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Perspective
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Russia Is a Rogue, Not a Peer; China Is a Peer, Not a Rogue

Different Challenges, Different Responses

The Trump administration's National Security Strategy identifies "three main sets of challengers—the revisionist powers of China and Russia, the rogue states of Iran and North Korea, and transnational threat organizations, particularly jihadist terrorist groups," all of which "are actively competing against the United States and our allies and partners."[1] It goes on to characterize the threat from the two revisionist powers in identical terms: "China and Russia want to shape a world antithetical to U.S. values and interests."[2] Both states

> challenge American power, influence, and interests, attempting to erode American security and prosperity. They are determined to make economies less free and less fair, to grow their militaries, and to control information and to repress their societies and expand their influence.[3]

RAND CORPORATION

Great power competition has returned. China and Russia have begun to reassert their influence regionally and globally:

> Today, they are fielding military capabilities designed to deny America access in times of crisis and to contest our ability to operate freely in critical commercial zones during peacetime. In short, they are contesting our geopolitical advantages and trying to change the international order in their favor.[4]

However, Russia and China represent quite distinct challenges. Russia is not a peer or near-peer competitor but rather a well-armed rogue state that seeks to subvert an international order it can never hope to dominate. In contrast, China is a peer competitor that wants to shape an international order that it can aspire to dominate.[5] Both countries seek to alter the status quo, but only Russia has attacked neighboring states, annexed conquered territory, and supported insurgent forces seeking to detach yet more. Russia assassinates its opponents at home and abroad. Russia interferes in foreign elections, subverts foreign democracies, and works to undermine European and Atlantic institutions. In contrast, China's growing influence is based largely on more-positive measures: trade, investment, and development assistance. Among permanent United Nations (UN) Security Council member nations, China has even become the largest contributor to UN peacekeeping operations. These attributes make China a less immediate threat but a much greater long-term challenge.

Russia can be contained, employing updated versions of defense, deterrence, information operations, and alliance relationships that held the Soviet Union at bay for half a century. China cannot be contained. Its military predominance in east Asia will grow over time, compelling the United States to accept greater costs and risks just to secure existing commitments. But it is geoeconomics, rather than geopolitics, in which the contest for world leadership will play out. It is in this former domain that the balance of global influence between the United States and China has begun shifting in China's favor.

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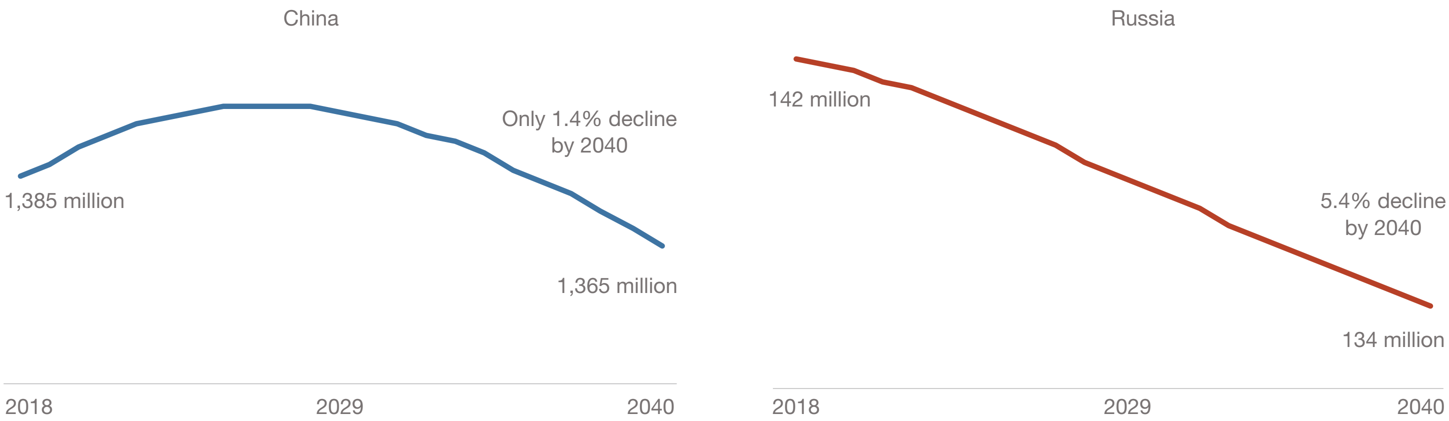
China and Russia Compared

Russia and China are both globally influential nations; in some aspects of national power, they rate highly.[6] For example, in the area of science and technology, Russia had more than 3,100 researchers in research and development

FIGURE 1

Russia's population is projected to decline at faster rate through 2040 than China's



Russia's population is projected to fall slowly, declining by roughly 5.4 percent through 2040. China's population is projected to rise through 2026, reaching approximately 1.41 billion then, but then it likely will fall and experience a net decline of roughly 1.4 percent by 2040. The ratio between China's and Russia's respective populations, roughly 9.7 to 1 in 2018, is projected to reach 10.1 to 1 in 2040. Data are midyear estimates. Y-axes are scaled with China's y-axis ten times Russia's so that proportional changes are easy to see. Source: U.S. Census Bureau, 2017.

