A Virtual Think Tank (ViTTa®) Report

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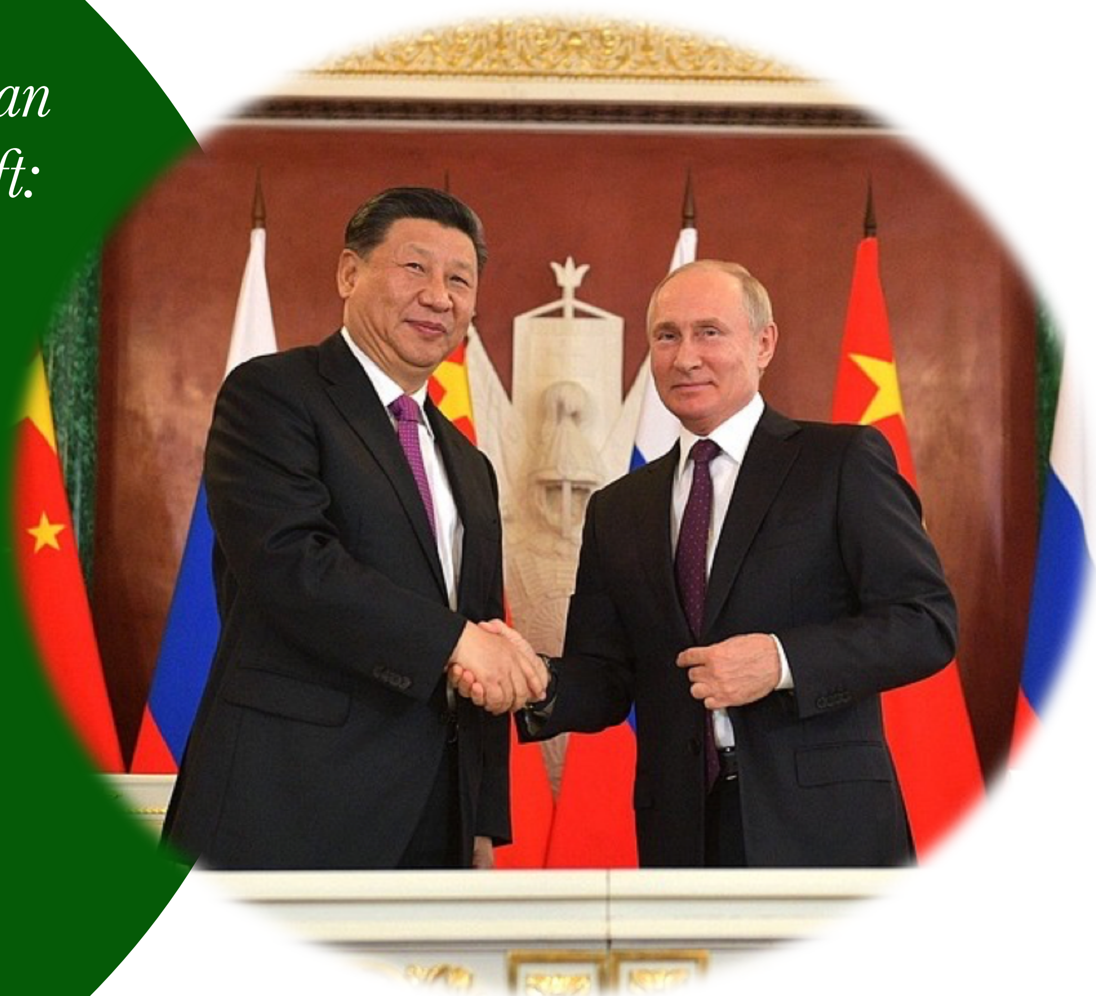
Chinese and Russian Economic Statecraft: Strategic Threat or Benign Business Activity?



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Author

Dr. Sabrina J. Pagano

Editors

George Popp and Dr. John A. Stevenson

Please direct inquiries to George Popp at gpopp@nsiteam.com

What is ViTTa?

NSI's Virtual Think Tank (ViTTa) provides rapid response to critical information needs by pulsing a global network of subject matter experts (SMEs) to generate a wide range of expert insight. For the Strategic Multilayer Assessment (SMA) Future of Global Competition and Conflict project, ViTTa was used to address 12 key questions provided by the project's Joint Staff sponsors. The ViTTa team received written response submissions from 65 subject matter experts from academia, government, military, and industry. This report consists of:

1. A summary overview of the expert contributor response to the ViTTa question of focus.
2. The full corpus of expert contributor responses received for the ViTTa question of focus.
3. Biographies of expert contributors.

Cover image: http://en.kremlin.ru/events/president/news/60672

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Question of Focus

[Q11] How do we determine whether economic influence is a strategic threat or a benign business activity? When should the US push back against Chinese or Russian economic statecraft (such as Belt and Road projects or strategic investments)?

Subject Matter Expert Contributors

Dr. Kerry Brown (King's College, London), **Dean Cheng** (Heritage Foundation), **Major Christopher Culver** (US Air Force Academy), **Abraham M. Denmark** (Woodrow Wilson International Center for Scholars), **Peter E. Harrell** (Center for a New American Security), **Anthony Rinna** (Sino-NK), **Dr. Derek M. Scissors** (American Enterprise Institute), **Andrew Small** (German Marshall Fund), **Dr. Robert S. Spalding III** (US Air Force), **Yun Sun** (Stimson Center), **Nicolas Véron** (Bruegel and Peterson Institute for International Economics), **Dr. Yuval Weber** (Daniel Morgan Graduate School of National Security), **Ali Wyne** (RAND Corporation), **Lieutenant Colonel Maciej Zaborowski** (US Central Command)

Summary Overview

This summary overview reflects on the insightful responses of fourteen Future of Global Competition and Conflict Virtual Think Tank (ViTTa) expert contributors. While this summary presents an overview of the key expert contributor insights, the summary alone cannot fully convey the fine detail of the expert contributor responses provided, each of which is worth reading in its entirety. For this report, the expert contributors consider how to determine whether Chinese and Russian economic activity is a strategic threat or benign business activity, and when the US should push back against such economic statecraft.

Chinese and Russian Economic Statecraft: Strategic Threat or Benign Business Activity?

The contributors are divided in their views on how to assess whether China's and Russia's economic activities are benign or represent a threat to the US, as well as when the US should push back against economic statecraft. Given the primary focus of this question on economic activities, contributors generally focus more on China, which has much greater capacity and activity than does Russia in the economic domain.[1] Though there is variation in the framing used by each of the contributors, their responses nonetheless can be split into three broad categories, characterized as follows:

- Chinese economic activity cannot be disentangled from the party state. Chinese investments thus represent a strategic threat to the US, regardless of intention. Even though Chinese economic activity may not pose an internal economic threat to the US, it poses a political threat. Accordingly, Chinese economic

[1] However, general considerations encompassing both actors and more specific insights regarding Russia, specifically, will be presented where available.

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statecraft should be responded to with alacrity, as well as a clear and decisive plan growing out of "deep and multivector oriented thinking."[2]

- Chinese economic activity is within normal range, and is less coordinated and strategic than is commonly perceived. Chinese economic projects thus should be considered acceptable until proven otherwise. Moreover, attempts to thwart such activity are riskier than is worthwhile given the minimal strategic advantage to be gained.
- Though Chinese economic activity is within normal range, this activity nonetheless can become problematic when used to achieve geopolitical ends. As such, the US should monitor and assess the impact to US interests of Chinese activities as well as China-Russia cooperation.

Yun Sun of the Stimson Center emphasizes that the answer to the question posed will depend on how "strategic threat" is defined. A more inclusive definition in which any Chinese economic activity that enhances China's relationship with or influence over the recipient government will mean that few of these activities are viewed as benign. In contrast, a narrower definition that assesses only those economic activities with a direct impact over a military asset or decision as a strategic threat will mean that more activities are viewed as benign. However, Sun highlights that strategic influence may be transferable from economic arena to security arena—particularly when Chinese investments or loans represent a significant proportion of a recipient country's GDP, thereby potentially granting China economic leverage over the recipient's decision-making processes.

Two of the contributors provide a list of factors that they believe should be considered when evaluating whether Chinese or Russian economic activities represent a strategic threat and whether US push back is in turn merited. To begin evaluating strategic threat posed by economic activities, Peter Harrell of the Center for New American Security suggests looking at whether there is: a) state backing, b) non-market pricing, c) a lack of transparency, d) activity in strategic sectors (e.g., telecom, energy infrastructure, IT), and e) activity conducted at a scale that yields market dominance. Harrell explains that the presence of any one of these factors does not necessarily imply a strategic threat; however, economic activity that displays more of these factors will generally pose a larger strategic threat than will economic activity that is less characteristic of these factors. Ali Wyne[3] of the RAND Corporation proposes that the worst-case scenario for the US is one in which it confronts an economically strong and resilient China without its European and Asian partners and allies, whose entanglement with China means that they cannot risk compromising their economic relationship.

Andrew Small of the German Marshall Fund in turn presents a list of factors that should be considered when determining whether the US should push back, looking at Chinese investments, specifically. These factors include: a) direct and verifiable threats to US security interests as a function of Chinese investments in allied countries and close partners (typically through acquisition of advanced technologies or stakes in strategic infrastructure), b) cases where countries' perceptions of economic dependency on China or Chinese capacity for coercion[4] can shape their political and security choices in ways that are harmful to US interests, c) cases where a threat is posed to US security

[2] Though see Brown's contribution for a counterpoint.
[3] The views expressed in this submission are solely those of Mr. Wyne; they do not reflect those of the RAND Corporation or any of its other employees.
[4] While listing several indicators and trends that could be consulted in the assessment of dependency (e.g., China's share of debt, trade and investment volumes, sustainability of debts, availability of substitutes in sectors where Chinese imports or exports play a critical role, etc.), Small notes that assessments of dependency ultimately will rely as much on "elite and public perceptions as on hard economic facts."

interests by Chinese investments in states that are not close US partners or allies, d) cases where Chinese investments are (or could be) beneficial for the countries themselves and for US security objectives (e.g., investments in fragile and failing states that crucially need external support), and e) Chinese investments that can be characterized by both the virtues and flaws of the existing BRI model, without a clear effect on US security.

Category 1: Chinese Economic Activity Cannot be Disentangled from the Party State and Represents a Strategic Threat to the United States

Several contributors argue that Chinese economic activity cannot be disentangled from the Party State, and state or imply that this activity therefore represents a strategic threat to the US. For example, Dr. Kerry Brown of King's College, London, acknowledges that emerging non-state companies can be driven by profit, but argues that these entities can never divorce themselves from the strategic objectives of the Party State in contemporary China, which encourages economic activity purely as a political tool aimed at maintaining a strong one-party system. Brown places the Party State imperatives within a historical context, emphasizing that they have remained static over the period spanning the Maoist era and contemporary China; only the tactics to achieve these imperatives have changed, not the overarching strategy. In line with its strategic objectives, the Chinese Communist Party will grant priority to some business sectors or activities over others according to how these activities may serve the country's overall needs. Brown offers Huawei[5] as an example of a high-priority sector whose activities cannot be insulated from state interference aimed at having Huawei serve the political narratives and missions over which the state feels it has custodianship. In this context, Huawei's opposition to this interference would be viewed as an act of treachery. Even lower priority sectors and companies (e.g., those involved in manufacturing and export) operate under the imperative to "perform patriotic and dutiful service."

Dr. Derek Scissors of the American Enterprise Institute and Dean Cheng of the Heritage Foundation offer similar assessments. Scissors notes that private Chinese firms, as in state-owned enterprises, have little recourse against the Party, for example, when ordered to violate US or other nations' law in the pursuit of Party goals. As such, the US is justified in protecting personal data from Chinese firms regardless of whether the firms' initial intent or activity was purely commercial in focus. Cheng similarly stresses that Chinese economic influence is a strategic threat, regardless of intention (benign or otherwise). Cheng compares economic influence to political influence—"it needs not be exclusive, but it does exert an effect." Thus, even in cases where the US has strong economic relationships, increased Chinese economic influence would be undesirable.

Notably, contributors also suggest that the permeable boundary between the Chinese Party State and Chinese businesses' economic activity is not only a source of strategic strength but also of strategic weakness.[6] For example, Brown notes that disruption of Chinese business activity (e.g., interruption of Huawei's commercial interests) also serves to directly frustrate the political aims of the Chinese state, such as the "Made in China" initiative. Brown also points out another potential strategic vulnerability to the Chinese Party Statecraft model: To date, it is unclear whether commercial entities whose activities simultaneously serve a political function can perform at the same level as those from capitalist, multi-party systems. These entities, by their nature, may lack the conviction and capability to be successful, authentic, and credible actors in an international capitalist environment.

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[5] The nature of Huawei's business provides the Chinese Party state with an array of "new options and opportunities for influencing and engaging with the outside world."

[6] See contributions from Brown and Scissors in particular.

