress in three phases. Under Mao Zedong, he says, China stood up, meaning that, in 1949, it kicked out the foreigners and reclaimed sovereignty for the Chinese. Under Deng Xiaoping and his successors, China became wealthy. Under his own leadership, Xi has promised, China's greatness will be restored, its people will live well, and the People's Republic of China will move to the center of world affairs.

Chinese and foreign critics correctly point out that the CCP's centenary narrative omits key details: inner-Party mass murder campaigns in the revolutionary phase; the killing of up to two million peasants and landlords in the early 1950s, the Anti-Rightist Campaign, the Great Leap Forward, the Cultural Revolution, the Tiananmen Massacre, and the ongoing suppression of Hong Kong, Xinjiang, and Tibet. This history is unknown to most Chinese, however, thanks to the Party's near-total control of education, media, and speech. While many Chinese are ignorant

of the history of Party-led violence, they are well-versed in the history of 19th and 20th century foreign encroachments against China. The Party uses this “Century of Humiliation” narrative to present itself as China’s 20th century savior and 21st century guardian against foreign threats to the Middle Kingdom. The Party’s key slogan, from Mao to the present day, is that “Without the Communist Party there would be no New China.”

Are the People on Board?

Yes...

The Party is not a distant, impersonal force in China; it is part of the fabric of Chinese life. With 92 million members, the Party is represented in every neighborhood and extended family in the country. Chinese people both criticize the Party and take advantage of it. They are happy to see corrupt cadres taken down, but also proud of relatives who gain membership and can be approached for favors. The CCP is widely viewed as inevitable, irreplaceable, and as the force that brought China from medieval poverty to global economic and technological leadership in the course of a single lifetime.

This intimate connection between the Party and people is poorly understood in Washington. Vice President Pence and Secretary of State Pompeo spoke of the Chinese people as “enslaved” and “imprisoned.” In a 2020 speech, Pompeo implied that the U.S. might inspire the Chinese to rise up against the CCP and establish the democracy they desperately desired. This good-people/evil-government thesis has a long history and powerful adherents in the U.S. It is a delusion. There are brave dissidents and free thinkers in the PRC, but China’s rulers and subjects share a greater unity of purpose than Americans usually admit. If China were a nation of evil emperors and captive masses that secretly share Western values, the PRC would be relatively easy to deal with. It isn’t. China is a complex, dynamic, ambitious, aggrieved *nation* that will believe what it believes and do what it does regardless of foreign opinion. While few Chinese would agree wholly with the Party’s claim that it always represents their interests, what is often said of the United States can be said of China, too: it has the government it deserves.

But there are caveats—

China is not ripe for revolution, but its people do expect the Party to address their changing needs. Young people defy government exhortations by marrying later and having fewer children; the elderly push back against government demands that they delay retirement; white-collar urbanites decry long hours and advocate for digital privacy; young people give up on the rat race altogether by “lying flat”; and women fight sexual harassment and patriarchal culture through protests, standup comedy, and rock anthems. They are not demanding Western-style human rights, but they are asking that China be more *humane* and, to a degree, more equitable. Their wish for fuller, fairer lives cannot be ignored by Beijing.

Beijing’s To-Do List

Xi has said that China’s greatest remaining contradiction—meaning its biggest problem—is uneven development amid rising expectations. China is home to the world’s largest consumer class and highest number of billionaires. But it is also home to some 600 million people with monthly incomes of only 1,000 yuan (\$140). Continued growth is therefore the Party’s prime policy directive. China’s further development is threatened by corruption, debt, filthy air, water, and land, a water shortage in the north, an ageing population, and a poor social safety net. National cohesion is also a major concern: after 72 years in power and historic increases in living standards, Beijing hasn’t convinced people in Xinjiang, Tibet, Hong Kong, and Taiwan that it is in their interest to be part of the PRC—a stunning failure.

China’s foreign affairs docket is just as troublesome: the U.S. and its allies are increasingly hostile to Beijing’s influence, global public opinion of China has plummeted, the Belt and Road Initiative is slowing down, and Chinese tech companies are being shut out of international markets and supply chains. The list of disappointments and dangers is growing. So while the Party may have earned its 100th birthday bash, it can’t rest on its laurels.

What Does China Want?

The centenary was not just a celebration of China’s past; it was also a promise that Chinese life will continue to improve and that China will take its rightful place in the world. What does that mean?

It has become a commonplace in Washington to claim that China plans to lead a coalition of authoritarian nations to defeat democracy worldwide. This is wrong. China doesn't care enough about other countries to mind what sort of politics they practice, as long as they don't get in China's way, and it doesn't want to be burdened with other nations' problems. China is out for China. The *Global Democracy vs. Global Autocracy* framework for U.S.-China relations reduces the complexity of geopolitics to a Marvel Comics plot and will misguide policymakers as they prepare for the expensive, decades-long slog of competition with China.

This is not to imply that China doesn't pose an epochal challenge to the United States and global order. It does. To remain in power, the CCP must continue to benefit the Chinese people, which means that China must import energy, food, and natural resources and have access to foreign markets, technology, and capital. The CCP, in other words, must integrate to survive. Integration requires either that China adapt to existing global systems or alter them to suit its needs. Xi Jinping is attempting to do both at once. China adopts global rules and practices when it gains from them and tries to transform rules and institutions it dislikes through economic coercion, leadership of multinational institutions, and coalition building.

That China wishes to mold its external environment to suit its purposes is unsurprising. That is what all large, wealthy, powerful nations do. It is China's purposes, not its success, that have the U.S. and much of the rest of the world on edge. Xi's buildout and militarization of islands in the South China Sea, his flouting of the International Court of Arbitration's ruling against China's regional claims, Beijing's treatment of Uighurs, Hong Kong, and Taiwan, its handling of the Covid pandemic, and its general drift toward techno-totalitarianism has caused the narrative across much of the world to shift from "China is Rising; What's in it for us?" to "China is Dangerous; How can we protect ourselves?" Xi and the CCP know that they face pervasive international distrust and are preparing the Chinese people for a more insular and contentious era.

The Big Question

China is rightly proud of its historic achievements, but it is also struggling with profound dislocations caused by the speed and scale of its rise. Fragility and confusion were papered over for decades by rapid growth, but they can't be ignored much longer.

The key question for Xi and his comrades concerns the Party itself. Can an organization conceived to meet the early 20th century needs of an ancient, isolated, impoverished, agrarian civilization adapt to meet the desires of a 21st century, internationalized, wealthy, urban nation state that operates among other nation states of equal status? Under Xi Jinping, the Party founded in 1921 remains brutal, but is it nimble enough to satisfy a dynamic citizenry and a skeptical world?

Understanding that China is capable and ambitious, but also confused and constrained will help Americans manage competition with China more effectively than the belief that Beijing's ultimate goal is to create an autocratic world.