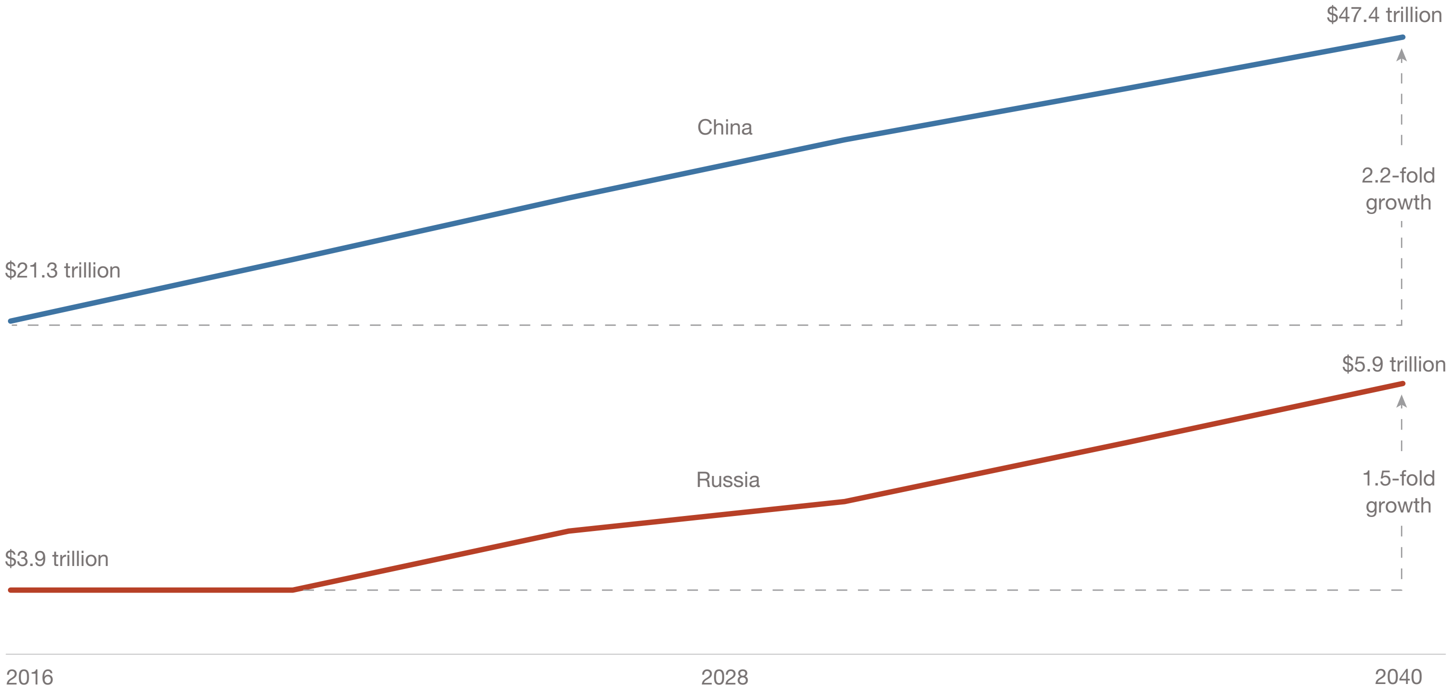
per million people, only a bit behind the European Union (EU)–wide level of just below 3,500. And China's research and development expenditures of 2.07 percent of gross domestic product (GDP) were slightly above those of the EU's 2.05 percent.[7] Soft power is also an asset. In 2017, the populations of 18 out of 36 countries surveyed viewed China more favorably than they viewed the United States.[8]

However, trend lines are not in Russia's favor. The Russian economy is unlikely to grow faster than that of the United States during the next two decades. The Russian population is likely to shrink. Counterbalancing Russian power and containing Russian influence will probably not place a growing burden on the United States. But China is a very different matter. China's per capita GDP already approaches that of Russia, its population is eight times larger, and its growth rate is at least three times higher. Like Russia, China faces a demographic challenge, but its per capita GDP will likely continue to grow much faster than that of the United States, possibly even reaching near comparable levels, thereby producing an economy between three and four times larger.

The figures underscore the discrepancy between Russia and China as global competitors of the United States. Population is the most obvious difference (see Figure 1). Russia's population is projected to fall slowly, declining by roughly 5.4 percent through 2040. China's

FIGURE 2

The economic difference between Russia and China is likely to widen substantially by 2040



SOURCE: PricewaterhouseCoopers, 2017. The figure shows GDP in dollars in terms of purchasing-power parity (PPP). Each magnitude of growth is rounded to the nearest tenth. As of 2017, Russia's economy was the 11th-largest national economy in the world, at $1.58 trillion in nominal dollars at market exchange rates, slightly ahead of South Korea's ($1.53 trillion) but well behind Canada's ($1.65 trillion). In contrast, China's economy was the second largest, at $12.24 trillion, behind only that of the United States ($19.39 trillion). Expected slow growth in Russia means that the economic difference between Russia and China is likely to widen substantially. Russia's GDP in terms of PPP is projected to grow roughly 1.5-fold between 2016 and 2040, reaching $5.9 trillion. China's GDP in PPP terms, meanwhile, is projected to grow roughly 2.2-fold during that window, reaching $47.4 trillion. The ratio between China's and Russia's respective GDPs, roughly 5.8 to 1 in 2016, is projected to reach 8 to 1 in 2040.

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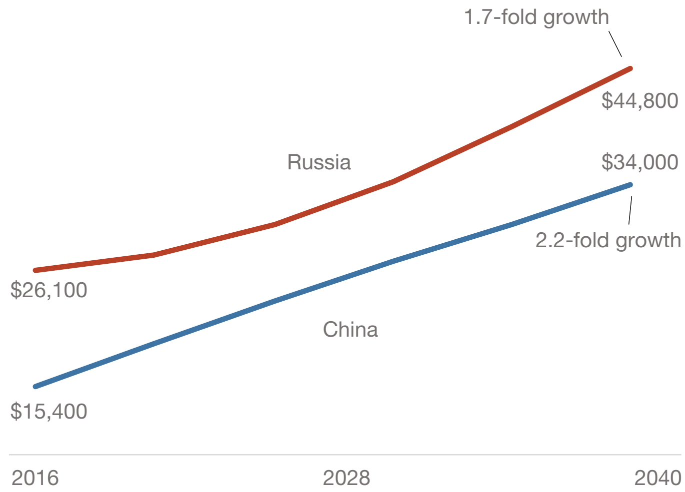
In 2017, China's per capita GDP at market exchange rates was $8,800, somewhat below Russia's ($10,700) (both well below that of the United States, $59,500).[12] Just as China's overall GDP is expected to rise more rapidly than Russia's, China's per capita GDP in PPP terms is also expected to rise more rapidly (Figure 3). Russia's per capita GDP is projected to grow roughly 1.7-fold between 2016 and 2040, reaching $44,800. China's per capita GDP, meanwhile, is projected to grow roughly 2.2-fold during that period, reaching $34,000.[13] The ratio between China's and Russia's respective per capita GDPs is expected to narrow from roughly 0.59 to 1 in 2016 to 0.76 to 1 in 2040.