Brown warns that the current system nonetheless may be preferable for the US, as changes in China's strategic intent and posture as a function of increasingly commercialized Chinese businesses may render them a more formidable economic competitor. As it currently stands, competition and innovation are diminished where Chinese state-owned enterprises lead, suggesting another point of weakness for China in terms of its global economic competitiveness.[7]

> *[China's 'Great Rejuvenation' is] the largest ever, global, man-invented project which creates conditions to surpass potential adversaries in any possible domain, through most economic and political means…"*
>
> *- Lieutenant Colonel Maciej Zaborowski, US Central Command*

Looking beyond the relationship between the Chinese Party State and Chinese businesses to Chinese policy, Lieutenant Colonel Maciej Zaborowski of US Central Command offers a parallel assessment, asserting that China's 'Great Rejuvenation' (China Dream) is much more than that (see text box). China's strength, moreover, lies in its ability to make big economic commitments, asking for little in return (at least at the manifest level). Zaborowski highlights China's success using the diplomatic instrument of national power to date, which is evidenced in part by the increasing number of countries willing to support China's narratives and abandon China's perceived adversaries. Zaborowski asserts that China's plans should prompt concerns among the US and Western world, and foster "deep and multivector oriented thinking."

Zaborowski also discusses how Russia's definition of a great power differs from that of China. Rather than establishing a global physical presence, Russia's focus instead is on the capabilities that enable it to influence situations (including making things happen or not happen) in ways that are expedient for its national interests. Zaborowski notes that Russia's policies and strategies are largely oriented around countering US and NATO presence and supremacy, and that Russia's focus remains in Europe and Europe's neighborhood, extending to other locales only when Russia's goals could be achieved with a minimum of resources and effort. Moreover, Zaborowski warns of the 'marriage of convenience' between China and Russia—deepening in the face of their shared US adversary—wherein China provides money and technology and Russia provides natural resources. Finally, Zaborowski emphasizes that strategies aimed at countering both China's long-term strategies and Russia's 'fait accompli' strategies must be immediately sought.

Dr. Robert Spalding III of the US Air Force offers an even sharper warning—in line with the results from several studies he references—that it is critical for the preservation of US national security and democratic principles that the US respond assertively in the face of China's "economic warfare." Spalding III offers China's pursuit of 5G dominance as a significant example of a "technological inflection point which if not responded to will leave the US and its allies with very few options short of war for advancing our principles and freedoms." Spalding III discusses how—if China's 5G goals are realized—business people, private citizens, elites, politicians, and government officials (as well as millions of machines) can be made into proxies, as the 5G architecture itself enables the mass collection and synthesis of data. Spalding III paints a picture of a future where the currently visible and "clumsy" control exerted by China over actors' behaviors is likely to become more sophisticated, automated, and capable of operating outside of actors' awareness—thus precluding their ability to respond.

[7] See contribution from Scissors.

Category 2: Chinese Economic Activities are Normal and Should be Considered Acceptable Until Proven Otherwise

Other contributors suggest that Chinese economic activities are normal and should be considered acceptable until proven otherwise. Major Christopher Culver of the US Air Force Academy argues that China's trade and investment patterns do not differ meaningfully in scope or intent from those of other countries.[8] Culver contends that China's global economic activities are not as coordinated and strategically planned as is commonly perceived. While Chinese investment is shaped by the state to a greater degree than for the US or other OECD actors, private actors nonetheless drive trade and investment in most sectors.[9] As illustration of the Chinese state being constrained by private actors, Culver offers China's challenges in Africa (i.e., being subject to market forces and the aims of private actors), along with stalled investment growth for the Belt and Road Initiative due to private investors' sluggishness in heeding the state's inducements. Finally, Culver suggests that US and OECD capital generally remains preferable to Chinese investment, except in economies where leaders are not accountable to the population. Considering the current limitations to China's economic activities, Culver argues that attempts to forestall or thwart China's investments—even in the case where they are aimed at strategic objectives and outside the scope of what is expected for a growing economy—are riskier than is worthwhile given the minimal strategic advantage to be gained.

In a similar vein, Nicolas Véron of Bruegel and Peterson Institute of International Economics asserts that the US should consider economic and investment projects as acceptable unless proven otherwise, and that infrastructure projects in countries that need them generally should be welcomed, as long as these projects do not endanger recipient countries' creditworthiness. Véron also indicates that international organizations should handle issues such as market-distortive government subsidies (World Trade Organization) or fiscal and debt sustainability challenges at the multilateral level (International Monetary Fund).

Category 3: Chinese Economic Activity is Within Normal Range, but Becomes Problematic When Used to Achieve Geopolitical Ends

Finally, some contributors suggest that China's economic activity is in and of itself not unusual, nor inherently good or bad, but can become problematic when used for geopolitical ends.[10] At the broadest level, a country's economic investments can pose a danger when the country uses its economic leverage (as in the case of China) over small and middle powers to persuade or effectively coerce them into taking positions on geopolitical issues that run counter to their own national interests or otherwise limit recipient countries' choices and exit options.[11] Abraham Denmark

> *"China offers the region what it offers its own people: economic development in exchange for political acquiescence."*
>
> *- a senior Australian official, speaking privately with Mr. Abraham Denmark*

[8] Some general differences have been observed, however: A greater proportion of China's investments and trade is oriented toward developing economies, as China does not demonstrate the same aversion to investment in areas of poor governance or high corruption when compared to OECD investors (see contribution from Culver).

[9] However, Scissors seems to paint a different picture—one in which "Beijing does not allow small firms to unseat [state-owned enterprises] in market share."

[10] See contributions from Denmark, Scissors, and Weber in particular.

[11] See contributions from Denmark and Weber. To provide a historical comparison point, Weber cites Albert Hirschman's 1945 manuscript, wherein he notes that Nazi Germany used a similar strategy of economic statecraft to achieve political leverage. Specifically, Germany dominated exports and

of the Woodrow Wilson International Center for Scholars offers several examples of problematic Chinese investments that might yield just this sort of leverage. These include telecommunication infrastructure investments aimed at gaining potential access to customer nations' data, patterns of investment that create "debt traps" that enable China to gain access or control over critical infrastructure of geography, and the use of trade flows to gain leverage over geopolitical issues. Scissors indicates that the assessment of strategic threat ultimately should be made entirely with respect to consideration of US interests and should not involve mirroring (i.e., what China thinks is important is not necessarily important to the US). Dr. Yuval Weber of the Daniel Morgan Graduate School of National Security in turn suggests that, when thinking of the potential impact of economic statecraft, the US should consider whether recipient countries have an affinity for the offeror (China or Russia).

Scissors asserts that there is little evidence that China is taking over economically in the US, though there is political risk. This risk is introduced in several ways, including by US firms that evade restrictions on cooperation with China. Risk is also introduced by the vulnerability of US "(quasi-)allies" characterized by small economies (e.g., New Zealand or Portugal) that can be overwhelmed by Chinese investment or export purchases, as well as by larger allies with extensive relations with China (e.g., the UK). Allies with advanced technology, particularly those who see no threat from China, further increase overall risk.

Recommendations for the US to Compete Effectively

Contributors offer a great number of recommendations for the US to most effectively counter economic statecraft by China or Russia, ranging from partnerships and education of recipient states to strategy.

Develop and Tailor a Well-Resourced and Offensive Strategy Toward Competitors

Several contributors urge the US to develop and apply an "active and significantly resourced strategy" that can be presented as a viable and attractive alternative to China's proposals.[12] Harrell emphasizes that the US must think offensively as well as defensively, and that an offensive strategy must incorporate how to promote US leverage over China. Harrell notes that a "strategically re-balanced coupling" (vs. a strategic de-coupling) may provide a better framework for what US policy should aim to achieve. Both Harrell and Zaborowski suggest developing a tailored strategy for each US competitor—whether China or Russia. For Russia, Harrell advises using a broad strategy of economic containment; manifestation of the strategy might incorporate actions such as excluding Russia from non-Russian energy projects including energy infrastructure outside of Russia. Zaborowski in turn recommends pragmatic, direct, and decisive responses to Russia, as well as the maintenance of good and mutually beneficial relationships with allies, especially those who have history and experience with Russia. For China, Harrell proposes coopting rather than opposing China; for example, the US might influence countries to limit Chinese investments to non-strategic projects and insist that China meet higher standards with greater transparency for its BRI investments. Zaborowski suggests providing education and alternatives to governments willing to easily accept Chinese money, as well as highlighting and promoting the natural reluctance toward

imports as well as increased levels of foreign direct investment in Central and Southeastern European countries, thereby limiting their choices (given no practical economic alternatives to Germany) and making recipient countries into new allies. However, Weber also notes that the Nazis were aided in this case by recipient countries' affinity for the Nazi ideology, alongside fears of the Soviet Union.

[12] See contributions from Denmark, Small, Sun, and Weber. Denmark elaborates by suggesting that the US also simultaneously highlight examples of "Chinese perfidy."

Chinese involvement displayed by other governments (e.g., in Central Asia). Zaborowski further recommends cultivating mature, enduring, and responsible alliances (e.g., in Eastern, Southeastern, and Southern Europe) ready to stand together against any unwanted Chinese expansion.[13]

Ensure Clarity and Precision in US Approach and Assessments Made About Investments

Small asserts that the US should base its approach to its competitors on clear principles and conditions, and not merely be reactive. Doing so will require precision in the distinctions among problematic investments, potentially beneficial investments, and more ambiguous cases, in order to maintain the credibility of US warnings to friends and allies and avoid wasting resources.

Leverage Partnerships

Partnerships are also emphasized by the contributors. For example, Cheng suggests that the US Government partner more with the private sector, offering not only military and security investment, but also financial and economic investment. Small focuses instead on cases where US interests are compromised by Chinese investments in countries who are not close US partners or allies, noting that the US will likely need to work as part of a broad coalition to incentivize alternative choices through political pressure, financial incentives, public persuasion, and other methods. Small further indicates that these efforts are likely to be the most resource intensive and thus should be assessed by the US and partners in terms of degree of risk, best method of pre-emption, and appropriate division of labor among partners. Finally, Small asserts that these efforts will be most effective when intervention occurs earlier in a recipient country's decision process.

Provide Better Alternatives

Several contributors urge that the US provide or enable better alternatives than the options being presented by its competitors. For example, Culver suggests that the US present compelling alternatives to China's investments—those that strengthen rather than weaken good governance practices—in regions that are strategically important to the Chinese and within US ability to influence. Denmark specifies that the US should offer alternative mechanisms beneficial to countries on the cusp of taking Belt and Road Initiative-related investments, noting that pushing back directly against the BRI or similar investments may paint the US as reactive. Small emphasizes the importance of good alternative options for finance, investment, and trade in ensuring that states are sufficiently resilient to make geopolitical decisions without Chinese coercion. Toward that end, Small also suggests that governments, publics, journalists, and opposition parties all have a highly informed view of risks during development along with the capacity and expertise to deal appropriately with China, and finally, that targeted states have an "escape route if they find themselves in trouble" (if all else fails).

Monitor and Assess the Impact to US Interests of Chinese-Russian Cooperation

Anthony Rinna of Sino-NK and Zaborowski underscore the importance of careful monitoring and assessment of Chinese and Russian cooperation. Zaborowski references the 'marriage of convenience' that enables the

[13] In contrast, a failure to establish and maintain these alliances would leave smaller and weaker states susceptible to aligning with emerging superpowers or bowing to new hegemonies out of necessity.

combination of Russian resources and Chinese money and technology, and Rinna provides an example of a potential result of this marriage—the formation of a China-Russia energy bloc in Eurasia, which would yield leverage over a significant proportion of the Eurasian landmass. Rinna also emphasizes that the US should look at the extent to which Chinese and Russian economic activities are competitive with one another, along with the specific nature of these activities and related initiatives. Rinna notes that insight into competition can be gleaned by looking at places where China and Russia struggle for influence (e.g., Uzbekistan, Turkmenistan). Finally, Rinna suggests looking for growth in Chinese-Russian competition in Eurasia or sub-regions such as Northeast Asia, as each country works to dominate markets serving their discrete economic statecraft initiatives (e.g., in energy or transportation infrastructure).

Seek Understanding of Investment Impact, Interdependencies, and Other Dynamics at Play

Both Small and Zaborowski urge an understanding of the complex dynamics at play—including those "between China and each of the states and regions connecting to Beijing" and those (e.g., current or possible Chinese investments) having likely implications for the US alliance system. Small notes that developing a comprehensive but also granular view of the impact of Chinese investments will require a critical assessment by the US (in consultation with allies and institutions such as NATO) of Chinese involvement in areas such as strategic infrastructure (e.g., ports, telecom), focusing on the implications for interoperability, forward deployments, intelligence-sharing, cyber threats, and defense industrial supply chains. The result of this assessment would: a) enable US partners to determine appropriate limitations to Chinese investments received, consistent with their alliance obligations and expectations, b) enable the US to coordinate between key states on export controls and Chinese access to advanced technologies (however obtained), and c) enable the US to draw a "hard line around…investments that constitute a direct threat to the United States, the effective functioning of the alliance system, or the capacity of the [US] and its friends to maintain a military edge," distinguishing forms of investment that are simply inadvisable or undesirable from those that would have direct ramifications for security cooperation with the US. Understanding and properly assessing all of these complex dynamics may best prepare the US for what Zaborowski calls a (potential) "China-centered scenario of the future."

Establish/Encourage the Use of Relevant Frameworks

In his recommendations, Véron emphasizes the role of relevant frameworks. Véron suggests that the US encourage the European Union (EU) to create frameworks at the EU level similar to the US review of foreign investment projects (via the Committee on Foreign Investment in the United States). In the context of these investment review processes, the US should also consider a framework for bilateral and possibly multilateral exchanges of intelligence assessments. Véron also proposes that the US further develop the international framework for fighting money laundering, "building up on existing processes within the Financial Action Task Force, the Egmont Group, and the current web of bilateral arrangements in that area."