Finally, the difference between the two countries' armed forces is likely to widen substantially as well (Figure 4). We assumed that the annualized growth rates in military expenditure from 2018 to 2040 would equal the annualized growth rates in PPP GDP for that same period (2 percent for Russia and 3.4 percent for China); the latter growth rates, in turn, are derived from data presented earlier (see Figure 2). Russia's military expenditure at constant 2016 prices would grow roughly 2.0-fold, reaching $86 billion. China's military expenditure, meanwhile, would grow roughly 3.5-fold, reaching $491 billion. The ratio between

FIGURE 3

China's per capita GDP is expected to rise more rapidly than Russia's by 2040



SOURCE: PricewaterhouseCoopers, 2017. The figure shows per capita GDP in dollars in terms of purchasing-power parity (PPP). Each magnitude of growth is rounded to the nearest tenth. In 2017, China's per capita GDP at market exchange rates was $8,800, somewhat below Russia's ($10,700) (both well below that of the United States, $59,500). Just as China's overall GDP is expected to rise more rapidly than Russia's, China's per capita GDP is also expected to rise more rapidly. Russia's per capita GDP in PPP terms is projected to grow roughly 1.7-fold between 2016 and 2040, reaching $44,800. China's per capita GDP, meanwhile, is projected to grow roughly 2.2-fold during that period, reaching $34,000. The ratio between China's and Russia's respective per capita GDPs is expected to narrow from roughly 0.59 to 1 in 2016 to 0.76 to 1 in 2040.

China's and Russia's respective military expenditures, roughly 4.3 to 1 at present, would reach 5.7 to 1.[14]

We were also able to suggest an upper bound to military expenditures. Instead of assuming that military expenditures grow at the same rate as GDP, we could instead assume the less likely trend that the annualized

FIGURE 4

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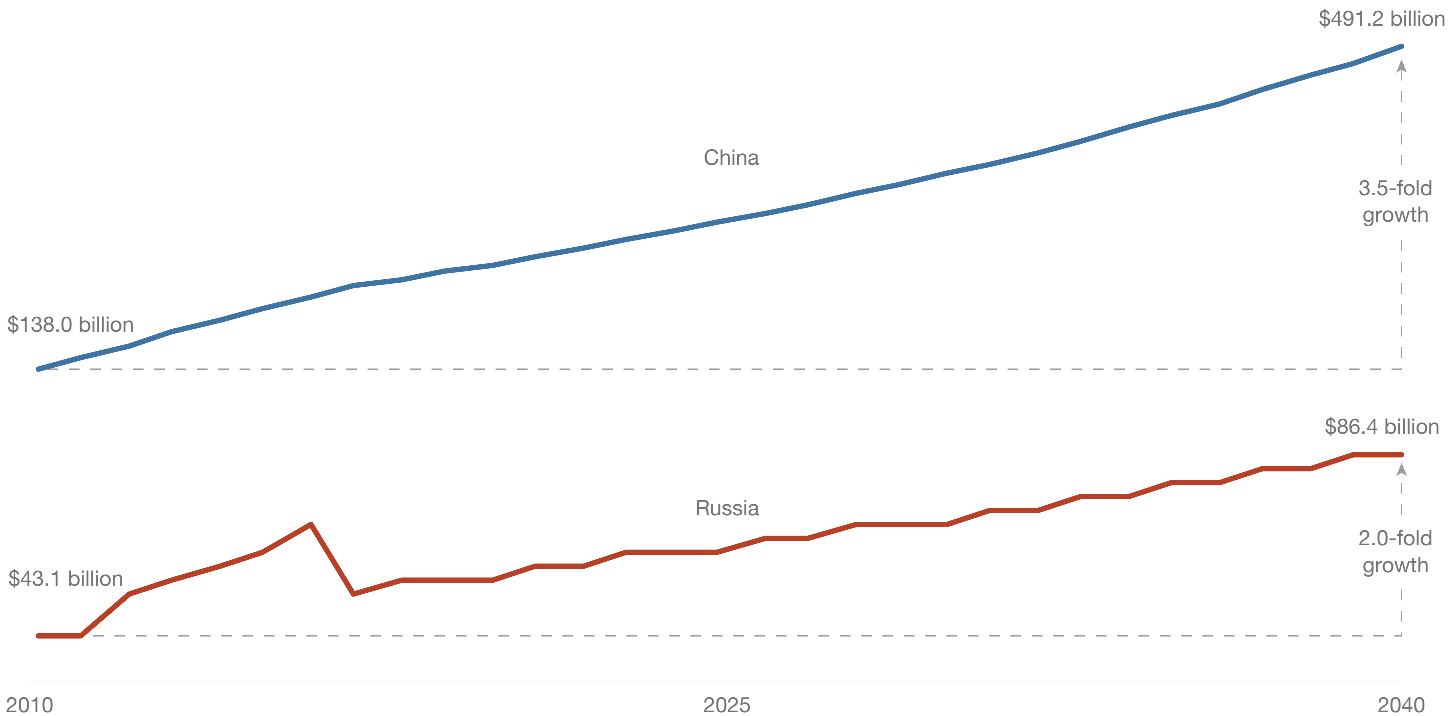

SOURCE: Stockholm International Peace Research Institute, undated, and authors' estimates. Data shown are military expenditures in constant U.S. dollars. Each magnitude of growth is rounded to the nearest tenth. The difference between the two countries' armed forces is likely to widen substantially. We assumed that the annualized growth rates in military expenditure from 2018 to 2040 would equal the annualized growth rates in PPP GDP for that same period (2 percent for Russia and 3.4 percent for China); the latter growth rates, in turn, are derived from data presented earlier (see Figure 2). Russia's military expenditure at constant 2016 prices would grow roughly 2.0-fold, reaching $86 billion. China's military expenditure, meanwhile, would grow roughly 3.5-fold, reaching $491 billion. The ratio between China's and Russia's respective military expenditures, roughly 4.3 to 1 at present, would reach 5.7 to 1. Although the specific growth rates of GDP in PPP terms and GDP in constant dollar terms are unlikely to be the same, the trend lines are likely to be similar.

growth rates in military expenditure from 2010 to 2017 (3.6 percent for Russia and 7.4 percent for China) continue through 2040. In that case, Russia's military expenditure would grow roughly 2.2-fold, reaching $125 billion, and China's military expenditure would grow roughly 4.9-fold, reaching $1.19 trillion, creating an even greater imbalance. The ratio between China and Russia's respective military expenditures would reach 9.5 to 1 in 2040.

Russia might retain its lead over China in nuclear weapons and delivery systems. If it does, the lead will be by

Chinese choice, not incapacity. Russia needs a large nuclear arsenal to offset its other areas of comparative weakness; China maintains a minimum nuclear deterrent while building other sources of power.

As the data presented above illustrate, Russia is not in the same class as China. It is far smaller, has poorer economic prospects, and is less likely to dramatically increase its military power in the long term. It certainly presents a challenge in 2018, but not one destined to become more potent over time.

Meeting the Russian Challenge

Russia, nevertheless, is a more immediate and more proximate military threat than China. Vladimir Putin is an opportunistic risk taker, whereas China's post-Mao leaders have proceeded cautiously and gradually to expand their country's influence. U.S. and Russian troops face each other directly across Russia's land borders with members of the North Atlantic Treaty Organization (NATO), as they do across an informal and occasionally transgressed deconfliction line in Syria. In contrast, no U.S. ally shares a land border with China, so U.S. and Chinese forces are separated by miles of open sea even at their closest point.[15] Relations with Russia are also tenser than with China. Russia is the target of multiple U.S. sanctions in reaction to its aggression in Ukraine, its attack on the U.S. democratic system, and its support for the Syrian regime's use of chemical weapons.

Russia will probably remain militarily superior to all its immediate neighbors other than China. Most of those neighbors were previously part of the Soviet Union and, before that, of imperial Russia. Moscow has shown little intention of seeking to reincorporate any of these states, but it has carved up three of them—Georgia, Moldova, and Ukraine—and employed its military, along with other sources of influence, to shape their economic and security orientations. For the central Asian states, China offers an alternative pole of attraction. For those in Europe and the Caucasus, it is NATO and the EU that represent such an alternative. But among Russia's neighbors, the United States has security commitments only with the three Baltic states and Norway. Modest levels of U.S. military equipment and training have also been extended to Ukraine and Georgia, but it is unlikely that either will enter the NATO alliance anytime soon, if ever.

Russia's appetite and capacity for expeditionary warfare beyond its immediate periphery have been demonstrated in Syria. The Russian intervention there has boosted Russia's prestige abroad and Putin's popularity at home while helping consolidate Bashar al-Assad's hold

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on power, all at a relatively modest cost to Moscow.[16] Yet the Syria intervention also illustrates some limitations on Russian capacity, or at least appetite for, confrontation with the United States. Putin moved forces into Syria only once U.S. support for the Syrian opposition had waned. Russian forces have neither contested the subsequent move of U.S. troops into eastern Syria nor defended their Syrian, Iranian, or even Russian mercenary allies from U.S. or Israeli air strikes.

The United States, for its part, has been equally careful not to confront Russian national forces. Russia's nuclear arsenal provides it with a high degree of immunity to direct military coercion. Although Russia is a much weaker state than the 20th-century Soviet Union or 21st-century China, it cannot be brushed aside or ignored.

Military, Economic, and Information Measures

The West can meet the Russian military threat with familiar measures of defense, deterrence, and reassurance. These require alliance solidarity, forward presence, layered defenses, and a credible ladder of escalation. Many of these requirements are already in place.

Unlike the Soviet Union, Russia is quite vulnerable to a range of nonmilitary deterrents. The Soviet Union was highly autarkic. It did not trade much beyond its own sphere of influence. It neither sought nor received much outside investment. Its elites did not travel or have foreign bank accounts. Russia, in contrast, has a capitalist, albeit crony capitalist, economy, one much more dependent on foreign markets and investment than the Soviet Union had been. U.S. and European sanctions already constrain the Russian economy and could constrain it much more in the future. A recent assessment found that Russia's insufficient infrastructure, aging population, state domination of the economy, and poorly functioning institutions have all contributed to a weak medium-term economic outlook that will keep its national income well behind that of the advanced economies.[17]

One aspect of this vulnerability is Russia's dependence on its export of oil and gas. In 2017, oil and gas made up 47 percent of Russia's earnings from exporting goods and services and 40 percent of its government revenue; for the first five months of 2018, oil and gas revenues constituted 46 percent of total government revenue, higher than the 42 percent for the same period a year earlier.[18] The United States can put significant downward pressure on these returns by increasing U.S. gas and oil production and even other forms of energy, such as wind and solar. The more energy the United States produces domestically, the less it imports and the more it can export, thereby increasing global supply and reducing, or at least restraining, the price that Russia can get for its own energy exports.