Provide Education and Training to Recipient Countries

A final set of recommendations by Cheng and Small focus on providing education and training to recipient countries. Cheng suggests that the US counter (along with its Western partners) Chinese economic aspirations by supporting NGOs that provide legal and financial advice to less developed countries, which will assist these countries' decision makers in better understanding the potential risks that come with Chinese financing. Cheng further proposes going beyond provision of financial and military aid to developing nations—for example, by training intelligence analysts to better understand what they are looking at when they inevitably obtain access to space-based imagery. Finally, Small advises ensuring that governments, publics, journalists, and opposition parties all have a highly informed view of risks during development, along with the capacity and expertise to deal appropriately with China.

Subject Matter Expert Contributions

Dr. Kerry Brown

Professor, Chinese Studies (King's College, London)
Director, Lau China Institute (King's College, London)
6 March 2019

- The composition of the state and its relations with business in China means that, in principle at least, any economic activity has political utility and is integrated into a macro-political strategic attitude.
- Of course, in the People's Republic of China, plenty of emerging non-state companies are driven purely by notions of profit. But the very fact that they come from China means they can never divorce themselves from the strategic objectives of the political environment they come from. In that sense they have to operate on two levels, which gives them their perpetual ambiguity to outsiders.
- The Party State in contemporary China has tolerated, encouraged and nurtured economic activity – but always as a political tool. This is to ensure that the one-party system is sustainable. That is however guided by the greatest imperative of all; to create a strong, powerful country. This meta-narrative means, necessarily, that any and every activity needs to contribute to it, and relate to it. This is not a Marxist Leninist objective. That is just the means. It is a very nationalistic one.

In the case of the contemporary People's Republic of China (PRC) any and all business activity has potential political utility. And while on the surface state and non-state companies are guided by the same things as other multi-nationals from capitalist multi party environments- the seeking for profit, resources, markets – the political meta-narratives they clearly serve back home are all inclusive, and very distinctive ones. The Communist Party of China (CPC) serves predominantly as a strategic prioritising body in this context. There are some business activities that it will grant a high priority to – regardless of the attitudes of the managers and stewards of these entities themselves. This is because they are in important sectors like finance or telecoms, where there is technology, know how or some other asset the Party State wants for what it defines as the country's overall needs. There are other sectors that are clearly of lower priority, and just deliver `soft' parts in the achievement of this overarching aim – manufacturing for export, for instance, or investment to support sales markets abroad. Even, in theory, the economic activity of tourists and of individual actors can be tied into this mission, though on the whole this is left alone as lacking in impact and easy direction.

Huawei is a good example of the first kind of economic activity. Huawei can be all of the things that the company strenuously says it is: private, innovative, free of central government and military involvement. It can be a good competitive player in the telecoms sector in Europe, the US or elsewhere, if given the chance. But at the same time we have to see things on two levels. Huawei cannot protect itself from predatory Party State interest back in China, particularly because of the sector it is in, even if it wanted to. To exist, therefore, it has to do so within parameters not of its making, and completely out of its control. If foreign enterprises cannot protect themselves against occasional invasive state interference in the PRC, then Huawei certainly can't. The commercial instincts of the Huawei leadership are almost certainly to make money, be a good sustainable and competitive company, and to win revenue and deliver value to its shareholders – its employees in China. But it performs this story by persistently turning a blind eye to the fact that the state always can, and sometimes does, need it to deliver specific things to the grand political narratives and missions it defines and feels it has custodianship over – to use the Communist Party of China and the unity it gives to deliver a strong, powerful, self-determining country. To oppose this for Huawei would not be illegal; it would be an act of treachery.

Huawei is a very extreme example. The state interest in its work is clear. This is not primarily about the level and capacity of its technology. It is about the ways it gives the Chinese Party state a suite of new options and opportunities for influencing with and engaging with the outside world. But even for the most mundane of non-state companies simply involved in manufacturing and export, at a more abstract level the imperative for them to perform patriotic and dutiful service exists. And there will be times when they too may have to perform sharper actions, if the opportunity arises. The Communist Party has never fully shed its deep past as a cellular, guerrilla force in the period in which it was a revolutionary rather than a governance body. These days, though, it has to wear these two guises at the same time – something that can confuse and disorientate its opponents. The Party State as a business friendly entity therefore has been an excellent guise. But the imperatives the modern Party State performs to, and those that existed in the Maoist era are the same – nationalistic ones. These have remained static and unchanging. Just the tactics to achieve them have changed – not the overall strategy.

That there is this potentially clear political function to Chinese economic activity however is simultaneously a source of strategic strength – and of weakness. It means that in essence any and all Chinese business, however it badges itself, does perform a function for the Party State and its plans, and can be used to disrupt and frustrate those plans. While more orthodox western multi-nationals have far looser engagements with the main environments they are domiciled in and have their principle management from, meaning that attacking them has narrower destructive impact, but very little larger political utility (the British government would be hurt economically by a problem for BP, as happened in the US in the early 2010s, but hardly at all in terms of its domestic political aims, because the boundaries between the state and government are very clearly demarcated, and their interests defined in very different ways) for China this is not the case. The commitment of any kind of Chinese economic actor to the political and diplomatic metanarratives defined by the Party state gives that Party state a vast array of resources it can draw on that a multi-Party democracy cannot – but also a similarly vast number of points of attack. Direct interruption of Huawei's commercial interests over 2018 and into 2019 by the US, Australia and others have equated to direct interruption of the Party state's `Made in China' initiative, which was simply dropped from the government work report delivered by Premier Li Keqiang at the 2019 National People's Congress. Those, therefore, that live by the sword of sharp statecraft also, China seems to be proving, die by it too.

There is one other clear strategic vulnerability that the Chinese Party Statecraft model has. It is unclear, and so far unproven, whether commercial entities which are so clearly also political ones, willing or not, are able to perform commercially to the same level as those from capitalist, multi party origins. Chinese corporations, whatever their background or sector, adopt the language of commercial imperatives and capitalism – but underneath, they are regarded as something else. They might have great commercial potential. But that they are perceived, again because of their origin, as skin deep capitalists and socialist servants underneath is a huge liability. Can they really, with any conviction, be successful, authentic, and credible actors in an international capitalist environment? So far, this is unproved. China has not produced the kind of global success stories that Japan and South Korea did during their emergence as economic leaders in the 1980s and 1990s. It is telling that they, and Taiwan, were democracies by the time they really did this. We know that Chinese companies can mimic and imitate Multi National ones to some extent. But we do not know if they are in their hearts authentic believers in the market, in the power of capital, and in commercial objectives over political ones.

It is as yet unclear about just how the need to deliver real commercial returns will one day override the political functions referred to above. Western interlocutors cannot give up on seeing viable Chinese economic actors one day with far greater autonomy from state edict. After all, all of these issues are negotiable, and as China becomes a major global power then its strategic intent and posture will necessarily change. In the end, the outside world needs to adopt an almost bipolar attitude to this aspect of China. The success of Chinese companies and economic actors as political ones too is also the source of their greatest commercial weakness. It's an important point to remember, but seeing more commercialised Chinese entities and their activities will also mean seeing much fiercer economic competitors. At the moment, that they serve the Party State strategic objectives is China's political gain, and our commercial one. If and when this structure goes, we will be faced with Chinese capitalism, not with Chinese characteristics, but with our own. And the evidence shows that they will be formidable opponents. Things might be better left as they are.

Dean Cheng

Senior Research Fellow, Asian Studies Center, Davis Institute for National Security and Foreign Policy
(Heritage Foundation)
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Economic influence IS a strategic threat, even if it is benign. Economic influence is like political influence—it need not be exclusive, but it DOES exert an effect. We would not want China to have more political influence in Seoul, even if US-ROK relations are firm.

The US needs to partner more with the private sector, in order to offer not only military/security but also financial/economic investment. Whereas the Chinese tend to bring their own work force and limit their improvement of local human capital. American/Western investment tends to be welcomed precisely because it DOES lead to improved human capital (training of mid-level and higher-level managers).

The US, along with other Western nations, should also help support NGOs that would provide legal/financial advice to less developed nations, so that they can better understand the risks associated with accepting financing from the Chinese. (This will also affect their ability to play more head's up ball with Western companies and banks, so there will probably be push-back from our own side.)

The US also needs to think beyond just financial and military aid. How about helping these states train cadres of intelligence analysts? As earth-imaging gets better and cheaper, these countries will be able to buy very advanced space-based images. But will they know what they're looking at? Photo interpretation, signals intelligence analysis, these are things that we might consider teaching (at a basic level). The US/West can't really compete with the Chinese on space infrastructure—China's state-owned enterprises will allow them to undercut Western companies on price/services provided.

Major Christopher Culver

Assistant Professor, Political Science (US Air Force Academy)
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China's growing international economic influences and relationships need to be understood in the context of two broad ideas that are often ignored or misconstrued. First, China's trade and investment patterns do not differ significantly in scope or intent from other countries, having much more in common with investments from OECD countries than otherwise. Second, China is not a monolithic actor and its international economic actions are rarely as coordinated and strategically planned as is commonly perceived. Seen in this light, the United States should be hesitant to push back against Chinese investments unless it can be determined that they are both specifically directed by the Chinese state for strategic objectives and outside the scope of what is reasonably expected for a growing economy. Even in the rare case where these criteria are met, China is unlikely to have the ability to coordinate broad economic goals in the international market, and the risk of attempts to thwart these efforts are not worth the unlikely and minimal strategic advantage they might provide. Market forces in the developing world are unlikely to be shaped significantly be either US or Chinese influence. The United States' interests are thus better served by providing strategic alternatives to developing nations that promote economic opportunities while respecting the principles of good governance.

On the first broad point, China's foreign investments and trade patterns are given significant attention because of recent growth trends, but they are generally in line with what would be expected of any economy its size, and do not indicate a massive strategic strategy. China's current annual outward flow of foreign direct investment is around $100 trillion compared to over $300 trillion from the United States. China's investment grew steadily since the "Going Out" policy around the turn of the century, and increased significantly since 2013, but has actually declined precipitously from a peak in 2016 at 1.93% of its GDP to its current level of less than 1% of GDP, compared to US and world international investment rates that are both around 1.6%[14]. The majority of both Chinese and OECD investment flows to developed economies. The primary difference is that a greater share of Chinese investment is directed toward developing economies, whereas these countries make up a relatively insignificant share of total OECD investment. The same holds true for trade patterns, where both China and the United States have significantly less overall trade as a share of GDP than average OECD countries[15]. China once again is more economically involved in the developing world, most notably Africa where China's total trade volume is nearly triple that of the United States, though trade has also decreased significantly in the last few years[16]. China's increased proportion of trade and investment in less developed regions should not be surprising considering the resistance from the United States and other OECD countries to encourage Chinese investment in these developed countries. The significant difference that has been identified by scholars regarding Chinese investment behavior is a decreased aversion to investing in regions of poor governance or high corruption,[17] though it should be noted that Chinese investors don't have a particular attraction to these economies, but rather don't show the aversion that OECD investors do.

On the second broad point, while Chinese international investment is likely influenced by the state to a greater degree than the United

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[14] OECD data, FDI flows. https://data.oecd.org/fdi/fdi-flows.htm. Accessed 8 Mar 2019

[15] World Bank national accounts data. https://data.worldbank.org/indicator/NE.TRD.GNFS.ZS?locations=US-CN-1W&page=4 Accessed 8 Mar 2019.

[16] China Africa Research Initiative, Data: China-Africa Trade. Johns Hopkins School of Advanced International Studies. http://www.sais-cari.org/data-china-africa-trade Accessed 8 Mar 2019.

[17] Chen, Wenjie, David Dollar, and Hwiwai Tang. "Why is China Investing in Africa? Evidence from the Firm Level." he World Bank Economic Review, 32(3), 2018, 610–632.

States or other OECD actors, it is far from tightly coordinated. Chinese state-owned enterprises (SOEs) account for a significant share of international economic activity, but private actors drive trade and investment to a much greater degree in most sectors, with SOEs (many of which maintain limited autonomy from the state) concentrated in natural resources but still not the only players. The United States has recently made efforts to shape economic actions in Africa[18], but this state strategy is at the mercy of private actors and market forces. China is facing similar hurdles, and even its signature Belt and Road Initiative (BRI) has seen no growth in investment over the past few years as private investors are slow to heed enticement from the state. As Ian Taylor points out, "the idea of the strategic use of economic relations by Beijing as a means of achieving power-politics objectives needs to be treated with caution. It is important not to overestimate the degree to which the Chinese state has been able to control and direct the evolution of its international economic relations.[19]" The broad takeaway from these two points is the Chinese international economic activities look more like a standard, market driven economy that a tightly controlled strategic initiative to achieve geopolitical influence. China clearly has desires to leverage market forces in their favor, but has much less ability to shape these forces than they are often given credit for.