This need not be a U.S.-only venture, and multilateral efforts would be more effective. The EU is seeking to raise the share of renewables in the total energy it uses, and the United Kingdom has recently considered changing rules to promote hydraulic fracturing as a method for increasing natural gas production. Any effort that increases domestic European supplies of any energy source is likely to restrain global hydrocarbon price increases.[19]

Russia is also quite vulnerable to further trade and financial sanctions, provided that they are widely adopted. The United States can depress world energy prices unilaterally, but it requires broad support, at least among

Western nations, to construct an effective sanction regime. With such support, sanctions could degrade the Russian economy more rapidly and to an even greater extent than increasing U.S. energy production could.[20]

Western sanctions on Russia currently include limits on financing, limits on economic cooperation with some parts of Russia's energy industry, bans on transactions with certain companies and individuals, and travel bans. Even with Western cooperation, there are leakages in the sanctions. China has not joined in the sanctions, and some Middle Eastern and Asian nations have also engaged in transactions that are off-limits to Western companies. For example, major Chinese, Indian, Japanese, and Vietnamese investments with the Russian Direct Investment Fund have been announced; the U.S. Treasury put the fund under sanctions in 2015.[21] But these leakages have not strongly degraded the effectiveness of Western sanctions. Should the United States and its partner nations decide to increase pressure, they could place sanctions on a broader set of industries, trade, and companies.

Russia thus faces an overwhelmingly powerful coalition of Western nations in the economic sphere as in the military one. It is only by unraveling these ties that Moscow has any prospect of expanding its own sphere of influence. This is why Moscow is employing overt and covert means to sow dissension within and among Western nations. Its interference in the 2016 U.S. presidential election was just one example among many of a multifaceted effort employing all the traditional Soviet techniques of subversion, including propaganda, disinformation, and influence operations employing various forms of corruption, all updated for the information age.[22] Russia has also interfered in European elections while building relations with parties on the far right and left in an effort to undermine Atlantic and European solidarity.

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This is a domain in which the United States has been slow to erect effective defenses or establish credible deterrence. The U.S. intelligence community's assessment that Russia sought to sway the American electorate in favor of Donald Trump's candidacy has polarized domestic debate on the issue and delayed a comprehensive response.[23] Several European societies, also subjected to similar efforts at electoral manipulation, have been quicker to construct defenses. Yet, in the absence of U.S. participation and leadership, building a concerted Western response to this threat has been difficult.

Russian efforts to subvert Western democracies provide a powerful rationale for some sort of U.S. countercampaign to serve as retribution, reestablish a degree of deterrence in this domain, and create the basis for future mutual restraint in such activities. President Putin has proved highly sensitive to perceived efforts to undermine his domestic support and seems to harbor exaggerated fears of a Russian "color revolution" on the Ukraine or Georgia models—that is, popular protests and action that lead to the replacement of a government or regime. Influencing a Russian domestic audience will be difficult, but stronger U.S. efforts to do so will certainly get Putin's attention. Affecting foreign opinion about Russia will be an easier goal for U.S. information operations.

The objectives of these various military, economic, and informational efforts should not be just to deter Russian aggression and limit its influence but also to steer Moscow toward an off-ramp encouraging it to abandon its destructive behavior and resume the democratic and economic reforms begun after the Cold War.

Meeting the Chinese Challenge

China presents a regional military challenge and a global economic one. In east Asia, the range and capabilities of Chinese air and sea defenses are continuing to grow, making U.S. forward-basing more vulnerable and the direct defense of U.S. interests in the region potentially more costly. As these trends continue, the United States will find itself gradually pushed more toward the threat of horizontal or vertical escalation for deterrence, with the attendant risks of counterescalation. Neither the United States nor China is likely to employ nuclear weapons, but even an initially localized conflict could quickly spread into the economic, cyber, and space realms, doing considerable damage to both sides.

The United States might be able to reduce or delay such reliance on escalatory responses by shifting to less vulnerable platforms: longer-range precision-strike drones and vessels to carry longer-range drones and submarines, along with the further dispersal of bases. The United States can also help allies and partners in the region to increase the range and capabilities of their own air and sea defenses. Barring unforeseen technological developments, however, the United States will not be able to rely indefinitely on the direct defense of its regional interests, and the consequences of horizontal or vertical escalation will also rise steeply. In sum, the price for defending U.S. interests in east Asia, as the United States currently defines them, will become progressively steep.

China's expanding influence is not, however, dependent principally on its growing military prowess. Militarily, China can be contained for a while longer; economically, it has already broken free of any regional constraints.

In 2000, China was the top goods export destination for only three economies, all of them small, and the top goods import source for only two economies: Hong Kong and Macao. By 2016, China was the top goods export destination for 13 economies, constituting 9.2 percent of the global economy, and the top source of goods imports for 49 economies, constituting 53.4 percent of the global economy. In contrast, in 2000, the United States was the top goods export destination for 33 economies and the top source of goods imports for 28 economies. By 2016, the

United States remained the top goods export destination for 30 economies but served as the top source of goods imports for 20 economies.[24] China is thus displacing the United States as both the leading goods exporter and the leading goods importer in a growing number of markets.[25] The United States, Europe, and Japan retain a large advantage in advanced technology and higher-end industry, but, as discussed below, China has set its sights on taking the global lead in those areas as well.

The China Model

The 2018 National Defense Strategy asserts "that China and Russia want to shape a world consistent with their authoritarian model."[26] Yet neither country has an exportable ideology. Both look back to highly idiosyncratic histories and memories of imperial greatness. Russia backs political movements on the far right and the far left with a view to disrupting the politics of adversarial societies and, if possible, installing friendlier regimes of whatever stripe. China, in contrast, seems basically indifferent to the types of government of the states with which it interacts. Indeed, for many governments, one of the chief attractions of accepting Chinese aid and investment is that it comes largely free of the political conditionality that ties much Western assistance. In this respect, at least, China takes seriously its oft-repeated opposition to interference in the internal affairs of other nations.