US allies and neutral actors in the developing world, both in the Indo-Pacific and African regions, are generally facing capital scarce economic conditions and will look for foreign investors that meet their interests from any source. Chinese investors may have a comparative advantage with governments that are less accountable to their domestic populations, but US and OECD investment is still preferable in most cases. The Chinese state is unlikely to leverage their small advantage with disparate, unaccountable governments to build a cohesive economic grand strategy. While the US might be able to identify a few economic relationships that are strategically important to China and within our ability to influence, pushing back on these rare cases will be much less beneficial than providing better alternatives across the region, building our own economic relationships that can strengthen rather than undermine good governance practices.

Abraham M. Denmark[20]

Director, Asia Program (Woodrow Wilson International Center for Scholars)
11 March 2019

China, like any other major economy, has economic interests around the world. There is nothing unusual or particularly troubling about Chinese entrepreneurs operating around the world, trying to gain business and market share. That's globalization, and something to be encouraged.

What should be troubling, however, is when such economic activity is used for geopolitical ends. This could take many forms, including the use of Chinese telecommunications infrastructure to gain potential access to a customer nation's data, establishing "debt traps" that provide China with access and potential control over vital pieces of geography or critical infrastructure, or even the use of trade flows as leverage over other geopolitical issues.

The danger that China's economic influence poses is that it can use economic ties for geopolitical gain. While this has specific challenges related to the security of a nation's information or its critical infrastructure, this challenge is most broadly seen as China using economic dependence to force other countries – especially small and middle powers – to take positions on geopolitical issues counter to their national interests. In a recent private conversation, a senior Australian official recently told me "China offers the region what it offers its own people: economic development in exchange for political acquiescence."

The U.S. should avoid pushing back reflexively against BRI or other similar strategic investments. Doing so makes the United States appear reactive, especially in the absence of any U.S. alternatives. A more effective strategy would be for the United States to highlight specific instances of Chinese perfidy, and offer alternative mechanisms that are also advantageous for countries set to receive BRI-related investments. The best strategy for the United States would be to actually compete with China's economic statecraft with an active and significantly resourced economic strategy that can be pointed to as an attractive alternative to China's proposals. Because the quoted

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[18] Landler, Mark and Edward Wong. "Bolton Outlines a Strategy for Africa That's Really About Countering China." New York Times. Dec 13, 2018. https://www.nytimes.com/2018/12/13/us/politics/john-bolton-africa-china.html?module=inline
[19] Taylor, I. (2009). China's new role in Africa. Boulder, CO: Lynne Rienner Publishers. p. 8.
[20] The views expressed in this submission are those of Mr. Denmark alone.

Australian added to me that "the United States offers no economic development in exchange for political acquiescence," and the United States will not long be successful if Washington cannot formulate an attractive, compelling economic strategy of its own.

Peter E. Harrell

Adjunct Senior Fellow (Center for a New American Security)
8 March 2019

The "state capitalism" of America's two most significant geopolitical competitors, China and Russia, raises complex questions regarding the evaluation of when Chinese and Russian trade and investment poses a strategic threat compared to simply being innocuous business activity. Generally speaking, there are at least five major factors in evaluating whether Chinese or Russian economic activities represents a strategic threat:

- **State backing:** State-owned or state-backed economic activity should generally raise more concerns about strategic influence than private economic activity.
- **Non-market pricing:** Non-market pricing should generally raise more concerns about strategic influence than market pricing, given that non-market pricing both directly suggests ulterior motives for the activity and has the potential to crowd out private sector competitors/alternatives.
- **Lack of transparency:** Non-transparent economic activity, where the identities of the ultimate parties is concealed, terms and conditions are secret, etc. generally poses a greater strategic threat.
- **In strategic sectors:** Chinese and Russian economic influence has the potential to have a more pernicious impact in strategic sectors, such as telecoms, energy infrastructure, and IT than in non-strategic sectors, such as consumer products.
- **When conducted at scale that provides market dominance:** Chinese and Russian economic influence poses a significantly greater strategic threat when it occurs at a scale that provides market dominance than when conducted at a smaller scale where there is no market dominance and where the U.S. and allies could find ready replacements for the Chinese and/or Russian business if needed.

None of these factors by itself is necessarily dispositive that a particular investment, transaction, or economic initiative poses a strategic threat. For example, given the nature of both China and Russia, where the government maintains substantial formal and informal power over even nominally private firms, economic activity by nominally private firms is often subject to government influence. Similarly, non-market pricing may genuinely reflect poor business judgment rather than strategic objectives (much as U.S. investors will sometimes massively overpay for assets). But Chinese and Russian economic activity that evinces multiple of these indicators will generally pose a greater strategic threat than does economic activity that evinces few of these indicators.

While the U.S. should generally push back against both Russian and Chinese economic statecraft that is adverse to U.S. interests, the vast differential in the economic scale of the two countries calls for some different strategic approaches to pushing back with respect to third countries. Simply put, the U.S. has far more ability to effectively contain Russian economic statecraft at a global level given Russia's much smaller economic scale than it does to effectively contain Chinese economic statecraft. For example, a concerted push to freeze Russia out of investments in new non-Russian energy projects (e.g., new energy infrastructure outside of Russia) would likely succeed at a strategic level, given the relative scale of U.S. and Russian economic influence globally. China, on the other hand, has sufficient readily deployable resources and sufficient economic scale that it is likely to be able to engage in a significant range of economic statecraft in third countries regardless of U.S. pressure—however much the U.S. might dislike China's Belt and Road Initiative (BRI), a number of countries are going to take BRI money.

As a consequence, with respect to China's economic statecraft, while there will be times that the U.S. should and must strongly oppose Chinese economic statecraft, the U.S. should also consider when and where it is appropriate to adopt a strategy of cooption rather than opposition. For example, pressing countries to insist on higher standard, transparent BRI investments, and limiting those investments to non-strategic projects, rather than blanket opposition to all BRI projects. With Russia, a broader economic containment strategy is more likely to succeed, and thus has more strategic appeal.

Finally, the U.S. needs to think offensively as well as defensively. U.S. policymakers have already begun to think offensively in the sense of developing new U.S. tools, such as the new U.S. International Development Finance Institution that will be launched in late 2019, that can be used to compete with China's BRI and other economic statecraft initiatives. But we also need to think about how we can promote our economic leverage over China, e.g., ensuring that U.S. tech companies remain suppliers of critical components of Chinese industry, as a way of maintaining U.S. leverage over China's tech sector. In the long run, a strategic de-coupling would reduce U.S. leverage over China even as it also reduced U.S. exposure to China. "Strategically re-balanced coupling" is perhaps a better framing for what U.S. policy should work to achieve.

Anthony Rinna

Senior Editor (Sino-NK)
4 March 2019

US policies on economic statecraft should take two things into consideration: to what extent Chinese and Russian economic initiatives are cooperative or competitive, as well as the exact nature of specific undertakings within those initiatives.

The Russian government has expressed interest in connecting its Eurasian Economic Union with China's One Belt, One Road (OBOR) initiative. Combined Sino-Russian economic statecraft could make it difficult for the US to pursue economic and other political interests in the Indo-Pacific. This is especially true as economics takes on an increasingly important role in joint Sino-Russian security frameworks such as the Shanghai Cooperation Organization (SCO). Yet this does not change the fact that China and Russia are sovereign states with their own interests. The US, therefore should observe to what extent Sino-Russian economic interests are compatible vs. competitive. In Central Asia for example, two countries that can serve as metrics for the cooperative-competitive spectrum are Turkmenistan and Uzbekistan. Turkmenistan, richly endowed with natural gas, has been the scene of competition between China, Russia and the US over energy. Uzbekistan is (along with Kazakhstan) the Central Eurasian economic anchor. Neither Turkmenistan nor Uzbekistan have joined any major Chinese or Russian economic initiatives. These countries in particular offer insights into the state of Sino-Russian competition as well as which country is gaining an advantage in sub-regional economic competition, insofar as the PRC and the Kremlin struggle for influence in those states.

Additionally, the US needs to consider the nature of Chinese or Russian economic penetration across Eurasia. Chinese or Russian infrastructure projects can challenge US designs in Central Asia, yet can also be a source of Sino-Russian competition. Beijing and Moscow are developing rail networks across Eurasia to suit their economic statecraft initiatives. Competition between China and Russia could grow as both countries seek to dominate Eurasian markets for their own purposes. In other sub-regions, including Northeast Asia, Beijing and Moscow will likely seek a competitive advantage over each other in terms of infrastructure[21], and as long as the two countries continue competing, this diminishes the risk that Chinese and Russian economic interests can align in ways that challenge the US. Energy is also an area of competition between the PRC and the Kremlin in Central Eurasia. Even as Chinese and Russian energy interests in Central Eurasia have long been problematic for the US, the maintenance of a competitive environment between Beijing and Moscow can help ensure that the prospects of the formation of a Sino-Russian energy bloc remain remote. Any formation of a Sino-Russian energy bloc in Eurasia however should be a major cause for alarm. Even if such a situation would not jeopardize American energy security, it would nevertheless translate into major Sino-Russian leverage over the better part of the Eurasian landmass.

[21] In Northeast Asia, both China and Russia want to connect the Korean Peninsula to rail lines in their own countries. North Korea and South Korea also want to connect to each other via rail lines. In the event that North and South Korea can develop a common rail infrastructure, the question becomes: will those rail lines extend into China (connecting North and South Korea to the OBOR) or Russia (connecting the DPRK and the ROK to the Eurasian Economic Union)?

Dr. Derek M. Scissors

Resident Scholar (American Enterprise Institute)
18 February 2019

In evaluating Chinese commercial activity for economic or political threat, the first rule is the nature of the activity as threatening or not is unstable. The second is that a private Chinese firm has no more recourse against the Party than an SOE. Chinese activity can alter slowly, for example when a surge of (mostly private) Chinese spending in the US turned into a trickle[22] from 2016 to 2018. Or a transaction can quickly transform, if a private or state-owned Chinese entity is ordered to violate US or other nations' law to pursue Party aims. The latter justifies protecting personal data[23] from Chinese firms even if the initial transaction is purely commercial.

Within the US, there is no threat of China "taking over" economically. Even in the peak year of 2016, Chinese investment was less than 0.3% of US GDP. There is political risk. The debate over the relationship sees economic interests which benefit from China transactions claiming the US as a whole cannot bear a confrontation. This is objectively false,[24] but calls for accommodation will intensify with further integration.[25] The technological dimension has received much attention but one observation on where the PRC will acquire and steal: Beijing does not allow small firms to unseat SOEs in market share. When SOEs lead, competition and innovation are diminished.

For US (quasi-)allies, there is an economic threat. Small economies can be overwhelmed by PRC investment or export purchases. Taiwan is obvious but New Zealand and Portugal are also at risk. Such countries face associated political challenges.[26] Larger US allies with extensive relations with China do as well, especially in time of stress, such as the UK during Brexit. Technology transactions are risky when the US ally has advanced technology, of course, and when American firms skirt restrictions by cooperating with China in a trusted third country. Accentuating technology risk is the fact that a number of US allies see no military threat from the PRC.

In countries which aren't US allies, such as most of the Belt and Road, there is little technology threat from Chinese transactions. The economic and political threats to their sovereignty can be severe. The economies are often small and starved for technical expertise. Local mismanagement of financing is common and can either cost Beijing billions[27] or give it high leverage.[28]

In BRI and similar countries, the starting point should still be no threat to US interests, regardless of threat to local sovereignty. The PRC is far more dependent on commodities imports[29] than the US and thus involved in places we have no reason to be, short of a confrontation intense enough to warrant a denial strategy by the US. Concerns about "losing Africa" are odd – American and Chinese interests in Africa are almost entirely discrete. American allies have that status because the US designated those relationships as important without regard for Chinese business activity. Other countries do not become important because Beijing lent money or built a railway.

Chinese economic entities are not good or bad. All can be made tools of the Party at any time. Instead, the determination of strategic threat should be made solely with regard to American interests. The national interest is much discussed but should not involve mirroring – because the PRC thinks it's important does not mean we should. It should include questions about whether greater economic ties bring greater Chinese political influence, even if entirely passive.

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23 http://newsroom.genworth.com/2018-09-14-Genworth-and-Oceanwide-File-Supplemental-Information-with-Regulators
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Andrew Small

Senior Transatlantic Fellow, Asia Program (German Marshall Fund)
11 March 2019

In pushing back against Chinese economic statecraft and strategic investments, the United States needs to take an approach based on clear principles and conditions. Although broad-based U.S. calls for caution have been useful in drawing attention to the risks and threats associated with the Belt and Road Initiative (BRI), lack of precision in distinguishing between genuinely problematic investments, potentially beneficial investments, and more ambiguous cases will ultimately weaken both the persuasiveness of the U.S. argument and the credibility of its warnings to friends and allies. As the United States and its partners start mobilizing finance behind alternative infrastructure, energy and digital options to the BRI, there is also a risk that resources will be wasted in this effort unless priorities are very clearly defined and the focus is placed on the quality of the overall offer from the advanced industrial democracies rather than a reactive approach.

There are several criteria that the United States might consider when evaluating when and how pushback against Chinese investments is warranted.

The **first category** of cases is that of direct and verifiable threats to U.S. security interests resulting from Chinese investments in allied countries and close partners, which will typically result either from the acquisition of advanced technologies or stakes in strategic infrastructure. While many U.S. partners have tightened their own investment screening processes in recent years, the ongoing – and often confused – debate over the involvement of Chinese companies in 5G spectrum auctions and continued cases of Chinese investments in sensitive economic sectors illustrate how much work is needed to shore up a common position among even the closest U.S. allies. Given that the parameters of the US position are themselves in flux, with the FIRRMA pilot programs and pending executive orders in areas such as telecoms, this will necessarily be a rolling process. Nonetheless, at this stage the aim should be to make progress in a couple of principal areas.

The first is to have as comprehensive and granular a picture as possible of the likely implications of current or potential Chinese investments for the U.S. alliance system. This would require undertaking a detailed review of Chinese involvement in strategic infrastructure, ranging from ports to telecoms, with a particular focus on the implications for interoperability, forward deployments, intelligence-sharing, cyber-threats, and defense-industrial supply chains. These assessments, undertaken in consultation with allies and through institutions such as NATO, would identify security risks for the countries in question and to various forms of military and intelligence cooperation with the United States. Precision about the nature of these risks would not only provide strong grounds for the exclusion of Chinese investments in these areas but would also provide scope for U.S. partners to determine appropriate limitations to the investments that remain consistent with alliance obligations and expectations.

Secondly, the United States would benefit from a deepened effort to coordinate between key states on export controls and China's access to advanced technologies, whether through trade, investment, research partnerships, or access by individual Chinese researchers, with particular emphasis being needed on dealing with countries where the processes in these areas are inadequate or poorly aligned. While U.S. partners may choose to make different trade-offs on issues such as loss of intellectual property versus access to the Chinese market, the goal should be to achieve a common, evidence-based set of assessments on the national security implications of China's access to emerging and foundational technologies, which is both a more expansive and a more dynamic view of security risks than many countries currently adopt. Efforts of this sort have already been undertaken with several U.S. allies, such as the Five Eyes, but the efficacy of U.S. policy will ultimately depend on achieving a deeper and wider political consensus on this issue, from Stockholm to Tel Aviv to Singapore.

Drawing hard lines around this category – investments that constitute a direct threat to the United States, the effective functioning of the alliance system, or the capacity of the United States and its friends to maintain a military edge – would set a baseline for U.S. partners and allies, defining the forms of investment are not just "undesirable" or "inadvisable" but that would have direct ramifications for future security cooperation with the United States. In the absence of this clarity, there is a real risk that U.S. allies will discount warnings, treat the U.S. pushback as being directed at their broader economic relationship with China, and look to resist and differentiate their own position.

The **second category** of cases are those where countries' perceptions of economic dependency on China, or of Chinese capacity for economic coercion, risks affecting their political and security choices in ways that are detrimental to U.S. interests. While it is possible to draw up a set of general indicators and trends – China's share of debt, trade and investment volumes, the sustainability of debts, the availability of substitutes in sectors where Chinese imports or exports play a critical role, and so on – any assessment of "dependency" will depend as much on elite and public perceptions as on hard economic facts. There are also widely differing beliefs (and myths) about what political and security stances are consistent with the maintenance of normal economic relations with China. In these cases, rather than "pushback" as such, the main U.S. goal should be to ensure that states are resilient enough to determine their choices without Chinese coercion. This would mean that they have good alternative options for finance, investment, and trade; that governments, publics, journalists, and opposition parties have a well-informed view of any risks as they develop, and the capacity and expertise to deal with China effectively; and that countries have an escape route if they find themselves in trouble. There have been a number of instances, for involving both autocratic and democratic governments, where the experience of a dependent relationship on China has had a salutary effect and resulted in countries reorienting their strategic direction. Whether these changes came through the ballot box or through a decision by the government itself, they were rooted in public discontent about the imbalanced relationship that these countries found themselves in with China. Cases such as Myanmar, Sri Lanka and the Maldives demonstrate the different forms in which dependency can take, and the very different outcomes and options they faced as they sought to reduce it. They also illustrate the fact that dependency on China is likely to be a by-product of other political choices that countries make, which result in their being denied access to other sources of investment and finance. As these cases show, while it is preferable to head off the risks of a dependent relationship before it develops, leaving countries to face up to the ramifications of their decisions can sometimes be the best course of action, as long as they continue to have ready opportunities to reverse them.

The **third category** of cases are those where specific Chinese investments in states that are **not** close US partners or allies pose risks to U.S. security interests. In these instances, the United States is likely to have to work with a broad coalition of countries to incentivize alternative choices: political pressure, financial incentives, public persuasion, and other means. These are the cases that are likely to be costliest in resource commitments – whether economic subsidies and aid or diplomatic attention and political capital – especially when dealing with non-bankable projects that China is willing to support. As a result, the United States and its partners will need to reach a clear collective assessment on which projects or extensions of Chinese economic presence are likely to pose a high priority risk, how best to pre-empt them, and what division of labor among partners is required. This is likely to involve not only include the like-minded group – Japan, India, Australia, the European Union and its member states, Canada and others – but in some instances may include Gulf States, as a couple of recent examples attest. In both these cases and cases where there is a risk of economic dependency, the less costly interventions are likely to be the early ones, before China has established and consolidated its presence in critical sectors rather than late in the decision-making process. While there are good examples of successful pushback stories in, for instance, decisions around major ports – such as in Bangladesh – the expansion of Chinese presence in telecoms networks in both developing countries and advanced economies demonstrates how much more difficult the job is when playing catch-up.

The **fourth category** are the cases where Chinese investments are actually (or at least potentially) beneficial for the countries themselves and for U.S. security objectives. Beijing's willingness to take on heightened political, financial and security risks with its investments means that – in certain cases – it is taking on commitments in fragile and failing states that have dire need of outside support. While there will certainly be investments in these states that give cause for concern, it would be perverse to push back against Chinese projects that may – if they succeed – provide essential jobs, tax revenue and economic activity in countries that have few outside investors and otherwise require significant commitments of U.S. and allied resources. Even if the United States is no longer as willing to coordinate economic initiatives with China in countries such as Afghanistan, allies and partners' efforts to work with China on ensuring that investments adhere to certain standards and serve shared political objectives should be encouraged. The impact of various Chinese projects will vary considerably depending on the macroeconomic picture in these countries, and the political and security conditions that underpin it: the World Bank's BRI appraisal notes that certain Chinese investments may simultaneously provide the best prospects for augmenting countries' economic growth and the greatest risk of placing them in debt distress. While there may be examples where the United States can afford to be sanguine about the failure of Chinese projects, there are also cases where the best outcome will be that they proceed effectively.

The **fifth category** of cases is by far the largest: Chinese investments that embody both the virtues and flaws of the existing BRI model without having a clear-cut impact on U.S. security, where any overall assessment – even if it tilts negative – has to be cognizant of its appeal. On the one hand, corruption, lack of transparency, lack of job generation or opportunities for local companies, high interest rates, diminished environmental standards, and – in areas such as surveillance and internet restrictions – alignment with China's own authoritarian practices. On the other hand, speed of implementation and decision-making, low cost, increasingly attractive technology standards, the availability of significant volumes of finance, and politicized projects that are timed to electoral cycles or directed to specific constituencies. For some politicians and officials, the "negatives" – such as corruption and the importing of elements of China's authoritarian model – are evidently also part of the appeal.

Whether or not this model serves China's interests is currently a question in the balance. While the initial enthusiasm of a number of governments resulted in a flurry of BRI projects, recent elections have brought to power a number of opposition critics who have questioned the BRI model and are looking to rebalance their economic situation away from China. In this sense, the most effective pushback is coming from governments such as Malaysia and the Maldives that have experienced excessive doses of the BRI's worst features and are now seeking to renegotiate the terms. Equally notable is a case such as Pakistan, where – albeit more discreetly – there is also a clear case of buyer's remorse in what is perhaps the closest Chinese partner. None of these governments intends to give up their economic relationship with China, and many BRI packages will continue on a revised basis or on a diminished scale from their early, loftier goals. But in each instance, BRI investments have had at best an ambivalent impact on China's capacity to extend its influence, and have arguably served to weaken China's political standing. Notably, in all of these cases, China owns the failure and is being held culpable – which may not have been true if U.S. involvement had been more heavy-handed. The most valuable form of support extended by the United States and its partners has been to provide the countries that need it with financial breathing room in the election aftermath, and – in cases such as the Maldives – even a "democratic dividend" of the sort that was conspicuously absent after Rajapaksa's defeat in Sri Lanka. The heightened scrutiny on the BRI has also raised the political costs for China to take an intransigent position in negotiations on debt and contracts.

In this category of cases, the U.S. aims should be twofold. The first is to help strengthen countries' capacities and access to information so that they are well-informed about the choices they are making, project-by-project, whether it comes to the actors they are dealing with on the Chinese side or their options in contract negotiations. Many governments continue to lack not only the requisite expertise on China-related questions but also more basic capability for long-term economic planning and project management, while opposition parties and journalists often lack the material they need to scrutinize deals effectively. Even if, after appropriate scrutiny, governments decide to pursue some of these ambiguously beneficial Chinese deals, they should at least be doing so under conditions where they can obtain the best terms possible and with full clarity about what standards they can demand, the result of which should be lower economic and political risk associated with the projects. The second is for the United States to work with partners, allies, multilateral development banks and international financial institutions to ensure that the alternative offer available to countries is as attractive and comprehensive as possible – access to finance, technology, trade, investment, and security relationships that provide more economic and political value over time than the model that China is extending. There has certainly been progress in this regard, particularly through efforts by the United States and its partners to provide new sources of infrastructure finance and investment. But it is not yet clear that the whole package that the advanced industrial democracies are putting on the table is sufficiently compelling to make the choice a clear one. Effective competition with China will require not just country-by-country deals and packages but a broader architecture that states can buy into in areas ranging from trade to data, which commands political support. The fact that BRI pushback remains a firefighting effort is a clear demonstration that this architecture is not currently in place.

Dr. Robert S. Spalding III

Brigadier General (ret) (US Air Force)
24 February 2019

There are numerous studies like *Sharp Power* from the National Endowment for Democracy and *Chinese Influence & American Interests: Promoting Constructive Vigilance* from the Hoover Institute which already indicate we have reached the tipping point. The US Trade Representative's Section 301 report likewise demonstrates that China's economic warfare must be dealt with to preserve US national security. Finally, the National Bureau of Asian Research's China's Eurasian Century explains the danger of China's Belt and Road Initiative to US national interests, and ultimately to the preservation of our democratic principles. The weight of evidence is such that unless we respond aggressively within the today-tomorrow battlefield there may be a point where the accumulated operational experience of our adversaries will leave us too far behind to effectively compete. In that case, a war far more destructive than WWII may be our only option to preserve our republic in its current form.

Addendum – 5G presents a technological inflection point which if not responded to will leave the US and its allies with very few options short of war for advancing our principles and freedoms. There are two issues at play 1) China seeks to deploy the vast majority of 5G systems worldwide. 2) 5G itself will transform the today-tomorrow battlefield in important ways.

China's method for dominating 5G uses all elements of its accumulated experience operating on the today-tomorrow battlefield. Since no democratic countries are present on the today-tomorrow battlefield China is free to operate at will. That means it can use information, economics and diplomacy to advance 5G deployment while democracies are left to implore the private sector to respond. The private sector, itself incentivized by China's model, in turn is fighting their government's efforts to prevent its collusion with China. In other words, the West's private sector has joined the today-tomorrow battlefield as proxy warriors to advance Chinese national interests.

Once in place, and assuming China is successful at deploying the most 5G architecture around the globe, the today-tomorrow battlefield will morph into the battlefield of tomorrow where not only business people, private citizens, elites, politicians and government officials can become proxies, but the millions of machines as well. The architecture itself will allow for the mass collection and synthesis of data. This data coupled with AI and financial incentives will permit China the type of full scale social integration required to disconnect government policy from outcomes that favor the preservation of the republic. Through purely economic and informational means China will be able to incentivize citizens to conduct their lives in ways that promote China's national interests.

On the today-tomorrow battlefield this type of outcome is already possible, but it is clumsy and easily perceived. On March 5 2018 Roy Jones a low-level employee at Marriott Corporation accidentally liked a tweet about Tibet. The Chinese government protested to the Marriott Corporation and he was fired. In the future this type of outcome will become much easier for China to control behind the scenes. For example, WeChat could purchase Twitter or at least take a significant stake in the company. Censors trained to ensure that topics on the platform are not visible by the public could become automated. As your postings become known to the system, a hidden social credit rating could be circulated amongst all companies which have an economic relationship with China. This person will find it increasingly difficult to find success in a society that incentivizes proper behavior, and disincentivizes bad behavior through its global pricing model. Jobs, education, travel, social interactions through the network may all be curtailed all without the person's knowledge. Today Twitter already practices shadow-banning where your posts are not viewable, but it is not apparent to you. Today, there are websites that can test whether you have been shadow-banned, but these will become less effective as China deploys an ever-more sophisticated and automated global cloaking of their actions.

Yun Sun

Co-Director, East Asia Program (Stimson Center)
Director, China Program (Stimson Center)
11 March 2019

It depends on the definition of "strategic threat". If we count any Chinese economic activity that enhances China's relationship with/influence over the recipient government as a strategic threat, then few of them are benign. But if we count only those Chinese economic activities that have a direct impact over a military asset/decision has a strategic threat, the scope is much narrower. One worry is that strategic influence is transferrable from economic arena to security arena. When a country, such as Djibouti, receives Chinese loans that equate to 88% of its annual GDP, it is unlikely that its decision on China's military base is not influenced by the economic influence.