China's own political order and economic system owe more to its Confucian heritage and imperial past than anything Karl Marx ever envisaged. A defining feature of the China model is experimentation with market reforms and incremental steps to breed economic success under firm

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authoritarian control. Although it maintains a one-party system on the Leninist model, China makes little effort to encourage foreign emulation. The Russian leadership does seem to prefer working with weak, corruptible regimes because corruption is such an important element of its own system. China, on the other hand, is offering its partners large and attractive trade and investment opportunities and can be less dependent than Russia on under-the-table payoffs to secure influence, although it does not wholly exclude them from its activities. Further, China hopes these investments will pay economic dividends beyond the political benefits they afford. This requires that the recipient country maintain some degree of stability and respect for property rights. China's continued growth and its ability to realize a return on these investments also depends heavily on the health of the global economy. China games the international trading system, but the country does not want to dismantle or even seriously disrupt that system as long as Chinese leadership perceives benefits from it.

BRI is on its way to becoming the central organizing principle for China and for much of the world.

Made in China 2025 and the Belt and Road Initiative

The principal Chinese challenge is not that it will impose authoritarian governments on its trading partners but that, over time, it will skew global standards for trade and investment in its favor to the disadvantage of its competitors. One example is Made in China 2025, a ten-year plan, to be followed by two more such plans to "transform China into a leading manufacturing power by the year 2049," the 100th anniversary of the founding of the People's Republic of China.[27] The United States and other countries have viewed Made in China 2025 as an attempt to unfairly take global leadership in advanced industries. The EU Chamber of Commerce in China noted that the policy tools to be employed in the plan are counter to fair market competition.[28] For its part, the U.S. Chamber of Commerce cites three characteristics of the 2025 plan that it views as problematic: (1) reinforcing government control of important parts of the economy, (2) intensifying preferences for domestic industry, and (3) targeting global market share. The Chinese aim, according to the U.S. Chamber, is to "leverage the power of the state to alter competitive dynamics in global markets in industries core to economic competitiveness."[29]

Another example of China's quest for global influence and market dominance is its Belt and Road Initiative (BRI).[30] Under this rubric, Chinese leader Xi Jinping intends to create new land and sea corridors linking east, southeast, and central Asia with the Middle East and Africa all the way through to western Europe.[31]

BRI envisions five types of connectivity: (1) policy coordination; (2) transport and other infrastructure facilities, including the adoption of common technical standards; (3) unimpeded trade, focusing on the removal of investment and trade barriers and the creation of sound business environments; (4) financial integration; and (5) people-to-people bonds.[32]

BRI is on its way to becoming the central organizing principle for China and for much of the world. China reports it to cover more than 70 countries. Including China, it contains 66 percent of the world's population and 34 percent of its nominal GDP; without China, these numbers would be 19 percent of world GDP and 47 percent of its population, indicating that many of these countries are quite poor.[33] Branded with the BRI label, numerous railway routes from China to Europe have already opened, including routes to Hamburg, Duisburg, and Leipzig, Germany; London; and Madrid.

China's BRI efforts extend beyond economics, especially in the policy coordination and people-to-people realms. China has spent diplomatic capital to build support for BRI by highlighting it at existing forums, such as the Shanghai Cooperation Organisation, and by trying to establish new modes of cooperation.[34] Among the new modes are promises of strategic partnerships; eased visa policies; a library alliance to cooperate on sharing of documents, protecting classics, and digitizing holdings; and science and technology collaboration.[35] There is little indication of how substantial these efforts truly are, and the heart of the initiative, so far, has been economic.

China has plenty of money for this initiative, including capital it can deploy unilaterally from the China Development Bank; the Export–Import Bank of China; and the Silk Road Fund, a private equity–like fund controlled by China. China has also created the new, multilateral Asian Infrastructure Investment Bank, which started operations in January 2016 and already has 64 member countries and 22 prospective members; members include Australia, Canada, Korea, and the United Kingdom, although, so far, not Japan or the United States.[36]

There are three broad economic concerns about BRI. The first is that many of its projects will not prove economically viable, leaving someone—China, a borrowing Chinese company, a borrowing foreign company, or a borrowing foreign government—with debts that cannot be paid.[37] Such debts, if they are sovereign, could lead to budget challenges and balance-of-payments difficulties in BRI partner countries.[38] The second concern is that, as China more actively invests in the many BRI countries, it will also be setting global regulatory and technical standards that could provide advantages to Chinese companies over all others.[39] The final concern, voiced by all but one of the EU ambassadors in Beijing, is that the entire effort could end up hampering free trade.[40]

Beyond these economic concerns, BRI represents a profound challenge to U.S. influence throughout large parts of Asia, the Middle East, Africa, and southern Europe. China's geoeconomic strategy is not a challenge susceptible to defense, deterrence, or containment. China is offering large-scale financing to dozens of countries, with few of the conditions on which Western institutions normally insist. There is no practical way most states can be dissuaded from accepting such offers. The effect could be to reorient the trade of many countries toward China. Their political orientation could follow. Some are likely to become heavily indebted and thereby compelled to allow China to assume control over their fiscal and monetary policies or offer concessions in other areas, including the security sphere. China's military presence could expand in an effort to protect its investment, the flag following trade in the 19th-century model. In a minor way, this is already happening. The Chinese navy has begun ranging more

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widely with a mission to help protect and, if necessary, evacuate growing Chinese expatriate populations abroad in connection with Chinese foreign investments. China has already established a military base in close proximity to a U.S. base in Djibouti, and its navy has operated as far from home as the Mediterranean and Baltic Seas.