US will have to come up with comparable financing schemes or development plans to meet the demand of the recipient government to compete with China. However, the problem is that China has a different system- a state-dominated model- that makes such economic investment much more easy and efficient than the US system would allow. If US wants to convince the recipient government not to choose the Chinese funding, US will have to offer it an alternative.

Nicolas Véron

Senior Fellow (Bruegel and Peterson Institute for International Economics)
11 March 2019

The United States has gained immensely from its past advocacy of an open rules-based global economic order, and there is no compelling argument that a reversal of that general stance would be in the US interest. As a consequence, economic and investment projects should be considered acceptable unless proven otherwise, not the other way around. This also applies to China's Belt and Road Initiative.

Potentially market-distortive government subsidies should be better tackled through enhancements of the World Trade Organization framework, as the European Union and others have proposed.

Infrastructure projects in countries that need them should generally be welcomed, but should not endanger such countries' creditworthiness. The International Monetary Fund provides the appropriate framework for addressing such fiscal and debt sustainability challenges at the multilateral level.

The review of foreign investment projects in the United States (CFIUS) has generally been used in a restrained manner by US authorities and provides useful precedents for other countries. The United States should encourage the European Union to create a similar framework at EU level, which would be more efficient and less prone to protectionist incentives than at the level of individual EU member states. The United States may consider a framework for bilateral and possibly plurilateral exchanges of views about intelligence assessments in the context of such national (or in the case of the EU, regional) investment review processes.

The international framework for fighting money laundering should be further developed, building up on existing processes within the Financial Action Task Force, the Egmont Group and the current web of bilateral arrangements in that area.

Dr. Yuval Weber

Kennan Institute Associate Professor of Russian and Eurasian Studies
(Daniel Morgan Graduate School of National Security)
4 March 2019

Economic influence can be considered a strategic threat from one country to another when the sending country can successfully limit the choices and exit options of the receiving country. Albert Hirschman noted in his 1945 manuscript, National Power and the Structure of International Trade, Nazi Germany worked to dominate exports and imports of countries in Central and Southeastern Europe throughout the 1930s alongside increasing levels of foreign direct investment, limiting the political choices of local leaders given the lack of economic alternatives to Germany. When conflict did arise in 1939, Germany had cultivated a set of allies that had not previously existed.

However, the Nazis were aided by local affinity for their ideology and concomitant fear of the Soviet Union in the 1930s. The question about economic statecraft today is whether the target countries have similar affinity for Russia or China. Along the numerous countries comprising the Belt & Road Initiative, public opinion is often quite low for China and such projects because the Chinese are largely seen as aiding and abetting local governments at the expense of the population at large, not hiring local labor, and, imposing large infrastructure projects of limited local utility but which leave local countries in very poor debt positions. Particularly in Central Asia, local resentment towards the Chinese has focused on the construction of toll roads that make transregional truck traffic easier and faster, but at the expense of locals who cannot afford the new roads and find their own transportation needs impinged upon.

The U.S. should push back against Chinese and Russian economic statecraft when the issue becomes loading the local states with unsustainable debt burdens, and when serving as an alternative to the Russians and Chinese can provide local states with different and better choices.

Ali Wyne[30]

Policy Analyst (RAND Corporation)
8 March 2019

U.S.-China Competition in the Asia-Pacific

There is little evidence to suggest that America's partners and allies in the Asia-Pacific wish to "choose" between Washington or Beijing, even those that have the greatest reservations about China's regional ambitions. Instead, they seem determined to pursue for as long as possible a balancing act that they have been undertaking for the past decade or so: strengthening their diplomatic and military ties with the United States while expanding their trading and investment ties with China. If Washington exhorts them to make a choice, it may end up undercutting its long-term position in the Asia-Pacific: to China's neighbors, after all, China is a geographical fixture and, despite its cooling growth rate, an economic fulcrum; the United States is a distant superpower and, despite its extant margin of preeminence, an inconsistent presence. One of the chief figures behind the Obama administration's much-discussed rebalance, Kurt Campbell, laments that Washington "often pursues its Asia strategy in fits and starts, exhibiting an accordion-like tendency to surge into the region and then retreat as concerns elsewhere drain away American attention."[31]

The credibility of America's professed commitment to the Asia-Pacific diminishes with each such cycle of surging and retreating; the region's evolution, however, does not stop. The founding father of Singapore, Lee Kuan Yew, observed that "Americans seem to think that Asia is like a movie and that [they] can freeze developments out here whenever the [United States] becomes intensely involved elsewhere in the world."[32] Beyond affording China more room to translate its economic growth into strategic heft, U.S. vacillation compels China's neighbors to take measures that insulate their fortunes from the vagaries of U.S. foreign policy; the Carnegie Endowment for International Peace's Evan Feigenbaum, a prominent architect of the George W. Bush administration's policy towards the Asia-Pacific, warns that "when Washington absents itself (or merely shows disinterest in the region's concerns), Asians will grope for their *own* solutions" (emphasis his).[33] The aftermath of America's withdrawal from the Trans-Pacific Partnership offers a recent illustration: the 11 remaining parties to the agreement proceeded with negotiations, ultimately signing the Comprehensive and Progressive Agreement for Trans-Pacific Partnership. Feigenbaum observes that "for all their tensions with one another, forging agreement on pan-Asian rules beats both 'Chinese' rules and no rules."

Though the United States has long maintained an inconsistent disposition towards the Asia-Pacific, its policy towards China has changed significantly in recent years: unlike its predecessor, the Trump administration regards Beijing not as a challenging partner, but as a security threat. While the Obama administration grew increasingly frustrated by China's theft of intellectual property and espionage for commercial gain, it largely embraced the proposition that economic interdependence between the two countries was a source of stability in their relations. The Trump administration, by contrast, has forcefully challenged that judgment, arguing that the United States was mistaken to support China's accession to the World Trade Organization and facilitate the economic revival of what has become its principal competitor. Its national security strategy warns that "China is using economic inducements and penalties," among other instruments, "to persuade other states to heed its political and security agenda. China's infrastructure investments and trade strategies reinforce its geopolitical aspirations."[34] Citing Beijing's technological aspirations as a threat to U.S. national security, the administration has imposed tariffs of 25 percent on $250 billion worth of Chinese exports, announced that it will impose tariffs of ten percent on an additional $300 billion of Chinese goods starting in December, and attempted to restrict high-tech exports to major companies such as Fujian Jinhua and Huawei.

It is true, of course, that China had been growing its economic self-sufficiency well before the Trump administration took office. In the

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30 The views expressed in this submission are solely those of Mr. Wyne; they do not reflect those of the RAND Corporation or any of its other employees.
31 Kurt M. Campbell, *The Pivot: The Future of American Statecraft in Asia* (New York: Twelve, 2016): p. 138
32 Graham Allison, Robert D. Blackwill, and Ali Wyne, *Lee Kuan Yew: The Grand Master's Insights on China, the United States, and the World* (Cambridge, MA: MIT Press, 2013): p. 28
33 https://macropolo.org/analysis/reluctant-stakeholder-why-chinas-highly-strategic-brand-of-revisionism-is-more-challenging-than-washington-thinks/
34 https://www.whitehouse.gov/wp-content/uploads/2017/12/NSS-Final-12-18-2017-0905.pdf

aftermath of the 1997-98 Asian-Pacific currency crisis and especially the global financial crisis a decade later, it judged the United States to be an unreliable steward of the world economy, and it adjusted accordingly; where China's exports to the United States were equivalent to nine percent of its GDP in 2007, that figure stood at just four percent in 2017.[35]

Up until recently, though, there was little evidence that China sought to develop greater autonomy as an alternative to greater interdependence; rather, it appeared set on increasing both. Now, however, in light of the Trump administration's commitment to readjusting economic ties between the two countries, it appears to have concluded that Washington regards trade entanglement less as an instrument for maintaining stable bilateral ties than for constricting China's resurgence. As such, what had, until recently, been a gradual Chinese effort to reduce its reliance on the U.S. economy may well accelerate significantly. China is tasked with absorbing the short-term pain of decoupling en route to becoming more competitive over the long run. That charge entails not only rerouting to other countries the exports it has thus far been sending to the United States; it also involves finding alternative providers of advanced technology and concurrently growing an indigenous capacity for advanced manufacturing.

Because the United States is the top destination for Chinese exports and, as the near-death of telecommunications giant ZTE affirms, the principal supplier of high-tech inputs to China, finding a substitute for Washington will not be easy. The Trump administration's policy could accrue strategic dividends if it induces partners and allies to follow suit and nurtures the formation of a broad-based coalition to counter China's economic practices; a recent analysis observes that the country's leadership fears "a potential coordinated assault by the Trump administration, [the European Union], and Japan on their unique model of Chinese 'state capitalism' that has been integral to the country's economic success over the past 40 years."[36]

The evidence thus far, however, suggests that such a coalition is unlikely to form. Japan, China, and South Korea are accelerating talks on a free-trade agreement (FTA), and negotiations over the Regional Comprehensive Economic Partnership—a 16-country arrangement that excludes the United States and accounts for some 30 percent of gross world product—are gaining momentum. All told, China has "17 FTAs with 25 countries and regions, and is in talks over 12 new or upgraded FTA deals."[37] Beijing is also gaining economic leverage abroad through BRI, though that undertaking has started to experience growing pushback.

In addition, while the Trump administration's strategy may well cause short-term economic headaches for China, it is unlikely to deal a long-term setback; China presently occupies a commanding position in global supply chains, accounting for nearly 35 percent of clothing exports and over 32 percent of office and telecommunications equipment exports last year.[38] Its GDP, meanwhile, was over three-fifths as large as America's in 2017, roughly twice as high a proportion as in 2008.[39] China is also expected to account for roughly 35 percent of global growth between 2017 and 2019.[40] In brief, Beijing is unlikely to wither in the face of tariffs. Indeed, concludes Beijing-based economics correspondent Michael Schuman, the Trump administration's course of unilateral protectionism has only "reinforced the critical importance of [its] quest for greater independence….China is content to go its own way on its own terms."[41]

The worst-case scenario from Washington's perspective would be one in which it confronts, without its European and Asian partners and allies, a China whose economy is not only significantly larger but also more resilient; Jeffrey Bader, President Obama's principal China advisor between 2009 and 2011, made this point powerfully in a recent policy brief:

- Americans need to understand that if we go down the road of disengagement from China in pursuit of unbridled competition, it will not be a repetition of the Cold War with the Soviet Union, when the United States was joined by a phalanx of Western and democratic countries determined to join us in isolating the [Soviet Union]. […] …the rest of the world, like us, is deeply entangled with China economically and in other ways. Even those most wary of Beijing, like Japan, India, and Australia, will not

35 https://www.ft.com/content/c4df31cc-4d26-11e8-97e4-13afc22d86d4
36 https://www.ft.com/content/ee361e2e-b283-11e8-8d14-6f049d06439c. The Chinese international relations scholar Yan Xuetong contends that "the core of competition between China and the United States will be to see who has more high-quality friends." See "How China Can Defeat America," *New York Times* (November 21, 2011).
37 https://www.scmp.com/news/china/diplomacy/article/2165260/china-japan-and-south-korea-aim-speed-talks-free-trade
38 https://www.ft.com/content/03e4f016-aa9a-11e8-94bd-cba20d67390c
39 https://data.worldbank.org/indicator/NY.GDP.MKTP.CD?locations=US-CN
40 https://www.weforum.org/agenda/2018/04/the-worlds-biggest-economies-in-2018/
41 https://www.bloombergquint.com/opinion/china-s-far-from-desperate-to-make-a-trade-deal-with-trump

risk economic ties with China nor join in a perverse struggle to re-erect the "bamboo curtain," this time by the West. We will be on our own.[42]

Lieutenant Colonel Maciej Zaborowski[43]

Analyst, Combined Strategic Analysis Group, CCJ-5 (US Central Command)
11 March 2019

Submission One

Chinese ambitions of having a 'great power' status focus on surpassing the US and becoming the leading global power. China's 'Great Rejuvenation' is much more than just a plan to provide connectivity and improve the economy and wealth of the Chinese people. Rather, it should be considered as the largest ever, global, man-invented project which creates conditions to surpass potential adversaries in any possible domain, through mostly economic and political means (but who can guarantee that once having the economic dominance in place, future Chinese leadership would not consider use of military power to do thy bidding?). President Xi Jinping's ideas of restoration of Chinese greatness and re-making China into the 'Country of the Middle' should breed deep and multivector oriented thinking and concerns among the US and Western world.

In pursuit of global goals, China became one of the largest global investors (in some cases even the largest) and one of the largest importers of natural resources. What makes Chinese offers attractive, especially to smaller and weaker countries/economies, is the fact that China usually offers a lot, but asks for little in return initially.

While not preferring military confrontation and actually avoiding it at the moment, China chose diplomacy, economy and information as the main arenas of their actions. Chinese diplomatic successes could be highlighted by growing number of countries abandoning Chinese adversaries (i.e. diminished international support to Taiwan) and shifting to support Beijing's narratives. To secure its economic position and actions, China tries to create a new global financial system, as an alternative to the existing World Banking System. At the same time, China is more than eager to pursue with their debt trap scenarios, offering huge resources or investments to smaller and weaker states. The cost is a loss of sovereignty of territories important to Chinese global plans.

Unlike China, Russia has a different perception on what it means to be a great power. Russian ambitions do not aim at establishing a physical presence all around the globe. Instead, the Kremlin perceives its status of great power as a set of capacities/abilities to influence a situation, influence developments, or as an ability to make things happen or not happen, preferably wherever and whenever Moscow wills so. From this perspective, Russian hard power assets are meant to demonstrate overwhelming magnitude of military capabilities (regardless whether real or fake ones), establish A2AD and provide projection of power good enough to execute aggressive Russian actions.

Russia's policies and strategies are, therefore, focused on countering the US and NATO's presence and supremacy. Moscow's primary focus remains on Europe and Europe's neighborhood at the moment, and only to some extent in other places where Russian goals could be achieved with relatively little efforts and resources.

However, new, potentially threatening developments from a US perspective have occurred over the last several years. Russia and China, traditionally opposed to each other (rifts between the two countries peaked in 1969, during war in Russia, and never truly settled since then), have seemingly entered into a 'honeymoon' relationship, or so called 'marriage of convenience' recently. China, benefiting throughout the decades from the US support and sponsorship, has silently but persistently worked hard on establishing broad economic capabilities, finally announcing the will to surpass the US by 2049. Chinese investments have spread around the globe rapidly, with an intent to establish new 'Silk Roads' across the land and sea and re-make China into the Country of the Middle. On the other hand, Russian leadership needs money and offers an abundance of natural energy resources, which pre-sets the stage for Russia-China relations. In this duo, China may offer the money, which is much needed in Moscow, and at the same time Russia may in return allow some more

[42] https://www.brookings.edu/research/u-s-china-relations-is-it-time-to-end-the-engagement/
[43] Lieutenant Colonel Zaborowski contributed two submissions of relevance to this question.

bold Chinese actions pushing the Belt and Road Initiative through areas contested in the past. Russia might even consider joining some of these Chinese projects. This relationship seems to continue deepening as China and Russia are being cornered by U.S. policies (e.g., sanctions, economic conflicts, military presence, etc.) and, therefore, share a common adversary – the US. Consequences of a merge of Russian resources and Chinese emerging economy and technology should be very attentively monitored, analyzed and assessed. Furthermore, strategies to counter Chinese grand long-term strategies, as well as Russian 'fait accompli' strategies, need to be searched for immediately.

Submission Two

Due to diverse nature and organic differences between Chinese and Russian ways of thinking, ambitions and behaviors, the US will have to develop strategies that allow it to properly address each one separately but also allow it to cope with potential results of tightening Chinese-Russian collaboration.

Russian opportunism requires pragmatic, straight to the point and decisive responses, since strength and power are the only means that Russia respects. It is not about escalation, but it is about being consistent and being able and ready to respond to Russian actions. It is not about disrespect or disregard, but it is about respect to thy adversary and realization to whom we are talking to. Regardless of how much the West would like to trust Russian leaders and believe in a Russia that is reliable, cooperative and willing to follow common rules and laws, Russians will simply remain who they are and will sooner or later reach to their native, generic attitudes and ways of thinking. Russia not only declares but also pursues the notion of countering the US. Putin's Russia will most likely continue pursuing an old Bolshevik method of putting the enemies to a test: "push the enemy with a bayonet. If it goes in easily, keep on pushing. If it meets steel, pull back and try another spot." Therefore, Russia's behavior under Putin will continue to push the bayonet, be it in Georgia (2008), be it in Ukraine (2014 and on), be it violations of International Air Space, be it kidnappings (just like the kidnapping of an Estonian officer in 2015), be it aggressive cyber-attacks, or be it assassinations of those inconvenient to Putin (Skripal, Litvineko, and many others). This strategy towards Russia requires maintaining good and mutually beneficial relationships with allies, especially those having history and experience with Russia. Unique, firsthand experiences and deep understanding of Russian ways of thinking and behavior seem crucial in not only countering the Russian behavior, but also shaping it.

Chinese long-term and vast strategies, on the other hand, require significantly different approaches. Beijing investments and money are much welcome by governments around the world. But this willingness not always comes with proper understanding of the potential consequences of falling into the Chinese debt trap are (examples of Sri Lanka, Malaysia or Venezuela). Contrary to that, however, the populace of countries targeted by China seem to have much more awareness and concerns about crawling, silent Chinese expansion, what seems especially apparent in Central Asian States. Citizens of Kazakhstan, Uzbekistan, Turkmenistan, Kyrgyzstan and Tajikistan present even some amount Sinophobia and call for their governments to not allow untamed 'Chinese invasion'. From this perspective, the US could focus on addressing governments willing to easily accept Chinese money and educate them about dangers hiding behind the debt trap. Furthermore, US-owned or US-led tailored investment projects could provide alternatives to Beijing's offers. At the same time, the natural reluctance among populaces towards China should be highlighted, supported and promoted. Such a comprehensive approach would even further benefit from mature, enduring and responsible alliances. Alliances ready to stand together and still against waves of Chinese expansions, whenever needed.

Another important aspect of addressing Chinese strategies and actions hides behind understanding the complexity and vastness of the Great Rejuvenation and all corresponding projects. Beijing's designed plan is so vast and multi-vectored and encompass every part of our globe, and attempt to extract the US. The plan comes with so many routes, paths and interdependencies, that focusing just on Asia and Indo-Pacific is unlikely to stop it anymore. Proper understanding of all connectivity, interdependencies and dynamics between China and each of the states and regions connecting to Beijing is needed for there to be any hope of developing the policies and mechanisms needed to cope with a China-centered scenario of the future. From this perspective, Eastern, South-Eastern and Southern European allies should play some crucial roles in US strategies to counter Chinese expansion. The US can still enjoy very positive attitudes, trust, and 'battle hardened' friendships within the territories between the Mediterranean, Black, and Baltic seas. All the countries squeezed between growing German power and reemerging Russian power will need strong and reliable allies in order to preserve their sovereignties and independence. In return, once their independencies prevail and economies build up to allow them to become better and stronger partners, they will more than willingly repay with decisive and unbroken support to oppose any malign or trickery actions. However, if left alone or not supported in their contemporary struggles, those smaller and weaker countries will have no choice but to bend the knee to new hegemonies or align with emerging powers. Therefore, it is in the US's best interests to not neglect those relationships, since they will play a significant role in either balancing the future Chinese-European links or contributing and supporting those links.

Subject Matter Expert Biographies

Dr. Kerry Brown

Professor, Chinese Studies (King's College, London)
Director, Lau China Institute (King's College, London)

Kerry Brown is Professor of Chinese Studies and Director of the Lau China Institute at King's College, London. He is an Associate of the Asia Pacific Programme at Chatham House, London, an adjunct of the Australia New Zealand School of Government in Melbourne, and the co-editor of the Journal of Current Chinese Affairs, run from the German Institute for Global Affairs in Hamburg. From 2012 to 2015 he was Professor of Chinese Politics and Director of the China Studies Centre at the University of Sydney, Australia. Prior to this he worked at Chatham House from 2006 to 2012, as Senior Fellow and then Head of the Asia Programme. From 1998 to 2005 he worked at the British Foreign and Commonwealth Office, as First Secretary at the British Embassy in Beijing, and then as Head of the Indonesia, Philippine and East Timor Section. He lived in the Inner Mongolia region of China from 1994 to 1996. He has a Master of Arts from Cambridge University, a Post Graduate Diploma in Mandarin Chinese (Distinction) from Thames Valley University, London, and a Ph D in Chinese politics and language from Leeds University. Professor Brown directed the Europe China Research and Advice Network (ECRAN) giving policy advice to the European External Action Service between 2011 and 2014. He is the author of almost 20 books on modern Chinese politics, history and language, the most recent of which are *The New Emperors: Power and the Princelings in China* (2014), *What's Wrong with Diplomacy: The Case of the UK and China* (2015) and the *Berkshire Dictionary of Chinese Biography* (in Four Volumes- 2014-2015). His 'China's CEO: Xi Jinping' was published in 2016. 'China's World: What Does China Want' was published in August 2017, and `China's Dreams: The Culture of the Communist Party and the Secrety Sources of its Power' by Polity Press, Cambridge, in 2018.

Dean Cheng

Senior Research Fellow, Asian Studies Center, Davis Institute for National Security and Foreign Policy (Heritage Foundation)

Dean Cheng brings detailed knowledge of China's military and space capabilities to bear as The Heritage Foundation's research fellow on Chinese political and security affairs. He specializes in China's military and foreign policy, in particular its relationship with the rest of Asia and with the United States. Cheng has written extensively on China's military doctrine, technological implications of its space program and "dual use" issues associated with the communist nation's industrial and scientific infrastructure. He previously worked for 13 years as a senior analyst, first with Science Applications International Corp. (SAIC), the Fortune 500 specialist in defense and homeland security, and then with the China Studies division of the Center for Naval Analyses, the federally funded research institute. Before entering the private sector, Cheng studied China's defense-industrial complex for a congressional agency, the Office of Technology Assessment, as an analyst in the International Security and Space Program. Cheng has appeared on public affairs shows such as *John McLaughlin's One on One* and programs on National Public Radio, CNN International, BBC World Service and International Television News (ITN). He has been interviewed by or provided commentary for publications such as *Time* magazine, *The Washington Post*, *Financial Times*, *Bloomberg News*, *Jane's Defense Weekly*, South Korea's *Chosun Ilbo* and Hong Kong's *South China Morning Post*. Cheng has spoken at the National Space Symposium, National Defense University, the Air Force Academy, Massachusetts Institute of Technology (MIT) and Eisenhower Center for Space and Defense Studies. Cheng earned a bachelor's degree in politics from Princeton University in 1986 and studied for a doctorate at MIT. He and his wife reside in Vienna, Va.

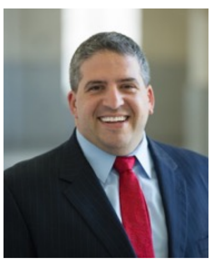
Major Christopher Culver

Assistant Professor, Political Science (US Air Force Academy)

Major Christopher Culver is an assistant professor of political science at the United States Air Force Academy. He teaches international political economy, international security studies, and beginning Chinese language courses. He is proficient in Chinese, and his research interests include international political economy, remittances, authoritarian governments, development, and Chinese economic activities in Africa. Major Culver earned a dual-title PhD in political science and African studies as well as an MA in political science from the Pennsylvania State University, a Masters of Public Policy degree from the Harvard Kennedy School, and was a distinguished graduate and Truman Scholar from USAFA's class of 2006. After graduation, he attended Euro-NATO Joint Jet Pilot Training. Upon completion of UPT, he flew MQ-1B Predators at Creech AFB, and then became an instructor at the MQ-1 formal training unit at Holloman AFB. He has flown over 1,000 hours in support of Operation Enduring Freedom, Iraqi Freedom, and New Dawn.

Abraham M. Denmark

Director, Asia Program (Woodrow Wilson International Center for Scholars)



Abraham M. Denmark is Director of the Asia Program at the Woodrow Wilson International Center for Scholars, which conducts independent research and hosts frank dialogues to develop actionable ideas for Congress, the Administration, and the broader policy community on issues related to the Asia-Pacific. He also holds a joint appointment as a Senior Fellow at the Wilson Center's Kissinger Institute on China and the United States. Prior to joining the Wilson Center, Mr. Denmark served as Deputy Assistant Secretary of Defense for East Asia, where he supported the Secretary of Defense and other senior U.S. government leaders in the formulation and implementation of national security strategies and defense policies toward the region. Mr. Denmark previously worked as Senior Vice President for Political and Security Affairs at The National Bureau of Asian Research, a Fellow at the Center for a New American Security, and held several positions in the U.S. Intelligence Community. Mr. Denmark has authored dozens of articles and edited several books on the Asia-Pacific and U.S. national security, including several editions of the *Strategic Asia* book series. He has testified multiple times before the U.S. Senate and House of Representatives, as well as the U.S.-China Economic and Security Review Commission. His commentary has been featured in major media outlets in the United States and in Asia, including *Foreign Affairs*, National Public Radio, *the Financial Times,* the *National Interest, Foreign Policy*, and *the Atlantic*. In January 2017, Mr. Denmark received the Secretary of Defense Medal for Outstanding Public Service. He also received the Order of the Resplendent Banner from the Republic of China (Taiwan), was made an Honorary Admiral in the Navy of the Republic of Korea, and was named a 21st Century Leader by the National Committee on American Foreign Policy. A Colorado native, Mr. Denmark holds an MA in International Security from the Josef Korbel School of International Studies at the University of Denver, and received a BA in History with Honors from the University of Northern Colorado. He has also studied at Peking University. He lives with his wife and son in Maryland.