Shaping China's Rise

China has already started reshaping the global economy. BRI has the potential to cement further changes in China's favor. The United States currently lacks a strategy to respond to this challenge. Washington has cut back both on foreign assistance and on support for U.S. foreign investment. The U.S. administration's current focus on bilateral trade deals and balancing trade flows one country at a time is unlikely to stem or even keep pace with the growth of Chinese influence.

U.S. strategy toward China should contain several basic elements. In the security sphere, the United States should continue to hold the line in east and southeast Asia, accepting the larger costs and risks involved in counterbalancing growing Chinese military capabilities. At the same time, Washington should help its regional allies and partners to field their own antiaccess and area denial systems. Finally, the United States should take advantage of any opportunities to resolve issues and remove points of Sino-American tension, recognizing that its bargaining position will gradually deteriorate over time.

In the economic realm, the United States needs to compete more effectively in foreign markets, to persevere and strengthen international norms for trade and investment, and to incentivize China to operate within those norms by collaborating when it does and mobilizing concerted international pressures when it does not. Given China's efforts to take technological leadership in the long term, and the potential advantages that such leadership brings, the United States also needs to improve its innovation environment. Measures could include greater funding for research, retention of U.S.-educated foreign scientists and technologists, and regulatory reforms that ease the introduction of product and process improvements into businesses and the market.

The contest with China will not be decided by adjusting the bilateral trade balance but by competing successfully in foreign markets more generally. If China is displacing the United States in many of these markets, which it is, the displacement is not due to preferential access but because it is beating the United States in some combination of price, quality, financing, and delivery. The U.S. Commerce and State Departments need to develop a sophisticated understanding of China's geoeconomic strategy and, in particular, of the role that BRI is likely to play. The U.S. Commercial Service, the U.S. Trade and Development Agency, the Export–Import Bank, and the Overseas Private Investment Corporation all need to increase support to U.S. exporters and investors.

The United States should also move to secure its own preferential access to the world's largest markets, the industrialized countries of Europe and Asia, those most compatible with the U.S. economy. Establishing Pacific and Atlantic free-trade areas will both set higher standards for trade and investment and advantage U.S. exporters vis-à-vis Chinese competitors.

Finally, the United States should encourage China to become a responsible stakeholder in the international system by collaborating when China moves in that direction. For instance, the United States should consider joining the Asian Infrastructure Investment Bank. China has taken strong steps to make sure the bank is operating at global standards. Joining the bank could further cement this behavior while providing the United States greater visibility into and influence over Chinese investment strategies.

Responding to the Belt and Road Initiative

BRI can be a large net positive for the global economy and the people of Asia, Africa, and Europe. Well-managed infrastructure investments and lowered trade barriers among a large set of countries could have large productivity, poverty-alleviation, and economic-growth effects. For the United States, taking steps to block BRI would rightly be perceived as stifling the legitimate economic rise of China and, with it, a large portion of the world.

Rather than opposing BRI outright, the United States should work with the other major market democracies to shape its contents and ensure that its implementation adheres to international investment and development norms. The United States should continue to lead not just in defending the current rules but also in continuing to adapt them to changing circumstances. This leadership could include political, diplomatic, and military assistance efforts to integrate developing Asia, the Middle East, and Africa with the West and developed Asia. Examples include enhanced academic and cultural exchanges or enhanced military engagement not only to assist countries in their security needs but also to demonstrate to governments the value of the current, rule-based international system.[41]

The United States should continue to lead not just in defending the current rules but also in continuing to adapt them to changing circumstances.

Beyond setting global standards, the United States and its partners can take specific actions regarding BRI. Some of these are complementary to the effort, while others relate to governance. The strongest complementary action is to support infrastructure development that is beneficial to more than merely China. As U.S. Secretary of Defense James N. Mattis pithily put it in October 2017, "I think in a globalized world, there are many belts and many roads, and no one nation should put itself into a position of dictating 'One Belt, One Road.'"[42]

Ways to shape BRI include technical assistance with regional planning and greater U.S. and other Western investment in the BRI region. The United States should assist BRI countries in planning their transit routes and infrastructure and in choosing investment and contracting partners.[43]

Much of the work in shaping BRI will need to come from Europe—the target destination of China's BRI trade routes. The EU plans to draw up a new strategy toward central Asia by 2019.[44] Japan and developed Asia have roles to play because southeast Asia and the Middle East factor prominently in China's policy documents about BRI. India also has a role to play. Both India and Japan have been offering their own infrastructure development projects, so they will shape the future connectivity of Asia.

An important step is to work toward transparency of tenders and project finance, the strongest governance action. This could include enhanced monitoring, such as through multilateral institutions. Given enough multilateral support, one could imagine a Belt and Road transparency initiative, akin to the Extractive Industries Transparency Initiative that aims to raise transparency and governance standards in the natural-resource industry.[45]

BRI aims to improve policy coordination among the many participating states. This could lead to more-efficient and -productive investment, but, for maximum positive effect, such policies should meet all international norms and allow an environment of open competition. Related to policies are standards, a concern noted above. Standards tilted toward China are unlikely to be the most beneficial to BRI partners: They will decrease competition among suppliers and other economic partners, ultimately raising prices and lowering quality of final deliverables. Like with policy reviews, the United States and its partners, including aid donors and multilateral agencies, should emphasize the importance of standard setting going through established procedures and established bodies.

Russia and China as Multilateral Challenges

Russia and China present distinct challenges, but they sometimes combine efforts to limit U.S. influence. They work together in the UN to block some Western initiatives. They join in creating new multilateral forums that exclude the United States. Both would like to see U.S. leadership of the global order diminished, although only China seriously aspires to inheriting that role.

With an economy smaller than that of Brazil, Italy, or Canada and only slightly larger than that of South Korea, Russia needs an off-ramp from its rogue behavior to enable it to rejoin the global trade and investment system in a way that will benefit Russians, although not necessarily Russia's current leaders. China, in contrast, the world's second-largest national economy, needs an on-ramp to consolidate its adherence to global economic rules. Such measures could include both positive inducements, such as a greater role in multilateral institutions, and negative inducements, such as reduced access to developed-country markets or technology, if it does not adhere to global norms.

In either case, the success of U.S. strategy requires joint action with its main allies and trading partners. Russia sees NATO cohesion as the weak spot in U.S. efforts at containment and has been probing it aggressively. Maintaining and even strengthening transatlantic cohesion across all dimensions—military, diplomatic, and even economic—can help keep Russia in check until it is ready to reform.

In approaching China, there is a strong alignment of interests among the United States and its nearby partners, Canada and Mexico; Europe; and Indo-Pacific partners, such as Japan, Korea, Taiwan, Australia, and New Zealand. Together with the United States, these countries account for 53 percent of global GDP, 54 percent of global exports of goods and services, and 55 percent of global imports of goods and services.[46] They also dominate as creators of technology and as both sources and recipients of investment. Working together, they can have significant influence over the policies of China and of recipients of Chinese investment. These Western advantages will wane, however, as China continues to advance, making concerted action urgent, as well as essential.

Abbreviations

BRI	Belt and Road Initiative
EU	European Union
GDP	gross domestic product
NATO	North Atlantic Treaty Organization
PPP	purchasing-power parity
UN	United Nations

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[20] There is one situation in which the United States could proceed unilaterally with large effects, and that is to place comprehensive financial sanctions on Russia with secondary effects—in other words, banning anyone who does business with Russia from doing any business with the U.S. financial sector. This would likely involve significant negative reaction from European and Asian allies and partners, could lead to the end of EU sanctions, and could lead large groups of countries to actively skirt U.S. sanctions.

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[25] Note, however, that this overstates China's trade leadership in two ways. First, it excludes services exports, and, in 2016, the United States was the leading goods and services exporter in the world, powered by its dominance in services exports. Second, global value chains have added to the complexity of trade relationships, in which exports to one country are likely to be inputs into goods that will then be exported to another. It is likely that much Chinese trade involves such transactions. However, these caveats do not obscure the fundamental point that China has become a dominant player in the world trading system.

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the "One Belt and One Road," Beijing: China Institute of International Studies, Report 5, May 22, 2015.

[32] National Development and Reform Commission, 2015.

[33] In a May 2018 publication, China counted 71 countries in addition to itself as being part of Belt and Road (程晓波主编 [Cheng Xiaobo, editor in chief], 一带一路贸易合作大数据报告 [Big data report on trade cooperation under the Belt and Road Initiative] 国家信息中心" 一带一路" 大数据中心 [Belt and Road Big Data Center of the State Information Center] and 大连瀚闻资讯有限公司 [Sinoimex], May 2018, p. ix). Although BRI was originally thought to focus on Asia and the Pacific, the Middle East, and east Africa, the 2018 list includes South Africa, Morocco, and Panama, illustrating either the expansiveness of China's vision or the triumph of bureaucratic politics in which Chinese officials try to get something attached to the BRI label, no matter how applicable that label is.

[34] At the June 2018 meeting of heads of Shanghai Cooperation Organisation member states, most of the members "reaffirmed their support for China's Belt and Road Initiative (BRI), and approved the efforts to jointly implement it, including the coordination of the development of the Eurasian Economic Union and BRI." Notably, India was not among those reaffirming support (Shanghai Cooperation Organisation, "Information Report Following the Meeting of the Council of Heads of State of the Shanghai Cooperation Organisation Member States," June 10, 2018).

[35] On promises of strategic partnerships, see Belt and Road Portal, "China, Arab States to Forge Strategic Partnership," updated July 11, 2018. On eased visa policies, see Wang Huijuan, "Eased Visa Policies Boost Exchanges, Cooperation Between China, Balkan Nations," Belt and Road Portal, May 7, 2018. On the library alliance, see Cao Jianing 曹家宁, "Library Alliance Along Silk Road Boosts Common Development," Belt and Road Portal, May 29, 2018. On science and technology collaboration, see Jia Hepeng, "Scientific Collaborations Shine on Belt and Road," *National Science Review*, Vol. 4, No. 4, July 1, 2017, pp. 652–657.

[36] Asian Infrastructure Investment Bank, "Members and Prospective Members of the Bank," March 21, 2018 (updated July 12, 2018).

[37] Fitch Ratings, "China's One Belt, One Road Initiative Brings Risks," press release, January 25, 2017.

[38] Christine Lagarde, managing director, International Monetary Fund, "Belt and Road Initiative: Strategies to Deliver in the Next Phase," speech at International Monetary Fund–People's Bank of China Conference, Beijing, April 12, 2018.

[39] Andrew Polk, "China Is Quietly Setting Global Standards," *Bloomberg Opinion*, May 6, 2018.

[40] Dana Heide, Till Hoppe, Stephan Scheuer, and Klaus Stratmann, "EU Ambassadors Band Together Against Silk Road," Handelsblatt Global, April 17, 2018.

[41] Such assistance could also provide greater awareness for the United States and enable it to better communicate its interests.

[42] U.S. Senate, Committee on Armed Services, *Political and Security Situation in Afghanistan*, stenographic transcript by Alderson Court Reporting, Washington, D.C., October 3, 2017.

[43] Any actions would entail risks. In the case of investments, the leading risk is that investors could lose money, so, ideally, such investment should be market driven. In the case of technical assistance, the leading risk is that the assistance would not be correct and ends up disadvantaging the recipient. Therefore, technical assistance should be provided in close partnership with the recipient to ensure that all available information and recipient preferences are accounted for.

[44] "EU to Draw Up New Central Asia Strategy by Late 2019," Radio Free Europe/Radio Liberty, June 19, 2017.

[45] Extractive Industries Transparency Initiative, homepage, Oslo, Norway, undated.

[46] World Bank, 2018.

About This Perspective

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