Peter E. Harrell

Adjunct Senior Fellow (Center for a New American Security)

Peter Harrell is an adjunct senior fellow at the Center for a New American Security, where he focuses on the intersection of economics and national security. Research interests include economic statecraft, sanctions and energy. From 2012-2014, Mr. Harrell served as the Deputy Assistant Secretary for Counter Threat Finance and Sanctions in the State Department's Bureau of Economic and Business Affairs. In that role, Harrell was instrumental in developing the international sanctions against Iran, Russia, and Syria, and in the easing of sanctions on Myanmar. He also played a leading role in the U.S. government's efforts to counter terrorist financing, including work to combat the financing of the Islamic State (ISIL). Mr. Harrell served on the State Department's Policy Planning Staff from March 2009 to June 2012, where he played a leading role in developing Secretary of State Hillary Clinton's economic statecraft agenda. He also worked on a variety of other trade and economic issues, with a particular interest in Asia, and authored and edited sections of the State Department's first-ever Quadrennial Diplomacy and Development Review (QDDR). Before joining the State Department, Mr. Harrell served on President Barack Obama's 2008 campaign. He previously worked as a reporter for Congressional Quarterly in Washington, D.C., and is the author of one book, Rwanda's Gamble: Gacaca and a New Model of Transitional Justice. Mr. Harrell is a magna cum laude graduate of Princeton University and holds a J.D. from the Yale Law School. He is originally from Atlanta, Georgia.

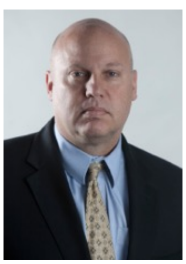
Anthony Rinna

Senior Editor (Sino-NK)

Anthony V. Rinna is a Senior Editor at Sino-NK, a research organization dedicated to the study of the Korean Peninsula and Northeast Asia. Rinna specializes in Russian foreign policy and Northeast Asian geopolitics. His expertise has been sought for research conducted by the Australian and Indian foreign ministries, as well as DoD. His views have been cited in the BBC, CNBC, Reuters and the Washington Post. Rinna, a US citizen, has a working knowledge of Korean, Russian and Spanish, and has lived in South Korea since 2014.

Dr. Derek M. Scissors

Resident Scholar (American Enterprise Institute)



Derek M. Scissors is a resident scholar at the American Enterprise Institute (AEI), where he focuses on the Chinese and Indian economies and on US economic relations with Asia. He is concurrently chief economist of the China Beige Book. Dr. Scissors is the author of the China Global Investment Tracker. In late 2008, he authored a series of papers that chronicled the end of pro-market Chinese reform and predicted economic stagnation in China as a result. He has also written multiple papers on the best course for Indian economic development. Before joining AEI, Dr. Scissors was a senior research fellow in the Asian Studies Center at the Heritage Foundation and an adjunct professor of economics at George Washington University. He has worked for London-based Intelligence Research Ltd., taught economics at Lingnan University in Hong Kong, and served as an action officer in international economics and energy for the US Department of Defense. Dr. Scissors has a bachelor's degree from the University of Michigan, a master's degree from the University of Chicago, and a doctorate from Stanford University.

Andrew Small

Senior Transatlantic Fellow, Asia Program (German Marshall Fund)

Andrew Small is a senior transatlantic fellow with GMF's Asia Program, which he established in 2006. His research focuses on U.S.–China relations, Europe–China relations, Chinese policy in South Asia, and broader developments in China's foreign and economic policy. He was based in GMF's Brussels office for five years, and worked before that as the director of the Foreign Policy Centre's Beijing office, as a visiting fellow at the Chinese Academy of Social Sciences, and an ESU scholar in the office of Senator Edward M. Kennedy. His articles and papers have been published in *The New York Times*, *Foreign Affairs*, *Foreign Policy,* the *Washington Quarterly*, as well as many other journals, magazines, and newspapers. He is the author of the book *The China-Pakistan*

Axis: Asia's New Geopolitics published with Hurst / Oxford University Press in 2015. Small was educated at Balliol College, University of Oxford.

Dr. Robert S. Spalding III

Brigadier General (ret) (US Air Force)

Dr. Rob Spalding is an accomplished innovator in government and a national security policy strategist. He has served in senior positions of strategy and diplomacy within the Defense and State Departments for more than 26 years. He was the chief architect of the framework for national competition in the Trump Administration's widely praised National Security Strategy (NSS), and the Senior Director for Strategy to the President. Dr. Spalding is globally recognized for his knowledge of Chinese economic competition, cyber warfare and political influence, as well as for his ability to forecast global trends and develop innovative solutions. Dr. Spalding's relationship with business leaders, fostered during his time as a Military Fellow at the Council on Foreign Relations, allowed him to recommend pragmatic solutions to complex foreign policy and national security issues, which are driving positive economic outcomes for the nation. Dr. Spalding's groundbreaking work on competition in Secure 5G has reset the global environment for the next phase of cyber security in the information age. Dr. Spalding is a skilled combat leader, promoter of technological advances to achieve improved unit performance, and a seasoned diplomat. Under Dr. Spalding's leadership, the 509th Operations Group—the nation's only B-2 Stealth Bomber unit—experienced unprecedented technological and operational advances. Dr. Spalding's demonstrated acumen for solving complex technological issues to achieve operational success, was demonstrated when he led a low-cost rapid-integration project for a secure global communications capability in the B-2, achieving tremendous results at almost no cost to the government. As commander, he led forces in the air and on the ground in Libya and Iraq. During the UUV Incident of 2016, Dr. Spalding averted a diplomatic crisis by negotiating with the Chinese PLA for the return of the UUV, without the aid of a translator. Dr. Spalding has written extensively on national security matters. He is currently working on a book concerning national competition in the 21st Century. His work has been published in *The Washington Post*, *The Washington Times, Foreign Affairs*, *The American Interest*, *War on the Rocks*, *FedTech Magazine*, *Defense One, The Diplomat,* and other edited volumes. His Air Power Journal article on *America's Two Air Forces* is frequently used in the West Point curriculum. Dr. Spalding is a Senior Fellow at the Hudson Institute and a Life Member of the Council on Foreign Relations. He has lectured globally, including engagements at the Naval War College, National Defense University, Air War College, Columbia University, S. Rajaratnam School of International Studies in Singapore, Johns Hopkins Applied Physics Laboratory and other Professional Military Educational institutions. Dr. Spalding received his Bachelor of Science and Master of Science degrees in Agricultural Business from California State University, Fresno, and holds a doctorate in economics and mathematics from the University of Missouri, Kansas City. He was a distinguished graduate of the Defense Language Institute in Monterey, and is fluent in Chinese Mandarin.

Yun Sun

Co-Director, East Asia Program (Stimson Center)
Director, China Program (Stimson Center)

Yun Sun is co-Director of the East Asia Program and Director of the China Program at the Stimson Center. Her expertise is in Chinese foreign policy, U.S.-China relations and China's relations with neighboring countries and authoritarian regimes. From 2011 to early 2014, she was a Visiting Fellow at the Brookings Institution, jointly appointed by the Foreign Policy Program and the Global Development Program, where she focused on Chinese national security decision-making processes and China-Africa relations. From 2008 to 2011, Yun was the China Analyst for the International Crisis Group based in Beijing, specializing on China's foreign policy towards conflict countries and the developing world. Prior to ICG, she worked on U.S.-Asia relations in Washington, DC for five years. Yun earned her master's degree in international policy and practice from George Washington University, as well as an MA in Asia Pacific studies and a BA in international relations from Foreign Affairs College in Beijing.

Nicolas Véron

Senior Fellow (Bruegel and Peterson Institute for International Economics)

Nicolas Véron cofounded Bruegel in Brussels in 2002-05, joined the Peterson Institute for International Economics in Washington DC in 2009, and is currently employed on equal terms by both organizations as a Senior Fellow. His research is primarily about financial systems and financial services policies. He frequently briefs senior economic policy officials in Europe, the United States and Asia, and has testified at parliamentary hearings in the US Senate, European Parliament, and in several European member states. A graduate of France's Ecole Polytechnique and Ecole des Mines, his earlier experience includes senior positions in the French government and private sector in the 1990s and early 2000s. He is also an independent board member of the global derivatives trade repository arm of DTCC, a financial infrastructure company that operates on a non-profit basis. In September 2012, Bloomberg Markets included Véron in its yearly global "50 Most Influential" list with reference to his early advocacy of European banking union, a topic on which he has worked and published near-continuously since 2007.

Dr. Yuval Weber

Kennan Institute Associate Professor of Russian and Eurasian Studies
(Daniel Morgan Graduate School of National Security)

Yuval Weber, Ph.D., is the Kennan Institute Associate Professor of Russian and Eurasian Studies and was the inaugural DMGS-Kennan Institute fellow. Prior to joining the faculty at DMGS, Dr. Weber taught at Harvard University, where he was a Visiting Assistant Professor in the Department on Government and a Kathryn W. and Shelby Cullom Davis Research Fellow at the Davis Center for Russian and Eurasian Studies. His first position was at the National Research University–Higher School of Economics, where he was an Assistant Professor in the Faculty of World Economy and International Affairs. He has additionally served as a researcher at the Carnegie Moscow Center and the New Economic School in Moscow and completed his post-graduate education at University of Chicago and University of Texas. Dr. Weber is working on a project on the sources of liberal and anti-liberal dissatisfaction for powers in the international system and the strategies they employ to stake their claims for revising the international order. The first manuscript from that project is about the tension between demands of economic modernization and the security state in Russian political economy (Agenda/Columbia UP). His work has appeared in *Problems of Post-Communism*, *International Studies Review*, *Survival*, *Cold War Studies*, *Orbis*, and the *Washington Post*.

Ali Wyne

Policy Analyst (RAND Corporation)

Ali Wyne is a Washington, DC-based policy analyst at the RAND Corporation, a nonresident senior fellow at the Atlantic Council, and a nonresident fellow at the Modern War Institute. He serves as rapporteur for a U.S. National Intelligence Council working group that analyzes trends in world order. Wyne served as a junior fellow at the Carnegie Endowment for International Peace from 2008 to 2009 and as a research assistant at the Belfer Center for Science and International Affairs from 2009 to 2012. From January to July 2013 he worked on a team that prepared Samantha Power for her confirmation hearing to be U.S. Ambassador to the United Nations. From 2014 to 2015 he served on RAND's adjunct staff, working with the late Richard Solomon on RAND's *Strategic Rethink* series. Wyne received dual degrees in management science and political science from MIT (2008) and earned his Masters in Public Policy from the Harvard Kennedy School (2017). While at the Kennedy School he served on a Hillary for America working group on U.S. policy toward Asia. Wyne is a coauthor of *Lee Kuan Yew: The Grand Master's Insights on China, the United*

States, and the World (2013) and a contributing author to *Power Relations in the Twenty-First Century: Mapping a Multipolar World?* (2017) and the *Routledge Handbook of Public Diplomacy* (2008). Wyne is a term member of the Council on Foreign Relations, a David Rockefeller fellow with the Trilateral Commission, and a security fellow with the Truman National Security Project.

Lieutenant Colonel Maciej Zaborowski

Analyst, Combined Strategic Analysis Group, CCJ-5 (US Central Command)

Lt Col Maciej Zaborowski is a Polish Air Force officer, currently assigned at Combined Strategic Analysis Group (CSAG), CCJ-5, US Central Command. He serves there as analyst and a member of international sort of 'think tank' structure, unique to USCENTCOM. Lt Col Maciej Zaborowski entered military in 1993 (Military University of Technology, Warsaw; 5-year Master of Science in aviation course, commissioned officer in 1997). He began his professional carrier as a member of 36th Special Air Transportation Regiment (maintenance engineer positions, also JAK-40 and Tupolew 154M flying crew member). Prior to his current assignment, Lt Col Zaborowski served at number of positions in the Polish Ministry of National Defense and the General Command of the Polish Armed Forces as an analyst, defense planner and strategic planner. He also served at the NATO Supreme Allied Command Transformation Headquarters (Norfolk, Virginia, 2008-2011) as Curriculum Design Officer and Concept Developer, and in European Union Monitoring Mission in Georgia (Field Office Zugdidi, 2013-2014). He is a graduate of National Defense University postgraduate studies, with focus on leadership and negotiations. He is also a graduate of George C. Marshall European Center for Security Studies, Germany (Program of Advanced Security Studies). His current efforts focus on Great Power Competition, with highlight on Central Asia, Russia, Kazakhstan and China.

Author Biography

Dr. Sabrina J. Pagano

Principal Research Scientist (NSI, Inc.)

Dr. Pagano has extensive experience leading teams and projects both in academia and industry, including both the government and commercial domains. Though supporting a wide variety of projects and proposals at NSI, her work has focused in four main areas: 1) providing support to DoD's Strategic Multilayer Analysis (SMA) projects, including rapid applied analysis for CENTCOM, 2) serving as the Principal Investigator and Project Manager for a multi-year contract investigating progress in conflict environments, 3) providing project oversight as the project manager for two AAA titles at a top gaming company, and 4) contributing thought leadership as one of two developers for a corporate offering focused on enhancing dignity in interactions with customers and employees. Prior to NSI, Dr. Pagano served as the Director (Acting) of a growing behavioral sciences program, as well as a Faculty Fellow Researcher and Lecturer at UCLA. Her work has spanned a wide variety of topics, with particular depth in intergroup relations, injustice, basic and moral emotions (e.g., empathy, moral outrage), and prosocial/antisocial behavior. She maintains an active knowledge base in the broad field of social psychology, and knowledge that spans multiple fields given her experience and leadership on multidisciplinary projects. Dr. Pagano earned her Ph.D. in Social Psychology (minor in Statistics) from the University of California, Los Angeles, and a dual BA with highest honors in Psychology and Political Science from the University of North Carolina at Chapel Hill.